



## Financial Results

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### Company Information

Main Market Company

Amended Announcement

\* Announcement reference number HL-111125-38969

Submitting Investment

Bank/Advisor (if applicable)

Submitting Secretarial Firm (if applicable)

\* Company name HONG LEONG FINANCIAL GROUP BERHAD

\* Stock name HLFG

\* Stock code 1082

\* Contact person Chew Seong Aun / Christine Moh

\* Designation Chief Financial Officer / Company Secretary

\* Contact number 03-21692282 / 03-21642501

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### Part A : To be filled by Public Listed Company

\* Financial Year End 30/06/2012

\* Quarter 1 Qtr

\* Quarterly report for the financial period ended 30/09/2011

\* The figures have not been audited

Please attach the full Quarterly Report here

[HLFG - 1st Quarter Results.pdf](#)

### Remarks

We attach herewith the complete quarterly report on consolidated results for the financial period ended 30 September 2011 of Hong Leong Financial Group Berhad inclusive of pages A7 (Unaudited Company Statement of Changes in Equity) and A8 (Unaudited Condensed Statements of Cashflow) which were inadvertently omitted from the attachment to the Quarterly Financial Results announced on 29 November 2011 ("Earlier Announcement").

There is no change to all financial information in Earlier Announcement.

This announcement is dated 30 November 2011.

- DEFAULT CURRENCY
- OTHER CURRENCY

Currency

Malaysian Ringgit (MYR)

## Part A2 : SUMMARY OF KEY FINANCIAL INFORMATION

Summary of Key Financial Information for the financial period ended  
\* 30/09/2011

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER *	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE *	PRECEDING YEAR CORRESPONDING
				PERIOD
	30/09/2011 [dd/mm/yyyy] \$\$'000	30/09/2010 [dd/mm/yyyy] \$\$'000	30/09/2011 [dd/mm/yyyy] \$\$'000	30/09/2010 [dd/mm/yyyy] \$\$'000
1. Revenue	919,670	772,567	919,670	772,567
2. Profit/(loss) before tax	513,679	507,316	513,679	507,316
3. Profit/(loss) for the period	393,182	412,473	393,182	412,473
4. Profit/(loss) attributable to ordinary equity holders of the parent	252,202	323,801	252,202	323,801
5. Basic earnings/(loss) per share (Subunit)	24.30	31.30	24.30	31.30
6. Proposed/Declared dividend per share (Subunit)	10.00	10.00	10.00	10.00
	AS AT END OF CURRENT QUARTER*		AS AT PRECEDING FINANCIAL YEAR END	
7. Net assets per share attributable to ordinary equity holders of the parent (\$\$)		7.4200		7.2000
Remarks :				
Net assets per share attributable to ordinary equity holders of the parent (RM) is computed as Total Equity (excluding Minority Interest) divided by total number of ordinary shares in circulation (excluding Treasury shares).				

Definition of Subunit:

In a currency system, there is usually a main unit (base) and subunit that is a fraction amount of the main unit.  
Example for the subunit as follows:

Country	Base Unit	Subunit
Malaysia	Ringgit	Sen
United States	Dollar	Cent
United Kingdom	Pound	Pence

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENTS OF**  
**FINANCIAL POSITION AS AT 30 SEPTEMBER 2011**

	<b>As at 30/09/2011 RM '000</b>	<b>As at 30/06/2011 RM '000</b>
<b>THE GROUP</b>		
<b><u>Assets</u></b>		
Cash and short term funds	21,496,465	32,424,991
Deposits and placements with financial institutions	3,124,245	5,213,395
Securities purchased under resale agreements	-	159,770
Financial assets held for trading	12,690,010	6,974,724
Financial investments available-for-sale	12,828,470	10,745,477
Financial investments held-to-maturity	8,506,858	8,141,334
Derivative financial assets	1,368,172	798,164
Loans, advances and financing	83,742,045	82,735,477
Clients' and brokers' balances	173,204	236,393
Other receivables	1,532,472	1,141,112
Statutory deposits with Bank Negara Malaysia	3,192,888	2,220,366
Tax recoverable	10,556	9,752
Investment in associated companies	2,035,957	1,964,951
Investment in jointly controlled company	75,420	75,252
Deferred taxation	594,378	577,884
Property and equipment	1,002,949	960,252
Intangible assets	1,806,372	1,806,273
<b>Total Assets</b>	<b>154,180,461</b>	<b>156,185,567</b>
<b><u>Liabilities</u></b>		
Deposits from customers	114,066,972	114,748,978
Deposits and placements of banks and other financial institutions	9,126,783	11,445,660
Bills and acceptances payable	581,049	683,996
Derivatives financial liabilities	1,421,844	682,098
Clients' and brokers' balances	470,583	591,595
Payables and other liabilities	3,675,479	3,785,776
Provision for claims	44,827	63,763
Provision for taxation	186,845	217,734
Bank loans	1,692,040	1,535,859
Subordinated obligations	2,896,191	2,837,943
Senior Bonds	952,360	910,810
Non-innovative Tier 1 stapled securities	1,424,059	1,405,706
Innovative Tier 1 capital securities	606,264	503,069
Capital market borrowing	559,842	678,381
Insurance funds	5,865,822	5,834,179
<b>Total Liabilities</b>	<b>143,570,960</b>	<b>145,925,547</b>
<b><u>Equity</u></b>		
Share capital	1,052,768	1,052,768
Capital reserves	679,719	1,490,500
Retained profits	5,992,294	4,909,703
Fair value reserves	39,055	88,880
Treasury shares held for ESOS scheme	(72,517)	(72,517)
<b>Total shareholders' equity</b>	<b>7,691,319</b>	<b>7,469,334</b>
Non-controlling interest	2,918,182	2,790,686
<b>Total Equity</b>	<b>10,609,501</b>	<b>10,260,020</b>
<b>Total Liabilities and Equity</b>	<b>154,180,461</b>	<b>156,185,567</b>
<b>Commitment and Contingencies</b>	<b>154,576,882</b>	<b>142,202,689</b>
Net assets per share (net of treasury shares) attributable to ordinary equity holder of the parent (RM)	7.42	7.20

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2011**

	Individual Quarter		Cumulative Quarter	
	Current	Last year	Current year	Last year
	quarter ended 30/09/2011 RM '000	quarter ended 30/09/2010 RM '000	to date 30/09/2011 RM '000	to date 30/09/2010 RM '000
<b>THE GROUP</b>				
Interest income	1,372,332	726,895	1,372,332	726,895
Interest expense	(719,279)	(348,145)	(719,279)	(348,145)
Net interest income	653,053	378,750	653,053	378,750
Income from Islamic banking business	96,034	46,846	96,034	46,846
Non interest income	170,583	346,971	170,583	346,971
Net income	919,670	772,567	919,670	772,567
Overhead expenses	(460,874)	(261,849)	(460,874)	(261,849)
Operating profit before allowances	458,796	510,718	458,796	510,718
Allowances for impairment on loans, advances and financing and other losses	(22,475)	(40,298)	(22,475)	(40,298)
Impairment loss	3,805	306	3,805	306
	440,126	470,726	440,126	470,726
Share of results of associated company	73,385	36,851	73,385	36,851
Share of results of joint venture company	168	(688)	168	(261)
Profit before taxation and zakat	513,679	507,316	513,679	507,316
Taxation	(120,474)	(94,829)	(120,474)	(94,829)
Zakat	(23)	(14)	(23)	(14)
Net profit for the financial year	393,182	412,473	393,182	412,473
Attributable to :				
Owners of the parents	252,202	323,801	252,202	323,801
Non-controlling interest	140,980	88,672	140,980	88,672
Net profit for the financial year	393,182	412,473	393,182	412,473
Basic earnings per ordinary share (sen)	24.3	31.3	24.3	31.3
Diluted earnings per ordinary share (sen)	24.2	31.3	24.2	31.3

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2011**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Current quarter ended 30/09/2011</b>	<b>Last year quarter ended 30/09/2010</b>	<b>Current year to date 30/09/2011</b>	<b>Last year to date 30/09/2010</b>
<b>THE GROUP</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
Net profit for the financial year	393,182	412,473	393,182	412,473
<b>Other comprehensive income:</b>				
Net fair value changes on financial investments available-for-sale, net of tax	(56,899)	3,111	(56,899)	3,111
Currency translation differences	19,435	(27,556)	19,435	(27,556)
Total comprehensive income for the period, net of tax	<u>355,718</u>	<u>388,029</u>	<u>355,718</u>	<u>388,029</u>
Attributable to :				
Owners of the parents	218,934	300,810	218,934	300,810
Non-controlling interest	<u>136,784</u>	<u>87,219</u>	<u>136,784</u>	<u>87,219</u>
	<u>355,718</u>	<u>388,029</u>	<u>355,718</u>	<u>388,029</u>

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**

**CONDENSED FINANCIAL STATEMENTS**

**UNAUDITED COMPANY STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2011**

	<b>As at 30/09/2011 RM '000</b>	<b>As at 30/06/2011 RM '000</b>
<b>THE COMPANY</b>		
<b><u>Assets</u></b>		
Cash and short term funds	10,110	114,679
Financial assets held for trading	11,087	37,814
Derivative financial assets	775	2,342
Other receivables	2,359,481	2,360,033
Tax recoverable	8,475	8,475
Investment in subsidiaries	2,554,245	2,393,350
Property and equipment	1,423	1,577
Intangible assets	10	12
<b>Total Assets</b>	<b>4,945,606</b>	<b>4,918,282</b>
<b><u>Liabilities</u></b>		
Derivative financial liabilities	35,917	8,454
Payables and other liabilities	6,834	5,985
Bank loans	1,672,040	1,515,784
Capital market borrowing	559,842	678,381
<b>Total Liabilities</b>	<b>2,274,633</b>	<b>2,208,604</b>
<b><u>Financed by:</u></b>		
Share capital	1,052,768	1,052,768
Capital reserves	385,777	385,777
Retained profits	1,288,214	1,326,919
Treasury shares held for ESOS scheme	(55,786)	(55,786)
<b>Total Equity</b>	<b>2,670,973</b>	<b>2,709,678</b>
<b>Total Liabilities and Equity</b>	<b>4,945,606</b>	<b>4,918,282</b>
<b>Commitment and Contingencies</b>	<b>918,030</b>	<b>921,000</b>

