

**HONG LEONG CAPITAL BERHAD**  
*(Company Number 213006-U)*  
**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2012**

	Note	The Group		The Company	
		As at 31/03/2012 RM'000	As at 30/06/2011 RM'000	As at 31/03/2012 RM'000	As at 30/06/2011 RM'000
<b>ASSETS</b>					
Cash and short term funds		1,048,741	887,262	25,202	10,157
Reverse repurchase agreements		83,981	159,684	-	-
Deposits and placements with banks and other financial institutions		371,680	60,125	-	-
Financial assets held-for-trading	10	732,812	430,746	-	477
Financial investments available-for-sale	11	170,825	74,882	-	-
Financial investments held-to-maturity	12	481,698	112,647	-	-
Derivative financial assets	18	21,376	5,358	-	-
Loans and advances	13	152,950	107,975	-	-
Clients' and brokers' balances	14	239,232	169,733	-	-
Other assets	15	39,980	68,635	478	110
Statutory deposits with Bank Negara Malaysia		33,100	17,800	-	-
Tax recoverable		465	605	348	1,306
Investment in subsidiary companies		-	-	263,189	268,189
Deferred tax assets		33,143	42,311	-	-
Property and equipment		7,286	8,354	-	-
Goodwill		33,059	33,059	-	-
Intangible assets		1,181	1,094	-	-
<b>TOTAL ASSETS</b>		<b>3,451,509</b>	<b>2,180,270</b>	<b>289,217</b>	<b>280,239</b>
<b>LIABILITIES</b>					
Deposits from customers	16	654,081	395,243	-	-
Deposits and placements of banks and other financial institutions	17	1,666,910	747,999	-	-
Derivative financial liabilities	18	29,556	5,159	-	-
Clients' and brokers' balances		600,740	591,595	-	-
Other liabilities	19	102,266	79,884	938	601
Borrowings		30,039	20,075	30,039	20,075
<b>TOTAL LIABILITIES</b>		<b>3,083,592</b>	<b>1,839,955</b>	<b>30,977</b>	<b>20,676</b>

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**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2012**

	Note	The Group		The Company	
		As at	As at	As at	As at
		31/03/2012	30/06/2011	31/03/2012	30/06/2011
		RM'000	RM'000	RM'000	RM'000
<b>EQUITY</b>					
Share capital		246,896	246,896	246,896	246,896
Reserves		134,224	106,622	24,547	25,870
Treasury shares for ESOS scheme		(13,203)	(13,203)	(13,203)	(13,203)
<b>TOTAL EQUITY</b>		<b>367,917</b>	<b>340,315</b>	<b>258,240</b>	<b>259,563</b>
<b>TOTAL LIABILITIES AND EQUITY</b>					
		<b>3,451,509</b>	2,180,270	<b>289,217</b>	280,239
<b>COMMITMENTS AND CONTINGENCIES</b>					
	25	<b>3,361,883</b>	2,958,703	-	-
<b>Net assets per share attributable to ordinary equity holder of the Company (RM)</b>					
		<b>1.57</b>	1.45		

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**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED INCOME STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2012**

		Current quarter ended 31/03/2012 RM'000	Last year's quarter ended 31/03/2011 RM'000	Current year ended 31/03/2012 RM'000	Last year ended 31/03/2011 RM'000
	Note				
<b><u>The Group</u></b>					
Operating revenue		<b>63,863</b>	50,525	<b>156,891</b>	128,229
Interest income	20	<b>28,752</b>	15,775	<b>72,766</b>	40,731
Interest expense	21	<b>(24,565)</b>	(10,682)	<b>(58,672)</b>	(28,432)
Net interest income		<b>4,187</b>	5,093	<b>14,094</b>	12,299
Other operating income	22	<b>35,111</b>	34,750	<b>84,125</b>	87,498
Net income		<b>39,298</b>	39,843	<b>98,219</b>	99,797
Other operating expenses	23	<b>(26,535)</b>	(25,067)	<b>(65,726)</b>	(57,989)
Operating profit		<b>12,763</b>	14,776	<b>32,493</b>	41,808
Write-back of allowance for impairment on loans and advances and other assets	24	<b>(392)</b>	(443)	<b>2,414</b>	791
Profit before tax expense		<b>12,371</b>	14,333	<b>34,907</b>	42,599
Tax expense		<b>(5,465)</b>	(3,709)	<b>(8,397)</b>	(10,931)
Net profit for the period		<b>6,906</b>	10,624	<b>26,510</b>	31,668
Earnings per RM1.00 share: - basic and diluted (sen)		<b>2.9</b>	4.5	<b>11.3</b>	13.5

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**HONG LEONG CAPITAL BERHAD**  
*(Company Number 213006-U)*  
**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2012**

	Current quarter ended 31/03/2012 RM'000	Last year's quarter ended 31/03/2011 RM'000	Current year ended 31/03/2012 RM'000	Last year ended 31/03/2011 RM'000
<b><u>The Group</u></b>				
Net profit for the period	<b>6,906</b>	10,624	<b>26,510</b>	31,668
Other comprehensive income				
Net fair value changes on financial investments available-for-sale	<b>1,396</b>	13	<b>825</b>	53
Income tax relating to net fair value changes on financial investments available-for-sale	<b>(350)</b>	(3)	<b>(207)</b>	(13)
Currency translation differences in respect of foreign operation	<b>(6)</b>	-	<b>(10)</b>	-
Other comprehensive income for the period, net of tax	<b>1,040</b>	10	<b>608</b>	40
Total comprehensive income for the period	<b>7,946</b>	10,634	<b>27,118</b>	31,708

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**HONG LEONG CAPITAL BERHAD**  
*(Company Number 213006-U)*  
**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED INCOME STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2012**

