

**HONG LEONG CAPITAL BERHAD**  
*(Company Number: 213006-U)*  
**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2013**

	Note	The Group		The Company	
		As at 31/12/2013 RM'000	As at 30/06/2013 RM'000	As at 31/12/2013 RM'000	As at 30/06/2013 RM'000
<b>ASSETS</b>					
Cash and short term funds		<b>430,979</b>	665,574	<b>4,277</b>	77,386
Reverse repurchase agreements		<b>380,841</b>	274,388	-	-
Deposits and placements with banks and other financial institutions		<b>265,424</b>	325,561	<b>371</b>	360
Financial assets held-for-trading	11	<b>503,503</b>	660,864	<b>407</b>	414
Financial investments available- for-sale	12	<b>666,114</b>	265,333	<b>73,872</b>	-
Financial investments held-to-maturity	13	<b>670,984</b>	253,911	-	-
Derivative financial assets	19	<b>38,268</b>	28,785	-	-
Loans and advances	14	<b>293,984</b>	174,184	-	-
Clients' and brokers' balances	15	<b>187,344</b>	150,509	-	-
Other assets	16	<b>22,160</b>	12,855	<b>351</b>	14
Statutory deposits with Bank Negara Malaysia		<b>37,740</b>	24,500	-	-
Tax recoverable		<b>1,383</b>	1,464	<b>1,365</b>	1,365
Investment in subsidiary companies		-	-	<b>372,659</b>	372,659
Deferred tax assets		<b>69,431</b>	56,322	<b>7</b>	-
Property and equipment		<b>6,481</b>	6,888	-	-
Goodwill		<b>33,059</b>	33,059	-	-
Intangible assets		<b>931</b>	1,070	-	-
<b>TOTAL ASSETS</b>		<b>3,608,626</b>	2,935,267	<b>453,309</b>	452,198
<b>LIABILITIES</b>					
Deposits from customers	17	<b>275,436</b>	470,169	-	-
Deposits and placements of banks and other financial institutions	18	<b>2,319,868</b>	1,542,975	-	-
Repurchased agreements		<b>184,389</b>	177,033	-	-
Derivative financial liabilities	19	<b>37,637</b>	32,773	<b>22,264</b>	12,156
Clients' and brokers' balances		<b>182,714</b>	140,353	-	-
Other liabilities	20	<b>81,850</b>	89,664	<b>499</b>	1,887
Current tax liabilities		<b>509</b>	735	-	-
Deferred tax liabilities		-	-	-	-
<b>TOTAL LIABILITIES</b>		<b>3,082,403</b>	2,453,702	<b>22,763</b>	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 31 DECEMBER 2013**

	Note	The Group		The Company	
		As at 31/12/2013 RM'000	As at 30/06/2013 RM'000	As at 31/12/2013 RM'000	As at 30/06/2013 RM'000
<b>EQUITY</b>					
Share capital		<b>246,896</b>	246,896	<b>246,896</b>	246,896
Reserves		<b>289,779</b>	245,175	<b>193,028</b>	200,637
Treasury shares for ESOS scheme		<b>(10,452)</b>	(10,506)	<b>(9,378)</b>	(9,378)
<b>TOTAL EQUITY</b>		<b>526,223</b>	481,565	<b>430,546</b>	438,155
<b>TOTAL LIABILITIES AND EQUITY</b>					
		<b>3,608,626</b>	2,935,267	<b>453,309</b>	452,198
<b>COMMITMENTS AND CONTINGENCIES</b>					
	26	<b>7,120,650</b>	6,178,687	<b>2,858</b>	2,858
<b>Net assets per share attributable to ordinary equity holder of the Company (RM)</b>					
		<b>2.22</b>	2.03		

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**HONG LEONG CAPITAL BERHAD**  
*(Company Number: 213006-U)*  
**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED INCOME STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013**

		Current quarter ended 31/12/2013	Last year's quarter ended 31/12/2012	Current year ended 31/12/2013	Last year's ended 31/12/2012
Note		RM'000	RM'000	RM'000	RM'000
<b>The Group</b>					
Operating revenue		<b>67,146</b>	64,747	<b>123,332</b>	118,899
Interest income	21	<b>26,185</b>	19,428	<b>48,873</b>	40,324
Interest expense	22	<b>(19,016)</b>	(10,980)	<b>(34,017)</b>	(25,234)
Net interest income		<b>7,169</b>	8,448	<b>14,856</b>	15,090
Non-interest income	23	<b>40,961</b>	45,319	<b>74,459</b>	78,575
Net income		<b>48,130</b>	53,767	<b>89,315</b>	93,665
Overhead expenses	24	<b>(31,206)</b>	(38,882)	<b>(53,685)</b>	(66,907)
Operating profit before allowances and advances and other losses	25	<b>16,924</b>	14,885	<b>35,630</b>	26,758
Allowance for impairment on loans and advances and other losses	25	<b>51</b>	(72)	<b>(196)</b>	(276)
Profit before taxation		<b>16,975</b>	14,813	<b>35,434</b>	26,482
Taxation		<b>5,739</b>	(5,886)	<b>11,582</b>	(9,391)
Net profit for the period		<b>22,714</b>	8,927	<b>47,016</b>	17,091
<b>Earnings per share (sen)</b>					
- Basic		<b>9.58</b>	3.81	<b>19.83</b>	7.28
- Diluted		<b>9.58</b>	3.81	<b>19.83</b>	7.28

*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 31 DECEMBER 2013**

Note	Current quarter ended 31/12/2013 RM'000	Last year's quarter ended 31/12/2012 RM'000	Current year ended 31/12/2013 RM'000	Last year's ended 31/12/2012 RM'000
<b>The Group</b>				
Net profit for the period	22,714	8,927	47,016	17,091
Other comprehensive income:				
Net fair value changes on financial investments available-for-sale	(2,992)	3,466	(3,631)	9,772
Income tax relating to net fair value changes on financial investments available-for-sale	748	(867)	906	(2,443)
Other comprehensive income/(expense) for the period, net of tax	(2,244)	2,599	(2,725)	7,329
Total comprehensive income for the period, net of tax	20,470	11,526	44,291	24,420

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**HONG LEONG CAPITAL BERHAD**  
*(Company Number: 213006-U)*  
**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED INCOME STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013**