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED COMPANY INCOME STATEMENTS**  
**FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2011**

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 30/09/2011 RM '000	Last year quarter ended 30/09/2010 RM '000	Current year to date 30/09/2011 RM '000	Last year to date 30/09/2010 RM '000
<b>THE COMPANY</b>				
Interest income	25,547	1,294	25,547	1,294
Interest expense	(20,781)	(6,813)	(20,781)	(6,813)
Net interest expense	4,766	(5,519)	4,766	(5,519)
Non interest income	(38,913)	1,778	(38,913)	1,778
Net income	(34,147)	(3,741)	(34,147)	(3,741)
Overhead expenses	(4,558)	(4,362)	(4,558)	(4,362)
Profit before taxation and zakat	(38,705)	(8,103)	(38,705)	(8,103)
Taxation	-	-	-	-
Net profit for the year	(38,705)	(8,103)	(38,705)	(8,103)
Basic earnings per ordinary share (sen)	(3.7)	(0.8)	(3.7)	(0.8)
Diluted earnings per ordinary share (sen)	(3.7)	(0.8)	(3.7)	(0.8)

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2011**

<b>FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2011</b>	<b>Share</b>	<b>Share</b>	<b>Statutory</b>	<b>Other Capital</b>	<b>Share</b>	<b>Fair Value</b>	<b>Regulatory</b>	<b>Exchange</b>	<b>Retained</b>	<b>Treasury</b>	<b>Total</b>	<b>Non-</b>	<b>Total</b>
	<b>Capital</b>	<b>Premium</b>	<b>Reserves</b>	<b>Reserves &amp; General Reserves</b>	<b>Options Reserves</b>	<b>Reserves</b>	<b>Reserve#</b>	<b>Fluctuation Reserves</b>	<b>Profits</b>	<b>Shares</b>	<b>Shareholders' Equity</b>	<b>Controlling Interests</b>	<b>Equity</b>
	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
Opening balance as at 1 July 2011	1,052,768	117,229	1,241,179	133,258	34,965	88,880	726	(36,857)	4,909,703	(72,517)	7,469,334	2,790,686	10,260,020
<u>Comprehensive income</u>													
Net profit for the financial year	-	-	-	-	-	-	-	-	252,202	-	252,202	140,980	393,182
Currency translation differences	-	-	-	-	-	-	-	16,557	-	-	16,557	2,878	19,435
Share of other comprehensive income of associates	-	-	-	-	-	-	-	-	-	-	-	-	-
Net fair value changes in financial investments available-for-sale, net of tax	-	-	-	-	-	(49,825)	-	-	-	-	(49,825)	(7,074)	(56,899)
Total comprehensive income/(expense)	-	-	-	-	-	(49,825)	-	16,557	252,202	-	218,934	136,784	355,718
<u>Transaction with owners</u>													
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(9,288)	(9,288)
Transfer to statutory reserves	-	-	(827,386)	-	-	-	28	-	827,386	-	28	-	28
Exercise of ESOS	-	-	-	-	(1,833)	-	-	-	3,003	-	1,170	-	1,170
Option charge arising from ESOS	-	-	-	-	1,854	-	-	-	-	-	1,854	-	1,854
<b>AT 30 SEPTEMBER 2011</b>	<b>1,052,768</b>	<b>117,229</b>	<b>413,793</b>	<b>133,258</b>	<b>34,986</b>	<b>39,055</b>	<b>754</b>	<b>(20,300)</b>	<b>5,992,294</b>	<b>(72,517)</b>	<b>7,691,319</b>	<b>2,918,182</b>	<b>10,609,501</b>
<b>FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2010</b>	<b>Share</b>	<b>Share</b>	<b>Statutory</b>	<b>Other Capital</b>	<b>Share</b>	<b>Fair Value</b>	<b>Regulatory</b>	<b>Exchange</b>	<b>Retained</b>	<b>Treasury</b>	<b>Total</b>	<b>Non-</b>	<b>Total</b>
	<b>Capital</b>	<b>Premium</b>	<b>Reserves</b>	<b>Reserves &amp; General Reserves</b>	<b>Options Reserves</b>	<b>Reserves</b>	<b>Reserve#</b>	<b>Fluctuation Reserves</b>	<b>Profits</b>	<b>Shares</b>	<b>Shareholders' Equity</b>	<b>Controlling Interests</b>	<b>Equity</b>
	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
Opening balance as at 1 July 2010	1,052,768	117,229	1,190,262	133,258	26,655	17,854	-	(3,174)	2,703,870	(78,171)	5,160,551	2,268,279	7,428,830
- Changes in accounting policies (Note 27)	-	-	-	-	-	52,304	-	-	38,750	-	91,054	10,061	101,115
- Prior year adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-
Net profit for the financial year	-	-	-	-	-	-	-	-	323,801	-	323,801	88,672	412,473
Currency translation differences	-	-	-	-	-	-	-	(22,662)	-	-	(22,662)	(4,894)	(27,556)
Share of other comprehensive income of associates	-	-	-	-	-	-	-	-	-	-	-	-	-
Net fair value changes in financial investments available-for-sale, net of tax	-	-	-	-	-	(329)	-	-	-	-	(329)	3,440	3,111
Total comprehensive income/(expense)	-	-	-	-	-	(329)	-	(22,662)	323,801	-	300,810	87,219	388,029
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	23,505	23,505
Transfer to statutory reserves	-	-	8,119	-	-	-	-	-	(8,119)	-	-	-	-
Gain on partial disposal of subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-
Option charge arising from ESOS	-	-	-	-	2,113	-	-	-	-	-	2,113	-	2,113
Exercise of ESOS	-	-	-	-	(305)	-	-	-	1,843	682	2,220	-	2,220
Treasury Shares held for ESOS	0	0	0	0	0	0	-	0	0	-	-	-	0
<b>At 30 SEPTEMBER 2010</b>	<b>1,052,768</b>	<b>117,229</b>	<b>1,198,381</b>	<b>133,258</b>	<b>28,463</b>	<b>69,829</b>	<b>-</b>	<b>(25,836)</b>	<b>3,060,145</b>	<b>(77,489)</b>	<b>5,556,748</b>	<b>2,389,064</b>	<b>7,945,812</b>



**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**UNAUDITED COMPANY STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2011**

<b>FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2011</b>	<b>Share Capital RM '000</b>	<b>Share Premium RM '000</b>	<b>Other Capital Reserves &amp; General Reserves RM '000</b>	<b>Share Options Reserves RM '000</b>	<b>Retained Profits RM '000</b>	<b>Treasury Shares RM '000</b>	<b>Total Equity RM '000</b>
Opening balance as at 1 July 2011	1,052,768	117,229	254,991	13,557	1,326,919	(55,786)	2,709,678
Net profit for the financial year	-	-	-	-	(38,705)	-	(38,705)
Total recognised income/(expense) for the period	-	-	-	-	(38,705)	-	(38,705)
<b>AT 30 SEPTEMBER 2011</b>	<b>1,052,768</b>	<b>117,229</b>	<b>254,991</b>	<b>13,557</b>	<b>1,288,214</b>	<b>(55,786)</b>	<b>2,670,973</b>

<b>FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2010</b>	<b>Share Capital RM '000</b>	<b>Share Premium RM '000</b>	<b>Other Capital Reserves &amp; General Reserves RM '000</b>	<b>Share Options Reserves RM '000</b>	<b>Retained Profits RM '000</b>	<b>Treasury Shares RM '000</b>	<b>Total Equity RM '000</b>
Opening balance as at 1 July 2010	1,052,768	117,229	254,991	10,827	513,767	(65,750)	1,883,832
Net profit for the financial year	-	-	-	-	(8,103)	-	(8,103)
Total recognised income/(expense) for the period	-	-	-	-	(8,103)	-	(8,103)
Exercise of ESOS	-	-	-	682	206	682	1,570
Transfer of ESOS shares to HLIA	-	-	-	-	2,616	3,415	6,031
<b>At 30 SEPTEMBER 2010</b>	<b>1,052,768</b>	<b>117,229</b>	<b>254,991</b>	<b>11,509</b>	<b>508,486</b>	<b>(61,653)</b>	<b>1,883,330</b>

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**UNAUDITED CONDENSED STATEMENTS OF CASH FLOW**  
**FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2011**

	<b>The Group</b>		<b>The Company</b>	
	<b>30/09/2011</b>	<b>30/09/2010</b>	<b>30/09/2011</b>	<b>30/09/2010</b>
	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
Profit before taxation and zakat	513,679	507,316	(38,705)	(8,103)
Adjustment for non-cash items and others	(79,914)	211,287	30,546	11,866
Operating profit before working capital changes	433,765	718,603	(8,159)	3,763
Income tax paid	(77,984)	(47,825)	-	-
Interest received	2,658	960	25,547	960
Net changes in working capital	(7,588,966)	2,902,524	11,396	(43,070)
Net cash flow from operating activities	(7,230,527)	3,574,262	28,784	(38,347)
Net cash flow from investing activities	(2,171,850)	(5,445,053)	(160,787)	623
Net cash flow from financing activities	(1,542,706)	(153,555)	27,434	127,961
<b>Changes in cash and cash equivalents</b>	<b>(10,945,083)</b>	<b>(2,024,346)</b>	<b>(104,569)</b>	<b>90,237</b>
<b>Effect of change in foreign exchange rate</b>	<b>16,557</b>	<b>(22,662)</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents as at 1 July</b>	<b>32,424,991</b>	<b>17,181,501</b>	<b>114,679</b>	<b>12,041</b>
<b>Cash and cash equivalents as at 30 Sept</b>	<b>21,496,465</b>	<b>15,134,493</b>	<b>10,110</b>	<b>102,278</b>

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG” or “the Company”)**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2011**

**1. Basis of preparation**

The condensed financial statements of the Group have been prepared in accordance with Financial Reporting Standard (“FRS”) 134: Interim Financial Reporting (previously known as MASB 26) issued by the Malaysian Accounting Standard Board (“MASB”), Chapter 9, Part K of the Listing Requirements of the Bursa Malaysia Securities Berhad and revised guidelines on Financial Reporting for Licensed Institutions (BNM/GP8) issued by Bank Negara Malaysia (“BNM”) and should be read in conjunction with the Group’s audited annual financial statements for the year ended 30 June 2011.