		Current quarter ended 31/03/2012 RM'000	Last year's quarter ended 31/03/2011 RM'000	Current year ended 31/03/2012 RM'000	Last year ended 31/03/2011 RM'000
	Note				
<b><u>The Company</u></b>					
Operating revenue		<b>105</b>	41	<b>251</b>	121
Interest income	20	<b>94</b>	12	<b>254</b>	42
Interest expense	21	<b>(208)</b>	(192)	<b>(630)</b>	(598)
Net interest expense		<b>(114)</b>	(180)	<b>(376)</b>	(556)
Other operating income/(expenses)	22	<b>11</b>	29	<b>(3)</b>	79
Net expense		<b>(103)</b>	(151)	<b>(379)</b>	(477)
Other operating expenses	23	<b>(315)</b>	(255)	<b>(944)</b>	(676)
Operating loss		<b>(418)</b>	(406)	<b>(1,323)</b>	(1,153)
Write-back of allowance for impairment on loans and advances	24	-	-	-	-
Loss before tax expense		<b>(418)</b>	(406)	<b>(1,323)</b>	(1,153)
Tax expense		-	-	-	-
Net loss for the period		<b>(418)</b>	(406)	<b>(1,323)</b>	(1,153)
Loss per RM1.00 share: - basic and diluted (sen)		<b>(0.2)</b>	(0.2)	<b>(0.6)</b>	(0.5)

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**HONG LEONG CAPITAL BERHAD**  
*(Company Number 213006-U)*  
**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2012**

	Current quarter ended 31/03/2012 RM'000	Last year's quarter ended 31/03/2011 RM'000	Current year ended 31/03/2012 RM'000	Last year ended 31/03/2011 RM'000
<b><u>The Company</u></b>				
Net loss for the period	(418)	(406)	(1,323)	(1,153)
Other comprehensive income				
Net fair value changes on financial investments available-for-sale	-	-	-	-
Income tax relating to net fair value changes on financial investments available-for-sale	-	-	-	-
Other comprehensive income for the period, net of tax	-	-	-	-
Total comprehensive expense for the period	<b>(418)</b>	<b>(406)</b>	<b>(1,323)</b>	<b>(1,153)</b>

*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 2011.*

**HONG LEONG CAPITAL BERHAD**  
**(formerly known as HLG Capital Berhad)**  
*(Company Number 213006-U)*  
**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2012**

	Share Capital RM'000	Shares held by ESOS Trust RM'000	<----- Non-Distributable ----->				Distributable		Total RM'000
			General Reserve RM'000	Statutory Reserve RM'000	<u>Reserves</u> Share Option Reserve RM'000	Fair Value Reserve RM'000	Other Reserve RM'000	<u>Reserves</u> Retained Profits RM'000	
<b>The Group</b>									
At 1 July 2011	246,896	(13,203)	543	28,222	288	56	-	77,513	340,315
Net profit for the period	-	-	-	-	-	-	-	26,510	26,510
Other comprehensive income	-	-	-	-	-	618	(10)	-	608
Total comprehensive income for the period	-	-	-	-	-	618	(10)	26,510	27,118
Arising from grant of equity-settled ESOS	-	-	-	-	484	-	-	-	484
<b>At 31 March 2012</b>	<b>246,896</b>	<b>(13,203)</b>	<b>543</b>	<b>28,222</b>	<b>772</b>	<b>674</b>	<b>(10)</b>	<b>104,023</b>	<b>367,917</b>
At 1 July 2010									
- as previously reported	246,896	(13,203)	543	11,044	-	-	-	58,796	304,076
- effect of adopting FRS139	-	-	-	-	-	-	-	(2,630)	(2,630)
At 1 July 2010, restated	246,896	(13,203)	543	11,044	-	-	-	56,166	301,446
Net profit for the period	-	-	-	-	-	-	-	31,668	31,668
Other comprehensive income	-	-	-	-	-	40	-	-	40
Total comprehensive income for the period	-	-	-	-	-	40	-	31,668	31,708
At 31 March 2011	246,896	(13,203)	543	11,044	-	40	-	87,834	333,154

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**HONG LEONG CAPITAL BERHAD**  
*(Company Number 213006-U)*  
**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2012**

	<----- Non-Distributable ----->						Distributable		Total
	Share Capital RM'000	Shares held by ESOS Trust RM'000	General Reserve RM'000	Statutory Reserve RM'000	<u>Reserves</u> Share Option Reserve RM'000	Fair Value Reserve RM'000	Other Reserve RM'000	<u>Reserves</u> Retained Profits RM'000	
<b><u>The Company</u></b>									
At 1 July 2011	246,896	(13,203)	-	-	-	-	-	25,870	259,563
Net loss for the period	-	-	-	-	-	-	-	(1,323)	(1,323)
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	-	-	(1,323)	(1,323)
At 31 March 2012	<b>246,896</b>	<b>(13,203)</b>	-	-	-	-	-	<b>24,547</b>	<b>258,240</b>
At 1 July 2010	246,896	(13,203)	-	-	-	-	-	19,613	253,306
Net loss for the period	-	-	-	-	-	-	-	(1,153)	(1,153)
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	-	-	(1,153)	(1,153)
At 31 March 2011	246,896	(13,203)	-	-	-	-	-	18,460	252,153

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**HONG LEONG CAPITAL BERHAD**  
*(Company Number 213006-U)*  
**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2012**

	<b>The Group</b>		<b>The Company</b>	
	<b>31/03/2012</b>	<b>31/03/2011</b>	<b>31/03/2012</b>	<b>31/03/2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Cash flows from operating activities</u></b>				
Profit/(loss) before tax expense	<b>34,907</b>	42,599	<b>(1,323)</b>	(1,153)
<b><u>Adjustments for non-cash items:</u></b>				
- Depreciation of property and equipment	<b>1,898</b>	1,776	-	-
- Amortisation of intangible assets	<b>612</b>	636	-	-
- Option charge arising from ESOS	<b>484</b>	-	-	-
- Gain on disposal of property and equipment	<b>(2)</b>	(1)	-	-
- (Writeback of)/allowances for losses on loans and advances	<b>785</b>	(353)	-	-
- Bad debts recovered on loans and advances	-	(213)	-	-
- Writeback of allowances for losses on clients' and brokers' balance	<b>(3,198)</b>	(225)	-	-
- Translation reserve	<b>(10)</b>	-	-	-
- Net unrealised loss/(gain) on revaluation:				
- Financial assets held-for-trading	<b>(2,189)</b>	2,397	<b>147</b>	(79)
- Derivatives	<b>8,384</b>	(1,190)	-	-
- Interest income from:				
- Financial assets held-for-trading	<b>(41,232)</b>	(20,110)	-	-
- Financial investment available-for-sale	<b>(3,517)</b>	(2,520)	-	-
- Financial investment held-to-maturity	<b>(13,051)</b>	(1,479)	-	-
- Others	<b>(254)</b>	(42)	<b>(254)</b>	(42)
- Interest expense on borrowings	<b>630</b>	598	<b>630</b>	598
- Dividend income from:				
- Financial assets held-for-trading	<b>(1,423)</b>	(664)	-	-
- Financial investment available-for-sale	<b>(172)</b>	-	-	-
	<b>(52,255)</b>	(21,390)	<b>523</b>	477
<b>Operating (loss)/profit before changes in working capital</b>	<b>(17,348)</b>	21,209	<b>(800)</b>	(676)

