

HONG LEONG CAPITAL BERHAD
(Company Number: 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	Note	The Group		The Company	
		As at 31/12/2014 RM'000	As at 30/06/2014 RM'000	As at 31/12/2014 RM'000	As at 30/06/2014 RM'000
ASSETS					
Cash and short term funds		374,814	782,208	2,235	2,293
Reverse repurchase agreements		-	280,176	-	-
Deposits and placements with banks and other financial institutions		105,268	331,160	-	-
Financial assets held-for-trading	11	1,261,415	870,437	-	-
Financial investments available- for-sale	12	990,276	745,288	129,542	59,975
Financial investments held-to-maturity	13	348,360	358,413	-	-
Derivative financial assets	19	53,884	23,541	-	-
Loans and advances	14	402,097	431,414	-	-
Clients' and brokers' balances	15	152,175	287,756	-	-
Other assets	16	44,226	47,007	462	7,807
Statutory deposits with Bank Negara Malaysia		39,500	30,750	-	-
Tax recoverable		181	180	173	173
Investment in subsidiary companies		-	-	270,054	342,720
Deferred tax assets		98,220	98,195	4	-
Property and equipment		5,404	5,765	-	-
Goodwill		33,059	33,059	-	-
Intangible assets		1,218	1,057	-	-
TOTAL ASSETS		3,910,097	4,326,406	402,470	412,968
LIABILITIES					
Deposits from customers	17	823,045	631,566	-	-
Deposits and placements of banks and other financial institutions	18	1,928,778	2,054,960	-	-
Repurchased agreements		226,509	179,087	-	-
Derivative financial liabilities	19	57,207	24,773	-	-
Clients' and brokers' balances		140,518	337,686	-	-
Other liabilities	20	74,624	495,735	324	523
Current tax liabilities		28	187	-	-
Deferred tax liabilities		-	7	-	4
Subordinated obligations		50,205	-	-	-
TOTAL LIABILITIES		3,300,914	3,724,001	324	527

The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Company for the year ended 30 June 2014.

HONG LEONG CAPITAL BERHAD
 (Company Number: 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	Note	The Group		The Company	
		As at 31/12/2014 RM'000	As at 30/06/2014 RM'000	As at 31/12/2014 RM'000	As at 30/06/2014 RM'000
EQUITY					
Share capital		246,896	246,896	246,896	246,896
Reserves		368,425	363,432	161,172	173,468
Treasury shares for ESOS scheme		(6,138)	(7,923)	(5,922)	(7,923)
TOTAL EQUITY		609,183	602,405	402,146	412,441
TOTAL LIABILITIES AND EQUITY					
		3,910,097	4,326,406	402,470	412,968
COMMITMENTS AND CONTINGENCIES					
	26	7,735,641	6,115,116	-	-
Net assets per share attributable to ordinary equity holder of the Company (RM)					
		2.53	2.52		

The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Company for the year ended 30 June 2014.

HONG LEONG CAPITAL BERHAD
(Company Number: 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2014

		Current quarter ended 31/12/2014	Last year's quarter ended 31/12/2013	Current year ended 31/12/2014	Last year's ended 31/12/2013
	Note	RM'000	RM'000	RM'000	RM'000
The Group					
Interest income	21	34,299	26,185	65,607	48,873
Interest expense	22	(23,198)	(19,016)	(42,879)	(34,017)
Net interest income		11,101	7,169	22,728	14,856
Non-interest income	23	29,352	40,961	60,985	74,459
Net income		40,453	48,130	83,713	89,315
Overhead expenses	24	(25,045)	(31,206)	(49,333)	(53,685)
Operating profit before allowances (Allowance for)/writeback of impairment on loans and advances and other losses	25	15,408	16,924	34,380	35,630
Profit before taxation		15,290	16,975	34,276	35,434
Taxation		508	5,739	(137)	11,582
Net profit for the period/year		15,798	22,714	34,139	47,016
Earnings per share (sen)					
- Basic		6.55	9.58	14.18	19.83
- Diluted		6.55	9.43	14.18	19.53

The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Company for the year ended 30 June 2014.

HONG LEONG CAPITAL BERHAD
(Company Number: 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2014

	Current quarter ended 31/12/2014 RM'000	Last year's quarter ended 31/12/2013 RM'000	Current year ended 31/12/2014 RM'000	Last year's ended 31/12/2013 RM'000
The Group				
Net profit for the period/year	15,798	22,714	34,139	47,016
Other comprehensive income/(expense):				
Items that will be reclassified subsequently to profit or loss				
Net fair value changes on financial investments available-for-sale	(1,596)	(2,992)	(285)	(3,631)
Income tax relating to net fair value changes on financial investments available-for-sale	399	748	71	906
Currency translation differences in respect of foreign operation	-	-	(12)	-
Other comprehensive expense for the period/year, net of tax	(1,197)	(2,244)	(226)	(2,725)
Total comprehensive income for the period/year, net of tax	14,601	20,470	33,913	44,291

The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Company for the year ended 30 June 2014.

HONG LEONG CAPITAL BERHAD
(Company Number: 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2014

		Current quarter ended 31/12/2014	Last year's quarter ended 31/12/2013	Current year ended 31/12/2014	Last year's ended 31/12/2013
	Note	RM'000	RM'000	RM'000	RM'000
The Company					
Interest income	21	-	101	3	160
Interest expense	22	-	-	-	-
Net interest income		-	101	3	160
Non-interest income/(expense)	23	63,191	(5,535)	90,752	(6,621)
Net income/(expense)		63,191	(5,434)	90,755	(6,461)
Overhead expenses	24	(212)	(386)	(932)	(594)
Operating profit/(loss) before allowances Allowance for impairment on other losses	25	(72,666)	-	(72,666)	-
(Loss)/profit before taxation		(9,687)	(5,820)	17,157	(7,055)
Taxation		-	(533)	-	(533)
Net (loss)/profit for the period/year		(9,687)	(6,353)	17,157	(7,588)
Earnings per share (sen)					
- Basic		(4.0)	(2.7)	7.1	(3.2)
- Diluted		(4.0)	(2.6)	7.1	(3.2)

The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Company for the year ended 30 June 2014.