The accounting policies and presentation adopted by the Group for the interim financial statements are consistent with those adopted in the financial statements for the financial year ended 30 June 2011 except for the first time adoption of the following standards, amendments to published standards and interpretations to existing standards:

FRS 2	Share-based Payment: Group Cash-settled Share-based Payment Transactions
Amendments to FRS 7	Financial Instruments: Disclosures
IC Interpretation 4	Determining whether an Arrangement contains a Lease
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
Amendments to IC Interpretation 14	FRS 119 - The limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction

The adoption of the above are not expected to have a material impact on the financial statement results of the Group and the Company

**2. Status of matters giving rise to the auditor’s qualified report in the annual financial statement for the financial year ended 30 June 2011 of HLFG**

There was no qualified report issued by the auditors in the annual financial statements for the financial year ended 30 June 2011.

**3. Seasonality or cyclicity of operations**

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

**4. Exceptional items / unusual events affecting financial statements**

There were no exceptional items or unusual events affecting the assets, liabilities, equity, net income or cash flows of the Group during the financial period.

**5. Variation from financial estimates reported in preceding financial year**

There were no material changes in estimates of amounts reported in the preceding financial year that have a material effect in the current financial period.

## 6. Issuance and repayment of debt and equity securities

There was no repayment of debt or equity share, share buy-back, share cancellation, shares held as treasury shares nor resale of treasury shares in HLFM for the financial period ended 30 September 2011 other than as mentioned below.

### Purchase of shares pursuant to ESOS

A trust has been set up for the ESOS of HLFM and 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 the Company's shares from the open market for the purposes of this trust. In accordance to FRS 132: Financial Statements: Presentation and Disclosure, the shares purchased for the benefit of the ESOS holders are recorded as "Treasury Shares held for ESOS" in the Shareholders' Equity on the Statement of Financial Position

The Company had previously granted 10,200,000 conditional incentive share options to eligible executives of the Company pursuant to the ESOS of HLFM subject to the achievement of certain performance criteria over an option performance period.

During the financial period ended 30 September 2011, no shares were exercised pursuant to the Company's ESOS.

The remaining number of shares held by the appointed trustee for the Company as at 30 September 2011 was 12,270,408 units at an average price of RM4.55 per share and the total consideration paid, including transaction costs was RM55,786,307.

As at 30 September 2011, the insurance subsidiary company held a total of 3,519,992 units of the Company's shares at an average price of RM4.75 per share with total consideration paid, including transaction costs of RM16,730,842 which have been classified as treasury shares held for ESOS at the Group level.

### Issuance and repayment of debts

The issuance and repayment of debts of HLFM Group are as of that disclosed in Note 9.

## 7. Dividends paid

A second interim dividend of 15 sen per share (single tier) (2010 : 8 sen per share less income tax at 25% and 6 sen tax exempt) and a special dividend of 3 sen per share (single tier) was paid on 1 July 2011.

## 8. Segmental reporting

Segmental information is presented in respect of the Group's business segments. The primary format by business segments is based on the Group's management and internal reporting structure.

No analysis by geographical segments is presented as the Group's operations are substantially carried out in Malaysia.

Inter-segment pricing is determined based on arms length basis. These transactions are eliminated on consolidation. Segment results, assets and liabilities include items directly attributable to the segment as well as those that can be allocated on a reasonable basis. Unallocated item mainly comprise tax recoverable, tax payable and other corporate assets and other corporate liabilities. Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used during more than one period.

### **Business segments**

The Group comprises the following main business segments:

Commercial banking	Commercial banking business
Investment banking	Investment banking and fund and unit trust management
Insurance	Life and general insurance business
Other operations	Investment holding and provision of management services

<b>GROUP</b>	<b>Commercial Banking RM'000</b>	<b>Investment Banking RM'000</b>	<b>Insurance RM'000</b>	<b>Others RM'000</b>	<b>Eliminations RM'000</b>	<b>Consolidated RM'000</b>
<b>30 SEPTEMBER 2011</b>						
<b>Revenue for the quarter ended</b>						
External sales	909,121	30,604	11,668	(31,723)	-	919,670
Intersegment sales	4,237	993	2,382	1,847	(9,459)	-
	<u>913,358</u>	<u>31,597</u>	<u>14,050</u>	<u>(29,876)</u>	<u>(9,459)</u>	<u>919,670</u>
<b>Results for the quarter ended</b>						
Segment results	463,198	9,572	1,458	(34,102)	-	440,126
Share of results of associated companies						73,385
Share of results of joint venture company						168
Profit before taxation and zakat						<u>513,679</u>
Taxation and zakat						<u>(120,497)</u>
Net profit for the financial year						<u>393,182</u>
Non-controlling interest						<u>(140,980)</u>
Profit attributable to owners of the parents						<u>252,202</u>
<b>Other information</b>						
Segment assets	142,804,490	2,838,742	7,618,647	2,720,963	(2,854,059)	153,128,783
Other corporate assets						1,051,678
<b>Total consolidated assets</b>						<u>154,180,461</u>
Segment liabilities	135,186,606	2,232,813	6,809,506	417,629	(3,307,476)	141,339,078
Other corporate liabilities						2,231,882
<b>Total consolidated liabilities</b>						<u>143,570,960</u>

<b>GROUP</b>	<b>Commercial</b>	<b>Investment</b>				
<b>30 SEPTEMBER 2010</b>	<b>Banking</b>	<b>Banking</b>	<b>Insurance</b>	<b>Others</b>	<b>Eliminations</b>	<b>Consolidated</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Revenue for the quarter ended</b>						
External sales	538,187	21,505	209,803	3,072	-	772,567
Intersegment sales	1,600	2,651	2,915	2,465	(9,631)	-
	<u>539,787</u>	<u>24,156</u>	<u>212,718</u>	<u>5,537</u>	<u>(9,631)</u>	<u>772,567</u>
<b>Results for the quarter ended</b>						
Segment results	280,791	8,877	189,526	(8,468)	-	470,726
Share of results of associated company						36,851
Share of results of joint venture company						(261)
Profit before taxation and zakat						<u>507,316</u>
Taxation and zakat						<u>(94,843)</u>
Net profit for the financial year						412,473
Non-controlling interest						<u>(88,672)</u>
Profit attributable to owners of the parents						<u>323,801</u>
<b>Other information</b>						
Segment assets	88,733,931	1,562,112	7,497,036	213,993	(182,405)	97,824,667
Other corporate assets						<u>184,911</u>
<b>Total consolidated assets</b>						<u>98,009,578</u>
Segment liabilities	82,061,007	1,339,392	6,542,270	53,816	(542,793)	89,453,692
Other corporate liabilities						<u>610,074</u>
<b>Total consolidated liabilities</b>						<u>90,063,766</u>

## 9. Financial assets held for trading

	Group	
	As at	As at
	30/09/2011 RM '000	30/06/2011 RM '000
<b><u>At Fair Value</u></b>		
Malaysian Government Treasury Bills	98,338	49,185
Malaysian Government Securities	474,274	118,769
Negotiable instruments of deposit	727,753	479,071
Bankers' acceptances and Islamic accepted bills	3,957,538	3,944,863
Bank Negara Malaysia bills	5,376,870	767,821
Malaysian Government Investment Certificates	551,253	388,068
Cagamas bonds	117,925	-
Private debts securities	286,949	232,168
	<u>11,590,900</u>	<u>5,979,945</u>
Quoted securities :		
Shares/Loan stocks/Unit Trust	362,342	486,746
Foreign currency bonds	318,565	383,748
Unquoted securities :		
Private debt securities	418,203	124,285
Total securities held at fair value through profit and loss	<u>12,690,010</u>	<u>6,974,724</u>

	Company	
	As at	As at
	30/09/2011 RM '000	30/06/2011 RM '000
<b><u>At Fair Value</u></b>		
Unit Trust	<u>11,087</u>	<u>37,814</u>

## 10. Financial investments available-for-sale

	Group	
	As at 30/09/2011 RM '000	As at 30/06/2011 RM '000
<b><u>At Fair Value</u></b>		
Government Treasury Bills	454,052	364,156
Bank Negara Malaysia Bills	215,057	248,165
Malaysian Government Securities	631,113	1,047,502
Malaysian Government Investment Certificates	2,736,924	1,911,745
Negotiable instruments of deposit	-	522,051
Islamic negotiable instrument debt securities	850,382	28,833
Commercial papers	9,986	-
Cagamas bonds	146,096	141,231
Bankers acceptance	54,196	44,853
Other Government securities	50,355	49,857
	<u>5,148,161</u>	<u>4,358,393</u>
Quoted securities :		
Shares/Loan stocks/Unit Trust	1,413,101	1,253,229
Foreign Currency Bonds	1,639,861	838,280
Private debt securities/shares/reits	11,383	19,404
Unquoted securities :		
Foreign Currency Bonds	233,910	178,585
Private debt securities/shares/reits	<u>4,382,054</u>	<u>4,097,586</u>
Total securities available-for-sale	<u>12,828,470</u>	<u>10,745,477</u>