		Current quarter ended 31/12/2013	Last year's quarter ended 31/12/2012	Current year ended 31/12/2013	Last year's ended 31/12/2012
	Note	RM'000	RM'000	RM'000	RM'000
<b>The Company</b>					
Operating revenue		<b>(5,434)</b>	307	<b>(6,461)</b>	310
Interest income	21	<b>101</b>	304	<b>160</b>	320
Interest expense	22	-	(1,616)	-	(3,455)
Net interest income/(expense)		<b>101</b>	(1,312)	<b>160</b>	(3,135)
Non-interest (expense)/income	23	<b>(5,535)</b>	3	<b>(6,621)</b>	(10)
Net income/(expense)		<b>(5,434)</b>	(1,309)	<b>(6,461)</b>	(3,145)
Overhead expenses	24	<b>(386)</b>	(483)	<b>(594)</b>	(708)
Operating loss before allowances		<b>(5,820)</b>	(1,792)	<b>(7,055)</b>	(3,853)
Allowance for impairment on other losses	25	-	-	-	-
Loss before taxation		<b>(5,820)</b>	(1,792)	<b>(7,055)</b>	(3,853)
Taxation		<b>(533)</b>	-	<b>(533)</b>	-
Net loss for the period		<b>(6,353)</b>	(1,792)	<b>(7,588)</b>	(3,853)
<b>Earnings per share (sen)</b>					
- Basic		<b>(2.7)</b>	(0.8)	<b>(3.2)</b>	(1.6)
- Diluted		<b>(2.7)</b>	(0.8)	<b>(3.2)</b>	(1.6)

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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 31 DECEMBER 2013**

	Current quarter ended 31/12/2013 Note	Last year's quarter ended 31/12/2012	Current year ended 31/12/2013	Last year's ended 31/12/2012
	RM'000	RM'000	RM'000	RM'000
<b>The Company</b>				
Net loss for the period	(6,353)	(1,792)	(7,588)	(3,853)
Other comprehensive income				
Net fair value changes on financial investments available-for-sale	(30)	-	(28)	-
Income tax relating to net fair value changes on financial investments available-for-sale	8	-	7	-
Other comprehensive income for the period, net of tax	(22)	-	(21)	-
Total comprehensive expense for the period, net of tax	(6,375)	(1,792)	(7,609)	(3,853)

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**HONG LEONG CAPITAL BERHAD**  
*(Company Number: 213006-U)*  
**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013**

<b>The Group</b>	<b>Treasury Shares for</b>		<b>Non-Distributable Reserves</b>			<b>Distributable Reserves</b>			<b>Total</b>
	<b>Share Capital</b>	<b>ESOS Scheme</b>	<b>General Reserves</b>	<b>Statutory Reserves</b>	<b>Share Option Reserves</b>	<b>Fair Value Reserve</b>	<b>Exchange fluctuation Reserve</b>	<b>Retained Profits</b>	
	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 period	-	-	-	-	-	-	-	47,016	47,016
Other comprehensive expense	-	-	-	-	-	(2,725)	-	-	(2,725)
Total comprehensive income	-	-	-	-	-	(2,725)	-	47,016	44,291
ESOS exercised	-	54	-	-	(6)	-	-	12	60
Option charge arising from ESOS granted	-	-	-	-	307	-	-	-	307
At 31 December 2013	<b>246,896</b>	<b>(10,452)</b>	<b>543</b>	<b>69,712</b>	<b>1,266</b>	<b>(1,769)</b>	<b>12</b>	<b>220,015</b>	<b>526,223</b>
At 1 July 2012	246,896	(13,203)	543	47,352	884	6,317	14	104,196	392,999
Net profit for the period	-	-	-	-	-	-	-	17,091	17,091
Other comprehensive income	-	-	-	-	-	7,329	-	-	7,329
Total comprehensive income	-	-	-	-	-	7,329	-	17,091	24,420
Option charge arising from ESOS granted	-	-	-	-	306	-	-	-	306
At 31 December 2012	246,896	(13,203)	543	47,352	1,190	13,646	14	121,287	417,725

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**HONG LEONG CAPITAL BERHAD**  
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**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013**

	<u>Non-Distributable Reserves</u>					<u>Distributable Reserves</u>			<u>Total</u>
	<u>Share Capital</u>	<u>Treasury Shares for ESOS Scheme</u>	<u>General Reserves</u>	<u>Statutory Reserves</u>	<u>Share Option Reserves</u>	<u>Fair Value Reserve</u>	<u>Exchange fluctuation Reserve</u>	<u>Retained Profits</u>	
<b>The Company</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 July 2013	246,896	(9,378)	-	-	-	-	-	200,637	438,155
Net loss for the period	-	-	-	-	-	-	-	(7,588)	(7,588)
Other comprehensive expense	-	-	-	-	-	(21)	-	-	(21)
Total comprehensive income	-	-	-	-	-	(21)	-	(7,588)	(7,609)
At 31 December 2013	246,896	(9,378)	-	-	-	(21)	-	193,049	430,546
At 1 July 2012	246,896	(13,203)	-	-	-	-	-	24,016	257,709
Net loss for the period	-	-	-	-	-	-	-	(3,853)	(3,853)
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive expense	-	-	-	-	-	-	-	(3,853)	(3,853)
At 31 December 2012	246,896	(13,203)	-	-	-	-	-	20,163	253,856

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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 31 DECEMBER 2013**

	<b>The Group</b>	
	<b>31/12/2013</b>	<b>31/12/2012</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Cash flows from operating activities</u></b>		
Profit before tax expense	35,434	26,482
<u>Adjustments for non-cash items:</u>		
- Depreciation of property and equipment	1,044	1,349
- Amortisation of intangible assets	257	370
- Option charge arising from ESOS	307	306
- Gain on liquidation of a subsidiary	(201)	-
- Gain on disposal of property and equipment	-	(41)
- Allowance/(write-back of) impairment for losses on loans and advances	337	(78)
- (Writeback of)/allowance for losses on clients' and brokers' balance	(2)	336
- Net unrealised gain on revaluation:		
- Financial assets held-for-trading	(2,600)	(1,005)
- Derivative financial instruments	(4,809)	(18,258)
- Interest income from:		
- Financial assets held-for-trading	(10,867)	(13,678)
- Financial investments available-for-sale	(7,596)	(1,890)
- Financial investments held-to-maturity	(7,166)	(9,085)
- Derivative financial instruments	(1,460)	(1,481)
- Interest expense on derivative financial instruments	3,219	2,111
- Interest expense on borrowings	-	1,828
- Dividend income from:		
- Financial assets held-for-trading	(470)	(1,083)
- Financial investments available-for-sale	(1,047)	(21)
	<b>(31,054)</b>	<b>(40,320)</b>
<b>Operating profit/(loss) before changes in working capital</b>	<b>4,380</b>	<b>(13,838)</b>

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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 31 DECEMBER 2013**

