

HONG LEONG INVESTMENT BANK BERHAD
(Formerly known as MIMB INVESTMENT BANK BERHAD)(10209-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Note	The Group			The Bank		
		31 Dec 2012	Restated As at 30 Jun 2012	Restated As at 1 Jan 2011	31 Dec 2012	Restated As at 30 Jun 2012	Restated As at 1 Jan 2011
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS							
Cash and short-term funds		860,372	106,169	108,248	854,220	105,750	107,964
Deposits and placements with banks and other financial institutions		227,761	271	162	227,490	-	-
Financial assets held-for-trading	8	989,411	-	-	989,411	-	-
Financial investments available-for-sale	9	321,898	-	50,960	321,898	-	50,960
Financial investments held-to-maturity	10	248,399	-	-	248,399	-	-
Derivative financial assets	18	26,346	-	-	26,346	-	-
Loans and advances	11	240,236	69,570	86,004	240,236	69,570	86,004
Clients' and brokers' balances	12	122,375	20,089	34,114	122,375	20,089	34,114
Other assets	13	50,782	12,885	7,354	55,190	12,941	7,328
Statutory deposits with Bank Negara Malaysia		13,500	-	59	13,500	-	59
Investment in subsidiaries		-	-	-	1,470	220	220
Deferred tax assets		24,060	35,271	35,319	24,060	35,271	35,319
Property and equipment		7,247	981	2,638	7,247	981	2,638
Intangible assets - computer software		1,229	23	309	1,229	23	309
Goodwill		-	-	86,610	-	-	66,663
TOTAL ASSETS		3,133,616	245,259	411,777	3,133,071	244,845	391,578
LIABILITIES AND SHAREHOLDER'S FUNDS							
Deposits from customers	15	438,197	-	-	438,197	-	-
Deposits and placements of banks and other financial institutions	16	1,444,979	-	40,006	1,444,979	-	40,006
Repurchased agreements		212,824	-	-	212,824	-	-
Derivative financial liabilities	18	31,617	-	-	31,617	-	-
Clients' and brokers' balances	17	611,642	46,214	52,185	611,642	46,214	52,185
Provision for tax		810	870	52	810	868	52
Other liabilities	19	95,067	22,641	41,755	94,775	22,444	41,713
TOTAL LIABILITIES		2,835,136	69,725	133,998	2,834,844	69,526	133,956
EQUITY							
Share capital		165,000	75,000	75,000	165,000	75,000	75,000
Redeemable preference shares		1,631	-	-	1,631	-	-
Reserves		131,849	100,534	202,779	131,596	100,319	182,622
TOTAL EQUITY		298,480	175,534	277,779	298,227	175,319	257,622
TOTAL EQUITY AND LIABILITIES		3,133,616	245,259	411,777	3,133,071	244,845	391,578

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 30 June 2012.

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UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Note	The Group			The Bank		
		Restated		Restated	Restated		Restated
		31 Dec 2012	30 Jun 2012	1 Jan 2011	31 Dec 2012	30 Jun 2012	1 Jan 2011
		As at	As at	As at	As at	As at	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
COMMITMENTS AND CONTINGENCIES	25	6,047,492	138,110	324,644	6,047,492	138,110	324,644
<u>CAPITAL ADEQUACY</u>							
Before deducting proposed dividends							
Tier I capital ratio		22.1%	145.8%	73.4%	22.0%	147.6%	73.4%
Risk-weighted capital ratio		22.3%	146.9%	73.9%	22.1%	148.5%	73.9%
After deducting proposed dividends:							
Tier I capital ratio		22.1%	145.8%	73.4%	22.0%	147.6%	73.4%
Risk-weighted capital ratio		22.3%	146.9%	73.9%	22.1%	148.5%	73.9%
Net assets per ordinary share (RM)		1.81	2.34	3.70	1.81	2.34	3.43

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
FOR THE FINANCIAL QUARTER/PERIOD ENDED 31 DECEMBER 2012

	Note	The Group			
		Individual Quarter		Cumulative 6 Months Ended	
		Restated		Restated	
		Current quarter ended 31 Dec 2012 RM'000	Last year's quarter ended # 31 Dec 2011 RM'000	Current year ended 31 Dec 2012 RM'000	Last year's ended # 31 Dec 2011 RM'000
Interest income	20	32,457	1,599	34,169	6,868
Interest expense	21	(24,466)	(311)	(24,466)	(1,429)
Net interest income		7,991	1,288	9,703	5,439
Non-interest income	22	40,232	2,449	41,549	6,881
Net income		48,223	3,737	51,252	12,320
Other operating expenses	23	(27,641)	(15,099)	(30,437)	(21,304)
Net operating profit		20,582	(11,362)	20,815	(8,984)
Write-back of impairment losses on loans and advances and other losses	24	129	182	118	508
Provision for commitments and contingencies		-	-	-	(8,954)
Allowances for impairment losses on securities		-	-	-	(486)
Profit/(loss) before taxation		20,711	(11,180)	20,933	(17,916)
Taxation		(5,158)	2,894	(5,160)	4,483
Net profit/(loss) for the financial quarter/period		15,553	(8,286)	15,773	(13,433)
Earnings/(loss) per share (sen)					
- Basic		12.80	(11.05)	12.99	(17.91)
- Diluted		12.80	(11.05)	12.99	(17.91)

Hong Leong Investment Bank Berhad (formerly known as MIMB Investment Bank Berhad) ("HLIB") has changed its financial year end from 31 December to 30 June. Comparatives for cumulative quarters consist of 6 months results beginning 1 July 2011 to 31 December 2011.