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**(Company Number 213006-U)**  
**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2012**

	<b>The Group</b>		<b>The Company</b>	
	<b>31/03/2012</b>	<b>31/03/2011</b>	<b>31/03/2012</b>	<b>31/03/2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Operating (loss)/profit before changes in working capital (continued)</b>	<b>(17,348)</b>	<b>21,209</b>	<b>(800)</b>	<b>(676)</b>
Changes in working capital:				
- Reverse repurchase agreements	<b>75,703</b>	(29,926)	-	-
- Deposits and placements with banks and other financial institutions	<b>(311,555)</b>	(9,930)	-	-
- Financial assets held-for-trading	<b>(299,877)</b>	(476,702)	<b>330</b>	-
- Financial investment available-for-sale	<b>(95,118)</b>	(109,444)	-	-
- Financial investment held-to-maturity	<b>(369,051)</b>	(45,602)	-	-
- Derivative financial instruments	<b>(5)</b>	-	-	-
- Loans and advances	<b>(45,760)</b>	18,424	-	-
- Clients' and brokers' balances	<b>(66,301)</b>	(80,785)	-	-
- Other assets	<b>28,588</b>	(23,671)	<b>(368)</b>	2,236
- Statutory deposits with Bank Negara Malaysia	<b>(15,300)</b>	(3,800)	-	-
Net changes in operating assets	<b>(1,098,676)</b>	(761,436)	<b>(38)</b>	2,236
- Deposits from customers	<b>258,838</b>	541,199	-	-
- Deposits and placements of banks and other financial institutions	<b>918,911</b>	356,261	-	-
- Clients' and brokers' balances	<b>9,145</b>	76,324	-	-
- Other liabilities	<b>31,794</b>	(279,955)	<b>337</b>	8,427
Net changes in operating liabilities	<b>1,218,688</b>	693,829	<b>337</b>	8,427
- Income tax refund/(paid)	<b>446</b>	(1,572)	<b>958</b>	344
- Interest received	<b>254</b>	42	<b>254</b>	42
<b>Net cash generated from/(used in) operating activities</b>	<b>103,364</b>	(47,928)	<b>711</b>	10,373

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**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2012**

	<b>The Group</b>		<b>The Company</b>	
	<b>31/03/2012</b>	<b>31/03/2011</b>	<b>31/03/2012</b>	<b>31/03/2011</b>
	<b>RM'000</b>	<b>RM'000</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	1,423	664	-	-
- Financial investment available-for-sale	172	-	-	-
Interest received from:				
- Financial assets held-for-trading	41,232	20,110	-	-
- Financial investments available-for-sale	3,517	2,520	-	-
- Financial investment held-to-maturity	13,051	1,479	-	-
Proceeds from disposal of property and equipment	2	26	-	-
Purchase of property and equipment	(830)	(3,134)	-	-
Purchase of intangible assets	(699)	(513)	-	-
Capital repayment from subsidiary	-	-	5,000	-
<b>Net cash generated from investing activities</b>	<b>57,868</b>	<b>21,152</b>	<b>5,000</b>	<b>-</b>
<b><u>Cash flows from financing activities</u></b>				
Interest paid on borrowings	(666)	(598)	(666)	(598)
Short term borrowing/(repayments) of borrowings	10,000	(2,000)	10,000	(2,000)
<b>Net cash generated from/(used in) financing activities</b>	<b>9,334</b>	<b>(2,598)</b>	<b>9,334</b>	<b>(2,598)</b>
<b>Net changes in cash and cash equivalents</b>	<b>170,566</b>	<b>(29,374)</b>	<b>15,045</b>	<b>7,775</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>438,444</b>	<b>515,442</b>	<b>10,157</b>	<b>230</b>
<b>Cash and cash equivalents at end of the period</b>	<b>609,010</b>	<b>486,068</b>	<b>25,202</b>	<b>8,005</b>
<b>Cash and cash equivalents comprise:</b>				
Cash and short term funds	1,048,741	714,590	25,202	8,005
Less: Remisiers' and clients' trust monies	(439,731)	(228,522)	-	-
	<b>609,010</b>	<b>486,068</b>	<b>25,202</b>	<b>8,005</b>

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**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 MARCH 2012**

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

**1. Basis of preparation**

The unaudited interim financial statements have been prepared in accordance with FRS 134 "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board ("MASB") and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). The unaudited interim financial statements should be read in conjunction with the audited annual financial statements of the Group and of the Company for the year ended 30 June 2011. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and of the Company since the year ended 30 June 2011.

The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the year ended 30 June 2011, except for the adoption of the following Financial Reporting Standards ("FRS"), amendments to FRSs and IC Interpretations:

- Amendments to FRS 2 "Share-based Payment: Group, cash-settled share based payment transactions"
- Amendments to FRS 7 "Improving Disclosures about Financial Instruments"
- IC Interpretation 4 "Determining whether an arrangement contains a lease"
- IC Interpretation 19 "Extinguishing financial liabilities with equity investments"
- FRS 101 "Presentation of Financial Statements"

The adoption of these FRSs, amendments to FRSs and IC Interpretations did not have any significant financial impact on the results of the Group and of the Company.

**2. Auditors' report on preceding annual financial statements**

The auditors' report on the audited financial statements for the financial year ended 30 June 2011 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 March 2012.

**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 March 2012.

## HLCB Q3 (31.03.12)

### 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 March 2012.

### 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 March 2012.

- (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.

The shares purchased for the benefit of the ESOS holders are recorded as "Shares held by ESOS Trust" in the Group and the Company's statement of financial position as deduction in arriving at the shareholders' equity. Total shares held by ESOS Trust comprise 12,287,200 shares in the Company costing RM13,203,461 inclusive of transaction costs, as at 31 March 2012.

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

<b>Grant date</b>	<b>Expiry date</b>		<b>As at 31 March 2012</b>
19 January 2011	18 July 2013	*	1,342,500
19 January 2011	18 April 2014	^	1,566,250
19 January 2011	18 April 2015	^	1,566,250
			<u>4,475,000</u>

\* The exercise period is up to 6 months from the date of notification of entitlement ("Vesting Date").