HONG LEONG CAPITAL BERHAD
(Company Number: 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2014

	Current quarter ended 31/12/2014 RM'000	Last year's quarter ended 31/12/2013 RM'000	Current year ended 31/12/2014 RM'000	Last year's ended 31/12/2013 RM'000
The Company				
Net (loss)/profit for the period/year	(9,687)	(6,353)	17,157	(7,588)
Other comprehensive income/(expense):				
Items that will be reclassified subsequently to profit or loss				
Net fair value changes on financial investments available-for-sale	5	(30)	(33)	(28)
Income tax relating to net fair value changes on financial investments available-for-sale	(2)	8	8	7
Other comprehensive income/(expense) for the period/year, net of tax	3	(22)	(25)	(21)
Total comprehensive (expense)/income for the period/year, net of tax	(9,684)	(6,375)	17,132	(7,609)

The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Company for the year ended 30 June 2014.

HONG LEONG CAPITAL BERHAD
(Company Number: 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2014

Attributable to owners of the parent

The Group	Share Capital RM'000	Treasury Shares for ESOS Scheme RM'000	General Reserves RM'000	Statutory Reserves RM'000	Share Option Reserves RM'000	Fair Value Reserve RM'000	Exchange fluctuation Reserve RM'000	Retained Profits RM'000	Total RM'000
At 1 July 2014	246,896	(7,923)	543	97,094	550	(669)	12	265,902	602,405
Net profit for the period	-	-	-	-	-	-	-	34,139	34,139
Other comprehensive expense, net of tax	-	-	-	-	-	(214)	(12)	-	(226)
Total comprehensive (expense)/income	-	-	-	-	-	(214)	(12)	34,139	33,913
ESOS exercised	-	1,213	-	-	(541)	-	-	931	1,603
Option charge arising from ESOS granted	-	-	-	-	88	-	-	-	88
Disposal of treasury shares	-	572	-	-	-	-	-	6,777	7,349
Dividend paid	-	-	-	-	-	-	-	(36,175)	(36,175)
At 31 December 2014	246,896	(6,138)	543	97,094	97	(883)	-	271,574	609,183
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, net of tax	-	-	-	-	-	(2,725)	-	-	(2,725)
Total comprehensive (expense)/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	246,896	(10,452)	543	69,712	1,266	(1,769)	12	220,015	526,223

The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Company for the year ended 30 June 2014.

HONG LEONG CAPITAL BERHAD
(Company Number: 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 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 2014	246,896	(7,923)	1,147	11	172,310	412,441
Net profit for the period	-	-	-	-	17,157	17,157
Other comprehensive expense, net of tax	-	-	-	(25)	-	(25)
Total comprehensive (expense)/income	-	-	-	(25)	17,157	17,132
Call options exercised by the subsidiary during the period	-	-	(1,147)	-	1,147	-
Treasury shares transferred to trustee of subsidiary	-	1,429	-	-	-	1,429
Disposal of treasury shares	-	572	-	-	6,777	7,349
Dividend paid	-	-	-	-	(36,205)	(36,205)
At 31 December 2014	246,896	(5,922)	-	(14)	161,186	402,146
At 1 July 2013	246,896	(9,378)	-	-	200,637	438,155
Net loss for the period	-	-	-	-	(7,588)	(7,588)
Other comprehensive expense, net of tax	-	-	-	(21)	-	(21)
Total comprehensive expense	-	-	-	(21)	(7,588)	(7,609)
At 31 December 2013	246,896	(9,378)	-	(21)	193,049	430,546

The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Company for the year ended 30 June 2014.

HONG LEONG CAPITAL BERHAD
(Company Number 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2014

	The Group	
	31/12/2014	31/12/2013
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
Profit before taxation	34,276	35,434
<u>Adjustments for non-cash items:</u>		
- Depreciation of property and equipment	977	1,044
- Amortisation of intangible assets	353	257
- Option charge arising from ESOS granted	88	307
- Gain on liquidation of a subsidiary	-	(201)
- Loss on disposal of property and equipment	1	-
- Allowance for impairment for losses on loans and advances	131	337
- Allowance for/(writeback of) losses on clients' and brokers' balance	68	(2)
- Net unrealised loss/(gain) on revaluation of:		
- Financial assets held-for-trading	2,076	(2,600)
- Derivative financial instruments	2,139	(4,809)
- Interest income from:		
- Financial assets held-for-trading	(17,540)	(10,867)
- Financial investments available-for-sale	(13,892)	(7,596)
- Financial investments held-to-maturity	(5,451)	(7,166)
- Derivative financial instruments	(1,458)	(1,460)
- Interest expense from derivative financial instruments	3,454	3,219
- Interest expense on subordinated obligations	396	-
- Dividend income from:		
- Financial assets held-for-trading	(426)	(470)
- Financial investments available-for-sale	(1,902)	(1,047)
	(30,986)	(31,054)
Operating profit before changes in working capital	3,290	4,380
Changes in working capital:		
- Reverse repurchase agreements	280,176	(106,453)
- Deposits and placements with banks and other financial institutions	225,892	60,137
- Financial assets held-for-trading	(389,238)	160,333
- Derivative financial instruments	(397)	(194)
- Loans and advances	29,186	(120,137)
- Clients' and brokers' balances	135,513	(36,833)
- Other assets	2,777	(9,475)
- Statutory deposits with Bank Negara Malaysia	(8,750)	(13,240)
Net changes in operating assets	275,159	(65,862)
- Deposits from customers	191,479	(194,733)
- Deposits and placements of banks and other financial institutions	(126,182)	776,893
- Repurchased agreements	47,422	7,356
- Clients' and brokers' balances	(197,168)	42,361
- Other liabilities	(421,109)	(8,010)
Net changes in operating liabilities	(505,558)	623,867
Cash (used in)/generated from operating activities	(227,109)	562,385
- Net income tax paid	(256)	(400)
Net cash (used in)/generated from operating activities	(227,365)	561,985

The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and of the Company for the year ended 30 June 2014.