	<b>The Group</b>	
	<b>31/12/2013</b>	<b>31/12/2012</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Operating profit/(loss) before changes in working capital (continued)</b>	<b>4,380</b>	<b>(13,838)</b>
Changes in working capital:		
- Reverse repurchase agreements	<b>(106,453)</b>	-
- Deposits and placements with banks and other financial institutions	<b>60,137</b>	(135,594)
- Financial assets held-for-trading	<b>160,333</b>	(326,249)
- Financial investments available-for-sale	<b>(401,788)</b>	37,574
- Financial investments held-to-maturity	<b>(416,110)</b>	20,359
- Derivative financial instruments	<b>(194)</b>	(37)
- Loans and advances	<b>(120,137)</b>	16,420
- Clients' and brokers' balances	<b>(36,833)</b>	50,021
- Other assets	<b>(9,475)</b>	29,703
- Statutory deposits with Bank Negara Malaysia	<b>(13,240)</b>	6,050
Net changes in operating assets	<b>(883,760)</b>	(301,753)
- Deposits from customers	<b>(194,733)</b>	(195,428)
- Deposits and placements of banks and other financial institutions	<b>776,893</b>	471,335
- Repurchased agreements	<b>7,356</b>	97,657
- Clients' and brokers' balances	<b>42,361</b>	(59,045)
- Other liabilities	<b>(8,010)</b>	16,710
Net changes in operating liabilities	<b>623,867</b>	331,229
<b>Cash (used in)/generated from operating activities</b>	<b>(255,513)</b>	15,638
- Net income tax paid/(refund)	<b>(400)</b>	169
<b>Net cash (used in)/generated from operating activities</b>	<b>(255,913)</b>	15,807

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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 31 DECEMBER 2013**

	<b>The Group</b>	
	<b>31/12/2013</b>	<b>31/12/2012</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Cash flows from investing activities</u></b>		
Dividend received from:		
- Financial assets held-for-trading	470	1,058
- Financial investments available-for-sale	1,047	16
Net proceed from liquidation of a subsidiary	201	-
Interest received from financial assets held-for-trading, financial investments available-for-sale, financial investments held-to-maturity and derivative financial instruments	23,100	33,704
Interest expenses paid on derivative financial instruments	(2,805)	(1,979)
Proceeds from disposal of property and equipment	-	75
Purchase of property and equipment	(637)	(745)
Purchase of intangible assets	(118)	(541)
<b>Net cash generated from investing activities</b>	<b>21,258</b>	<b>31,588</b>
<b><u>Cash flows from financing activities</u></b>		
Interest paid on borrowings	-	(1,879)
Repayment of borrowings	-	(165,000)
Cash received from ESOS exercised	60	-
<b>Net cash generated from/(used in) financing activities</b>	<b>60</b>	<b>(166,879)</b>
<b>Net changes in cash and cash equivalents</b>	<b>(234,595)</b>	<b>(119,484)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>665,574</b>	<b>503,776</b>
<b>Cash and cash equivalents at end of period</b>	<b>430,979</b>	<b>384,292</b>
<b>Cash and cash equivalents comprise:</b>		
Cash and short term funds	430,979	384,292

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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 31 DECEMBER 2013**

	<b>The Company</b>	
	<b>31/12/2013</b>	<b>31/12/2012</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Cash flows from operating activities</u></b>		
Loss before tax expense	(7,055)	(3,853)
<b><u>Adjustments for non-cash items:</u></b>		
- Net unrealised loss on financial assets held-for-trading	7	10
- Net unrealised loss on derivative financial instruments	10,108	-
- Interest income	(160)	(320)
- Interest expense on borrowings	-	1,828
- Gain on liquidation of a subsidiary	(201)	-
- Dividend income from:		
- Financial assets held-for-trading	(51)	-
- Financial investments available-for-sale	(969)	-
- Subsidiaries	(2,133)	-
	6,601	1,518
<b>Operating loss before changes in working capital</b>	(454)	(2,335)
Increase in deposits and placements with banks and other financial institutions	(11)	-
Increase in financial investments available-for-sale	(73,900)	-
(Increase)/decrease in receivables	(337)	18,020
Decrease in payables	(1,388)	185,700
<b>Cash (used in)/generated from operating activities</b>	(76,090)	201,385
- Net income tax refund	-	351
- Interest received	160	320
<b>Net cash (used in)/generated from operating activities</b>	(75,930)	202,056
<b><u>Cash flows from investing activities</u></b>		
Dividend received from:		
- Financial assets held-for-trading	51	-
- Financial investments available-for-sale	969	-
- Subsidiaries	1,600	-
Net proceed from liquidation of a subsidiary	201	-
<b>Net cash generated from/(used in) investing activities</b>	2,821	-
<b><u>Cash flows from financing activities</u></b>		
Interest paid on borrowings	-	(1,879)
Repayment of borrowings	-	(165,000)
<b>Net cash used in financing activities</b>	-	(166,879)
<b>Net changes in cash and cash equivalents</b>	(73,109)	35,177
<b>Cash and cash equivalents at beginning of period</b>	77,386	2,297
<b>Cash and cash equivalents at end of period</b>	4,277	37,474
<b>Cash and cash equivalents comprise:</b>		
Cash and short term funds	4,277	37,474

*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 31 DECEMBER 2013**

**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 interim financial statements are unaudited and has been prepared in compliance with Malaysian Financial Reporting Standard ("MFRS") 134, 'Interim Financial Reporting' issued by MASB and should be read in conjunction with the audited financial statements of the Group and the Company for the financial year ended 30 June 2013.

The accounting policies and presentation adopted by the Group and the Company for the interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 30 June 2013, except for the adoption of the following relevant accounting standards, amendments to published accounting standards and interpretations to existing accounting standards which are effective from 1 July 2013:

MFRS 10	Consolidated financial statements
MFRS 12	Disclosures of interests in other entities
MFRS 13	Fair value measurements
MFRS 3	Business combinations (IFRS 3 Business combinations issued by IASB in March 2004)
The Revised MFRS 127	Separate financial statements (as amended by IASB in May 2011)
Amendment to MFRS 7	Disclosures - Offsetting financial assets and financial liabilities
Amendment to MFRS 10 and MFRS 12	Presentation of items of other comprehensive income

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

**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 31 December 2013.

**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 31 December 2013.

## HLCB Q2 (31.12.13)

### 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 31 December 2013.

### 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 31 December 2013, 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”).

- (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.

- (c) 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. Total shares held by ESOS Trust comprise 9,727,200 (2013: 9,777,200) shares in the Company costing RM10,452,561 (2013: RM10,506,289) inclusive of transaction costs, as at 31 December 2013.

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

Grant date	Expiry date		As at			As at	
			1.07.2013	Granted	Exercised	Lapsed	31.12.2013
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	-	50,000	-	1,000,000
			<u>3,710,000</u>	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>3,660,000</u>

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

### 7. Dividends

There was no dividend paid during the financial quarter ended 31 December 2013.

### 8. Valuations of property, plant and equipment

No valuations of property, plant and equipment were carried out for the financial quarter ended 31 December 2013.

## **HLCB Q2 (31.12.13)**

### **9. Significant events**

#### **(a) Business rationalisation**

On 11 October 2013, HLCB announced that the proposed disposal of Promilia Berhad ("Promilia") has been completed. With effect from 11 October 2013, Promilia will cease to be a wholly-owned subsidiary of HLCB.