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

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### **7. Dividends**

There was no dividend paid during the financial quarter ended 31 March 2012.

### **8. Valuations of Property, Plant and Equipment**

No valuations of property, plant and equipment were carried out for the financial quarter ended 31 March 2012.

### **9. Significant Events**

Hong Leong Capital Berhad ("HLCB") made an announcement on 12 March 2012 that the Minister of Finance has, via Bank Negara Malaysia's letter dated 9 March 2012, approved the following proposals:

- (a) the proposed acquisition of the entire equity interest in MIMB Investment Bank Berhad ("MIMB") from Hong Leong Bank Berhad ("HLBB") ("Proposed Acquisition of MIMB") pursuant to Sections 45(1)(a) and 46(1)(b) of the Banking and Financial Institutions Act 1989 ("BAFIA");
- (b) the execution by HLCB of the sale and purchase agreement with HLBB pursuant to Section 49(7) of BAFIA for the Proposed Acquisition of MIMB as required under Section 49(1)(a) of BAFIA; and
- (c) the execution between Hong Leong Investment Bank Berhad ("HLIB") and MIMB of a business transfer agreement to transfer the entire business, assets and liabilities of HLIB to MIMB pursuant to Section 49(1)(b) of BAFIA.

The Proposals would be undertaken in the following manner:

- (a) HLCB shall acquire the entire equity interest in MIMB from HLBB;
- (b) After completion of the Proposed Acquisition of MIMB, HLIB shall sell and vest the entire business, assets and liabilities of HLIB to MIMB ("Proposed Business Rationalisation");
- (c) Subsequent to the Proposed Business Rationalisation, HLIB shall surrender its merchant banking license to Bank Negara Malaysia for cancellation; and
- (d) HLCB shall thereafter dispose of its entire equity interest in the shell HLIB to HLBB.

Upon completion of the Proposals, MIMB shall become a wholly-owned subsidiary of HLCB and the investment banking business will be undertaken solely by MIMB. HLIB will cease to be a licensed institution and shall thereafter be wholly-owned by HLBB.

**Financial Reporting for Licensed Institutions ("BNM/GP8")****10. Financial assets held-for-trading**

	<b>The Group</b>		<b>The Company</b>	
	<b>As at</b>	<b>As at</b>	<b>As at</b>	<b>As at</b>
	<b>31/03/2012</b>	<b>30/06/2011</b>	<b>31/03/2012</b>	<b>30/06/2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Money market instruments</b>				
Negotiable instruments of deposits	406,648	20,143	-	-
Bank Negara Malaysia Bills	99,676	-	-	-
Bankers' acceptances	-	212,418	-	-
	<b>506,324</b>	<b>232,561</b>	<b>-</b>	<b>-</b>
<b>Quoted securities</b>				
In Malaysia:				
Shares	8,254	52,463	-	-
Unit trust investment	18,869	7,401	-	477
Outside Malaysia:				
Foreign currency bonds	8,286	98,036	-	-
	<b>35,409</b>	<b>157,900</b>	<b>-</b>	<b>477</b>
<b>Unquoted securities</b>				
Private and Islamic debt securities	191,079	40,285	-	-
	<b>732,812</b>	<b>430,746</b>	<b>-</b>	<b>477</b>
Total financial assets held-for-trading				

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

	<b>The Group</b>	
	<b>As at</b>	<b>As at</b>
	<b>31/03/2012</b>	<b>30/06/2011</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Money market instruments</b>		
Cagamas bonds	5,215	5,140
<b>Quoted securities</b>		
Outside Malaysia:		
Foreign currency bonds	21,794	10,902
<b>Unquoted securities</b>		
Shares	2,445	2,445
Private and Islamic debt securities	141,371	56,395
Total financial investments available-for-sale	<b>170,825</b>	<b>74,882</b>

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

	<b>The Group</b>	
	<b>As at</b>	<b>As at</b>
	<b>31/03/2012</b>	<b>30/06/2011</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Money market instruments</b>		
Cagamas bonds	10,373	10,319
Malaysian Government Investment Issues	5,088	5,153
	<u>15,461</u>	<u>15,472</u>
<b>Quoted securities</b>		
Outside Malaysia:		
Foreign currency bonds	420,313	76,710
<b>Unquoted securities</b>		
Private and Islamic debt securities	45,924	20,465
	<u>481,698</u>	<u>112,647</u>
Total financial investments held-to-maturity		

**13. Loans and advances**

	<b>The Group</b>	
	<b>As at</b>	<b>As at</b>
	<b>31/03/2012</b>	<b>30/06/2011</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At amortised cost</b>		
Term loan financing	69,814	15,022
Share margin financing	72,022	76,819
Revolving credits	18,222	22,457
Gross loans and advances	<u>160,058</u>	<u>114,298</u>
Less :		
Allowance for losses on loans and advances		
- individual assessment allowance	(4,779)	(4,679)
- collective assessment allowance	(2,329)	(1,644)
Net loans and advances	<u>152,950</u>	<u>107,975</u>

**13a. By type of customer**

Domestic business enterprises		
- Small and medium enterprises	12,409	8,807
- Others	87,382	35,568
Individuals	58,347	68,722
Foreign entities	1,920	1,201
Gross loans and advances	<u>160,058</u>	<u>114,298</u>

**13b. By interest rate sensitivity**

Fixed rate		
- Other fixed rate loan	72,022	76,819
Variable rate		
- Cost plus	88,036	37,479
Gross loans and advances	<u>160,058</u>	<u>114,298</u>



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**13. Loans and advances (continued)**