HONG LEONG CAPITAL BERHAD
(formerly known as HLG Capital Berhad)
(Company Number 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2014

	The Group	
	31/12/2014	31/12/2013
	RM'000	RM'000
<u>Cash flows from investing activities</u>		
Net (purchase)/disposal of:		
- Financial investments available-for-sale	(243,427)	(401,788)
- Financial investments held-to-maturity	9,840	(416,110)
Dividend received from:		
- Financial assets held-for-trading	426	470
- Financial investments available-for-sale	1,902	1,047
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	32,702	23,100
Interest expenses paid on derivative financial instruments	(2,915)	(2,805)
Purchase of property and equipment	(514)	(637)
Purchase of intangible assets	(617)	(118)
Net cash used in investing activities	(202,603)	(796,640)
<u>Cash flows from financing activities</u>		
Proceeds from subordinated obligations	49,809	-
Dividend paid	(36,175)	-
Cash received from ESOS exercised	1,603	60
Cash received from disposal of treasury shares	7,349	-
Net cash generated from financing activities	22,586	60
Net changes in cash and cash equivalents	(407,382)	(234,595)
Effect of exchange rate changes	(12)	-
Cash and cash equivalents at beginning of period	782,208	665,574
Cash and cash equivalents at end of period	374,814	430,979
Cash and cash equivalents comprise:		
Cash and short term funds	374,814	430,979

The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and of the Company for the year ended 30 June 2014.

HONG LEONG CAPITAL BERHAD
(formerly known as HLG Capital Berhad)
(Company Number 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2014

	The Company	
	31/12/2014	31/12/2013
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
Profit/(loss) before taxation	17,157	(7,055)
<u>Adjustments for non-cash items:</u>		
- Net unrealised loss on financial assets held-for-trading	-	7
- Net unrealised loss on derivative financial instruments	-	10,108
- Interest income	(3)	(160)
- Gain on liquidation of a subsidiary	-	(201)
- Dividend income from:		
- Financial assets held-for-trading	-	(51)
- Financial investments available-for-sale	(1,442)	(969)
- Subsidiaries	(89,079)	(2,133)
- Allowance for impairment on subsidiary	72,666	-
	<u>(17,858)</u>	<u>6,601</u>
Operating loss before changes in working capital	(701)	(454)
Increase in deposits and placements with banks and other financial institutions	-	(11)
Decrease/(increase) in other assets	7,345	(337)
Decrease in other liabilities	(199)	(1,388)
Cash generated from/(used in) operating activities	6,445	(2,190)
- Interest received	3	160
Net cash generated from/(used in) operating activities	6,448	(2,030)
<u>Cash flows from investing activities</u>		
Increase in financial investments available-for-sale	(69,600)	(73,900)
Dividend received from:		
- Financial assets held-for-trading	-	51
- Financial investments available-for-sale	1,442	969
- Subsidiaries	89,079	1,600
Net proceed from liquidation of a subsidiary	-	201
Net cash generated from/(used in) investing activities	20,921	(71,079)
<u>Cash flows from financing activities</u>		
Cash received from treasury shares transferred to trustee of subsidiary	1,429	-
Cash received from disposal of treasury shares	7,349	-
Dividend paid	(36,205)	-
Net cash used in financing activities	(27,427)	-
Net changes in cash and cash equivalents	(58)	(73,109)
Cash and cash equivalents at beginning of period	2,293	77,386
Cash and cash equivalents at end of period	2,235	4,277
Cash and cash equivalents comprise:		
Cash and short term funds	<u>2,235</u>	<u>4,277</u>

The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and of the Company for the year ended 30 June 2014.

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 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 condensed financial statements are unaudited and has been prepared in compliance with Malaysian Financial Reporting Standard ("MFRS") 134, 'Interim Financial Reporting' issued by MASB and paragraph 9.22 of Bursa Malaysia Securities Berhad's Listing Requirements, and should be read in conjunction with the audited financial statements of the Group and the Company for the financial year ended 30 June 2014.

The unaudited condensed financial statements for the financial period ended 30 September 2014 have been prepared under the historical cost convention, as modified by the revaluation of financial investments available-for-sale, and financial assets and liabilities (including derivative financial instruments) at fair value through profit or loss.

The accounting policies and presentation adopted by the Group and the Company for the unaudited condensed financial statements are consistent with those adopted in the audited financial statements for the financial year ended 30 June 2014, 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 2014:

- Amendment to MFRS 132 "Financial instruments: Presentation"
- Amendments to MFRS 10, MFRS 12 and MFRS 127 "Investment entities"
- IC Interpretation 21 "Levies"

The adoption of the new standards, amendments to published standards and interpretations are not expected to have material financial impact on the financial results of 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 2014 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 2014.

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 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 31 December 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 period ended 31 December 2014, other than as mentioned below.

(a) Purchase of shares pursuant to ESOS

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		01.07.2014	Granted	Exercised	Lapsed	31.12.2014
19 January 2011	18 April 2015	^	1,330,000	-	1,128,750	105,000	96,250

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

During the financial period ended 31 December 2014, the Company sold 532,000 units treasury shares to the open market.

Total shares held by ESOS Trust comprise 5,712,350 (2014: 7,373,100) shares in the Group costing RM6,138,322 (2013: RM7,922,915) inclusive of transaction costs, as at 31 December 2014.

(b) Issuance of Tier 2 Subordinated Notes

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

7. Dividends paid

A single-tier final dividend of 15.0 sen per share amounting to RM36.2 million was paid on 19 November 2014.

8. Valuations of property, plant and equipment

No valuations of property, plant and equipment were carried out for the financial quarter ended 31 December 2014.

HLCB Q2 (31.12.14)

9. Significant events

Public shareholding spread

HLCB had on 3 December 2014 announced that the Company has applied to Bursa Malaysia Securities Berhad ("Bursa Securities") for approval of a lower public spread of 18.67% and, alternatively, for a further extension of time of 6 months to comply with the 25% public shareholding spread requirement ("Application").

HLCB announced that Bursa Securities had vide its letter dated 13 January 2015 resolved to reject the Application, after taking into consideration the following:

1. HLCB has not been able to identify and demonstrate that there is a concrete/definitive plan put in place or to be put in place to rectify the shortfall in the public shareholding spread despite having been granted a total of 21 months extension of time from 28 February 2013 until 30 November 2014 to address the shortfall; and
2. The objective of the public shareholding spread requirement under the Main Market Listing Requirements of Bursa Securities ("Listing Requirements") is to ensure there is sufficient market liquidity to facilitate the buying and selling of the shares in an orderly manner. The lack of trading liquidity in HLCB shares during the period of non-compliance renders the prices of HLCB shares susceptible to significant price movement arising from trading by a small group of investors.