#### **(b) Status update on compliance with the required public shareholding spread pursuant to Section 3.3 of Practice Note 19 of the Main Market Listing Requirements**

Pursuant to Section 3.3 of Practice Note 19 of the Main Market Listing Requirements ("Listing Requirements"), HLCB is required to announce the status on its compliance with the required public shareholding spread in conjunction with the release of its quarterly results for the second quarter of the financial year ending 30 June 2014.

The Company currently does not meet the requirement as set out in paragraph 8.02(1) of the Listing Requirements which states that a listed issuer must ensure that at least 25% of its total listed shares (excluding treasury shares) are in the hands of public shareholders. Based on the Company's Record of Depositors as at 14 February 2014, the public shareholding spread of the Company was 10.27%.

Bursa Malaysia Securities Berhad ("Bursa Securities") had via its letter dated 3 September 2013 granted the Company an extension of time of 6 months until 28 February 2014 to comply with the 25% public shareholding spread requirement. The Company had on 21 February 2014 made an application to Bursa Securities for a further extension of time to comply with the 25% public shareholding spread requirement.

The Company has yet to identify a satisfactory plan to address the non-compliance with the 25% public shareholding spread requirement and requires time to do so.

### **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.

**Financial Reporting for Licensed Institutions ("BNM/GP8")****11. Financial assets at fair value through profit or loss**

	<b>The Group</b>		<b>The Company</b>	
	<b>As at 31/12/2013 RM'000</b>	<b>As at 30/06/2013 RM'000</b>	<b>As at 31/12/2013 RM'000</b>	<b>As at 30/06/2013 RM'000</b>
<b>Money market instruments</b>				
Malaysian Government Securities	60,121	20,107	-	-
Negotiable instruments of deposits	181,645	150,372	-	-
Bankers' acceptances	52,731	219,476	-	-
	<b>294,497</b>	<b>389,955</b>	<b>-</b>	<b>-</b>
<b>Quoted securities</b>				
In Malaysia:				
Shares	8,972	9,570	-	-
Unit trust investment	2,548	3,666	407	414
	<b>11,520</b>	<b>13,236</b>	<b>407</b>	<b>414</b>
<b>Unquoted securities</b>				
Foreign currency bonds	43,759	63,074	-	-
Private and Islamic debt securities	153,727	194,599	-	-
	<b>197,486</b>	<b>257,673</b>	<b>-</b>	<b>-</b>
	<b>503,503</b>	<b>660,864</b>	<b>407</b>	<b>414</b>

**12. Financial investments available-for-sale**

	<b>The Group</b>		<b>The Company</b>	
	<b>As at 31/12/2013 RM'000</b>	<b>As at 30/06/2013 RM'000</b>	<b>As at 31/12/2013 RM'000</b>	<b>As at 30/06/2013 RM'000</b>
<b>Money market instruments</b>				
Malaysian Government Securities	40,807	20,205	-	-
Malaysian Government Investment Issues	58,877	59,669	-	-
Cagamas bonds	15,142	5,122	-	-
<b>Quoted securities</b>				
In Malaysia:				
Unit trust investment	102,202	695	73,872	-
<b>Unquoted securities</b>				
Shares	686	686	-	-
Foreign currency bonds	169,295	86,476	-	-
Private and Islamic debt securities	279,105	92,480	-	-
	<b>449,086</b>	<b>179,642</b>	<b>-</b>	<b>-</b>
	<b>666,114</b>	<b>265,333</b>	<b>73,872</b>	<b>-</b>



**13. Financial investments held-to-maturity**

	The Group	
	As at 31/12/2013 RM'000	As at 30/06/2013 RM'000
<b>Money market instruments</b>		
Malaysian Government Securities	51,431	-
Malaysian Government Investment Issues	25,551	5,107
Cagamas bonds	10,119	10,161
Negotiable instruments of deposits	200,994	-
Bankers' acceptances	143,053	-
	431,148	15,268
<b>Unquoted securities</b>		
Foreign currency bonds	199,280	192,912
Private and Islamic debt securities	40,556	45,731
	670,984	253,911

**14. Loans and advances**

	The Group	
	As at 31/12/2013 RM'000	As at 30/06/2013 RM'000
Term loan financing	97,677	33,533
Share margin financing	195,025	139,049
Revolving credits	-	60
Staff loans	101	458
Other loans	2,508	2,074
Gross loans and advances	295,311	175,174
Allowance for impaired loans and advances:		
- individual assessment allowance	(205)	(252)
- collective assessment allowance	(1,122)	(738)
Net loans and advances	293,984	174,184

**14a. By type of customer**

Domestic business enterprises		
- Small and medium enterprises	43,789	26,600
- Others	120,394	52,708
Individuals	129,052	95,563
Foreign entities	2,076	303
Gross loans and advances	295,311	175,174

## HLCB Q2 (31.12.13)

### 14. Loans and advances (continued)

	The Group	
	As at 31/12/2013 RM'000	As at 30/06/2013 RM'000
<b>14b. <u>By interest rate sensitivity</u></b>		
Fixed rate		
- Staff housing loans	97	388
- Other fixed rate loan	51,954	51,237
Variable rate		
- Cost plus	243,260	123,482
Non-interest bearing	-	67
Gross loans and advances	<u>295,311</u>	<u>175,174</u>
<b>14c. <u>By residual contractual maturity</u></b>		
Maturity within 1 year	228,437	172,658
More than one year to three years	11,442	149
More than three years to five years	52,937	119
More than five years	2,495	2,248
Gross loans and advances	<u>295,311</u>	<u>175,174</u>
<b>14d. <u>By geographical distribution</u></b>		
Malaysia	<u>295,311</u>	<u>175,174</u>
<b>14e. <u>By economic purpose</u></b>		
Purchase of securities	194,917	139,049
Working capital	97,677	33,592
Purchase of transport vehicles	164	235
Purchase of residential property	2,553	2,298
Gross loans and advances	<u>295,311</u>	<u>175,174</u>
<b>14f. Movements in impaired loans and advances ("impaired loans") are as follows:</b>		
Impaired loans and advances		
At 1 July	1,123	1,256
Impaired during the year	5	1,123
Amount written back during the period/year	(271)	-
Amount written off during the period/year	-	(1,256)
At 31 December/30 June	<u>857</u>	<u>1,123</u>
% of impaired loans to total loans and advances net of individual assessment allowance	<u>0.3%</u>	<u>0.6%</u>
<b>14g. <u>Impaired loans and advances by geographical distribution</u></b>		
Malaysia	<u>857</u>	<u>1,123</u>
<b>14h. <u>Impaired loans and advances by economic purpose</u></b>		
Purchase of transport vehicles	113	156
Purchase of residential property	744	967
Gross impaired loans and advances	<u>857</u>	<u>1,123</u>