	<b>The Group</b>	
	<b>As at</b>	<b>As at</b>
	<b>31/03/2012</b>	<b>30/06/2011</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>13c. <u>By residual contractual maturity</u></b>		
Maturity within 1 year	<b>160,058</b>	114,298
<b>13d. <u>By geographical distribution</u></b>		
Malaysia	<b>160,058</b>	114,298
<b>13e. <u>By economic purpose</u></b>		
Purchase of securities	<b>82,151</b>	89,354
Working capital	<b>77,907</b>	24,944
Gross loans and advances	<b>160,058</b>	114,298
<b>13f. Movements in impaired loans and advances ("impaired loans") are as follows:</b>		
Impaired loans and advances		
At 1 July		
- as previously stated	<b>9,374</b>	2,688
- effect of adopting FRS139	-	10,012
At 1 July, as restated	<b>9,374</b>	12,700
Impaired during the year	<b>100</b>	107
Amount written back	<b>(722)</b>	(2,347)
Amount written off	-	(1,086)
Closing balance	<b>8,752</b>	9,374
Ratio of impaired loans to total loans and advances net of individual assessment allowance	<b>5.6%</b>	8.6%
<b>13g. <u>Impaired loans and advances by geographical distribution</u></b>		
Malaysia	<b>8,752</b>	9,374
<b>13h. <u>Impaired loans and advances by economic purpose</u></b>		
Working Capital	<b>7,532</b>	8,254
Purchase of securities	<b>1,220</b>	1,120
	<b>8,752</b>	9,374
<b>13i. Movements in allowance for impaired loans and advances are as follows:</b>		
<u>Collective assessment allowance</u>		
At 1 July		
- as previously stated	<b>1,644</b>	-
- effect of adopting FRS139	-	1,743
At 1 July, as restated	<b>1,644</b>	1,743
Allowance made/(written back) during the period	<b>685</b>	(99)
Closing balance	<b>2,329</b>	1,644

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**13. Loans and advances (continued)**

	<b>The Group</b>	
	<b>As at</b>	<b>As at</b>
	<b>31/03/2012</b>	<b>30/06/2011</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Individual assessment allowance</u>		
At 1 July		
- as previously stated	4,679	-
- effect of adopting FRS139	-	6,247
At 1 July, as restated	<u>4,679</u>	<u>6,247</u>
Allowance made during the period	100	107
Allowance written back during the period	-	(589)
Amount written off	-	(1,086)
Closing balance	<u>4,779</u>	<u>4,679</u>

**14. Clients' and brokers' balances**

	<b>The Group</b>	
	<b>As at</b>	<b>As at</b>
	<b>31/03/2012</b>	<b>30/06/2011</b>
	<b>RM'000</b>	<b>RM'000</b>
Performing accounts	238,764	169,525
Impaired accounts	1,067	12,589
	<u>239,831</u>	<u>182,114</u>
Less: Allowance for bad and doubtful debts		
- individual assessment allowance	(599)	(12,381)
	<u>239,232</u>	<u>169,733</u>

**15. Other assets**

	<b>The Group</b>		<b>The Company</b>	
	<b>As at</b>	<b>As at</b>	<b>As at</b>	<b>As at</b>
	<b>31/03/2012</b>	<b>30/06/2011</b>	<b>31/03/2012</b>	<b>30/06/2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Amount due from subsidiary companies	-	-	472	105
Deposits and prepayments	5,199	4,971	6	5
Other receivables	34,036	63,275	-	-
Manager's stocks and consumables	745	389	-	-
	<u>39,980</u>	<u>68,635</u>	<u>478</u>	<u>110</u>

**HLCB Q3 (31.03.12)****16. Deposits from customers**

	<b>The Group</b>	
	<b>As at</b>	<b>As at</b>
	<b>31/03/2012</b>	<b>30/06/2011</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>16a. <u>By type of deposit</u></b>		
Fixed deposits	<b>654,081</b>	395,243
<b>16b. <u>By type of customer</u></b>		
Government and statutory bodies	<b>623,130</b>	205,501
Business enterprises	<b>30,951</b>	188,724
Individual	-	1,018
	<b>654,081</b>	395,243
<b>16c. The maturity structure of fixed deposits are as follows:</b>		
Due within six months	<b>654,081</b>	395,243

**17. Deposits and placements of banks and other financial institutions**

	<b>The Group</b>	
	<b>As at</b>	<b>As at</b>
	<b>31/03/2012</b>	<b>30/06/2011</b>
	<b>RM'000</b>	<b>RM'000</b>
Licensed banks	<b>689,783</b>	211,431
Other financial institutions	<b>977,127</b>	536,568
	<b>1,666,910</b>	747,999

18. Derivative financial instruments

	Contract or underlying principal amount RM'000	The Group	
		Positive fair value RM'000	Negative fair value RM'000
<b>31/03/2012</b>			
Interest rate related contracts:			
- Interest rate swaps	1,188,500	3,892	(11,050)
- Futures	1,285,986	694	(2,210)
Foreign exchange related contracts:			
- Foreign currency swaps	456,195	13,860	(16,294)
- Foreign currency forwards	430	-	(2)
Equity related contracts:			
- Call option	10,000	2,930	-
	<b>2,941,111</b>	<b>21,376</b>	<b>(29,556)</b>

**30/06/2011**

Interest rate related contracts:			
- Interest rate swaps	455,000	622	(1,600)
- Futures	2,013,753	515	(919)
Foreign exchange related contracts:			
- Foreign currency swaps	64,471	1,192	(2,247)
- Foreign currency spot	18,119	29	(25)
- Foreign currency forwards	30,198	-	(301)
Equity related contracts:			
- Futures	44,675	-	(67)
- Call option	10,000	3,000	-
	<b>2,636,216</b>	<b>5,358</b>	<b>(5,159)</b>

19. Other liabilities

	The Group		The Company	
	As at 31/03/2012 RM'000	As at 30/06/2011 RM'000	As at 31/03/2012 RM'000	As at 30/06/2011 RM'000
Amount due to holding company	2	2	2	2
Amount due to subsidiary companies	-	-	538	80
Amount due to related companies	97	1,880	28	27
Remisiers' trust deposits	11,040	10,210	-	-
Other payables and accrued liabilities	90,749	66,858	370	492
Current tax liability	7	417	-	-
Post employment benefits obligation				
- defined contribution plan	371	517	-	-
	<b>102,266</b>	<b>79,884</b>	<b>938</b>	<b>601</b>

**20. Interest income**

	Current quarter ended 31/03/2012 RM'000	Last year's quarter ended 31/03/2011 RM'000	Current year ended 31/03/2012 RM'000	Last year ended 31/03/2011 RM'000
<b>The Group</b>				
Loan and advances	2,356	1,630	6,007	4,426
Money at call and deposits placements with banks and other financial institutions	4,888	3,964	11,808	12,114
Financial investments available-for-sale	1,506	1,157	3,517	2,520
Financial investments held-to-maturity	5,347	364	13,051	1,479
Others	154	62	398	468
	<b>14,251</b>	7,177	<b>34,781</b>	21,007
Financial assets held-for-trading	15,688	8,861	41,232	20,110
Accretion of discount less amortisation of premium	(1,187)	(263)	(3,247)	(386)
<b>Total interest income</b>	<b>28,752</b>	15,775	<b>72,766</b>	40,731
 Of which:				
Interest income earned on impaired loans and advances	65	85	214	290
 <b>The Company</b>				
Money at call and deposits placements with banks and other financial institutions	94	12	254	42