## 11. Financial investments held-to-maturity

	Group	
	As at 30/09/2011 RM '000	As at 30/06/2011 RM '000
<b><u>At Amortised Cost</u></b>		
Malaysian Government Securities	2,705,169	3,577,908
Malaysian Government Investment Certificates	1,075,336	1,128,464
Negotiable instruments of deposit	3,628,178	2,677,278
Cagamas bonds	229,547	170,942
Unit trust investments	50,500	-
	<u>7,688,730</u>	<u>7,554,592</u>
Quoted securities :		
Other Government securities	22,611	14,043
Unquoted securities :		
Private debt securities/shares/loan stocks	<u>966,137</u>	<u>743,319</u>
	<u>8,677,478</u>	<u>8,311,954</u>
Accumulated impairment losses	<u>(170,620)</u>	<u>(170,620)</u>
Total securities held-to-maturity	<u>8,506,858</u>	<u>8,141,334</u>



## 12. Loans, advances and financing

	Group	
	As at 30/09/2011 RM '000	As at 30/06/2011 RM '000
Overdrafts	4,134,002	4,185,914
Term loans :		
- Housing loans/financing	33,274,036	31,796,741
- Syndicated term loan/financing	4,873,534	4,669,705
- Hire purchase receivables	17,527,900	17,315,908
- Lease receivables	3,411	4,486
- Other term loans/financing	10,493,008	10,478,950
Credit/charge card receivables	4,265,780	4,262,859
Bills receivables	364,725	354,250
Trust receipts	312,119	302,959
Claims on customers under acceptance credits	6,284,697	6,621,138
Block discounting	7,816	8,391
Revolving credits	3,456,544	3,771,610
Policy and premium loans	677,083	676,745
Staff loans	298,953	305,901
Other loans/financing	191,556	210,477
	<u>86,165,164</u>	<u>84,966,034</u>
Unearned interest and income	-	-
	<u>86,165,164</u>	<u>84,966,034</u>
Unamortised fair value changes arising from terminated fair value hedges	12,488	17,177
Allowance for bad and doubtful debts and financing :		
- collective assessment	(1,817,463)	(1,576,741)
- individual assessment	(643,052)	(670,993)
Net loans, advances and financing	<u><u>83,742,045</u></u>	<u><u>82,735,477</u></u>

## 12. Loans, advances and financing (continued)

### (a) By type of customer

	Group	
	As at 30/09/2011 RM '000	As at 30/06/2011 RM '000
Domestic non-bank financial institutions	649,666	718,374
Domestic business enterprises		
- Small and medium enterprises	12,460,465	12,199,078
- Others	15,613,685	15,871,647
Government and statutory bodies	23,228	28,900
Individuals	54,482,695	53,368,646
Other domestic entities	29,927	30,675
Foreign entities	2,905,498	2,748,714
Gross loans, advances and financing	86,165,164	84,966,034

### (b) By interest/profit rate sensitivity

	Group	
	As at 30/09/2011 RM '000	As at 30/06/2011 RM '000
Fixed rate		
- Housing loans/financing	3,812,814	3,545,531
- Hire purchase receivables	17,473,254	17,263,403
- Other fixed rate loan/financing	8,582,049	8,501,825
Variable rate		
- Base lending rate plus	44,088,419	43,520,900
- Cost plus	11,757,300	11,634,807
- Other variables rates	451,328	499,568
Gross loans, advances and financing	86,165,164	84,966,034

### (c) By economic purpose

	Group	
	As at 30/09/2011 RM '000	As at 30/06/2011 RM '000
Purchase of securities	1,227,287	1,240,345
Purchase of transport vehicles	17,574,402	17,373,379
Purchase of landed properties		
- residential	28,602,321	27,698,836
- non-residential	9,309,993	9,050,882
Purchase of fixed assets	650,989	-
Personal use	3,759,250	3,572,467
Credit card	4,265,780	4,262,859
Purchase of consumer durables	190	199
Construction	860,085	835,551
Working capital	17,096,385	17,856,415
Mergers and acquisition	377,396	-
Others	2,441,086	3,075,101
Gross loans, advances and financing	86,165,164	84,966,034

## 12. Loans, advances and financing (continued)

### (d) Non-performing loans by purpose

	Group	
	As at 30/09/2011 RM '000	As at 30/06/2011 RM '000
Purchase of securities	16,061	9,948
Purchase of transport vehicles	206,583	185,001
Purchase of landed properties		
- residential	440,241	458,242
- non-residential	86,212	79,403
Purchase of fixed assets (excluding landed properties)	20,700	21,067
Personal use	97,199	93,742
Credit card	67,172	58,100
Purchase of consumer durables	17	17
Construction	31,099	31,075
Working capital	778,301	924,549
Others	46,294	31,160
Gross loans, advances and financing	1,789,879	1,892,304

### (e) Movements in non-performing loans, advances and financing ("NPL") are as follows:

	Group	
	As at 30/09/2011 RM '000	As at 30/06/2011 RM '000
At beginning		
- as previously stated	1,892,304	729,423
- effect of adopting FRS 139	-	213,479
As restated	1,892,304	942,902
Non-performing during the period/year	674,057	883,759
Arising from harmonisation of provisioning policy	30,797	-
Reclassified as performing	(447,306)	(493,248)
Amount written back in respect of recoveries	(240,900)	(461,787)
Amount written off	(122,087)	(278,682)
Acquisition of assets and liabilities of EON Capital Berhad ("EON")	-	1,294,351
Exchange differences	3,014	5,009
Closing balance	1,789,879	1,892,304
Specific allowance	-	-
Net non-performing loans, advances and financing	1,789,879	1,892,304
Net NPL as a % of gross loans, advances and financing less specific allowance	2.1%	2.2%

## 12. Loans, advances and financing (continued)

### (f) Movements in allowance for bad and doubtful debts (and financing) accounts are as follows:

	Group	
	As at 30/09/2011 RM '000	As at 30/06/2011 RM '000
<u>Collective Assessment Allowance</u>		
At beginning		
- as previously reported	1,576,741	-
- effect of adopting FRS 139	-	771,288
As restated	1,576,741	771,288
Net allowance made during the period/year	170,543	390,985
Arising from harmonisation of provisioning policy	141,718	-
Amount written back in respect of recoveries	(62,415)	(101,290)
Amount written off	(54,468)	(217,424)
Amount transfer from individual assessment	47,617	-
Unwinding income	(2,196)	(11,018)
Acquisition of assets and liabilities of ECB	-	742,983
Exchange differences	(77)	1,217
Closing balance	1,817,463	1,576,741
As % of gross loans, advances and financing less loans exempted from individual assessment allowance	2.0%	-
<u>Individual Assessment Allowance</u>		
At beginning		
- as previously stated	670,993	-
- effect of adopting FRS 139	-	234,265
As restated	670,993	234,265
Net allowance made during the period/year	19,786	72,384
Arising from harmonisation of provisioning policy	89,279	-
Amount written back in respect of recoveries	(28,881)	(83,718)
Amount written off	(63,943)	(45,286)
Unwinding income	(1,794)	(14,974)
Acquisition of assets and liabilities of ECB	-	505,525
Exchange differences	5,230	2,797
Closing balance	643,052	670,993

### 13. Other receivables

	<b>Group</b>	
	<b>As at 30/09/2011 RM '000</b>	<b>As at 30/06/2011 RM '000</b>
Investment properties	1,680	1,680
Other debtors, deposits and prepayments	1,529,334	1,137,974
Foreclosed properties	1,458	1,458
	<u>1,532,472</u>	<u>1,141,112</u>
	<b>Company</b>	
	<b>As at 30/09/2011 RM '000</b>	<b>As at 30/06/2011 RM '000</b>
Amount due from subsidiary companies #	2,359,189	2,357,479
Amount due from related companies	-	3
Other debtors, deposits and prepayments	292	2,551
	<u>2,359,481</u>	<u>2,360,033</u>

# On 6 May 2011, the Company has provided HLB a Tier 2 Capital Cumulative Subordinated Loan Facility for RM2.3 billion pending the completion of a proposed rights issue exercise to be undertaken by HLB.

### 14. Deposits from customers

	<b>Group</b>	
	<b>As at 30/09/2011 RM '000</b>	<b>As at 30/06/2011 RM '000</b>
Fixed deposits	69,860,776	68,788,096
Negotiable instruments of deposit	6,585,690	5,584,465
Demand deposits	14,614,420	14,893,230
Savings deposits	12,413,827	12,515,496
Short term corporate placement	10,234,616	12,561,243
Others	357,643	406,448
	<u>114,066,972</u>	<u>114,748,978</u>

The maturity structure of fixed deposits and negotiable instruments :

	<b>Group</b>	
	<b>As at 30/09/2011 RM '000</b>	<b>As at 30/06/2011 RM '000</b>
One year or less (short term)	71,138,885	70,150,424
More than one year (medium/long term)	5,307,581	4,222,137
	<u>76,446,466</u>	<u>74,372,561</u>

The deposits from customer are sourced from the following types of customers:

	<b>Group</b>	
	<b>As at 30/09/2011 RM '000</b>	<b>As at 30/06/2011 RM '000</b>
Government and statutory bodies	5,507,634	5,777,465
Business enterprises	51,330,278	49,354,634
Individuals	54,096,328	51,479,665
Others	3,132,732	8,137,214
	<u>114,066,972</u>	<u>114,748,978</u>

## 15. Deposits and placements of banks and other financial institutions

	<b>Group</b>	
	<b>As at 30/09/2011 RM '000</b>	<b>As at 30/06/2011 RM '000</b>
Licensed banks and investment banks	5,770,350	7,673,057
Bank Negara Malaysia	783,205	581,968
Licensed Islamic Bank	1,511,752	1,897,375
Other financial institutions	1,061,476	1,293,260
	<u>9,126,783</u>	<u>11,445,660</u>
<b>The maturity structure :</b>		
One year or less (short term)	9,126,783	11,445,660
More than one year (medium/long term)	-	-
	<u>9,126,783</u>	<u>11,445,660</u>