In this regard, Bursa Securities had in the past issued 2 Unusual Market Action queries and on both occasions, HLCB confirmed that it was not aware of any corporate development relating to the HLCB Group's business and affairs or any other possible explanation that could account for the unusual trading activities. Further to that, Bursa Securities had also issued a Market Alert advising investors to exercise caution and to make informed decision in the trading of HLCB shares in view of the sharp rise in the price of HLCB shares.

Bursa Securities had also vide another letter dated 13 January 2015 required the Company to show cause by making a written representation within 5 market days as to why Bursa Securities should not find the Company in breach of paragraph 8.02(1) of the LR and impose one or more penalties including suspension of the trading of the Company's securities pursuant to paragraph 16.19(1) of the Listing Requirements.

10. Subsequent events

Public shareholding spread

HLCB had on 12 February 2015 announced that pursuant to Bursa Securities's letter dated 13 January 2015, the Company had made a written representation to Bursa Securities on 20 January 2015.

Bursa Securities had vide its letter dated 12 February 2015 informed the Company that after due consideration of all the facts and circumstances of the matter, Bursa Securities found HLCB to have breached Paragraph 8.02(1) of the Listing Requirements for its failure to comply with the public shareholding spread requirement.

Bursa Securities has decided to impose a suspension on the trading of HLCB's securities for the aforesaid breach pursuant to Paragraph 16.19(1)(a)(ix) of the Listing Requirements. In this respect, the suspension will only be uplifted upon full compliance of the public shareholding spread in accordance with Paragraph 8.02(1) of the Listing Requirements. HLCB is also required to announce to Bursa Securities concurrently with the issuance of the quarterly financial statements the status of its public shareholding spread and the rectification plan, if any.

In the circumstances, the trading of HLCB's securities will be suspended with effect from 3 March 2015 unless an appeal is submitted to Bursa Securities on or before 23 February 2015.

In the event HLCB submits an appeal to Bursa Securities, the Company is required to make an announcement of the appeal and that the suspension on the trading of HLCB's securities on 3 March 2015 will be deferred pending the decision on HLCB's appeal by Bursa Securities.

On 23 February 2015, HLCB announced that the Company had on even date written to Bursa Securities to appeal against Bursa Securities' decision to impose a suspension on the trading of HLCB's securities.

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11. Financial assets held-for-trading

	The Group		The Company	
	As at 31/12/2014 RM'000	As at 30/06/2014 RM'000	As at 31/12/2014 RM'000	As at 30/06/2014 RM'000
Money market instruments				
Malaysian Government Securities	50,477	-	-	-
Bank Negara Malaysia bills	49,873			
Negotiable instruments of deposits	402,414	403,428	-	-
Bankers' acceptances	163,078	316,639	-	-
	665,842	720,067	-	-
Quoted securities				
In Malaysia:				
Shares	7,476	8,360	-	-
Unit trust investment	-	2,173	-	-
	7,476	10,533	-	-
Unquoted securities				
Foreign currency bonds	123,305	33,777	-	-
Private and Islamic debt securities	464,792	106,060	-	-
	588,097	139,837	-	-
	1,261,415	870,437	-	-

12. Financial investments available-for-sale

	The Group		The Company	
	As at 31/12/2014 RM'000	As at 30/06/2014 RM'000	As at 31/12/2014 RM'000	As at 30/06/2014 RM'000
Money market instruments				
Malaysian Government Securities	80,785	30,512	-	-
Malaysian Government Investment Issues	129,306	139,398	-	-
Cagamas bonds	15,060	15,063	-	-
	225,151	184,973	-	-
Quoted securities				
In Malaysia:				
Shares	14,720	-	-	-
Unit trust investment	138,495	108,703	129,542	59,975
	153,215	108,703	129,542	59,975
Unquoted securities				
Shares	245	245	-	-
Foreign currency bonds	214,274	72,619	-	-
Private and Islamic debt securities	397,391	378,748	-	-
	611,910	451,612	-	-
	990,276	745,288	129,542	59,975

13. Financial investments held-to-maturity

	The Group	
	As at 31/12/2014 RM'000	As at 30/06/2014 RM'000
Money market instruments		
Malaysian Government Securities	51,216	51,316
Malaysian Government Investment Issues	20,419	25,517
Negotiable instruments of deposits	-	51,499
	71,635	128,332
Unquoted securities		
Foreign currency bonds	211,273	194,666
Private and Islamic debt securities	65,452	35,415
	276,725	230,081
	348,360	358,413

14. Loans and advances

	The Group	
	As at 31/12/2014 RM'000	As at 30/06/2014 RM'000
Term loan financing	187,372	140,112
Share margin financing	215,451	291,384
Staff loans	82	100
Other loans	824	1,319
Gross loans and advances	403,729	432,915
Allowance for impaired loans and advances:		
- individual assessment allowance	(110)	(194)
- collective assessment allowance	(1,522)	(1,307)
Net loans and advances	402,097	431,414

14a. By type of customer

Domestic business enterprises		
- Small and medium enterprises	88,612	72,653
- Others	123,009	115,866
Individuals	192,024	244,144
Foreign entities	84	252
Gross loans and advances	403,729	432,915

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14. Loans and advances (continued)