**21. Interest expense**

	Current quarter ended 31/03/2012 RM'000	Last year's quarter ended 31/03/2011 RM'000	Current year ended 31/03/2012 RM'000	Last year ended 31/03/2011 RM'000
<b>The Group</b>				
Deposits and placements of banks and other financial institutions	13,185	3,376	30,975	7,844
Deposits from customers	11,165	7,115	27,015	19,944
Borrowings	208	192	630	598
Others	7	(1)	52	46
<b>Total interest expense</b>	<b>24,565</b>	10,682	<b>58,672</b>	28,432
 <b>The Company</b>				
Borrowings	208	192	630	598

## 22. Other operating income

	Current quarter ended 31/03/2012 RM'000	Last year's quarter ended 31/03/2011 RM'000	Current year ended 31/03/2012 RM'000	Last year ended 31/03/2011 RM'000
<b>The Group</b>				
(a) Fee income:				
Brokerage commissions	12,303	14,472	31,486	36,794
Fee on loans and advances	649	795	1,038	2,266
Arranger fees	1,645	886	7,614	7,870
Placement fee	48	-	618	-
Corporate advisory fees	1,465	1,762	5,305	4,637
Net commission from futures business	162	240	653	745
Net unit trust and asset management income	3,904	4,876	11,676	14,491
Underwriting commissions	-	-	890	1,329
Other fee income	4,241	9,506	14,563	11,928
	<b>24,417</b>	<b>32,537</b>	<b>73,843</b>	<b>80,060</b>
(b) Net realised gain arising from sale of:				
- Financial assets held-for-trading	3,256	867	2,996	4,088
- Financial investments available-for-sale	-	-	210	-
- Derivatives	31,239	8,877	10,420	7,688
	<b>34,495</b>	<b>9,744</b>	<b>13,626</b>	<b>11,776</b>
(c) Net unrealised (loss)/gain on revaluation of:				
- Financial assets held-for-trading	(264)	1,253	2,189	(2,397)
- Derivatives	(5,773)	(5,366)	(8,384)	1,190
	<b>(6,037)</b>	<b>(4,113)</b>	<b>(6,195)</b>	<b>(1,207)</b>
(d) Dividend income from:				
- Financial assets held-for-trading	707	366	1,423	664
- Financial investments available-for-sale	25	-	172	-
	<b>732</b>	<b>366</b>	<b>1,595</b>	<b>664</b>
(e) Other income				
- Gain on disposal of property and equipment	-	1	2	1
- Foreign exchange (loss)/gain	(18,568)	(3,170)	1,319	(3,335)
- Other income/(expenses)	72	(615)	(65)	(461)
	<b>(18,496)</b>	<b>(3,784)</b>	<b>1,256</b>	<b>(3,795)</b>
Total other operating income	<b>35,111</b>	<b>34,750</b>	<b>84,125</b>	<b>87,498</b>

22. Other operating income (continued)

	Current quarter ended 31/03/2012 RM'000	Last year's quarter ended 31/03/2011 RM'000	Current year ended 31/03/2012 RM'000	Last year ended 31/03/2011 RM'000
<b>The Company</b>				
(a) Net realised gain arising from sale of:				
- Financial assets held-for-trading	144	-	144	-
(b) Net unrealised (loss)/gain on revaluation of:				
- Financial assets held-for-trading	(133)	29	(147)	79
Total other operating income	<b>11</b>	<b>29</b>	<b>(3)</b>	<b>79</b>

23 Other operating expenses

	Current quarter ended 31/03/2012 RM'000	Last year's quarter ended 31/03/2011 RM'000	Current year ended 31/03/2012 RM'000	Last year ended 31/03/2011 RM'000
<b>The Group</b>				
Personnel costs	17,928	16,791	40,068	33,209
- Salaries, bonus and allowances	15,196	15,277	33,209	29,003
- Option charge arising from ESOS	161	-	484	-
- Others	2,571	1,514	6,375	4,206
Establishment costs	3,867	3,648	11,641	12,470
- Depreciation of property and equipment	604	611	1,898	1,776
- Amortisation of intangible assets	215	216	612	636
- Rental	1,277	1,303	3,955	4,075
- Information technology expenses	1,143	972	3,525	3,441
- Others	628	546	1,651	2,542
Marketing expenses	491	589	1,681	1,792
- Advertisement and publicity	17	167	382	592
- Entertainment and business improvement	380	371	922	807
- Others	94	51	377	393
Administration and general expenses	4,249	4,039	12,336	10,518
- Management fees	688	651	1,887	1,928
- Teletransmission expenses	377	424	1,309	1,248
- Auditors' remunerations				
- Statutory audit	(6)	61	314	153
- Tax compliance fee	14	-	14	-
- Other fees	69	-	69	-
- Legal and professional fees	1,650	1,494	4,790	3,547
- Others	1,457	1,409	3,953	3,642
	<b>26,535</b>	<b>25,067</b>	<b>65,726</b>	<b>57,989</b>

## 23 Other operating expenses (continued)

The Company	Current	Last year's	Current	Last
	quarter ended	quarter ended	year ended	year ended
	31/03/2012	31/03/2011	31/03/2012	31/03/2011
	RM'000	RM'000	RM'000	RM'000
Personnel costs	81	71	207	159
- Salaries, bonus and allowances	71	33	141	99
- Others	10	38	66	60
Establishment costs	11	2	34	22
- Rental	-	-	-	5
- Others	11	2	34	17
Marketing expenses	6	3	12	7
- Advertisement and publicity	5	-	5	-
- Others	1	3	7	7
Administration and general expenses	217	179	691	488
- Teletransmission expenses	1	1	3	2
- Auditors' remunerations	12	16	38	29
- Legal and professional fees	-	-	125	14
- Others	204	162	525	443
	315	255	944	676