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL QUARTER/PERIOD ENDED 31 DECEMBER 2012

	Individual Quarter		The Group	
	Current	Last year's	Cummulative 6 Months Ended	Last year's
	quarter ended	quarter ended #	Current	ended #
	31 Dec 2012	31 Dec 2011	year ended	ended #
	RM'000	RM'000	31 Dec 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
Net profit/(loss) for the financial quarter/period	15,553	(8,286)	15,773	(13,433)
Other comprehensive income/(loss):				
Net fair value changes on financial investments available-for-sale	17,619	(1,340)	17,619	(920)
Income tax relating to net fair value changes on financial investments available-for-sale	(4,405)	335	(4,405)	230
Other comprehensive income/(loss) for the financial quarter/period, net of tax	13,214	(1,005)	13,214	(690)
Total comprehensive income/(loss) for the financial quarter/period, net of tax	28,767	(9,291)	28,987	(14,123)

Hong Leong Investment Bank Berhad (formerly known as MIMB Investment Bank Berhad) ("HLIB") has changed its financial year end from 31 December to 30 June. Comparatives for cumulative quarters consist of 6 months results beginning 1 July 2011 to 31 December 2011.

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
FOR THE FINANCIAL QUARTER/PERIOD ENDED 31 DECEMBER 2012

	Note	The Bank			
		Individual Quarter		Cummulative 6 Months Ended	
		Restated		Restated	
		Current	Last year's	Current	Last year's
		quarter ended #	quarter ended #	year ended	ended #
		31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
		RM'000	RM'000	RM'000	RM'000
Interest income	20	32,457	1,596	34,158	6,864
Interest expense	21	(24,466)	(311)	(24,466)	(1,429)
Net interest income		7,991	1,285	9,692	5,435
Non-interest income	22	40,169	2,443	41,455	6,869
Net income		48,160	3,728	51,147	12,304
Other operating expenses	23	(27,587)	(15,095)	(30,374)	(21,298)
Net operating profit		20,573	(11,367)	20,773	(8,994)
Write-back of impairment losses on loans and advances and other losses	24	129	182	118	508
Provision for commitments and contingencies		-	-	-	(8,954)
Allowances for impairment losses on securities		-	-	-	(486)
Profit/(loss) before taxation		20,702	(11,185)	20,891	(17,926)
Taxation		(5,154)	2,894	(5,156)	4,482
Net profit/(loss) for the financial quarter/period		15,548	(8,291)	15,735	(13,444)
Earnings/(loss) per share (sen)					
- Basic		12.80	(11.05)	12.95	(17.93)
- Diluted		12.80	(11.05)	12.95	(17.93)

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UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL QUARTER/PERIOD ENDED 31 DECEMBER 2012

	Individual Quarter		Cumulative 6 Months Ended	
	Current	Last year's	Current	Last year's
	quarter ended #	quarter ended #	year ended	ended #
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
Net profit/(loss) for the financial quarter/period	15,548	(8,291)	15,735	(13,444)
Other comprehensive income/(loss):				
Net fair value changes on financial investments available-for-sale	17,619	(1,340)	17,619	(920)
Income tax relating to net fair value changes on financial investments available-for-sale	(4,405)	335	(4,405)	230
Other comprehensive income/(loss) for the financial quarter/period, net of tax	13,214	(1,005)	13,214	(690)
Total comprehensive income/(loss) for the financial quarter/period, net of tax	28,762	(9,296)	28,949	(14,134)

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2012

<u>The Group</u>	Note	Share capital RM'000	Redeemable Preference share RM'000	Share premium RM'000	Statutory reserve RM'000	Financial investments available- for-sale reserve RM'000	Retained profits/ losses (accumulated) RM'000	Total RM'000
At 1 July 2012								
- As previously reported		75,000	-	87,950	83,385	-	(71,396)	174,939
- Effects of adopting MFRS 1 and changes in accounting policies	34	-	-	-	-	-	595	595
At 1 July 2012, as restated		75,000	-	87,950	83,385	-	(70,801)	175,534
Net profit for the financial period		-	-	-	-	-	15,773	15,773
Other comprehensive income		-	-	-	-	13,214	-	13,214
Total comprehensive profit for the financial period		-	-	-	-	13,214	15,773	28,987
Issuance of ordinary shares		90,000	-	-	-	-	-	90,000
Issuance of Redeemable Preference Shares		-	1,631	-	-	-	-	1,631
Effect of adopting MFRS for amount vested from Promilia		-	-	-	-	-	2,328	2,328
At 31 December 2012		165,000	1,631	87,950	83,385	13,214	(52,700)	298,480
At 1 July 2011								
- As previously reported		75,000	-	87,950	83,385	457	30,908	277,700
- Effects of adopting MFRS 1 and changes in accounting policies		-	-	-	-	-	879	879
At 1 July 2011, as restated		75,000	-	87,950	83,385	457	31,787	278,579
Net loss for the financial period		-	-	-	-	-	(13,433)	(13,433)
Other comprehensive loss		-	-	-	-	(690)	-	(690)
Total comprehensive loss for the financial period		-	-	-	-	(690)	(13,433)	(14,123)
At 31 December 2011		75,000	-	87,950	83,385	(233)	18,354	264,456