## HLCB Q2 (31.12.13)

### 14. Loans and advances (continued)

14i. Movement in the allowance for loss on loans and advances are as follows:

	The Group	
	As at 31/12/2013 RM'000	As at 30/06/2013 RM'000
<u>Collective assessment allowance</u>		
At 1 July	738	837
Allowance made/(written back) during the period/year	384	(99)
At 31 December/30 June	<b>1,122</b>	<b>738</b>
<u>Individual assessment allowance</u>		
At 1 July	252	1,256
Allowance made during the period/year	3	252
Amount written back during the period/year	(50)	-
Amount written off during the period/year	-	(1,256)
At 31 December/30 June	<b>205</b>	<b>252</b>

### 15. Clients' and brokers' balances

	The Group	
	As at 31/12/2013 RM'000	As at 30/06/2013 RM'000
Performing accounts	186,981	150,115
Impaired accounts	772	805
	<b>187,753</b>	<b>150,920</b>
Less: Individual assessment allowance	(390)	(378)
Collective assessment allowance	(19)	(33)
	<b>187,344</b>	<b>150,509</b>

### 16. Other assets

	The Group		The Company	
	As at 31/12/2013 RM'000	As at 30/06/2013 RM'000	As at 31/12/2013 RM'000	As at 30/06/2013 RM'000
Amount due from holding company	1	-	-	-
Amount due from subsidiary companies	-	-	346	3
Amount due from a related company	-	171	-	-
Deposits and prepayments	5,478	4,764	5	11
Other receivables	16,456	7,761	-	-
Manager's stocks and consumables	225	159	-	-
	<b>22,160</b>	<b>12,855</b>	<b>351</b>	<b>14</b>

HLCB Q2 (31.12.13)

17. Deposits from customers

	The Group	
	As at 31/12/2013 RM'000	As at 30/06/2013 RM'000
Fixed deposits	275,436	470,169
<b>17a. <u>By type of deposit</u></b>		
Fixed deposits	275,436	470,169
<b>17b. <u>By type of customer</u></b>		
Government and statutory bodies	243,704	429,322
Business enterprises	31,732	40,847
	<b>275,436</b>	<b>470,169</b>
<b>17c. The maturity structure of fixed deposits are as follows:</b>		
Due within six months	275,436	470,169

18. Deposits and placements of banks and other financial institutions

	The Group	
	As at 31/12/2013 RM'000	As at 30/06/2013 RM'000
Bank Negara Malaysia	-	316,207
Licensed banks	666,523	128,060
Licensed investment banks	324,992	105,866
Other financial institutions	1,328,353	992,842
	<b>2,319,868</b>	<b>1,542,975</b>

19. Derivative financial instruments

The Group 30/09/2013	Contract or underlying principal amount RM'000	Positive fair value RM'000	Negative fair value RM'000
	Interest rate related contracts:		
- Interest rate swaps	2,311,000	10,804	(21,255)
- Futures	1,156,063	3,617	(366)
- Cross currency swaps	135,616	238	(72)
Foreign exchange related contracts:			
- Foreign currency swaps	2,088,522	18,417	(15,701)
- Foreign currency forwards	72,483	93	(231)
- Foreign currency spot	39,309	126	(12)
Equity related contracts:			
- Call option	11,500	4,973	-
	<b>5,814,493</b>	<b>38,268</b>	<b>(37,637)</b>

HLCB Q2 (31.12.13)

19. Derivative financial instruments (continued)

	Contract or underlying principal amount RM'000	Positive fair value RM'000	Negative fair value RM'000
<b>The Company</b>			
<b>30/09/2013</b>			
Equity related contracts:			
- Put option	2,858	-	(22,264)
<b>The Group</b>			
<b>30/06/2013</b>			
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	12,641	12	(2)
Equity related contracts:			
- Call option	10,000	4,862	-
	<u>4,984,240</u>	<u>28,785</u>	<u>(32,773)</u>
<b>The Company</b>			
<b>30/06/2013</b>			
Equity related contracts:			
- Put option	2,858	-	(12,156)

20. Other liabilities

	The Group		The Company	
	As at 31/12/2013 RM'000	As at 30/06/2013 RM'000	As at 31/12/2013 RM'000	As at 30/06/2013 RM'000
Amount due to holding company	2	2	2	2
Amount due to subsidiary companies	-	-	-	1,001
Amount due to related companies	166	142	5	-
Remisiers' trust deposits	13,554	15,482	-	-
Other payables and accrued liabilities	67,830	73,742	492	884
Post employment benefits obligation				
- defined contribution plan	298	296	-	-
	<u>81,850</u>	<u>89,664</u>	<u>499</u>	<u>1,887</u>

## HLCB Q2 (31.12.13)

### 21. Interest income

	Current quarter ended 31/12/2013 RM'000	Last year's quarter ended 31/12/2012 RM'000	Current year ended 31/12/2013 RM'000	Last year's ended 31/12/2012 RM'000
<b>The Group</b>				
Loan and advances	4,649	4,133	7,874	8,467
Money at call and deposits placements with banks and other financial institutions	6,160	2,376	13,352	5,247
Financial assets held-for-trading	5,517	6,602	10,867	13,678
Financial investments available-for-sale	4,376	784	7,596	1,890
Financial investments held-to-maturity	4,472	4,452	7,166	9,085
Derivative financial instruments	740	806	1,460	1,481
Others	271	275	558	476
Total interest income	<b>26,185</b>	19,428	<b>48,873</b>	40,324

Of which:

Interest income earned on impaired  
loans and advances

-	-	-	-
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#### The Company

Money at call and deposits placements  
with banks and other financial institutions

Others

Total interest income

101	304	160	320
-	-	-	-
<b>101</b>	304	<b>160</b>	320

### 22. Interest expense

	Current quarter ended 31/12/2013 RM'000	Last year's quarter ended 31/12/2012 RM'000	Current year ended 31/12/2013 RM'000	Last year's ended 31/12/2012 RM'000
<b>The Group</b>				
Deposits and placements of banks and other financial institutions	5,367	2,432	8,457	5,532
Deposits from customers	11,702	7,517	22,118	15,520
Derivative financial liabilities	1,848	1,059	3,219	2,111
Borrowings	-	(11)	-	1,828
Other finance cost	99	(17)	223	243
Total interest expense	<b>19,016</b>	10,980	<b>34,017</b>	25,234