	The Group	
	As at 31/12/2014 RM'000	As at 30/06/2014 RM'000
14b. <u>By interest rate sensitivity</u>		
Fixed rate		
- Staff housing loans	82	83
- Other fixed rate loan	824	47,353
Variable rate		
- Cost plus	402,823	385,479
Gross loans and advances	403,729	432,915
14c. <u>By residual contractual maturity</u>		
Maturity within one year	340,607	365,350
More than one year to three years	2	3
More than three years to five years	62,275	67,479
More than five years	845	83
Gross loans and advances	403,729	432,915
14d. <u>By geographical distribution</u>		
Malaysia	403,729	432,915
14e. <u>By economic purpose</u>		
Purchase of securities	252,968	291,384
Working capital	149,855	140,112
Purchase of transport vehicles	113	157
Purchase of landed properties	793	1,256
Others	-	6
Gross loans and advances	403,729	432,915
14f. Movements in impaired loans and advances ("impaired loans") are as follows:		
At 1 July	853	1,123
Impaired during the period/year	-	156
Amount written back during the period/year	(86)	(426)
At 31 December/30 June	767	853
% of impaired loans to total loans and advances, net of individual assessment allowance	0.2%	0.2%
14g. <u>Impaired loans and advances by geographical distribution</u>		
Malaysia	767	853
14h. <u>Impaired loans and advances by economic purpose</u>		
Purchase of transport vehicles	111	115
Purchase of landed properties	656	738
Gross impaired loans and advances	767	853

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14. Loans and advances (continued)

The Group	
As at	As at
31/12/2014	30/06/2014
RM'000	RM'000

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

Individual assessment allowance

At 1 July	194	252
Allowance made during the period/year	-	2
Amount written back during the period/year	(84)	(60)
At 31 December/30 June	<u>110</u>	<u>194</u>

Collective assessment allowance

At 1 July	1,307	738
Allowance made during the period/year	215	569
At 31 December/30 June	<u>1,522</u>	<u>1,307</u>

15. Clients' and brokers' balances

The Group	
As at	As at
31/12/2014	30/06/2014
RM'000	RM'000

Performing accounts	150,093	287,185
Impaired accounts	2,536	956
	<u>152,629</u>	<u>288,141</u>
Less: Individual assessment allowance	(426)	(370)
Collective assessment allowance	(28)	(15)
	<u>152,175</u>	<u>287,756</u>

16. Other assets

	The Group		The Company	
	As at	As at	As at	As at
	31/12/2014	30/06/2014	31/12/2014	30/06/2014
	RM'000	RM'000	RM'000	RM'000
Amount due from subsidiary companies	-	-	416	7,400
Amount due from related companies	-	49	-	49
Deposits and prepayments	6,291	5,567	46	13
Other receivables	37,862	41,104	-	345
Manager's stocks and consumables	73	287	-	-
	<u>44,226</u>	<u>47,007</u>	<u>462</u>	<u>7,807</u>

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17. Deposits from customers

	The Group	
	As at 31/12/2014 RM'000	As at 30/06/2014 RM'000
Deposits from customers	823,045	631,566
17a. <u>By type of deposits</u>		
Fixed deposits	823,045	631,566
17b. <u>By type of customer</u>		
Government and statutory bodies	537,425	534,103
Business enterprises	284,592	96,453
Individuals	1,028	1,010
	823,045	631,566
17c. The maturity structure of fixed deposits are as follows:		
Due within six months	823,045	631,566

18. Deposits and placements of banks and other financial institutions

	The Group	
	As at 31/12/2014 RM'000	As at 30/06/2014 RM'000
Bank Negara Malaysia	-	96,343
Licensed banks	787,637	553,736
Licensed investment banks	37,603	52,804
Other financial institutions	1,103,538	1,352,077
	1,928,778	2,054,960

19. Derivative financial assets/liabilities

	Contract or underlying principal amount RM'000	The Group	
		Positive fair value RM'000	Negative fair value RM'000
The Group 31/12/2014			
Interest rate related contracts:			
- Interest rate swaps	3,849,500	11,880	(17,785)
- Futures	630,709	1,278	-
- Cross currency swaps	104,917	3,653	(521)
Foreign exchange related contracts:			
- Foreign currency swaps	1,644,195	30,993	(38,880)
- Foreign currency forwards	45,946	168	(21)
- Foreign currency spot	17,486	13	-
Equity related contracts:			
- Call option	11,500	5,899	-
	6,304,253	53,884	(57,207)

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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			
30/06/2014			
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	-
	<u>4,519,105</u>	<u>23,541</u>	<u>(24,773)</u>

20. Other liabilities

	The Group		The Company	
	As at 31/12/2014 RM'000	As at 30/06/2014 RM'000	As at 31/12/2014 RM'000	As at 30/06/2014 RM'000
Amount due to related companies	34	177	9	7
Remisiers' trust deposits	13,763	13,777	-	-
Other payables and accrued liabilities	60,526	481,480	315	516
Post employment benefits obligation				
- defined contribution plan	301	301	-	-
	<u>74,624</u>	<u>495,735</u>	<u>324</u>	<u>523</u>

HLCB Q2 (31.12.14)**21. Interest income**

	Current quarter ended 31/12/2014 RM'000	Last year's quarter ended 31/12/2013 RM'000	Current year ended 31/12/2014 RM'000	Last year's ended 31/12/2013 RM'000
The Group				
Loan and advances	5,964	4,649	12,133	7,874
Money at call and deposits placements with banks and other financial institutions	4,174	6,160	11,102	13,352
Financial assets held-for-trading	10,957	5,517	17,540	10,867
Financial investments available-for-sale	7,384	4,376	13,892	7,596
Financial investments held-to-maturity	2,823	4,472	5,451	7,166
Derivative financial instruments	794	740	1,458	1,460
Others	2,203	271	4,031	558
Total interest income	34,299	26,185	65,607	48,873
The Company				
Money at call and deposits placements with banks and other financial institutions	-	101	3	160

22. Interest expense

	Current quarter ended 31/12/2014 RM'000	Last year's quarter ended 31/12/2013 RM'000	Current year ended 31/12/2014 RM'000	Last year's ended 31/12/2013 RM'000
The Group				
Deposits and placements of banks and other financial institutions	5,144	5,367	8,331	8,457
Deposits from customers	15,826	11,702	30,437	22,118
Derivative financial instruments	1,700	1,848	3,454	3,219
Subordinated notes	396	-	396	-
Others	132	99	261	223
Total interest expense	23,198	19,016	42,879	34,017