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2012

	Note	Non-distributable				Distributable		Total RM'000
		Share capital RM'000	Redeemable Preference share RM'000	Share premium RM'000	Statutory reserve RM'000	Financial investments available- for-sale reserve RM'000	Retained profits/ losses (accumulated) RM'000	
The Bank								
At 1 July 2012								
- As previously reported		75,000	-	87,950	83,385	-	(71,611)	174,724
- Effects of adopting MFRS 1 and changes in accounting policies	34	-	-	-	-	-	595	595
At 1 July 2012, as restated		75,000	-	87,950	83,385	-	(71,016)	175,319
Net profit for the financial period		-	-	-	-	-	15,735	15,735
Other comprehensive income		-	-	-	-	13,214	-	13,214
Total comprehensive profit for the financial period		-	-	-	-	13,214	15,735	28,949
Issuance of ordinary shares		90,000	-	-	-	-	-	90,000
Issuance of Redeemable Preference Shares		-	1,631	-	-	-	-	1,631
Effect of adopting MFRS for amount vested from Promilia		-	-	-	-	-	2,328	2,328
At 31 December 2012		165,000	1,631	87,950	83,385	13,214	(52,953)	298,227
At 1 July 2011								
- As previously reported		75,000	-	87,950	83,385	457	10,744	257,536
- Effects of adopting MFRS 1 and changes in accounting policies		-	-	-	-	-	879	879
At 1 July 2011, as restated		75,000	-	87,950	83,385	457	11,623	258,415
Net loss for the financial period		-	-	-	-	-	(13,444)	(13,444)
Other comprehensive loss		-	-	-	-	(690)	-	(690)
Total comprehensive loss for the financial period		-	-	-	-	(690)	(13,444)	(14,134)
At 31 December 2011		75,000	-	87,950	83,385	(233)	(1,821)	244,281

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2012

	The Group		The Bank	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit/(loss) before taxation	20,933	(17,916)	20,891	(17,926)
Adjustments for non-cash items	(25,599)	(2,219)	(25,599)	(2,219)
Operating loss before changes in working capital	(4,666)	(20,135)	(4,708)	(20,145)
Changes in working capital:				
Net changes in operating assets	150,939	170,409	152,090	170,507
Net changes in operating liabilities	(323,532)	(183,831)	(323,650)	(183,824)
Income tax paid	(9)	(5)	-	-
Net cash (used in)/generated from operating activities	(177,268)	(33,562)	(176,268)	(33,462)
Cash flows from investing activities	451,398	(906)	444,665	(906)
Net changes in cash and cash equivalents	274,130	(34,468)	268,397	(34,368)
Cash and cash equivalents at beginning of the period	56,965	75,847	56,546	75,552
Cash and cash equivalents at end of the period	331,095	41,379	324,943	41,184
Cash and cash equivalents comprise:				
Cash and short term funds	860,372	87,376	854,220	87,181
Less: Remisiers' and clients' trust monies	(529,277)	(45,997)	(529,277)	(45,997)
	331,095	41,379	324,943	41,184

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 30 June 2012.

EXPLANATORY NOTES

1. Basis of Preparation

The Malaysian Accounting Standard Board ('MASB') has announced on 19 November 2011 that Malaysian reporting entities are required to comply with the new International Financial Reporting Standards ('IFRS') compliant framework, Malaysia Financial Reporting Standards ('MFRS') for financial year commencing on or after 1 January 2012.

These condensed financial statements is the Group's and the Bank's first financial reports prepared in accordance with the Malaysian Financial Reporting Standard ('MFRS'), including MFRS 1 'First-time adoption of MFRS'. Subject to certain transition elections disclosed in note 34, the Group and the Bank have consistently applied the same accounting policies in its opening MFRS statement of financial position at 1 July 2011 (transition date) and throughout all years presented, as if these policies had always been in effect. Comparative figures for 2011/2012 in these condensed financial statements have been restated to give effect to these changes. Note 34 discloses the impact of the transition to MFRS on the Group and Bank's reported financial position, financial performance and cash flows.

The interim financial statements are unaudited and have been prepared in compliance with MFRS 134 'Interim Financial Reporting' issued by MASB and should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 30 June 2012.

The accounting policies and presentation adopted by the Group and the Bank for the interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 30 June 2012, 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 2012:

- MFRS 139 "Financial Instruments: Recognition
- Revised MFRS 124 "Related Party Disclosures"
- Amendment to MFRS 112 "Income Taxes"
- Amendment to MFRS 1 "First Time Adoption on Fixed Dates and Hyperinflation"
- Amendment to MFRS 7 "Financial Instruments: Disclosures on Transfers of Financial Assets"
- Amendment to MFRS 101 "Presentation of Items of Other Comprehensive Income"

The adoption of the above accounting standards, amendments to published accounting standards and interpretations to existing accounting standards does not give rise to any material financial effects to the Group and the Bank, except for the adoption of MFRS 139.

Previously, the Group applied the Amendment to FRS 139, which included an additional transitional arrangement for financial sectors, whereby the Bank Negara Malaysia ('BNM') may prescribed the use of an alternative basis for collective assessment of impairments in loans and advances. This transitional arrangement is prescribed in BNM's Guidelines on Classification and Impairment Provisions for Loans/Financing issued on 8 January 2010 and subsequently updated on 26 January 2010 and 17 December 2010, whereby banking institutions are required to maintain collective allowances of at least 1.5% of total outstanding loans/financing, net of individual impairment allowances under the transitional provisions in the guidelines.

With effective from 1 January 2012, BNM has removed the transitional provision for banking institution on collective evaluation of loan impairment assessment and loan loss provisioning to comply with MFRS 139 requirements. Exposures not individually known to be impaired are placed into pools of similar assets with similar risk characteristics to be collectively assessed for losses that have been incurred but not identified yet. The required loan loss allowance is estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the collective pool. The historical loss experience is adjusted based on current observable data.

Previously, when a collectively assessed loans and receivable is deemed impaired, the Group reversed out the interest income recognised in income statements and set off against the interest receivable in the statements of financial position.

Upon the adoption of MFRS 139, with effect from 1 July 2012, once a collectively assessed loans and receivables has been written down as a result of an impairment loss, interest income is thereafter recognised using the original effective interest rate in the income statements.