#### The Company

Borrowings

Other finance cost

Total interest expense

-	(11)	-	1,828
-	1,627	-	1,627
<b>-</b>	1,616	<b>-</b>	3,455

## 23. Non-interest income

	Current quarter ended 31/12/2013 RM'000	Last year's quarter ended 31/12/2012 RM'000	Current year ended 31/12/2013 RM'000	Last year's ended 31/12/2012 RM'000
<b>The Group</b>				
(a) Fee income:				
Fee on loans and advances	300	472	642	823
Arranger fees	3,425	3,568	10,584	5,958
Placement fee	2	15,123	81	20,943
Guarantee fees	249	216	465	449
Corporate advisory fees	2,797	1,360	4,577	3,221
Underwriting Commission	-	130	614	695
Brokerage commissions	13,903	8,978	27,719	19,751
Commission from futures contracts	315	249	580	423
Net unit trust and asset management income	5,050	4,840	10,548	9,579
Other fee income	5,986	6,115	12,742	9,373
	<u>32,027</u>	<u>41,051</u>	<u>68,552</u>	<u>71,215</u>
(b) Net realised (loss)/gain arising from sale of:				
- Financial assets held-for-trading	(90)	2,071	(3,621)	819
- Financial investments available-for-sale	1,178	-	2,768	324
- Derivative financial instruments	(1,479)	627	2,473	(12,621)
	<u>(391)</u>	<u>2,698</u>	<u>1,620</u>	<u>(11,478)</u>
(c) Dividend income from:				
- Financial assets held-for-trading	148	283	470	1,083
- Financial investments available-for-sale	652	21	1,047	21
	<u>800</u>	<u>304</u>	<u>1,517</u>	<u>1,104</u>
(d) Net unrealised gain/(loss) on revaluation of:				
- Financial assets held-for-trading	(693)	1,322	2,600	1,005
- Derivative financial instruments	8,204	(2,010)	4,809	18,258
	<u>7,511</u>	<u>(688)</u>	<u>7,409</u>	<u>19,263</u>
(e) Gain on disposal of property and equipment	-	(14)	-	41
(f) Gain on liquidation of a subsidiary	201	-	201	-
(g) Foreign exchange loss	658	1,891	(5,116)	(1,774)
(h) Other income	155	77	276	204
Total non-interest income	<u>40,961</u>	<u>45,319</u>	<u>74,459</u>	<u>78,575</u>

**HLCB Q2 (31.12.13)**

**23. Non-interest income (continued)**

	<b>Current quarter ended 31/12/2013 RM'000</b>	<b>Last year's quarter ended 31/12/2012 RM'000</b>	<b>Current year ended 31/12/2013 RM'000</b>	<b>Last year's ended 31/12/2012 RM'000</b>
<b>The Company</b>				
(a) Net unrealised gain/(loss) on revaluation of:				
- Financial assets held-for-trading	(4)	3	(7)	(10)
- Derivative financial instruments	(8,525)	-	(10,108)	-
	<u>(8,529)</u>	<u>3</u>	<u>(10,115)</u>	<u>(10)</u>
(b) Dividend income from:				
- Financial assets held-for-trading	51	-	51	-
- Financial investments available-for sale	581	-	969	-
- Subsidiaries	2,133	-	2,133	-
(c) Gain on liquidation of a subsidiary	201	-	201	-
(d) Other income	28	-	140	-
	<u>(5,535)</u>	<u>3</u>	<u>(6,621)</u>	<u>(10)</u>

**24. Overhead expenses**

	<b>Current quarter ended 31/12/2013 RM'000</b>	<b>Last year's quarter ended 31/12/2012 RM'000</b>	<b>Current year ended 31/12/2013 RM'000</b>	<b>Last year's ended 31/12/2012 RM'000</b>
<b>The Group</b>				
Personnel costs				
- Salaries, bonuses and allowances	17,056	17,596	27,139	32,000
- Option charge arising from ESOS	150	153	307	306
- Others	3,954	3,791	6,289	6,385
	<u>21,160</u>	<u>21,540</u>	<u>33,735</u>	<u>38,691</u>
Establishment costs				
- Depreciation of property and equipment	524	691	1,044	1,349
- Amortisation of intangible assets	127	164	257	370
- Rental of premises	1,694	1,576	3,290	3,283
- Information technology expenses	1,613	1,686	3,071	3,205
- Others	930	716	1,814	1,290
	<u>4,888</u>	<u>4,833</u>	<u>9,476</u>	<u>9,497</u>



## 24. Overhead expenses (continued)

	Current quarter ended 31/12/2013 RM'000	Last year's quarter ended 31/12/2012 RM'000	Current year ended 31/12/2013 RM'000	Last year's ended 31/12/2012 RM'000
<b>The Group (continued)</b>				
Marketing expenses				
- Advertisement and publicity	38	130	287	216
- Entertainment and business improvement	637	298	1,121	633
- Others	90	54	268	177
	<b>765</b>	<b>482</b>	<b>1,676</b>	<b>1,026</b>
Administration and general expenses				
- Management fees	1,019	1,522	1,978	2,229
- Communication expenses	390	493	804	1,140
- Auditors' remuneration				
- Statutory audit	105	33	213	98
- Tax compliance fee	-	-	-	-
- Other fees	27	23	30	27
- Legal and professional fees	686	1,676	2,006	3,892
- Others	2,166	8,280	3,767	10,307
	<b>4,393</b>	<b>12,027</b>	<b>8,798</b>	<b>17,693</b>
	<b>31,206</b>	<b>38,882</b>	<b>53,685</b>	<b>66,907</b>
<b>The Company</b>				
Personnel costs				
- Salaries, bonuses and allowances	19	66	29	45
- Others	70	31	121	42
	<b>89</b>	<b>97</b>	<b>150</b>	<b>87</b>
Establishment costs				
- Information technology expenses	3	-	7	-
- Others	23	17	38	22
	<b>26</b>	<b>17</b>	<b>45</b>	<b>22</b>
Marketing expenses				
- Advertisement and publicity	3	-	3	-
- Others	1	-	1	1
	<b>4</b>	<b>-</b>	<b>4</b>	<b>1</b>
Administration and general expenses				
- Communication expenses	5	2	6	3
- Auditors' remuneration				
- Statutory audit	15	16	30	33
- Other fees	5	4	8	7
- Legal and professional fees	3	-	3	71
- Others	239	347	348	484
	<b>267</b>	<b>369</b>	<b>395</b>	<b>598</b>
	<b>386</b>	<b>483</b>	<b>594</b>	<b>708</b>

HLCB Q2 (31.12.13)

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

	Current quarter ended 31/12/2013 RM'000	Last year's quarter ended 31/12/2012 RM'000	Current year ended 31/12/2013 RM'000	Last year's ended 31/12/2012 RM'000
<b>The Group</b>				
Allowance for/(write-back of) losses on impaired loans and advances:				
Individual assessment allowance				
- made during the period	3	-	3	-
- written back during the period	(50.00)	-	(50)	-
Collective assessment allowance made during the period	(7)	(138)	384	(78)
Bad debts on loans and advances				
- written off	-	2	-	2
Bad debts on clients' and brokers' balances				
- written off	-	16	-	16
- recovered	(19)	-	(26)	-
Allowance for losses on clients' and brokers' balances:				
Collective assessment allowance (written back)/made during the period	1	(135)	(14)	(112)
Individual assessment allowance				
- made during the period	95	364	147	933
- written back during the period	(26)	(37)	(135)	(485)
Allowance for losses on other debtors:				
Individual assessment allowance				
- written-back during the period	(48)	-	(113)	-
	<b>(51)</b>	<b>72</b>	<b>196</b>	<b>276</b>