## 24. Allowance for/(writeback of) impairment on loans and advances and other losses

The Group	Current	Last year's	Current	Last
	quarter ended	quarter ended	year ended	year ended
	31/03/2012	31/03/2011	31/03/2012	31/03/2011
	RM'000	RM'000	RM'000	RM'000
<b>Allowance for losses on impaired loans and advances:</b>				
Individual assessment allowance				
- written back during the period	-	3	-	(243)
- made during the period	34	37	100	109
Collective assessment allowance made/(writeback) during the period	286	(1)	685	(219)
Bad debts on clients' and brokers' balances				
- recovered	(6)	(160)	(59)	(213)
<b>Allowance for losses on clients' and brokers' balances:</b>				
Individual assessment allowance				
- written back during the period	8	(847)	(3,261)	(1,757)
- made during the period	70	1,411	121	1,541
Collective allowance made during the period	-	-	-	(9)
	392	443	(2,414)	(791)



## 25. Commitments and contingencies

<b>The Group</b>	<b>Principal Amount RM'000</b>	<b>Credit Equivalent Amount RM'000</b>	<b>Risk Weighted Amount RM'000</b>
<b>31 March 2012</b>			
<b>Commitments and contingent liabilities</b>			
Direct Credit Substitutes	50,750	50,750	50,750
Other commitments, such as formal standby facilities and credit lines, with original maturity of up to one year	17,800	3,560	3,560
Any commitment that are unconditionally cancelled at any time by the bank without prior notice			
- maturity less than 1 year	352,222	-	-
	<u>420,772</u>	<u>54,310</u>	<u>54,310</u>
<b>Derivative Financial Instruments</b>			
Interest rate related contracts			
- One year or less	718,230	306	61
- Over one year to five years	1,579,202	34,286	6,857
- Over five years	177,054	5,175	1,035
Foreign exchange related contracts			
- One year or less	456,625	38,377	7,675
Equity related contracts			
- Over one year to five years	10,000	-	-
	<u>2,941,111</u>	<u>78,144</u>	<u>15,628</u>
	<u>3,361,883</u>	<u>132,454</u>	<u>69,938</u>
<b>30 June 2011</b>			
<b>Commitments and contingent liabilities</b>			
Obligations under underwriting agreement	20,238	10,119	10,119
Any commitment that are unconditionally cancelled at any time by the bank without prior notice			
- maturity less than 1 year	302,249	-	-
	<u>322,487</u>	<u>10,119</u>	<u>10,119</u>
<b>Derivative Financial Instruments</b>			
Interest rate related contracts:			
- One year or less	527,573	-	-
- Over one year to five years	1,817,370	18,572	3,714
- Over five years	123,810	-	-
Foreign exchange related contracts			
- One year or less	112,788	5,750	1,512
Equity related contracts			
- One year or less	44,675	-	-
- Over one year to five years	10,000	-	-
	<u>2,636,216</u>	<u>24,322</u>	<u>5,226</u>
	<u>2,958,703</u>	<u>34,441</u>	<u>15,345</u>

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

**HLCB Q3 (31.03.12)****26. Capital adequacy**

	<b>HLIB</b>	
	As at <b>31/03/2012</b>	As at <b>30/06/2011</b>
Core capital ratio	<b>19.07%</b>	35.66% *
Risk-weighted capital ratio	<b>19.35%</b>	<b>36.06%</b> *

\* *After deducting final dividend*

	<b>HLIB</b>	
	As at <b>31/03/2012</b>	As at <b>30/06/2011</b>
	<b>RM'000</b>	<b>RM'000</b>
Components of Tier I and Tier II capital:		
<u>Tier I capital</u>		
Paid-up share capital	<b>265,535</b>	265,535
Retained profit	<b>8,884</b>	25,192
Statutory reserves	<b>28,222</b>	28,222
	<b>302,641</b>	318,949
Less: Goodwill	<b>(30,236)</b>	(30,236)
Deferred tax assets (net)	<b>(41,716)</b>	(41,716)
Total Tier I capital	<b>230,689</b>	246,997
<u>Tier II capital</u>		
Redeemable preference shares ("RPS")	<b>1,631</b>	1,631
Collective assessment allowance	<b>2,270</b>	1,574
Total tier II capital	<b>3,901</b>	3,205
Total capital	<b>234,590</b>	250,202
Less: Investment in subsidiary companies	<b>(588)</b>	(588)
Capital base	<b>234,002</b>	249,614

The capital adequacy ratios of HLIB are computed in accordance with BNM's revised Risk-Weighted Capital Adequacy Framework ("RWCAF-Basel II"). HLIB has adopted the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk. The minimum regulatory capital adequacy requirement is 8.0% (2011 - 8.00%) for the risk-weighted capital ratio.

**27. Segmental reporting**

(a) Segment information by activities for the financial period ended 31 March 2012:

	Fund Investment banking and stockbroking	Futures management and unit trust management	Futures and options broking	Investment holding and others	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b><u>31 March 2012</u></b>						
<b>REVENUE &amp; EXPENSES</b>						
<b>Revenue</b>						
Net Interest income	13,477	736	252	(371)	-	14,094
Non interest income	71,140	11,679	718	16,896	(16,308)	84,125
<b>Results</b>						
Profit/(loss) from operations	36,118	206	(1)	15,447	(16,863)	34,907
Taxation						(8,397)
Profit after taxation						26,510
<b><u>31 March 2011</u></b>						
<b>REVENUE &amp; EXPENSES</b>						
<b>Revenue</b>						
Net Interest income	11,578	832	301	(412)	-	12,299
Non interest income	71,880	14,517	762	339	-	87,498
<b>Results</b>						
Profit/(loss) from operations	38,960	4,387	126	(874)	-	42,599
Taxation						(10,931)
Profit after taxation						31,668

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

**28. Property and equipment**

The valuations of property and equipment have been brought forward without amendment from the financial statements for the financial year ended 30 June 2011.

## **HLCB Q3 (31.03.12)**

### **29. Changes in composition of the Group**

There were no changes in composition of the Group since last financial quarter.

### **30. Capital commitments**

There were no capital commitments for the purchase of property and equipment as at 31 March 2012.

### **31. 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 five sector funds. The Company provided a guarantee to Universal Trustee (Malaysia) Berhad, the trustee of the Funds, that if any of the five sector funds falls below the minimum fund size of RM1 million, the Company would invest cash, equivalent to the shortfall, into the relevant fund.

Out of the five sector funds, the Trading & services Sector Fund is below the minimum fund size of RM1 million as at 31 March 2012, Hong Leong Capital Berhad will invest cash into the above said fund to fulfill the requirement of the fund.