The change in accounting policies mentioned above have been accounted for retrospectively by re-measuring the relevant financial assets, as appropriate, and recording any adjustments to the previous carrying amounts to the Group's and Bank's opening retained profits. As such, comparatives have been restated to conform with current year's presentation. The principal effects of the changes in accounting policies arising from the adoption of MFRS 139 are disclosed in Note 34.

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EXPLANATORY NOTES

2. Audit Report

The audit report of the latest audited annual financial statements was not subject to any qualification.

3. Seasonality or Cyclicity of Operations

The business operations of the Group and the Bank have not been affected by any material seasonal or cyclical factors.

4. Items Affecting Net Income and Cash Flow

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and the Bank during the financial quarter ended 31 December 2012.

5. Changes in Estimates

There were no significant changes in estimates arising from prior financial quarter that have a material effect on the financial results and position of the Group and the Bank for the financial quarter ended 31 December 2012.

6. Issuance and Repayments

There were no cancellation, repurchase, resale or repayment of debt and equity securities during the current financial quarter ended 31 December 2012.

7. Dividends Paid During the Current Financial Quarter

There were no interim dividends paid or declared during the financial quarter ended 31 December 2012.

8. Financial assets held-for-trading

	The Group and the Bank	
	31 Dec 2012	30 Jun 2012
	RM'000	RM'000
Money market instruments		
Negotiable instruments of deposits	320,486	-
Bank Negara Malaysia Bills	349,071	-
Bankers' acceptances	111,420	-
Quoted securities		
In Malaysia:		
Shares	8,732	-
Outside Malaysia:		
Foreign currency bonds	39,263	-
Unquoted securities		
Private and Islamic debt securities	160,439	-
	989,411	-

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EXPLANATORY NOTES

9. Financial investments available-for-sale

	The Group and the Bank	
	31 Dec 2012	Restated 30 Jun 2012
	RM'000	RM'000
Money market instruments		
Cagamas bonds	5,144	-
Quoted securities		
In Malaysia:		
Shares	16,170	-
Outside Malaysia:		
Foreign currency bonds	241,456	-
Unquoted securities		
Shares	2,445	-
Private and Islamic debt securities	56,683	-
	321,898	-

Following from the approval by the regulator, the Group and the Bank designated a previously held financial investments held-to-maturity to financial investments available-for-sale, as allowed under MFRS 1. The fair value and the carrying amount of the financial investments at the date of designation is RM230,224,000 and RM213,688,000 respectively for the Group and the Bank.

10. Financial investments held-to-maturity

	The Group and the Bank	
	31 Dec 2012	Restated 30 Jun 2012
	RM'000	RM'000
Money market instruments		
Malaysian Government Investment Issues	5,119	-
Cagamas bonds	10,202	-
Quoted securities		
Outside Malaysia:		
Foreign currency bonds	187,225	-
Unquoted securities		
Private and Islamic debt securities	45,853	-
	248,399	-

Following from the approval by the regulator, the Group and the Bank designated a previously held financial investments held-to-maturity to financial investments available-for-sale, as allowed under MFRS 1. The fair value and the carrying amount of the financial investments at the date of designation is RM230,224,000 and RM213,688,000 respectively for the Group and the Bank.

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EXPLANATORY NOTES

11. Loans and Advances

	The Group and the Bank	
	31 Dec 2012	30 Jun 2012
	RM'000	RM'000
Term loan financing	88,875	-
Share margin financing	148,964	67,141
Revolving credits	461	-
Staff loans	2,695	2,589
Gross loans and advances	<u>240,995</u>	<u>69,730</u>
Less: Allowance for losses on loans and advances		
- collective assessment allowance	(759)	(160)
Total net loans and advances	<u>240,236</u>	<u>69,570</u>
 (i) Gross loans and advances disbursed by type of customers are as follows:		
Domestic business enterprises		
- Small and medium enterprises	32,725	-
- Others	111,015	25,402
Individuals	93,976	40,783
Foreign entities	3,279	3,545
	<u>240,995</u>	<u>69,730</u>
 (ii) Gross loans and advances analysed by interest rate sensitivity are as follows:		
Variable rate	125,229	31,326
Fixed rate		
- Staff housing loans	2,233	1,957
- Other fixed rate loans	113,340	35,815
Non-interest bearing	193	632
	<u>240,995</u>	<u>69,730</u>
 (iii) Gross loans and advances analysed by residual contractual maturity are as follows:		
Maturing within one year	238,111	67,181
One year to three years	131	338
Three years to five years	427	52
Over five years	2,326	2,159
	<u>240,995</u>	<u>69,730</u>
 (iv) Loans and advances analysed by their economic purposes are as follows:		
Working capital	35,461	-
Purchase of securities	149,165	67,141
Purchase of transport vehicles	462	633
Purchase of landed properties	2,233	1,956
Personal use	53,674	-
Gross loans and advances	<u>240,995</u>	<u>69,730</u>

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11. Loans and Advances (continued)

	The Group and the Bank	
	31 Dec 2012	Restated 30 Jun 2012
	RM'000	RM'000
(v) Gross loans and advances analysed by geographical distribution are as follows:		
Malaysia	240,995	69,730
(vi) Movements in impaired loans and advances ("impaired loans") are as follows:		
Balance at beginning of the period/year	-	-
Amount vested over from Promilia Berhad (formerly known as Hong Leong Investment Bank Berhad) ("Promilia")	196	-
Amount written-back	(196)	-
	-	-
(vii) Movements in allowances for loans and advances are as follows:		
Collective assessment allowance		
Balance at beginning of the period/year		1,294
- As previously reported	1,086	
- Effects of adopting MFRS	(926)	(1,122)
- As restated	160	172
Amount vested from Promilia Berhad (formerly known as Hong Leong Investment Bank Berhad) ("Promilia")	3,091	-
- Effects of adopting MFRS	(2,346)	-
Amount written back during the financial period/year	(146)	(12)
Balance at end of the period/year	759	160