**HLCB Q2 (31.12.13)**

**26. Commitments and contingencies**

	<b>As at 31/12/2013 Principal Amount RM'000</b>	<b>As at 30/06/2013 Principal Amount RM'000</b>
<b>The Group</b>		
<b>Commitments and contingent liabilities</b>		
Direct Credit Substitutes	71,779	50,750
Other commitments, such as formal standby facilities and credit lines		
- maturity less than one year	2,000	-
- maturity over one year	69	69
Any commitments that are unconditionally cancelled at any time by the bank without prior notice		
- maturity less than one year	562,903	507,022
Others	669,406	636,606
	<u>1,306,157</u>	<u>1,194,447</u>
<b>Derivative Financial Instruments</b>		
Interest rate related contracts:		
- One year or less	1,218,820	716,412
- Over one year to five years	2,383,859	2,161,706
Foreign exchange related contracts		
- One year or less	2,200,314	2,096,122
Equity related contracts		
- Over one year to five years	11,500	10,000
	<u>5,814,493</u>	<u>4,984,240</u>
	<u>7,120,650</u>	<u>6,178,687</u>
<b>The Company</b>		
<b>Derivative Financial Instruments</b>		
Equity related contracts		
- One year or less	1,429	1,429
- Over one year to five years	1,429	1,429
	<u>2,858</u>	<u>2,858</u>

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

<b>The Group</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>31.12.2013</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets</b>				
Financial assets held-for-trading	11,520	491,983	-	503,503
Financial investments available-for-sale	102,202	563,226	686	666,114
Derivative financial assets	-	38,268	-	38,268
	<b>113,722</b>	<b>1,093,477</b>	<b>686</b>	<b>1,207,885</b>
<b>Financial liability</b>				
Derivative financial liabilities	-	37,637	-	37,637
<b>30.06.2013</b>				
<b>Financial assets</b>				
Financial assets held-for-trading	13,236	647,628	-	660,864
Financial investments available-for-sale	695	263,952	686	265,333
Derivative financial assets	-	28,785	-	28,785
	<b>13,931</b>	<b>940,365</b>	<b>686</b>	<b>954,982</b>

**HLCB Q2 (31.12.13)****27. Fair value of financial instruments (continued)**Determination of fair value and fair value hierarchy (continued)

<b>The Group</b> <b>30.06.2013</b>	<b>Level 1</b> <b>RM'000</b>	<b>Level 2</b> <b>RM'000</b>	<b>Level 3</b> <b>RM'000</b>	<b>Total</b> <b>RM'000</b>
<b>Financial liability</b>				
Derivative financial liabilities	-	32,773	-	32,773
<b>The Company</b> <b>31.12.2013</b>				
<b>Financial asset</b>				
Financial assets held-for-trading	407	-	-	407
<b>Financial liability</b>				
Derivative financial liabilities	-	22,264	-	22,264
<b>30.06.2013</b>				
<b>Financial asset</b>				
Financial assets held-for-trading	414	-	-	414
<b>Financial liability</b>				
Derivative financial liabilities	-	12,156	-	12,156

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

<b>The Group</b>	<b>Financial investments</b> <b>available-for-sale</b>	
	<b>31.12.2013</b> <b>RM'000</b>	<b>30.06.2013</b> <b>RM'000</b>
As at 1 July	686	2,445
Impaired during the period/year	-	(1,759)
As at 31 December/30 June	686	686

## HLCB Q2 (31.12.13)

### 28. Capital adequacy

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

	<b>HLIB</b> <b>31/12/2013</b>	<b>HLIB</b> <b>30/06/2013</b>
<b>Before deducting proposed dividends:</b>		
Common equity tier 1 ("CET1") capital ratio	<b>20.578%</b>	33.194%
Tier 1 capital ratio	<b>20.578%</b>	33.194%
Total capital ratio	<b>20.711%</b>	33.288%
<b>After deducting proposed dividends:</b>		
CET1 capital ratio	<b>20.578%</b>	30.099%
Tier 1 capital ratio	<b>20.578%</b>	30.099%
Total capital ratio	<b>20.711%</b>	30.193%

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

	<b>HLIB</b> <b>31/12/2013</b> <b>RM'000</b>	<b>HLIB</b> <b>30/06/2013</b> <b>RM'000</b>
<b>CET1 capital</b>		
Paid-up ordinary share capital	<b>165,000</b>	165,000
Share premium	<b>87,950</b>	87,950
Other reserves	<b>108,152</b>	138,810
	<b>361,102</b>	391,760
Regulatory adjustments:		
- Goodwill	<b>(28,986)</b>	(28,986)
- Deferred tax assets	<b>(61,978)</b>	(61,978)
- Other regulatory adjustments	<b>-</b>	(525)
Total CET1 capital	<b>270,138</b>	300,271
<b>Tier-1 capital</b>		
	<b>270,138</b>	300,271
<b>Tier-2 capital</b>		
Redeemable preference shares	<b>1,631</b>	1,631
Collective assessment allowance for losses on loans and advances <sup>(1)</sup>	<b>1,065</b>	678
Regulatory adjustments:		
- Investment in subsidiaries	<b>(949)</b>	(1,455)
Total Tier 2 capital	<b>1,747</b>	854
<b>Total capital</b>		
	<b>271,885</b>	301,125

Note:

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

**HLCB Q2 (31.12.13)**

**28. Capital adequacy (continued)**

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

	<b>HLIB</b>	<b>HLIB</b>
	<b>31/12/2013</b>	<b>30/06/2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Credit risk	<b>776,833</b>	464,961
Market risk	<b>375,555</b>	321,448
Operational risk	<b>160,346</b>	118,189
	<b><u>1,312,734</u></b>	<b><u>904,598</u></b>

## 29. Segmental reporting

(a) Segment information by activities for the financial period ended 31 December 2013:

	<b>Fund management Investment banking and stockbroking</b>	<b>and unit trust management</b>	<b>Investment holding and others</b>	<b>Elimination</b>	<b>Consolidated</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>31 December 2013</b>					
<b>REVENUE &amp; EXPENSES</b>					
<b>Revenue</b>					
Net Interest income	14,370	292	194	-	14,856
Non interest income	76,497	10,548	19,555	(32,141)	74,459
<b>Results</b>					
Profit/(loss) from operations	32,880	2,435	19,034	(18,915)	35,434
Taxation					11,582
Profit after taxation					47,016
<b>31 December 2012</b>					
<b>REVENUE &amp; EXPENSES</b>					
<b>Revenue</b>					
Net Interest income	16,129	446	(1,485)	-	15,090
Non interest income	68,514	9,577	19,323	(18,839)	78,575
<b>Results</b>					
Profit/(loss) from operations	33,261	(3,674)	16,350	(19,455)	26,482
Taxation					(9,391)
Profit after taxation					17,091

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

## 30. 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.

## 31. Changes in composition of the Group

On 11 October 2013, HLCB announced that the proposed disposal of Promilia Berhad ("Promilia") has been completed. With effect from 11 October 2013, Promilia will cease to be a wholly-owned subsidiary of HLCB.