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23. Non-interest income

	Current quarter ended 31/12/2014 RM'000	Last year's quarter ended 31/12/2013 RM'000	Current year ended 31/12/2014 RM'000	Last year's ended 31/12/2013 RM'000
The Group				
(a) Fee income:				
Fee on loans and advances	460	300	1,019	642
Arranger fees	2,540	3,425	3,425	10,584
Placement fee	1,372	2	4,250	81
Guarantee fees	85	249	186	465
Corporate advisory fees	4,578	2,797	7,483	4,577
Underwriting Commission	-	-	-	614
Brokerage commissions	13,527	13,903	29,692	27,719
Commission from futures contracts	152	315	365	580
Unit trust fee income	4,226	5,050	8,125	10,548
Other fee income	719	5,986	1,711	12,742
	27,659	32,027	56,256	68,552
(b) Net realised (loss)/gain arising from sale of:				
- Financial assets held-for-trading	(628)	(90)	(726)	(3,621)
- Financial investments available-for-sale	22	1,178	448	2,768
- Derivative financial instruments	(131)	(1,479)	(5,933)	2,473
	(737)	(391)	(6,211)	1,620
(c) Net unrealised (loss)/gain on revaluation of:				
- Financial assets held-for-trading	(1,231)	(693)	(2,076)	2,600
- Derivative financial instruments	(1,955)	8,204	(2,139)	4,809
	(3,186)	7,511	(4,215)	7,409
(d) Dividend income from:				
- Financial assets held-for-trading	98	148	426	470
- Financial investments available-for-sale	991	652	1,902	1,047
	1,089	800	2,328	1,517
(e) Loss on disposal of property and equipment	(1)	-	(1)	-
(e) Gain on liquidation of a subsidiary	-	201	-	201
(f) Foreign exchange gain/(loss)	4,458	658	12,552	(5,116)
(g) Other income	70	155	276	276
Total non-interest income	29,352	40,961	60,985	74,459

HLCB Q2 (31.12.14)
23. Non-interest income (continued)

	Current quarter ended 31/12/2014 RM'000	Last year's quarter ended 31/12/2013 RM'000	Current year ended 31/12/2014 RM'000	Last year's ended 31/12/2013 RM'000
The Company				
(a) Net realised gain arising from sale of:				
- Financial assets held-for-trading	-	-	179	-
- Financial investments available-for-sale	13	-	13	-
(b) Net unrealised loss on revaluation of:				
- Financial assets held-for-trading	-	(4)	-	(7)
- Derivative financial instruments	-	(8,525)	-	(10,108)
(c) Dividend income from:				
- Financial assets held-for-trading	-	51	-	51
- Financial investments available-for sale	859	581	1,442	969
- Subsidiaries	62,295	2,133	89,079	2,133
(d) Gain on liquidation of a subsidiary	-	201	-	201
(e) Other income	24	28	39	140
	63,191	(5,535)	90,752	(6,621)

24. Overhead expenses

	Current quarter ended 31/12/2014 RM'000	Last year's quarter ended 31/12/2013 RM'000	Current year ended 31/12/2014 RM'000	Last year's ended 31/12/2013 RM'000
The Group				
Personnel costs				
- Salaries, bonuses and allowances	11,984	17,056	23,386	27,139
- Option charge arising from ESOS	-	150	88	307
- Others	3,063	3,954	5,992	6,289
	15,047	21,160	29,466	33,735
Establishment costs				
- Depreciation of property and equipment	467	524	977	1,044
- Amortisation of intangible assets	183	127	353	257
- Rental of premises	1,684	1,694	3,202	3,290
- Information technology expenses	1,270	1,613	2,690	3,071
- Others	958	930	1,953	1,814
	4,562	4,888	9,175	9,476

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24. Overhead expenses (continued)

	Current quarter ended 31/12/2014 RM'000	Last year's quarter ended 31/12/2013 RM'000	Current year ended 31/12/2014 RM'000	Last year's ended 31/12/2013 RM'000
The Group (continued)				
Marketing expenses				
- Advertisement and publicity	164	38	257	287
- Entertainment and business improvement	943	637	1,471	1,121
- Others	95	90	174	268
	1,202	765	1,902	1,676
Administration and general expenses				
- Management fees	901	1,019	1,956	1,978
- Communication expenses	444	390	843	804
- Auditors' remuneration				
- Statutory audit	110	105	207	213
- Other fees	(6)	27	14	30
- Legal and professional fees	875	686	2,109	2,006
- Others	1,910	2,166	3,661	3,767
	4,234	4,393	8,790	8,798
	25,045	31,206	49,333	53,685
The Company				
Personnel costs				
- Salaries, bonuses and allowances	17	19	51	29
- Others	49	70	120	121
	66	89	171	150
Establishment costs				
- Rental	-	(3)	-	-
- Information technology expenses	3	3	12	7
- Others	10	26	26	38
	13	26	38	45
Marketing expenses				
- Advertisement and publicity	4	3	4	3
- Others	3	1	3	1
	7	4	7	4
Administration and general expenses				
- Management fees	-	128	108	128
- Communication expenses	2	5	3	6
- Auditors' remuneration				
- Statutory audit	19	15	35	30
- Other fees	-	5	3	8
- Legal and professional fees	2	3	368	3
- Others	103	111	199	220
	126	267	716	395
	212	386	932	594

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

	Current quarter ended 31/12/2014 RM'000	Last year's quarter ended 31/12/2013 RM'000	Current year ended 31/12/2014 RM'000	Last year's ended 31/12/2013 RM'000
The Group				
Allowance for losses on impaired loans and advances:				
Individual assessment allowance				
- made during the period/year	-	3	-	3
- written back during the period/year	(5)	(50)	(84)	(50)
Collective assessment allowance made/(written back) during the period/year	179	(7)	215	384
Bad debts on clients' and brokers' balances				
- recovered	-	(19)	-	(26)
Allowance for losses on clients' and brokers' balances:				
Individual assessment allowance				
- made during the period/year	25	95	141	147
- written back during the period/year	9	(26)	(86)	(135)
Collective assessment allowance made/(written back)/during the period/year	5	1	13	(14)
Allowance for losses on other debtors:				
Individual assessment allowance				
- written-back during the period/year	(95)	(48)	(95)	(113)
	118	(51)	104	196
The Company				
Allowance for impairment on subsidiary	72,666	-	72,666	-

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26. Commitments and contingencies