12. Clients' and Brokers' Balances

	The Group and the Bank	
	31 Dec 2012	Restated 30 Jun 2012
	RM'000	RM'000
Performing accounts	121,958	20,169
Impaired accounts	965	185
	122,923	20,354
Less: Allowance for bad and doubtful debts		
- individual assessment allowance	(516)	(132)
- collective assessment allowance	(32)	(133)
	122,375	20,089

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13. Other Assets

	The Group		The Bank	
	31 Dec 2012	30 Jun 2012	31 Dec 2012	30 Jun 2012
	RM'000	RM'000	RM'000	RM'000
Tax recoverable	17	17	-	-
Amount due from holding company			-	-
Amount due from subsidiary companies	-	-	4,457	73
Amount due from related companies	813	2,785	782	2,785
Other debtors, deposits and prepayments, net of allowances for bad and doubtful debts	49,952	10,083	49,951	10,083
	50,782	12,885	55,190	12,941

14. Valuation of Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

15. Deposits from customers

	The Group and the Bank	
	31 Dec 2012	30 Jun 2012
	RM'000	RM'000
Fixed Deposit	438,197	-
(i) By Type of deposit		
Fixed Deposit	438,197	-
(ii) By Type of customer		
Government & statutory bodies	236,617	-
Business enterprises	201,580	-
	438,197	-
(iii) The maturity structure of fixed deposits is as follows:		
Due within six months	438,197	-

16. Deposits and Placements of Banks and Other Financial Institutions

	The Group and the Bank	
	31 Dec 2012	30 Jun 2012
	RM'000	RM'000
Bank Negara Malaysia	305,834	
Licensed banks	380,414	-
Other financial institutions	758,731	-
	1,444,979	-

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17. Clients' and Brokers' Balances

Included in clients' and brokers' balances are clients' trust balances, held in trust for clients of RM431,959,000 (30 June 2012: RM26,676,000).

18. Derivative financial instruments

	The Group and the Bank		
	Contract or underlying principal amount RM'000	Positive fair value RM'000	Negative fair value RM'000
31 December 2012			
Interest rate related contracts:			
- Interest rate swaps	1,578,500	13,417	19,508
- Futures	1,444,656	923	2,001
- Cross currency swaps	91,725	310	254
Foreign exchange related contracts:			
- Foreign currency swaps	2,433,050	9,434	9,854
- Foreign currency forwards	513	4	-
Equity related contracts:			
- Call option	10,000	2,258	-
	5,558,444	26,346	31,617

19. Other liabilities

	The Group		The Bank	
	31 Dec 2012 RM'000	30 Jun 2012 RM'000	31 Dec 2012 RM'000	30 Jun 2012 RM'000
Remisiers' trust deposits	15,200	6,093	15,200	6,093
Other payables and accrued liabilities	70,828	7,509	70,536	7,312
Provision for commitments and contingencies	9,039	9,039	9,039	9,039
	95,067	22,641	94,775	22,444

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20. Interest Income

	The Group			
	Individual Quarter		Cummulative 6 Months Ended	
	Current	Last year's	Current	Last year's
	quarter ended	quarter ended #	year ended	ended #
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
Loans and advances	4,133	1,218	5,315	2,541
Money at call and deposit placements with financial institutions	1,941	(140)	2,423	1,367
Financial assets held-for-trading	6,602	-	6,602	-
Financial investments available-for-sale	784	237	784	2,375
Financial investments held-to-maturity	4,452	-	4,452	-
Derivative financial instruments	14,281	-	14,281	-
Others	264	284	312	585
Total interest income	32,457	1,599	34,169	6,868

	The Bank			
	Individual Quarter		Cummulative 6 Months Ended	
	Current	Last year's	Current	Last year's
	quarter ended	quarter ended #	year ended	ended #
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
Loans and advances	4,133	1,218	5,315	2,541
Money at call and deposit placements with financial institutions	1,941	(140)	2,423	1,367
Financial assets held-for-trading	6,602	-	6,602	-
Financial investments available-for-sale	784	237	784	2,375
Financial investments held-to-maturity	4,452	-	4,452	-
Derivative financial instruments	14,281	-	14,281	-
Others	264	281	301	581
Total interest income	32,457	1,596	34,158	6,864

21. Interest Expense

	The Group and the Bank			
	Individual Quarter		Cummulative 6 Months Ended	
	Current	Last year's	Current	Last year's
	quarter ended	quarter ended #	year ended	ended #
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	2,432	311	2,432	1,429
Deposits from customer	7,517	-	7,517	-
Derivative financial instruments	14,534	-	14,534	-
Others	(17)	-	(17)	-
	24,466	311	24,466	1,429

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22. Non-interest Income

	Individual Quarter		Cummulative 6 Months Ended	
	Current quarter ended 31 Dec 2012 RM'000	Last year's quarter ended # 31 Dec 2011 RM'000	Current year ended 31 Dec 2012 RM'000	Last year's ended # 31 Dec 2011 RM'000
<u>The Group</u>				
<u>Fee and commission income:</u>				
Corporate advisory fees	1,441	2,336	1,441	2,336
Arranger fees	3,488	(2,085)	3,568	(1,019)
Underwriting commissions	130	159	130	215
Brokerage commissions	8,979	1,143	9,964	3,656
Fees on loans and advances	590	92	688	405
Other fee income	21,532	-	21,707	81
	36,160	1,645	37,498	5,674
<u>Net income from securities</u>				
Net realised gain arising from sale of:				
- financial assets held-for-trading	2,071	-	2,071	33
- financial investments available-for-sale	-	766	-	972
- derivative financial instruments	627	-	627	-
Net unrealised gains on revaluation of:				
- financial assets held-for-trading	1,318	-	1,318	-
- derivative financial instruments	(1,142)	-	(1,142)	-
Dividend income from:				
- financial assets held-for-trading	99	-	99	-
- financial investments available-for-sale	21	-	21	-
	2,994	766	2,994	1,005
<u>Other income/(expense):</u>				
(Loss)/gains on disposal of property and equipment	(12)	-	(12)	1
Foreign exchange gain	974	-	974	-
Other non-operating income	116	38	95	201
	1,078	38	1,057	202
	40,232	2,449	41,549	6,881