### **32. Related party transactions**

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

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

**1. Performance review**

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

The group recorded a lower profit before tax ("PBT") of RM12.4 million for the 3rd quarter March 2012 as compared to RM14.3 million in the previous year corresponding quarter. This is mainly due to lower contribution from its major operating segments, ie. 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 PBT of RM12.7 million for the 3rd quarter March 2012 as compared to previous year corresponding quarter of RM13.1 million mainly due to higher overheads incurred arising from enlarged staff force.

Fund management and unit trust management

Fund management and unit trust management recorded a PBT of RM0.11 million for the 3rd quarter March 2012 as compared to a PBT of RM1.5 million in previous year corresponding quarter, mainly due to lower net contribution from management fee income and higher overhead incurred.

The higher overhead incurred for the quarter mainly arising from the start up cost of its new subsidiary in Singapore, HL Asset Management Pte. Ltd.

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

The group recorded a PBT of RM34.9 million for the financial period ended 31 March 2012 as compared to RM42.6 million in the previous financial period, lower by 18.1%. This is mainly due to lower profit from investment banking division arising from higher overheads incurred; and lower net contribution from management fee income and higher overheads incurred for start up cost of the new subsidiary in Singapore for fund management and unit trust segment.

Investment banking and stockbroking

For the current period under review, the investment banking and stockbroking segment recorded an decrease in PBT by 7.6% compared to previous year corresponding period mainly due to higher overheads incurred, partially offset by higher write-back of allowance made for clients' and brokers' balances.

The higher overhead expenses incurred for the current period as compared to previous year corresponding period mainly due to higher personnel costs arising from enlarged headcount.

Fund management and unit trust management

For the current period under review, the fund management and unit trust management segment recorded a reduced PBT of RM0.2 million from RM4.4 million in the previous year corresponding period. This is mainly due to lower net contribution from management fee income and overheads incurred for start up cost of its new subsidiary in Singapore.

## HLCB Q3 (31.03.12)

### 1. Performance review (continued)

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

For the financial quarter ended 31 March 2012, the Group reported a higher PBT of RM12.4 million compared to the PBT of RM11.6 million in the preceding financial quarter. This was mainly due to higher contribution from investment banking business.

##### Investment banking and stockbroking

The investment banking and stock broking segment recorded a higher PBT of RM12.7 million for the 3rd quarter March 2012 as compared to preceding financial quarter of RM12.2 million mainly due to higher revenue earned from investment banking division partially offset by higher allowance made for clients' and brokers' balances and higher overhead incurred arising from enlarged staff force.

##### Fund management and unit trust management

The fund management and unit trust management segment recorded a higher PBT by RM0.12 million for 3rd quarter March 2012 as compared to PBT in preceding financial quarter. This is mainly due to lower overheads incurred for start up cost of its new subsidiary in Singapore.

### 2. Prospects for the next financial year

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

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

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

### 4. Taxation

The Group	Financial quarter ended		Financial period ended	
	31/03/2012	31/03/2011	31/03/2012	31/03/2011
	RM'000	RM'000	RM'000	RM'000
Tax expense on Malaysian tax				
- Current	195	425	349	1,157
- Over provision in prior years	(940)	-	(940)	-
Deferred tax	6,210	3,284	8,988	9,774
	5,465	3,709	8,397	10,931

## **HLCB Q3 (31.03.12)**

### **5. Status of corporate proposals**

Hong Leong Capital Berhad ("HLCB") had on 10 April 2012 entered into the following:

- (i) a conditional sale and purchase agreement with Hong Leong Bank Berhad ("HLB") for the proposed acquisition of the entire equity interest in MIMB Investment Bank Berhad ("MIMB") ("MIMB SPA") for an indicative cash consideration of RM157.90 million in accordance with the terms and subject to the conditions therein ("Proposed Acquisition of MIMB");
- (ii) a letter of indemnity from HLB to HLCB pursuant to the MIMB SPA ("HLB's Letter of Indemnity"); and
- (iii) a conditional sale and purchase agreement with HLB for the proposed disposal of the entire equity interest in Hong Leong Investment Bank ("HLIB") ("HLIB SPA") for a sum equal to the net tangible assets ("NTA") of HLIB as at the date immediately preceding the completion date of the HLIB SPA, or such other date as HLCB and HLB may mutually agree ("HLIB Consideration") ("Proposed Disposal of HLIB");

The Proposed Acquisition of MIMB and the Proposed Disposal of HLIB shall be collectively referred to as the "Proposals".

Upon completion of the Proposals, MIMB will become a wholly-owned subsidiary of HLCB and HLIB will cease to be a subsidiary of HLCB.

### **6. Group borrowings**

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

### **7. Material litigation**

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

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

Plaintiff's claims against all of the defendants were dismissed with costs to the defendants; the Plaintiff's appeal was finally dismissed by the Court of Appeal on 3 November 2011.

The last day for the Plaintiff to lodge its application for leave to appeal further to the Federal Court was on 3 December 2011 (1 month from the date of the decision of the Court of Appeal) and no such application has filed or served to our solicitors. As such, the matter can be considered closed.

### **8. Dividends**

The Board of Directors does not recommend any dividend to be paid for the financial quarter ended 31 March 2012.

## HLCB Q3 (31.03.12)

### 9. 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	
	31/03/2012	31/03/2011	31/03/2012	31/03/2011
Net profit attributable to shareholders of the Company (RM'000):	6,906	10,624	26,510	31,668
Weighted average number of Ordinary Shares in issue ('000):	234,609	234,609	234,609	234,609
Basic earnings per share (sen)	2.9	4.5	11.3	13.5

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

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

### 10. 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 March 2012 RM'000	As at 30 June 2011 RM'000
<b>The Group</b>		
Total retained profit		
- Realised	111,154	68,562
- Unrealised		
- in respect of deferred tax recognised in the profit or loss	33,143	42,311
- in respect of other items of income and expense	(6,391)	1,600
	<u>137,906</u>	<u>112,473</u>
Less : Consolidation adjustment	(33,883)	(34,960)
	<u>104,023</u>	<u>77,513</u>
<b>The Company</b>		
Total retained profit		
- Realised	24,547	25,693
- Unrealised		
- in respect of other items of income and expense	-	177
	<u>24,547</u>	<u>25,870</u>



## **HLCB Q3 (31.03.12)**

### **1. 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 16 May 2012