	As at 31/12/2014 Principal Amount RM'000	As at 30/06/2014 Principal Amount RM'000
The Group		
Commitments and contingent liabilities		
Direct Credit Substitutes	8,000	20,625
Obligations under underwriting agreement	-	299,154
Other commitments, such as formal standby facilities and credit lines		
- maturity less than one year	-	23
Any commitments that are unconditionally cancelled at any time by the bank without prior notice		
- maturity less than one year	688,644	627,233
Others		
- monies held in trust for stockborking clients	734,744	648,976
	<u>1,431,388</u>	<u>1,596,011</u>
Derivative financial instruments		
Interest rate related contracts:		
- One year or less	1,625,681	724,036
- Over one year to five years	2,594,445	2,246,000
- Over five years	365,000	-
Foreign exchange related contracts		
- One year or less	1,707,627	1,537,569
Equity related contracts		
- Over one year to five years	11,500	11,500
	<u>6,304,253</u>	<u>4,519,105</u>
	<u>7,735,641</u>	<u>6,115,116</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). This category includes unquoted shares held for socio economic reasons. Fair values for shares held for socio economic reasons are based on the net tangible assets of the affected companies. The Group's exposure to financial instruments classified as Level 3 comprised a small number of financial instruments which constitute an insignificant component of the Group's portfolio of financial instruments. Hence, changing one or more of the inputs to reasonable alternative assumptions would not change the value significantly for the financial assets in Level 3 of the fair value hierarchy.

The Group	Level 1	Level 2	Level 3	Total
31.12.2014	RM'000	RM'000	RM'000	RM'000
Financial assets				
Financial assets held-for-trading	7,476	1,253,939	-	1,261,415
- Money market instruments	-	665,842	-	665,842
- Quoted securities	7,476	-	-	7,476
- Unquoted securities	-	588,097	-	588,097
Financial investments available-for-sale	153,215	836,816	245	990,276
- Money market instruments	-	225,151	-	225,151
- Quoted securities	153,215	-	-	153,215
- Unquoted securities	-	611,665	245	611,910
Derivative financial assets	-	53,884	-	53,884
	160,691	2,144,639	245	2,305,575

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27. Fair value of financial instruments (continued)

Determination of fair value and fair value hierarchy (continued)

The Group 31.12.2014	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial liability				
Derivative financial liabilities	-	57,207	-	57,207
30.06.2014				
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
	119,236	1,519,785	245	1,639,266
Financial liability				
Derivative financial liabilities	-	24,773	-	24,773
The Company 31.12.2014				
Financial asset				
Financial investments available-for-sale				
- Quoted securities	129,542	-	-	129,542
30.06.2014				
Financial asset				
Financial investments available-for-sale				
- Quoted securities	59,975	-	-	59,975

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	
	31.12.2014 RM'000	30.06.2014 RM'000
As at 1 July	245	686
Redeemed during the period/year	-	(441)
As at 31 December/30 June	245	245

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28. Capital adequacy

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

	HLIB 31/12/2014	HLIB 30/06/2014
Before deducting proposed dividends:		
Common equity tier 1 ("CET1") capital ratio	17.538%	20.108%
Tier 1 capital ratio	17.538%	20.108%
Total capital ratio	<u>20.889%</u>	<u>20.259%</u>
After deducting proposed dividends:		
CET1 capital ratio	17.538%	16.401%
Tier 1 capital ratio	17.538%	16.401%
Total capital ratio	<u>20.889%</u>	<u>16.552%</u>

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

	HLIB 31/12/2014 RM'000	HLIB 30/06/2014 RM'000
CET1 capital		
Paid-up ordinary share capital	165,000	165,000
Share premium	87,950	87,950
Other reserves	156,922	218,692
	<u>409,872</u>	<u>471,642</u>
Regulatory adjustments:		
- Goodwill and intangibles	(30,153)	(29,978)
- Deferred tax assets	(103,671)	(103,671)
- Other regulatory adjustments	(77)	(77)
Total CET1 capital	<u>275,971</u>	<u>337,916</u>
Tier-1 capital	275,971	337,916
Tier-2 capital		
Redeemable preference shares	1,631	1,631
Collective assessment allowance for losses on loans and advances ⁽¹⁾	1,419	1,204
Subordinated obligations	50,000	-
Regulatory adjustments:		
- Investment in subsidiaries	(306)	(306)
Total Tier 2 capital	<u>52,744</u>	<u>2,529</u>
Total capital	<u>328,715</u>	<u>340,445</u>

Note:

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

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28. Capital adequacy (continued)

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

	HLIB	HLIB
	31/12/2014	30/06/2014
	RM'000	RM'000
Credit risk	741,572	896,087
Market risk	582,316	571,557
Operational risk	249,717	212,853
	<u>1,573,605</u>	<u>1,680,497</u>

29. Segmental reporting

(a) Segment information by activities for the financial period ended 31 December 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
31 December 2014					
REVENUE & EXPENSES					
Revenue					
Net Interest income	22,549	166	13	-	22,728
Non interest income	48,591	8,139	153,607	(149,352)	60,985
Results					
Profit/(loss) from operations	30,509	296	152,594	(149,123)	34,276
Taxation					(137)
Profit after taxation					34,139
31 December 2013					
REVENUE & EXPENSES					
Revenue					
Net Interest income	14,370	292	194	-	14,856
Non interest income	76,497	10,548	19,555	(32,141)	74,459
Results					
Profit/(loss) from operations	32,880	2,435	19,034	(18,915)	35,434
Taxation					11,582
Profit after taxation					47,016

(b) Segmental analysis by geographical location has not been prepared as the Group's operations are predominantly conducted 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 2014.

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31. 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) RC Nominees (Tempatan) Sdn Bhd was dissolved on 1 July 2014.
- (b) HL Asset Management Pte. Ltd., a wholly-owned subsidiary of Hong Leong Asset Management Bhd, will be struck off the register upon the expiration of the three months from the publication of the Notice dated 20 August 2014 in the Government Gazette, pursuant to Section 344(2) of the Companies Act of Singapore.

32. Capital commitments

Capital commitments for the purchase of property and equipment as at 31 December 2014 is RM9.9 million.