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22. Non-interest Income (continued)

	<u>Individual Quarter</u>		<u>Cummulative 6 Months Ended</u>	
	Current quarter ended 31 Dec 2012 RM'000	Last year's quarter ended # 31 Dec 2011 RM'000	Current year ended 31 Dec 2012 RM'000	Last year's ended # 31 Dec 2011 RM'000
<u>The Bank</u>				
<u>Fee and commission income:</u>				
Corporate advisory fees	1,361	1,270	1,441	2,336
Arranger fees	3,568	(1,019)	3,568	(1,019)
Underwriting commissions	130	159	130	215
Brokerage commissions	8,979	1,143	9,964	3,656
Fees on loans and advances	590	92	688	405
Other fee income	21,470	-	21,645	81
	36,098	1,645	37,436	5,674
<u>Net income from securities</u>				
Net realised gain arising from sale of:				
- financial assets held-for-trading	2,071	-	2,071	33
- financial investments available-for-sale	-	766	-	972
- derivative financial instruments	627	-	627	-
Net unrealised gains on revaluation of:				
- financial assets held-for-trading	1,318	-	1,318	-
- derivative financial instruments	(1,142)	-	(1,142)	-
Dividend income from:				
- financial assets held-for-trading	99	-	99	-
- financial investments available-for-sale	21	-	21	-
	2,994	766	2,994	1,005
<u>Other income/(expense):</u>				
(Loss)/gains on disposal of property and equipment	(12)	-	(12)	1
Foreign exchange gain	974	-	974	-
Other non-operating income	115	32	63	189
	1,077	32	1,025	190
	40,169	2,443	41,455	6,869

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23. Other Operating Expenses

	Individual Quarter		The Group Cummulative 6 Months Ended	
	Current	Last year's	Current	Last year's
	quarter ended 31 Dec 2012 RM'000	quarter ended # 31 Dec 2011 RM'000	year ended 31 Dec 2012 RM'000	ended # 31 Dec 2011 RM'000
Personnel expenses	19,214	12,926	20,671	16,902
Promotion and marketing related expenses	289	49	302	77
Establishment related expenses	4,240	1,408	5,048	2,720
General administrative expenses	3,898	716	4,416	1,605
	27,641	15,099	30,437	21,304
(i) Personnel expenses comprise the following:				
Salaries, bonuses and allowances	17,495	3,059	18,653	6,289
Defined contribution plan	1,231	520	1,433	1,028
Voluntary separation scheme	-	8,833	-	8,833
Other employee benefits	488	514	585	752
	19,214	12,926	20,671	16,902
(ii) Promotion and marketing related expenses comprise the following:				
Entertainment and business improvement	272	49	272	75
Others	17	-	30	2
	289	49	302	77
(iii) Establishment related expenses comprise the following:				
Depreciation of property and equipment	648	250	769	457
Amortisation of intangible assets	151	76	155	153
Rental of premises	1,377	604	1,747	1,184
Others	2,064	478	2,377	926
	4,240	1,408	5,048	2,720
(iv) General administrative expenses comprise the following:				
Auditors' remuneration				
- Statutory audit	9	29	3	59
- Tax compliance fee	-	47	-	58
- Other fees	-	-	-	-
Legal and professional fees	1,119	(218)	1,201	(25)
Others	2,770	858	3,212	1,513
	3,898	716	4,416	1,605

Hong Leong Investment Bank Berhad (formerly known as MIMB Investment Bank Berhad) ("HLIB") has changed its financial year end from 31 December to 30 June. Comparatives for cumulative quarters consist of 6 months results beginning 1 July 2011 to 31 December 2011.

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23. Other Operating Expenses (continued)

	Individual Quarter		Cummulative 6 Months Ended	
	Current	Last year's	Current	Last year's
	quarter ended	quarter ended #	year ended	ended #
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	19,189	12,925	20,646	16,902
Promotion and marketing related expenses	289	49	302	77
Establishment related expenses	4,224	1,408	5,032	2,720
General administrative expenses	3,885	713	4,394	1,599
	27,587	15,095	30,374	21,298
(i) Personnel expenses comprise the following:				
Salaries, bonuses and allowances	17,476	3,059	18,634	6,289
Defined contribution plan	1,227	499	1,429	1,028
Voluntary separation scheme	-	8,833	-	8,833
Other employee benefits	486	534	583	752
	19,189	12,925	20,646	16,902
(ii) Promotion and marketing related expenses comprise the following:				
Entertainment and business improvement	259	49	272	75
Others	30	-	30	2
	289	49	302	77
(iii) Establishment related expenses comprise the following:				
Depreciation of property and equipment	648	250	769	457
Amortisation of intangible assets	151	76	155	153
Rental of premises	1,374	604	1,744	1,184
Others	2,051	478	2,364	926
	4,224	1,408	5,032	2,720
(iv) General administrative expenses comprise the following:				
Auditors' remuneration				
- Statutory audit	7	29	(1)	58
- Tax compliance fee	-	44	-	55
- Other fees	-	-	-	-
Legal and professional fees	1,119	(216)	1,193	(25)
Others	2,759	856	3,202	1,511
	3,885	713	4,394	1,599