## 16. Payables and other liabilities

	<b>Group</b>	
	<b>As at 30/09/2011 RM '000</b>	<b>As at 30/06/2011 RM '000</b>
Trade payables	688,555	672,751
Amount due to related companies	9,518	1,327
Other payables and accrued liabilities	1,825,049	1,984,359
Loan advance payment	1,148,019	1,122,560
Interest payable	-	-
Post employment benefits obligations - defined contribution plan	4,338	4,779
	<u>3,675,479</u>	<u>3,785,776</u>
	<b>Company</b>	
	<b>As at 30/09/2011 RM '000</b>	<b>As at 30/06/2011 RM '000</b>
Amount due to subsidiary companies	-	443
Other payables and accrued liabilities	6,827	5,525
Post employment benefits obligations - defined contribution plan	7	17
	<u>6,834</u>	<u>5,985</u>

## 17. Interest income

	Group		Group	
	Current quarter ended 30/09/2011 RM '000	Last year quarter ended 30/09/2010 RM '000	Current year to date 30/09/2011 RM '000	Last year to date 30/09/2010 RM '000
Loan, advances and financing				
- Interest income other than recoveries from NPLs	995,458	442,552	995,458	442,552
- recoveries from NPLs	-	-	-	-
Money at call and deposit placements with financial institutions	155,234	114,660	155,234	114,660
Securities purchased under resale agreements	341	253	341	253
Financial assets held for trading	23,837	25,892	23,837	25,892
Financial investments available-for-sale	37,251	29,814	37,251	29,814
Financial investments held-to-maturity	135,321	108,159	135,321	108,159
Others	25,677	5,321	25,677	5,321
	1,373,119	726,651	1,373,119	726,651
Amortisation of premium less accretion of discount	(787)	244	(787)	244
Interest suspended	-	-	-	-
	1,372,332	726,895	1,372,332	726,895

	Company		Company	
	Current quarter ended 30/09/2011 RM '000	Last year quarter ended 30/09/2010 RM '000	Current year to date 30/09/2011 RM '000	Last year to date 30/09/2010 RM '000
Money at call and deposit placements with financial institutions	148	256	148	256
Others	25,399	1,038	25,399	1,038
	25,547	1,294	25,547	1,294

## 18. Interest expense

	Group		Group	
	Current quarter ended 30/09/2011 RM '000	Last year quarter ended 30/09/2010 RM '000	Current year to date 30/09/2011 RM '000	Last year to date 30/09/2010 RM '000
Deposits and placements of banks and other financial institutions	23,667	16,093	23,667	16,093
Deposits from customers	526,727	236,400	526,727	236,400
Borrowings	46,377	7,068	46,377	7,068
Subordinated bonds	52,881	8,718	52,881	8,718
Short term corporate placements	59,675	79,190	59,675	79,190
Others	9,952	676	9,952	676
	719,279	348,145	719,279	348,145

  

	Company		Company	
	Current quarter ended 30/09/2011 RM '000	Last year quarter ended 30/09/2010 RM '000	Current year to date 30/09/2011 RM '000	Last year to date 30/09/2010 RM '000
Borrowings	20,780	6,636	20,780	6,636
Others	1	177	1	177
	20,781	6,813	20,781	6,813

## 19. Non Interest Income

	Group		Group	
	Current quarter ended 30/09/2011 RM '000	Last year quarter ended 30/09/2010 RM '000	Current year to date 30/09/2011 RM '000	Last year to date 30/09/2010 RM '000
Net income from Insurance Business	11,613	201,803	11,613	201,803
Net brokerage and commissions from Stockbroking Business	15,653	14,509	15,653	14,509
Net unit trust and asset management income	3,469	4,579	3,469	4,579
Fee income:				
Commissions	27,001	17,282	27,001	17,282
Service charges and fees	12,175	4,271	12,175	4,271
Guarantee fees	5,216	1,395	5,216	1,395
Other fee income	98,586	61,070	98,040	61,070
	142,978	84,018	142,978	84,018
Gain/(loss) arising from sale of securities:				
Net gain from financial assets held for trading and derivatives	5,442	2,563	5,442	2,563
Net gain from sale of financial investments available-for-sale	8,692	8,598	8,692	8,598
Net gain/(loss) from unwinding of derivatives	(5,705)	-	(5,705)	-
	8,429	11,161	8,429	11,161
Gross dividend income from:				
Financial assets held for trading	35,060	27,296	35,060	27,296
Financial investments available-for-sale	3,382	5,177	3,382	5,177
Financial investments held-to-maturity	1,286	60	1,286	60
	39,728	32,533	39,728	32,533
Net unrealised gains/(losses) on revaluation of financial assets held for trading and derivatives	(91,445)	(12,048)	(91,445)	(12,048)
Net realised gains/(losses) on fair value changes arising from fair value hedge	(4,687)	(4,902)	(4,687)	(4,902)
Net unrealised gains/(losses) on fair value changes arising from fair value hedges	(2,333)	(4,617)	(2,333)	(4,617)
Other income:				
Foreign exchange gain/(loss)	60,546	14,957	60,546	14,957
Rental income	929	411	929	411
Gain/(loss) on disposal of property and equipment	176	(329)	176	(329)
Others	(14,473)	4,896	(14,473)	4,896
	47,178	19,935	47,178	19,935
Total non interest income	170,583	346,971	170,583	346,971



## 19. Non Interest Income (continued)

	Company		Company	
	Current	Last year	Current year	Last year
	quarter ended	quarter ended	to date	to date
	30/09/2011	30/09/2010	30/09/2011	30/09/2010
	RM '000	RM '000	RM '000	RM '000
Fee income:				
Management fees	1,847	1,783	1,847	1,783
Gain/(loss) arising from sale of securities:				
Net gain from sale of financial asset held for trading and derivatives	(3)	(121)	(3)	(121)
Net gain/(loss) from unwinding of derivatives	(5,705)	-	(5,705)	-
Gross dividend income from:				
Financial assets held for trading	145	761	145	761
Unrealised gain/(loss) on revaluation of financial assets held for trading and derivatives	(29,027)	(6,254)	(29,027)	(6,254)
Other income:				
Others	(6,170)	5,609	(6,170)	5,609
Total non interest income	<u>(38,913)</u>	<u>1,778</u>	<u>(38,913)</u>	<u>1,778</u>

## 20. Overhead expenses

	Group		Group	
	Current	Last year	Current year	Last year
	quarter ended	quarter ended	to date	to date
	30/09/2011	30/09/2010	30/09/2011	30/09/2010
	RM '000	RM '000	RM '000	RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	260,719	130,257	260,719	130,257
- Others	18,583	11,001	18,583	11,001
<u>Establishment costs</u>				
- Depreciation of property and equipments	29,552	14,475	29,552	14,475
- Amortisation of intangible assets	5,316	4,887	5,316	4,887
- Rental	19,608	13,536	19,608	13,536
- Information technology expenses	22,717	11,130	22,717	11,130
- Others	20,684	14,055	20,684	14,055
<u>Marketing expenses</u>				
- Advertisement and publicity	1,712	6,781	1,712	6,781
- Others	27,322	17,515	27,322	17,515
<u>Administration and general expenses</u>				
- Teletransmission expenses	5,056	1,191	5,056	1,191
- Stationery & printing	5,161	2,560	5,161	2,560
- Others	44,444	34,461	44,444	34,321
	<u>460,874</u>	<u>261,849</u>	<u>460,874</u>	<u>261,849</u>

## 20. Overhead expenses (continued)

	Company		Company	
	Current	Last year	Current year	Last year
	quarter ended	quarter ended	to date	to date
	30/09/2011	30/09/2010	30/09/2011	30/09/2010
	RM '000	RM '000	RM '000	RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	3,026	2,275	3,026	2,275
- Others	114	792	114	792
<u>Establishment costs</u>				
- Depreciation of property and equipments	191	182	191	182
- Amortisation of intangible assets	2	31	2	31
- Rental	174	193	174	193
- Others	36	55	36	55
<u>Administration and general expenses</u>				
- Teletransmission expenses	10	8	10	8
- Stationery & printing	10	14	10	14
- Others	995	812	995	812
	<u>4,558</u>	<u>4,362</u>	<u>4,558</u>	<u>4,362</u>

## 21. Allowance for losses on loans, advances and financing and other losses

	Group		Group	
	Current	Last year	Current year	Last year
	quarter ended	quarter ended	to date	to date
	30/09/2011	30/09/2010	30/09/2011	30/09/2010
	RM '000	RM '000	RM '000	RM '000
Allowance for losses on loans, advances and financing:				
(a) Collective assessment allowance				
- made during the financial year	108,127	60,335	108,127	60,335
- written back	-	-	-	-
(b) Individual assessment allowance				
- made during the financial year	(9,095)	1,815	(9,095)	1,815
- written back	-	-	-	-
Allowance for losses on clients' and brokers' balances				
(a) Specific allowance				
- made during the financial year	-	(208)	-	(208)
- written back	-	-	-	-
(b) General allowance				
- made during the financial year	-	195	-	195
(c) Individual assessment allowance				
- written back	(719)	(449)	(719)	(449)
Bad debts and financing written off	2,119	2,066	2,119	2,066
Bad debts and financing recovered	(77,957)	(23,456)	(77,957)	(23,456)
	<u>22,475</u>	<u>40,298</u>	<u>22,475</u>	<u>40,298</u>

## 22. Capital adequacy

BNM guidelines require the Banking subsidiaries to maintain a certain minimum level of capital funds against the "risk-weighted" value of the assets and certain commitments and contingencies. The capital funds of the Banking subsidiaries as at 30 June 2011 and 30 June 2010 met the minimum requirement.