33. 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 31 December 2014.

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.

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

1. Performance review

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

The group recorded a lower profit before tax ("PBT") of RM15.3 million for the 2nd quarter December 2014 as compared to RM17.0 million in the previous year corresponding quarter. This is mainly due to lower contribution from its investment banking and stockbroking segment.

Investment banking and stockbroking

The investment banking and stockbroking segment recorded a lower PBT of RM14.5 million for the 2nd quarter December 2014 as compared to previous year corresponding quarter of RM17.3 million mainly due to lower contribution from its Treasury and Markets division.

Fund management and unit trust management

Fund management and unit trust management recorded a lower PBT of RM55 thousand for the 2nd quarter December 2014 as compared to RM0.6 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 lower PBT of RM34.3 million for the financial period ended December 2014 as compared to RM35.4 million in the previous financial period, lower by 3.3%. This is mainly due to lower contribution from its investment banking and stockbroking segment and fund management and unit trust management segment.

Investment banking and stockbroking

The investment banking and stockbroking segment recorded a decrease in PBT by 7.2% as compared to previous year corresponding period of RM32.9 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 lower PBT of RM0.3 million for the financial period ended December 2014 as compared to previous year corresponding period of RM2.4 million, mainly due to lower net contribution from management fee income.

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1. Performance review (continued)

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

For the financial quarter ended 31 December 2014, the Group reported a lower PBT of RM15.3 million compared to RM19.0 million in the preceding financial quarter. This was mainly due to lower contribution from its investment banking and stockbroking segment.

Investment banking and stockbroking

The investment banking and stock broking segment recorded a lower PBT of RM14.5 million for the 2nd quarter December 2014 as compared to preceding financial quarter of RM16.0 million mainly due to lower contribution from its Stockbroking division.

Fund management and unit trust management

The fund management and unit trust management segment recorded a lower PBT of RM55 thousand for 2nd quarter December 2014 as compared to RM0.2 million in preceding financial quarter. This is mainly due to higher overheads incurred 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	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013
The Group	RM'000	RM'000	RM'000	RM'000
Malaysian income tax:				
- Current	3,632	4,476	8,396	8,848
- Under provision in prior years	-	-	21	-
Deferred taxation	(4,140)	(10,215)	(8,280)	(20,430)
	<u>(508)</u>	<u>(5,739)</u>	<u>137</u>	<u>(11,582)</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 31 December 2014.

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7. Subordinated obligations

	The Group	
	As at 31/12/2014	As at 30/06/2014
RM1.0 billion Tier 2 subordinated notes, at par	50,000	-
Add: Interest payable	406	-
	<u>50,406</u>	<u>-</u>
Less: Unamortised discounts	(201)	-
	<u>50,205</u>	<u>-</u>

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

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

8. Off-balance sheet financial instruments

Details of financial instruments with off-balance sheet risk as at 31 December 2014:

The Group	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Interest rate related contracts			
(i) Less than 1 year	1,625,681	5,716	(299)
(ii) 1 year to 3 years	1,968,445	7,230	(9,306)
(iii) More than 3 years	991,000	3,865	(8,701)
Foreign exchange related contracts			
(i) Less than 1 year	1,707,627	31,174	(38,901)
Equity related contractes			
(i) 1 year to 3 years	10,000	4,941	-
(ii) More than 3 years	1,500	958	-
	<u>6,304,253</u>	<u>53,884</u>	<u>(57,207)</u>

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

Credit risk

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

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8. Off-balance sheet financial instruments (continued)

Market risk

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

Related accounting policies

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

9. Material litigation

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

10. Dividends

The Board of Directors does not recommend any dividend to be paid for the financial quarter ended 31 December 2014.

11. Earnings per share ("EPS")

(a) Basic earnings per share

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

	Financial quarter ended		Financial period ended	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013
The Group				
Net profit attributable to equity holders of the Company (RM'000):	15,798	22,714	34,139	47,016
Weighted average number of ordinary shares in issue ('000):	241,132	237,158	240,726	237,138
Basic earnings per share (sen)	6.6	9.6	14.2	19.8
The Company				
Net (loss)/profit attributable to equity holders of the Company (RM'000):	(9,687)	(6,353)	17,157	(7,588)
Weighted average number of ordinary shares in issue ('000):	241,333	238,169	240,986	238,169
Basic earnings per share (sen)	(4.0)	(2.7)	7.1	(3.2)

HLCB Q2 (31.12.14)**11. 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	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013
The Group				
Basic weighted average number of shares in issue ('000)	241,132	237,158	240,726	237,138
Number of potential ordinary shares ('000)	96	3,660	96	3,660
Diluted weighted average number of shares ('000)	241,228	240,818	240,822	240,798
Net profit attributable to shareholders of the Company (RM'000):	15,798	22,714	34,139	47,016
Diluted weighted average number of shares ('000)	241,228	240,818	240,822	240,798
Diluted earnings per share (sen)	6.5	9.4	14.2	19.5
The Company				
Basic weighted average number of shares in issue ('000)	241,333	238,169	240,986	238,169
Number of potential ordinary shares ('000)	-	2,660	-	2,660
Diluted weighted average number of shares ('000)	241,333	240,829	240,986	240,829
Net (loss)/profit attributable to shareholders of the Company (RM'000):	(9,687)	(6,353)	17,157	(7,588)
Diluted weighted average number of shares ('000)	241,333	240,829	240,986	240,829
Diluted earnings per share (sen)	(4.0)	(2.6)	7.1	(3.2)

HLCB Q2 (31.12.14)**12. Realised and unrealised profits/losses**

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

	As at 31/12/2014 RM'000	As at 30/06/2014 RM'000
The Group		
Total retained profit		
- Realised	328,734	232,928
- Unrealised		
- in respect of deferred tax recognised in the profit or loss	98,220	98,188
- in respect of other items of income and expense	55,615	25,752
	482,569	356,868
Less : Consolidation adjustment	(210,995)	(90,966)
	271,574	265,902
The Company		
Total retained profit		
- Realised	161,182	172,314
- Unrealised		
- in respect of deferred tax recognised in the profit or loss	4	(4)
- in respect of other items of income and expense	-	-
	161,186	172,310

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 2015.