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24. (Allowance for)/write-back of Impairment Losses On Loans and Advances and Other Losses

	Individual Quarter		The Group and the Bank Cummulative 6 Months Ended	
	Current quarter ended 31 Dec 2012 RM'000	Last year's quarter ended # 31 Dec 2011 RM'000	Current year ended 31 Dec 2012 RM'000	Last year's ended # 31 Dec 2011 RM'000
	Impairment losses on loans and advances:			
Collective assessment allowance				
- written-back during the period	138	(54)	146	112
Bad debts on loans & advances				
- written-off	(2)	-	(2)	-
Bad debts on other receivables				
- recovered	-	27	-	55
Allowance for losses on clients' and brokers' balances:				
Collective Assessment (allowance made)/written back				
during the period	135	138	118	224
Individual assessment allowance				
- made during the period	(179)	-	(191)	-
- written-back during the period	37	9	47	55
Allowance for losses on other debtors:				
Individual assessment allowance				
- written-back during the period	-	62	-	62
	129	182	118	508

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25. Commitments and Contingencies

In the normal course of business, the Bank makes various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these.

	31 December 2012			30 June 2012		
	Principal Amount RM'000	Credit Equivalent Amount * RM'000	Risk- weighted Assets * RM'000	Principal Amount RM'000	Credit Equivalent Amount * RM'000	Risk- weighted Assets * RM'000
The Group and the Bank						
Commitments and Contingent Liabilities						
Direct Credit Substitutes	50,750	50,750	50,750	-	-	-
Other commitments, such as formal standby facilities and credit lines						
- Maturity over one year	277	139	139	641	321	321
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice						
- Maturity less than one year	438,021	-	-	137,469	-	-
	<u>489,048</u>	<u>50,889</u>	<u>50,889</u>	<u>138,110</u>	<u>321</u>	<u>321</u>
Derivative Financial Instruments						
<u>Interest rate related contracts:</u>						
- One year or less	806,381	3,456	691	-	-	-
- Over one year to five years	2,308,500	54,654	13,283	-	-	-
- Over five years	-	-	-	-	-	-
Foreign exchange related contracts						
- One year or less	2,433,563	36,793	7,359	-	-	-
Equity related contracts						
- One year or less	-	-	-	-	-	-
- Over one year to five years	10,000	-	-	-	-	-
	<u>5,558,444</u>	<u>94,903</u>	<u>21,333</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>6,047,492</u>	<u>145,792</u>	<u>72,222</u>	<u>138,110</u>	<u>321</u>	<u>321</u>

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

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26. Capital Adequacy

(a) The capital adequacy ratios of the Bank are analysed as follows:

	<u>The Group</u>		<u>The Bank</u>	
	<u>31 Dec 2012</u>	<u>30 Jun 2012 ^</u>	<u>31 Dec 2012</u>	<u>30 Jun 2012 ^</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Before deducting proposed dividends:				
Tier I capital ratio	22.1%	145.8%	22.0%	147.6%
Risk-weighted capital ratio	22.3%	146.9%	22.1%	148.5%
After deducting proposed dividends:				
Tier I capital ratio	22.1%	145.8%	22.0%	147.6%
Risk-weighted capital ratio	22.3%	146.9%	22.1%	148.5%

(b) The components of Tier I and Tier II Capital of the Bank are as follows:

	<u>The Group</u>		<u>The Bank</u>	
	<u>31 Dec 2012</u>	<u>30 Jun 2012 ^</u>	<u>31 Dec 2012</u>	<u>30 Jun 2012 ^</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Tier I Capital:				
Paid-up share capital	165,000	75,000	165,000	75,000
Share premium	87,950	87,950	87,950	87,950
Other reserve	11,989	11,989	11,774	11,774
	<u>264,939</u>	<u>174,939</u>	<u>264,724</u>	<u>174,724</u>
Less: Deferred tax assets	(35,469)	(35,469)	(35,469)	(35,469)
Total Tier I Capital	<u>229,470</u>	<u>139,470</u>	<u>229,255</u>	<u>139,255</u>
Tier II Capital:				
Redeemable preference shares ("RPS")	1,631	-	1,631	-
Collective assessment allowance	759	1,086	759	1,086
Total Tier II Capital	<u>2,390</u>	<u>1,086</u>	<u>2,390</u>	<u>1,086</u>
Total Capital	<u>231,860</u>	<u>140,556</u>	<u>231,645</u>	<u>140,341</u>
Less: Investment in subsidiaries	-	-	(1,470)	(220)
Capital Base	<u>231,860</u>	<u>140,556</u>	<u>230,175</u>	<u>140,121</u>

The capital adequacy ratios of the Bank are computed in accordance with Bank Negara Malaysia's ("BNM") revised Risk-Weighted Capital Adequacy Framework ("RWCAF") - Basel II. The Bank has adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk.

(c) Breakdown of risk-weighted assets in the various risk weights:

	<u>The Group</u>		<u>The Bank</u>	
	<u>31 Dec 2012</u>	<u>30 Jun 2012 ^</u>	<u>31 Dec 2012</u>	<u>30 Jun 2012 ^</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Credit risk	716,530	34,670	719,667	34,602
Market risk	236,573	-	236,573	-
Operational risk	85,166	60,999	85,109	59,760
	<u>1,038,269</u>	<u>95,669</u>	<u>1,041,349</u>	<u>94,362</u>

^ The above capital adequacy ratio has not been adjusted for the effect of the adoption of FRS 139.

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27. Credit Exposures Arising From Credit Transactions With Connected Parties

There were no credit transactions and exposures with connected parties as at 31 December 2012. The credit exposures are derived based on Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties, which are effective on 1 January 2008.