## **HLCB Q2 (31.12.13)**

### **32. Capital commitments**

Capital commitments for the purchase of property and equipment as at 31 December 2013 is RM5.4 million.

### **33. Changes in contingent liabilities**

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

Hong Leong Asset Management Berhad, a wholly-owned subsidiary of the Company, is the Manager of HLG Sectoral Fund ("Funds") which comprises one sector fund. The Company provided a guarantee to Universal Trustee (Malaysia) Berhad, the trustee of the Funds, that if the fund 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 the fund was above the minimum of RM1 million as at 31 December 2013.

### **34. 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.

## HLCB Q2 (31.12.13)

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

#### 1. Performance review

##### (a) Current financial quarter/year under review against previous corresponding financial quarter/year

The group recorded a higher profit before tax ("PBT") of RM17.0 million for the 2nd quarter December 2013 as compared to RM14.8 million in the previous year corresponding quarter. This is mainly due to higher contribution from its fund management and unit trust management.

##### Investment banking and stockbroking

The investment banking and stockbroking segment recorded a lower PBT of RM17.3 million for the 2nd quarter December 2013 as compared to previous year corresponding quarter of RM20.5 million mainly due to lower contribution from its Debt Markets division.

##### Fund management and unit trust management

Fund management and unit trust management recorded a PBT of RM0.6 million for the 2nd quarter December 2013 as compared to a loss before tax ("LBT") of RM5.2 million in previous year corresponding quarter, mainly due to lower overheads incurred in this quarter.

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

The group recorded a higher PBT of RM35.4 million for the financial period ended December 2013 as compared to RM26.5 million in the previous financial period, higher by 33.8%. This is mainly due to higher contribution from its fund management and unit trust management.

##### Investment banking and stockbroking

The investment banking and stockbroking segment recorded a marginal decrease in PBT by 0.5% as compared to previous year corresponding period of RM33.1 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 RM2.4 million for the financial period ended December 2013 as compared to a LBT of RM3.7 million in previous year corresponding period, mainly due to lower overheads incurred.

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

For the financial quarter ended 31 December 2013, the Group reported a lower PBT of RM17.0 million compared to the PBT of RM18.5 million in the preceding financial quarter. This was mainly due to lower contribution from its investment holdings and others divisions attributed to higher overheads incurred.

Investment banking and stockbroking

The investment banking and stock broking segment recorded a higher PBT of RM17.3 million for the 2nd quarter December 2013 as compared to preceding financial quarter of RM15.6 million mainly due to higher fee income from its Treasury & Markets division.

Fund management and unit trust management

The fund management and unit trust management segment recorded a lower PBT of RM0.6 million for 2nd quarter December 2013 as compared to RM1.8 million in preceding financial quarter. This is mainly due to lower 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 2014 with improving profitability via diversification of income source from more extensive investment banking activities.

**3. Variance in profit forecast and shortfall in profit guarantee**

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

**4. Taxation**

The Group	Financial quarter ended		Financial year ended	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	RM'000	RM'000	RM'000	RM'000
Tax expense on Malaysian tax				
- Current	(3,741)	803	631	1,248
Deferred tax	(1,998)	5,083	(12,213)	8,143
	(5,739)	5,886	(11,582)	9,391

**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, other than as mentioned below:

On 11 October 2013, HLCB announced that the proposed disposal of Promilia Berhad ("Promilia") has been completed. With effect from 11 October 2013, Promilia will cease to be a wholly-owned subsidiary of HLCB.

**6. Group borrowings**

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

## HLCB Q2 (31.12.13)

### 7. Off-balance sheet financial instruments

Details of financial instruments with off-balance sheet risk as at 31 December 2013:

<b>The Group</b>	<b>Principal amount RM'000</b>	<b>Fair Value</b>	
		<b>Assets RM'000</b>	<b>Liabilities RM'000</b>
Interest rate related contracts			
(i) Less than 1 year	1,218,820	3,590	(391)
(ii) 1 year to 3 years	1,217,859	3,246	(3,385)
(iii) More than 3 years	1,166,000	7,823	(17,917)
Foreign exchange related contracts			
(i) Less than 1 year	2,200,314	18,636	(15,944)
Equity related contractes			
(i) 1 year to 3 years	10,000	3,634	-
(ii) More than 3 years	1,500	1,339	-
	<b>5,814,493</b>	<b>38,268</b>	<b>(37,637)</b>
<b>The Company</b>			
Equity related contractes			
(i) Less than 1 year	1,429	-	(11,092)
(ii) 1 year to 3 years	1,429	-	(11,172)
	<b>2,858</b>	<b>-</b>	<b>(22,264)</b>

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.

### 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.

## HLCB Q2 (31.12.13)

### 9. Dividends

The Board of Directors does not recommend any dividend to be paid for the financial quarter ended 31 December 2013.

### 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	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Net profit attributable to shareholders of the Company (RM'000):	22,714	8,927	47,016	17,091
Weighted average number of Ordinary Shares in issue ('000):	237,158	234,609	237,138	234,609
Basic earnings per share (sen)	9.6	3.8	19.8	7.3

#### (b) Fully diluted earnings per share

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

### 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 31/12/2013 RM'000	As at 30/06/2013 RM'000
<b>The Group</b>		
Total retained profit		
- Realised	213,255	174,154
- Unrealised		
- in respect of deferred tax recognised in the profit or loss	69,431	56,322
- in respect of other items of income and expense	40,352	36,337
	<u>323,038</u>	<u>266,813</u>
Less : Consolidation adjustment	<u>(103,023)</u>	<u>(93,826)</u>
	<u>220,015</u>	<u>172,987</u>
<b>The Company</b>		
Total retained profit		
- Realised	193,042	200,623
- Unrealised		
- in respect of other items of income and expense	7	14
	<u>193,049</u>	<u>200,637</u>

## **HLCB Q2 (31.12.13)**

### **11. Realised and unrealised profits/losses (continued)**

The determination of realised and unrealised profits is based on the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants on 20 December 2010 and the directive of Bursa Malaysia Securities Berhad.

The Group views translation gains or losses on monetary items as realised as it is incurred in the ordinary course of business.

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

Dated this 25 February 2014.