	<b>Hong Leong Bank Group</b>		<b>Hong Leong Bank Berhad</b>		<b>Hong Leong Investment Bank Berhad</b>	
	<b>As at</b>	<b>As at</b>	<b>As at</b>	<b>As at</b>	<b>As at</b>	<b>As at</b>
	<b>30/09/2011</b>	<b>30/06/2011</b>	<b>30/09/2011</b>	<b>30/06/2011</b>	<b>30/09/2011</b>	<b>30/06/2011</b>
	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
<b><u>Components of Tier - 1 and Tier - 2 Capital</u></b>						
<b>Tier -1 capital</b>						
Paid up share capital	1,580,107	1,580,107	1,580,107	1,580,107	265,535	265,535
Share premium	539,664	539,664	539,664	539,664	-	-
Retained profit	3,983,356	3,983,356	3,212,562	3,212,562	8,884	25,192
Other Reserves	1,931,511	1,931,653	1,798,743	1,798,885	28,222	28,222
Non-innovative Tier-1 stapled securites	1,395,198	1,394,665	1,395,198	1,394,665	-	-
Innovative Tier-1 capital securities	489,695	490,273	488,079	-	-	-
Less : Treasury Shares	(659,218)	(671,744)	(659,218)	(671,744)	-	-
Less : Goodwill	(1,360,174)	(1,360,174)	(1,050,759)	-	(30,236)	(30,236)
Less : Deferred Tax	(325,935)	(325,935)	(239,637)	(102,281)	(41,716)	(41,716)
Add : Minority interest	-	-	-	-	-	-
<b>Total tier 1 capital</b>	<b>7,574,204</b>	<b>7,561,865</b>	<b>7,064,739</b>	<b>7,751,858</b>	<b>230,689</b>	<b>246,997</b>
<b>Tier - 2 capital</b>						
General provision	-	-	-	-	-	-
Collective assessment allowance	1,399,652	1,298,856	1,175,484	587,106	1,655	1,574
Subordinated obligations	2,834,469	2,833,327	2,833,689	1,693,352	-	-
Redeemable preference shares	-	-	-	-	1,631	1,631
Capital cumulative subordinated loan	2,300,000	2,300,000	2,300,000	2,300,000	-	-
<b>Total tier 2 capital</b>	<b>6,534,121</b>	<b>6,432,183</b>	<b>6,309,173</b>	<b>4,580,458</b>	<b>3,286</b>	<b>3,205</b>
<b>Total eligible tier-2 capital</b>	<b>6,534,121</b>	<b>6,432,183</b>	<b>6,309,173</b>	<b>4,580,458</b>	<b>3,286</b>	<b>3,205</b>
<b>Total capital</b>	<b>14,108,325</b>	<b>13,994,048</b>	<b>13,373,912</b>	<b>12,332,316</b>	<b>233,975</b>	<b>250,202</b>
Less : Investment in associated company	(1,385,169)	(1,325,707)	(946,505)	(946,505)	-	-
Less : Investment in subsidiary companies	-	-	(2,341,242)	(6,088,873)	(588)	(588)
Less : Investment in jointly controlled company	(75,420)	(75,252)	(76,711)	(76,711)	-	-
<b>Total capital base</b>	<b>12,647,736</b>	<b>12,593,089</b>	<b>10,009,454</b>	<b>5,220,227</b>	<b>233,387</b>	<b>249,614</b>
<b><u>Before deducting proposed dividends</u></b>						
Core Capital Ratio	8.00%	8.43%	8.22% *	11.56% *	31.40%	38.20%
Risk-weighted Capital Ratio	13.36%	14.05%	11.65% *	11.56% *	31.80%	38.60%
<b><u>After deducting proposed dividends</u></b>						
Core Capital Ratio	7.79%	8.25%	8.00% *	11.19% *	31.40%	35.70%
Risk-weighted Capital Ratio	13.15%	13.86%	11.42% *	11.19% *	31.80%	36.10%

## 22. Capital adequacy (continued)

- \* As stipulated under Bank Negara Malaysia ("BNM") Guidelines, the Bank's Core Capital Ratio is equal to the Risk-weighted Capital Ratio as the deduction from Total Capital is more than Eligible Tier 2 Capital.

a) The capital adequacy ratios of the HLB Group subsidiary companies are as follows:

	<b>Hong Leong Islamic Bank Berhad (1)</b>	<b>EONCAP Islamic Bank Berhad (2)</b>	<b>MIMB Investment Bank Berhad (3)</b>
<b>As at 30 September 2011</b>			
<u>Before deducting proposed dividends:</u>			
Core capital ratio	14.96%	10.76%	66.54%
Risk-weighted capital ratio	16.56%	16.96%	67.02%
<u>After deducting proposed dividends:</u>			
Core capital ratio	14.35%	10.76%	66.54%
Risk-weighted capital ratio	15.95%	16.96%	67.02%
<b>As at 30 June 2011</b>			
<u>Before deducting proposed dividends:</u>			
Core capital ratio	16.06%	11.18%	62.20%
Risk-weighted capital ratio	17.65%	17.59%	62.79%
<u>After deducting proposed dividends:</u>			
Core capital ratio	15.41%	11.18%	62.20%
Risk-weighted capital ratio	16.99%	17.59%	62.79%

- 1 The capital adequacy ratios of Hong Leong Islamic Bank Berhad are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks (CAFIB), which are based on the Basel II capital accord. Hong Leong Islamic Bank Berhad has adopted the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational Risk computation.
- 2 The capital adequacy ratios of EONCAP Islamic Bank Berhad are computed in accordance with BNM's Capital Adequacy Framework for Islamic Banks ("CAFIB"), which is based on the Basel II capital accord. EIBB has adopted the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk computation.
- 3 The capital adequacy ratios of MIMB are computed in accordance with BNM's revised RWCAF– Basel II. MIMB has adopted the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk computation.

## 23. Events after Balance Sheet date

There are no materials events subsequent to the end of the financial period ended 30 September 2011 except for the following :

- (a) On 6 September 2011, CIMB Investment Bank Berhad (“CIMB”), on behalf of Hong Leong Bank Berhad (“HLB”), a subsidiary of HLF, announced that the issue price for the new ordinary shares of RM1.00 each in HLB (“HLB Shares”) (“Rights Shares”) to be issued under the renounceable rights issue of HLB (“Rights Issue”), had been fixed at RM8.65 per Rights Share at an entitlement basis of 1 Rights Share for every 5 existing HLB Shares held by HLB’s entitled shareholders as at 5.00 p.m. on 21 September 2011 (“Entitlement Date”)(“Entitled Shareholders”).

The issue price of RM8.65 per Rights Share represents a discount of 30.3% to the 5-day volume-weighted average market price of HLB Shares up to 5 September 2011 of RM12.41 (“5-day VWAMP”) and 26.6% to the theoretical ex-rights price of HLB Shares of RM11.78 (based on the 5-day VWAMP).

The Rights Issue will result in the issuance of up to 299.8 million Rights Shares and will raise gross proceeds of up to RM2,593.3 million. As the Rights Issue will be undertaken on a minimum subscription basis based on HLF (a major shareholder of HLB) full entitlement to the Rights Shares, in the case where only HLF subscribes for its full entitlement to the Rights Shares, the Rights Issue will result in the issuance of approximately 190.4 million Rights Shares and will raise gross proceeds of approximately RM1,647.0 million.

On 11 October 2011, CIMB, on behalf of HLB, announced that at the close of acceptance, excess application and payment for the Rights Issue on 6 October 2011, HLB had received valid acceptances and excess applications for a total of 408,728,176 Rights Shares. This represents a subscription level of 136.3% of the total number of Rights Shares available under the Rights Issue.

On 18 October 2011, CIMB, on behalf of HLB, announced that the Rights Issue had been completed following the listing of and quotation for 299,802,066 Rights Shares on the Main Market of Bursa Malaysia Securities Berhad on even date. HLB had also fully repaid the RM2.3 billion Tier 2 Capital Cumulative Subordinated Loan extended by HLF on the same date.

- (b) On 17 October 2011, HLB announced that at the Creditors' Meeting held on 17 October 2011 by EONCAP Islamic Bank Berhad (“EIBB”), a wholly-owned subsidiary of HLB, the Scheme of Arrangement for the transfer and vesting of the whole of the assets, liabilities, activities, business and undertaking of the Islamic banking business of EIBB to Hong Leong Islamic Bank Berhad (“HLISB”), also a wholly-owned subsidiary of HLB, was approved.

On 24 October 2011, HLB had announced that the High Court of Malaya had granted:-

(i) its approval for the Scheme of Arrangement for the transfer of the entire business of EIBB to HLISB, both wholly-owned subsidiaries of HLB; and

(ii) a vesting order for the transfer of the entire assets, liabilities, activities, business and undertaking of the Islamic banking business of EIBB to HLISB with effect from 1 November 2011.

## 24. Changes in composition of the Group

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

- (a) On 1 July 2011, HLB had announced that the whole of the business including all assets and liabilities of EON Bank Berhad (“EBB”) have been vested to HLB effective 1 July 2011 (“Vesting”).

Following the Vesting, EBB has surrendered its banking licence to Bank Negara Malaysia (“BNM”) on 1 July 2011 and has ceased operations.

On 1 July 2011, all of the direct subsidiaries of EBB including EIBB and MIMB Investment Bank Berhad (“MIMB”) became direct subsidiaries of HLB.

## 24. Changes in composition of the Group (continued)

- (b) Pursuant to an internal reorganisation exercise, HLB had, on 1 July 2011, entered into a share sale agreement (“SSA”) with HLB Principal Investments (L) Limited (“HLBPIL”), a wholly-owned subsidiary of HLB, for the transfer by HLB of its entire equity interest in EBB to HLBPIL (“Transfer”).

The SSA was completed on 1 July 2011 immediately following the vesting of business from EBB to HLB and the surrender of EBB’s banking licence to BNM.