28. Significant Events During the Financial Quarter Ended 31 December 2012

On 1 October 2012, the Bank had changed its name from MIMB Investment Bank Berhad to Hong Leong Investment Bank Berhad.

29. Changes in the Composition of the Group and Bank

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

30. Significant Events Subsequent to the financial quarter

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

31. Other Commitments

There were no significant outstanding material commitments contracted by the Group and the Bank as at 31 December 2012.

32. Review of performance for the financial quarter ended 31 December 2012 against the corresponding financial quarter.

For the current financial quarter ended 31 December 2012, the Group recorded a profit before tax of RM20.7 million, as compared to a loss before tax of RM11.2 million recorded in the corresponding financial quarter. The increase in profit of RM31.9 million was primarily attributable to the higher revenue arising from the vesting of business, assets and liabilities from Promilia Berhad (formerly known as Hong Leong Investment Bank Berhad) effective 1 October 2012.

33. Prospects for 2012

The key focus for the coming financial year is to strengthen and build on the existing stockbroking business and to offer innovative investment banking solutions while leveraging on Hong Leong Group relationship.

On top of this, the Bank seek to capitalize on its enlarge scale from the vesting of business from former HLIB to further improve our market presence.

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34. Adoption of MFRS 1 and changes in accounting policies

(A) Adoption of MFRS 1

(i) MFRS 1 mandatory exceptions

Estimates

MFRS estimates as at transition date are consistent with the estimates as at the same date made in conformity with FRS.

(ii) MFRS 1 exemption options

Designation of previously recognised financial instruments

MFRS 1 permits a previously recognised financial instrument to be designated as available for sale on the transition date provided the criteria in MFRS 139 'Financial instruments: Recognition and measurement' are met. Following from the approval by the regulator, the Group and the Bank designated a previously held financial investments held-to-maturity to financial investments available-for-sale, as allowed under MFRS 1.

(iii) Explanation of transition from FRSs to MFRSs

MFRS 1 requires an entity to reconcile equity, total comprehensive income and cash flows for prior years. The following tables represent the reconciliations from FRSs to MFRSs for the respective years noted for equity and total comprehensive income arising from the adoption of the new MFRS framework and the change in accounting policy on impairment of loans and advances as disclosed in Note 1.

(B) Impact on adoption of MFRSs

(i) Impacts on Statements of Financial Position

As at 1 January 2011	As previously reported RM'000	Adoption of MFRS 139 RM'000	As restated RM'000
The Group			
Assets			
Loans and advances			
- Net loans and advances	84,882	1,122	86,004
- Collective impairment allowances	(1,294)	1,122	(172)
Clients' and brokers' balances			
- Net clients' and brokers' balances	34,121	(7)	34,114
- Collective impairment allowances	-	(7)	(7)
Deferred tax assets	35,319	-	35,319
Total equity	276,664	1,115	277,779
Retained profits	29,874	1,115	30,989

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EXPLANATORY NOTES

34. Adoption of MFRS 1 and changes in accounting policies (continued)

(A) Adoption of MFRS 1 (continued)

(i) Impacts on Statements of Financial Position

As at 1 January 2011	As previously reported RM'000	Adoption of MFRS 139 RM'000	As restated RM'000
The Bank			
Assets			
Loans and advances			
- Net loans and advances	84,882	1,122	86,004
- Collective impairment allowances	(1,294)	1,122	(172)
Clients' and brokers' balances			
- Net clients' and brokers' balances	34,121	(7)	34,114
- Collective impairment allowances	-	(7)	(7)
Deferred tax assets	35,319	-	35,319
Total equity	256,507	1,115	257,622
Retained profits	9,717	1,115	10,832

As at 30 June 2012	As previously reported RM'000	Adoption of MFRS 139 RM'000	As restated RM'000
The Group			
Assets			
Loans and advances			
- Net loans and advances	68,644	926	69,570
- Collective impairment allowances	(1,086)	926	(160)
Clients' and brokers' balances			
- Net clients' and brokers' balances	20,222	(133)	20,089
- Collective impairment allowances	-	(133)	(133)
Deferred tax assets	35,469	(198)	35,271
Total equity	174,939	595	175,534
Retained profits	(71,396)	595	(70,801)

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EXPLANATORY NOTES

34. Adoption of MFRS 1 and changes in accounting policies (continued)

(B) Impact on adoption of MFRSs (continued)

(i) Impacts on Statements of Financial Position (continued)

As at 30 June 2012	As previously reported RM'000	Adoption of MFRS 139 RM'000	As restated RM'000
The Bank			
Assets			
Loans and advances			
- Net loans and advances	68,644	926	69,570
- Collective impairment allowances	(1,086)	926	(160)
Clients' and brokers' balances			
- Net clients' and brokers' balances	20,222	(133)	20,089
- Collective impairment allowances	-	(133)	(133)
Deferred tax assets	35,469	(198)	35,271
Total equity	174,724	595	175,319
Retained profits	(71,611)	595	(71,016)

**(ii) Impacts on the Group's Income Statements/Statements of Comprehensive Income
For the 6 months ended 31 December 2011**

	As previously reported RM'000	Adoption of MFRS 139 RM'000	As restated RM'000
The Group			
Write-back of allowance for impairment on and other losses	829	(321)	508
Loss before taxation	(17,595)	(321)	(17,916)
Taxation	4,403	80	4,483
Net profit for the financial period	(13,192)	(241)	(13,433)
Earnings per share (sen) - basic	(17.6)	(0.3)	(17.9)
The Bank			
Write-back of allowance for impairment on loans, advances and other losses	829	(321)	508
Loss before taxation	(17,605)	(321)	(17,926)
Taxation	4,402	80	4,482
Net profit for the financial period	(13,203)	(241)	(13,444)
Earnings per share (sen) - basic	(17.6)	(0.3)	(17.9)