Upon completion of the internal reorganisation exercise, EBB became a wholly-owned subsidiary of HLBPIL, which is in turn a wholly-owned subsidiary of HLB.

## 25. Commitments and contingencies

- a. In the normal course of business, the Group make various commitments and incur certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions. These commitments and contingencies are not secured against the assets of the Group.

The commitments and contingencies constitute the following:

	<b>Group</b>	
	<b>Principal Amount 30/09/2011 RM’000</b>	<b>Principal Amount 30/06/2011 RM’000</b>
Direct credit substitutes	517,881	559,290
Transaction-related contingent items	1,398,887	1,394,682
Short-term self liquidating trade-related contingencies	676,082	616,404
Underwriting obligation	48,000	92,238
Irrevocable commitments to extend credit:		
-maturity more than 1 year	12,873,205	12,488,631
-maturity less than 1 year	18,363,672	17,617,166
Any commitments that are unconditionally cancellable at any time by the bank without prior notice	326,612	302,249
Foreign exchange related contracts	43,234,868	38,485,280
Interest rate related contracts	67,764,070	61,124,760
Equity related contracts	152,170	225,221
Unutilised credit card lines	9,221,435	9,296,768
Total	<u>154,576,882</u>	<u>142,202,689</u>

- b. Hong Leong Asset Management Bhd (“HLAM”), a wholly-owned subsidiary company of the stockbroking division, Hong Leong Capital Berhad (“HLCB”), is the Manager of Hong Leong Sectoral Funds (“Funds”), which comprises five sector funds. HLCB has provided a guarantee to Universal Trustee (Malaysia) Berhad, the trustee of the Funds, that if any of the five sector funds fall below the minimum fund size of RM1 million, HLCB would invest cash, equivalent to the shortfall, into the relevant fund.

The size of each of the five funds was above the minimum of RM1 million as at 30 September 2011

## 26. Related party transactions

All related party transactions within the Group had been entered into in the normal course of business and were carried out on normal commercial terms.

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG”)**  
**ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES**  
**BERHAD LISTING REQUIREMENTS**

**1 Review of performance**

**Current quarter against preceding year's corresponding quarter**

The Group recorded a profit before tax of RM513.7 million for the current quarter ended 30 September 2011 as compared to RM507.3 million in the preceding year's corresponding quarter, an increase of RM6.4 million. Normalising the surplus transfer to RM175 million in the preceding year's corresponding quarter, the Group recorded an increase in profit as compared to the preceding year's corresponding quarter by RM181.4 million.

The Hong Leong Bank Group recorded a higher profit before tax of RM523.8 million for the current quarter ended 30 September 2011 as compared to RM317.4 million in the preceding year's corresponding quarter, an increase of RM206.4 million. Overall the increase was due to enlarge entity arising from the acquisition of assets and liabilities of ECB on 6 May 2011 coupled with higher share of results from our equity stake in Bank of Chengdu Co., Ltd.

The Hong Leong Capital Group recorded a profit before tax of RM10.9 million for the current quarter ended 30 September 2011 as compared to RM8.9 million in the preceding year's corresponding quarter. This is mainly due to higher contributions coming from the investment banking arm.

The HLA Holdings Group recorded a profit before tax of RM13.0 million as compared to RM189.5 million in the preceding year's corresponding quarter. This is mainly due to a one-off surplus transfer of Life reserve of RM175 million in the preceding year's corresponding quarter.

**2 Current quarter against preceding financial quarter**

The Group recorded a profit before tax of RM513.7 million for the current quarter ended 30 September 2011 as compared to RM512.8 million in the previous preceding financial quarter. The slightly higher profit is mainly due to higher contribution by the commercial banking division.

The Hong Leong Bank Group recorded a profit before tax of RM523.8 million for the current quarter ended 30 September 2011 as compared to RM380.5 million in the preceding financial quarter. Overall the increase was due to enlarge entity arising from the acquisition of assets and liabilities of ECB on 6 May 2011 coupled higher net income and lower operating expenses as compared to the preceding financial quarter.

The Hong Leong Capital Group recorded a profit before tax of RM10.9 million for the current quarter ended 30 September 2011 as compared to RM7.9 million in the previous preceding financial quarter. This is due to higher contribution from investment banking business.

The HLA Holdings Group recorded a profit before tax of RM13.0 million as compared to RM108.3 million in the previous preceding financial quarter. The higher profit is mainly due to a surplus transfer of Life reserve of RM66 million in the previous preceding financial quarter.

### 3 Prospects for the next financial year

Barring unforeseen circumstances and an economic recession, the Group is expected to perform satisfactorily for the current financial year.

### 4 Variance of actual profit from forecasted profit

There was no profit forecast or profit guarantee issued by the Group.

### 5 Taxation

Provision based on profits for the financial period 30 September 2011

	Group		Group	
	Current	Last year	Current year	Last year
	quarter ended	quarter ended	to date	to date
	30/09/2011	30/09/2010	30/09/2011	30/09/2010
	RM '000	RM '000	RM '000	RM '000
Tax expense				
Malaysian – current	(121,812)	(100,203)	(121,812)	(100,203)
Overseas – current	-	-	-	-
Transfer (from) / to deferred tax	1,338	5,374	1,338	5,374
	(120,474)	(94,829)	(120,474)	(94,829)
Prior year over/(under) provision				
- Malaysian	-	-	-	-
	(120,474)	(94,829)	(120,474)	(94,829)

The effective tax rate for the Group for the financial period is lower than the statutory rate of taxation as certain income was not subjected to tax.

### 6 Sale of properties/unquoted investments

There was no sale of properties and / or unquoted investments during the period under review.

### 7 Purchase / sale of quoted securities of the Group

There was no other purchase or disposal of quoted securities for the period under review other than those purchased or disposed in the ordinary course of business.



## 8 Status of corporate proposals

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

## 9 Group borrowings

The Group borrowings include:

	As at 30/09/2011 RM '000	As at 30/06/2011 RM '000
Bank loans	1,692,040	1,535,859
Capital market borrowing	559,842	678,381
Subordinated obligations	2,896,191	2,837,943
Senior Bonds	952,360	910,810
Non-innovative Tier 1 stapled securities	1,424,059	1,405,706
Innovative Tier 1 capital securities	606,264	503,069
	<u>8,130,756</u>	<u>7,871,768</u>

### Subordinated bonds

On 10 August 2010, HLB had completed the first issuance of RM700 million nominal value of Tier 2 Subordinated Debt ("Sub Debt") out of its RM1.7 billion Tier 2 Subordinated Notes Programme. The RM700 million Sub Debt will mature in 2020 and is callable at the end of year 5 and on each subsequent coupon payment dates thereafter subject to approval of BNM. The Sub Debt which bears interest of 4.85% per annum is payable semi-annually in arrears.

On 5 May 2011, HLB issued the remaining RM1.0 billion nominal value of Sub Debt which will mature in 2021 and is callable at the end of year 5 and on each subsequent coupon payment dates thereafter subject to approval of BNM. The second issuance of Sub Debt bears interest at the rate of 4.35% per annum and is payable semi-annually in arrears.

The Sub Debt constitute unsecured liabilities of HLB, and is subordinated in right of payment to the deposit liabilities and all other liabilities of HLB in accordance with the terms and conditions of the issue and qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of HLB.

On 3 August 2010, HLB had fully redeemed its US\$200 million Subordinated Callable Bonds Due 2015 ("Bonds"). The Bonds has been delisted from the Official Listing of the Singapore Exchange Securities Trading Limited following the redemption.

On 27 February 2009, EBB, a wholly-owned subsidiary of HLB, has successfully issued the first tranche of RM410.0 million nominal value of the 10 non-callable 5 years Subordinated Medium Term Notes ("MTN") callable on 27 February 2014 (and thereafter) and due on 27 February 2019 under the RM2.0 billion Subordinated MTN Programme. The coupon rate of the Subordinated MTN is 5.75% per annum, which is payable semi-annually in arrears from the date of the issue. Should EBB decide not to exercise its call option on the fifth (5) year from the issue date, the coupon rate will be revised to be equivalent to 7.75% or the then prevailing 5 years RM swap rate plus 3.70% per annum, whichever is higher, from the beginning of the sixth (6) year to the final maturity date.

Subsequently, on 2 December 2009, EBB issued a second tranche of RM250.0 million nominal value of the 10 non-callable 5 years Subordinated MTN callable on 2 December 2014 (and thereafter) and due on 2 December 2019 under the RM2.0 billion Subordinated MTN Programme. The coupon rate of this second tranche of the Subordinated MTN is 5.75% per annum, which is payable semi-annually in arrears from the date of the issue. Should EBB decide not to exercise its call option on the fifth (5) year from the issue date, the coupon rate of this second tranche will be revised to be equivalent to 7.75% or the then prevailing 5 years RM swap rate plus 3.70% per annum, whichever is higher, from the beginning of the sixth (6) year to the final maturity date; similar to the step-up rates in the first tranche.

## 9 Group borrowings (continued)

Subsequently, on 30 December 2010, EBB issued a third tranche of RM500.0 million nominal value of the 10 non-callable 5 years Subordinated MTN callable on 30 December 2015 (and at each anniversary date thereafter) and due on 30 December 2020 under the RM2.0 billion Subordinated MTN Programme. The coupon rate of this third tranche of the Subordinated MTN is 4.75% per annum, which is payable semi-annually in arrears from the date of the issue. Should EBB decide not to exercise its call option on the fifth (5) year from the issue date, or at each anniversary date thereafter, the coupon rate of this third tranche will remain at 4.75% per annum, from the beginning of the sixth (6) year to the final maturity date.

The above tranches of Subordinated MTNs constitute unsecured liabilities of EBB and are subordinated to all deposit liabilities and all other liabilities except those liabilities, which by their terms, rank equally in rights of payment with the Subordinated MTNs. The Subordinated MTNs qualify as Tier II capital for the purpose of determining the capital adequacy ratio of HLB Group.

### Senior Bonds

On 17 March 2011, HLB issued USD300 million in aggregate principal amount of Senior Bonds ("the Bonds"), which will mature in 2016. The Bonds bear interest at the rate of 3.75% is payable semi-annually. The Bonds were issued at a price of 99.761 per cent of the principal amount of the Bonds.

### Non-innovative Tier 1 stapled securities

On 5 May 2011, HLB had completed its issuance of Non-Innovative Tier 1 Stapled Securities ("NIT-1 Stapled Securities") of RM1.4 billion.

NIT-1 Stapled Securities, which is perpetual in nature and callable at the end of year 5 and on each coupon payment date subject to approval of BNM, pays a semi annual coupon of 5.05% per annum.

### Innovative Tier 1 capital securities

On 10 September 2009, EBB issued the first tranche of Innovative Tier 1 Capital Securities ("IT-1 Capital Securities") amounting to RM500 million in nominal value, from its RM1.0 billion IT-1 Capital Securities Programme. The IT-1 Capital Securities is structured in accordance with the Risk-Weighted Capital Adequacy Framework (General Requirements and Capital Components) issued by BNM.

The RM500 million IT-1 Capital Securities has a tenor of 30 years and EBB has the option to redeem the RM500 million IT-1 Capital Securities at the 10th anniversary, subject to BNM approval. The RM500 million IT-1 Capital Securities has a coupon rate of 8.25% per annum, payable semi-annually. In the event the IT-1 Capital Securities is not redeemed at the 10th anniversary (the First Optional Redemption Date), the coupon rate will be revised to 9.25% per annum from the 11th year to the final maturity.

On 1 July 2011, the above IT-Capital Securities was vested to HLB. The IT-1 Capital Securities constitute unsecured and subordinated obligations of HLB and are subordinated to all deposit liabilities and all other liabilities except those liabilities which rank equally in, and/or junior to, the rights of payment of the IT-1 Capital Securities. The IT-1 Capital Securities qualify as Tier 1 capital for the purpose of computing the capital adequacy ratio of the HLB Group and HLB.

## 10 Off-Balance Sheet financial instruments

Details of financial instruments with off-balance sheet risk as at 30 September 2011

Items	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
- Forwards			
(i) Less than 1 year	26,288,524	534,081	(494,324)
(ii) 1 year to 3 years	25,492	-	(510)
- Swaps			
(i) Less than 1 year	9,681,073	118,459	(153,274)
(ii) 1 year to 3 years	1,530,780	43,255	(13,169)
(iii) More than 3 years	386,211	27,305	(32,285)
- Options			
(i) Less than 1 year	5,066,015	57,786	(55,226)
(ii) 1 year to 3 years	138,743	3,989	(3,989)
Interest rate related contracts			
- Futures			
(i) Less than 1 year	3,740,179	944	(1,619)
(ii) 1 year to 3 years	3,881,220	746	(2,856)
(iii) More than 3 years	1,358,663	4,428	(7,955)
- Swaps			
(i) Less than 1 year	12,525,500	18,168	(58,246)
(ii) 1 year to 3 years	21,152,774	137,586	(159,788)
(iii) More than 3 years	25,223,764	416,000	(436,178)
Equity related contracts			
(i) Less than 1 year	135,570	2,425	(2,425)
(ii) 1 year to 3 years	6,600	-	-
(iii) More than 3 years	10,000	3,000	-
<b>Total</b>	<b>111,151,108</b>	<b>1,368,172</b>	<b>(1,421,844)</b>

### Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at the end of the financial year, the amount of contracts which were not hedged and hence, exposed to foreign exchange and interest rate market risk were RM1,717,582,210 (FYE June 2011: RM607,463,001) and RM58,038,808,873 (FYE June 2011: RM50,272,681,745) respectively.

### Credit risk

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Group has a gain position. As at the end of the financial year, the amount of credit risk, measured in terms of the cost to replace the profitable contracts, was RM1,393,670,311 (FYE June 2011: RM760,163,989). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

### Related accounting policies

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

## 11 Material litigation

- (a) The Company was served with a Writ of Summons dated 21 March 2002 filed by Borneo Securities Holdings Sdn Bhd (“BSH”) in relation to the termination of the Sale and Purchase Agreement (“SPA”) dated 31 October 2000 between HLG Securities Sdn Bhd (“HLG Sec”) and BSH for the proposed acquisition of 100% equity interest in Borneo Securities Sdn Bhd (“BS”) for a total purchase consideration of RM88 million comprising RM31 million cash and the balance RM57 million to be satisfied through the issue of new HLCB shares to BSH (“Proposed Acquisition”). In conjunction with the Proposed Acquisition, BSH issued a letter to HLFH undertaking to give HLFH a first right of refusal to purchase any or all of the new HLCB shares that BSH may, from time to time, wish to sell (“Undertaking”).

In view of the Undertaking, HLFH was deemed interested in the Proposed Acquisition and in compliance with the rules on related party transactions of the Bursa Malaysia Securities Berhad, HLFH had to abstain from voting at the extraordinary general meeting (“EGM”) of HLCB convened to consider the Proposed Acquisition. BSH alleged that HLFH ought not to have abstained from voting at the EGM and in so doing, had caused the SPA to be terminated. The Company is of the view that the claim is baseless and had appointed lawyers to defend the

On 18 November 2010, the High Court dismissed BSH's claim against the Company. On 3 November 2011, the Court of Appeal dismissed BSH's appeal against the High Court's decision. This litigation case is no longer considered material and henceforth we will not be providing any further update unless circumstances change to warrant a disclosure.

Other than the above, there is no pending material litigation.

## 12 HLFH Dividends

An interim dividend of 10 sen per share had been declared by the Company for the financial quarter

- (i) Amount per share : 10 sen per share (single tier)
- (ii) Previous corresponding period : 10 sen per share (6.3 sen less income tax of 25% and 3.7 sen combination of tax exempt & single tier)
- (iii) Entitlement date : 15 December 2011
- (iv) Payment date : 28 December 2011

## 13 Earnings per share

- (a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit after taxation and minority interest by the weighted average number of ordinary shares in issue during the financial year.

	Group		Group	
	Current quarter ended 30/09/2011 RM '000	Last year quarter ended 30/09/2010 RM '000	Current year to date 30/09/2011 RM '000	Last year to date 30/09/2010 RM '000
<b>Weighted Average Number Of Ordinary Shares</b>				
Weighted average number of ordinary shares	1,036,978	1,035,538	1,036,978	1,035,538
Net profit attributable to shareholders of the company	252,202	323,801	252,202	323,801
Basic earnings per share (Sen)	24.3	31.3	24.3	31.3

### 13 Earnings per share (Continued)

Weighted Average Number Of Ordinary Shares	Company		Company	
	Current quarter ended 30/09/2011 RM '000	Last year quarter ended 30/09/2010 RM '000	Current year to date 30/09/2011 RM '000	Last year to date 30/09/2010 RM '000
Weighted average number of ordinary shares	1,040,498	1,038,307	1,040,498	1,038,307
Net profit attributable to shareholders of the company	(38,705)	(8,103)	(38,705)	(8,103)
Basic earnings per share (Sen)	(3.7)	(0.8)	(3.7)	(0.8)

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

Basic earnings per share is calculated by dividing the profit after taxation and minority interest by the weighted average number of ordinary shares (diluted) during the financial year.

Fully Diluted Weighted Average Number Of Ordinary Shares	Group		Group	
	Current quarter ended 30/09/2011 RM '000	Last year quarter ended 30/09/2010 RM '000	Current year to date 30/09/2011 RM '000	Last year to date 30/09/2010 RM '000
Weighted average number of ordinary shares				
- during the period	1,036,978	1,035,538	1,036,978	1,035,538
- adjustment for ESOS	5,015	406	5,015	406
Net profit attributable to shareholders of the company	252,202	323,801	252,202	323,801
Fully diluted earnings per share (Sen)	24.2	31.3	24.2	31.3

Fully Diluted Weighted Average Number Of Ordinary Shares	Company		Company	
	Current quarter ended 30/09/2011 RM '000	Last year quarter ended 30/09/2010 RM '000	Current year to date 30/09/2011 RM '000	Last year to date 30/09/2010 RM '000
Weighted average number of ordinary shares				
- during the period	1,040,498	1,038,307	1,040,498	1,038,307
- adjustment for ESOS	4,523	319	4,523	319
Net profit attributable to shareholders of the company	(38,705)	(8,103)	(38,705)	(8,103)
Fully diluted earnings per share (Sen)	(3.7)	(0.8)	(3.7)	(0.8)

## 14 Realised and unrealised profit

On 25 March 2010, Bursa Malaysia issued a directive that requires all listed issuer to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period into realised and unrealised profits or losses.

The breakdown of realised and unrealised profit is derived based on the Guidance on Special Note No.1 *Determination of Realised and Unrealised Profit or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirement*, issued by the Malaysian Institute of Accountants on 20 December 2010.

The unrealised retained profits of the Group as disclosed below excludes translation gains and losses on monetary items denominated in a currency other than the functional currency and foreign exchange contracts, as these translation gains and losses are incurred in the ordinary course of business of the Group and are deemed realised.

The breakdown of the retained profits of the Group are as follows:

	<b>Group As at 30/09/2011 RM '000</b>
Total retained profits of the Group and its subsidiaries	
- Realised	6,203,224
- Unrealised	1,192,200
Total share of retained profits from associated companies	
- Realised	548,012
- Unrealised	-
Total share of retained profits from jointly controlled entity	
- Realised	(1,291)
- Unrealised	-
	<hr/> 7,942,145
Less : Consolidated adjustment	(1,949,851)
Total Group retained profits as per consolidated accounts	<hr/> <hr/> 5,992,294

Dated this 29 November 2011