

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2016**

	<b>As at 31/03/2016 RM '000</b>	<b>As at 30/06/2015 RM '000</b>
<b>THE GROUP</b>		
<b>Assets</b>		
Cash and short term funds	11,299,397	8,463,194
Deposits and placements with banks and other financial institutions	1,121,668	4,325,129
Securities purchased under resale agreements	4,052,217	12,163,252
Financial assets held-for-trading	11,537,500	9,238,804
Financial investments available-for-sale	34,292,936	29,623,057
Financial investments held-to-maturity	12,683,042	10,941,838
Derivative financial instruments	1,342,698	1,468,084
Loans, advances and financing	118,414,482	113,111,668
Clients' and brokers' balances	454,711	337,631
Other receivables	1,776,901	1,417,681
Statutory deposits with Central Banks	3,589,994	3,532,372
Tax recoverable	64,007	49,961
Investment in associates	3,895,667	3,740,302
Investment in joint ventures	138,186	129,230
Property and equipment	1,214,616	1,149,955
Goodwill	2,410,644	2,410,644
Intangible assets	300,834	337,842
<b>Total Assets</b>	<b>208,589,500</b>	<b>202,440,644</b>
<b>Liabilities</b>		
Deposits from customers	146,908,542	140,955,465
Deposits and placements of banks and other financial institutions	8,194,595	8,943,622
Obligations on securities sold under repurchase agreements	3,307,858	3,691,338
Bills and acceptances payable	286,501	1,900,967
Derivatives financial instruments	1,892,533	1,369,365
Clients' and brokers' balances	234,640	192,728
Payables and other liabilities	5,793,065	5,796,694
Provision for claims	142,190	128,905
Provision for taxation	30,820	168,926
Deferred tax liabilities	183,891	171,845
Borrowings	2,670,893	3,096,882
Subordinated obligations	3,999,139	5,161,255
Non-innovative Tier 1 stapled securities	1,428,664	1,410,869
Innovative Tier 1 capital securities	513,200	530,223
Insurance funds	10,269,735	9,457,257
<b>Total Liabilities</b>	<b>185,856,266</b>	<b>182,976,341</b>
<b>Equity</b>		
Share capital	1,147,517	1,052,768
Capital reserves	5,571,801	4,083,755
Retained profits	8,207,788	7,816,792
Fair value reserve	213,711	170,409
Treasury shares for ESOS	(35,712)	(12,698)
<b>Total shareholders' equity</b>	<b>15,105,105</b>	<b>13,111,026</b>
Non-controlling interests	7,628,129	6,353,277
<b>Total Equity</b>	<b>22,733,234</b>	<b>19,464,303</b>
<b>Total Liabilities and Equity</b>	<b>208,589,500</b>	<b>202,440,644</b>
<b>Commitment and Contingencies</b>	<b>181,304,445</b>	<b>157,622,016</b>
Net assets per share (net of treasury shares) attributable to ordinary equity holders of the parent (RM)	13.21	12.48

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2015.*

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2016**

THE GROUP	Individual Quarter		Cumulative Quarter	
	Current	Last year	Current year	Last year
	quarter ended 31/03/2016 RM '000	quarter ended 31/03/2015 RM '000	to date 31/03/2016 RM '000	to date 31/03/2015 RM '000
Interest income	1,642,332	1,552,189	4,846,434	4,672,305
Interest expense	(994,527)	(895,165)	(2,864,473)	(2,620,520)
Net interest income	647,805	657,024	1,981,961	2,051,785
Net income from Islamic banking business	114,148	99,046	346,320	314,963
Non-interest income	263,226	289,888	1,008,550	905,270
Net income	1,025,179	1,045,958	3,336,831	3,272,018
Overhead expenses	(515,067)	(491,040)	(1,732,139)	(1,467,866)
Operating profit before allowances (Allowance for)/writeback of impairment losses on loans, advances and financing and other losses	510,112	554,918	1,604,692	1,804,152
(Allowance for)/Writeback of impairment losses	(19,401)	6,435	(103,656)	75,154
	(7,742)	5,784	(20,365)	12,337
	482,969	567,137	1,480,671	1,891,643
Share of results of associated companies	104,326	127,647	280,745	340,815
Share of results of joint ventures	4,600	4,932	14,814	10,373
Profit before taxation	591,895	699,716	1,776,230	2,242,831
Taxation	(106,953)	(150,566)	(313,204)	(472,117)
Net profit for the financial period	484,942	549,150	1,463,026	1,770,714
Attributable to:				
Owners of the parent	315,067	363,499	965,398	1,179,493
Non-controlling interests	169,875	185,651	497,628	591,221
Net profit for the financial period	484,942	549,150	1,463,026	1,770,714
Earnings per share - basic (sen)	27.6	34.7	88.6	112.6
Earnings per share - fully diluted (sen)	27.6	34.7	88.6	112.5

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2015.*

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2016**

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 31/03/2016 RM '000	Last year quarter ended 31/03/2015 RM '000	Current year to date 31/03/2016 RM '000	Last year to date 31/03/2015 RM '000
<b>THE GROUP</b>				
Net profit for the financial period	484,942	549,150	1,463,026	1,770,714
Other comprehensive (loss)/income:				
<u>Items that may be reclassified</u> <u>subsequently to profit or loss:</u>				
Share of other comprehensive income of associated companies	198	(170)	8,562	7,580
Net fair value changes in financial investments available-for-sale	148,488	59,740	68,474	(149,281)
Net fair value changes in cash flow hedge	(2,237)	(1,405)	(1,915)	(786)
Currency translation differences	(277,959)	45,077	85,078	110,911
Income tax relating to components of other comprehensive loss	(35,101)	(14,584)	(12,083)	37,517
Other comprehensive (loss)/income for the financial period, net of tax	(166,611)	88,658	148,116	5,941
Total comprehensive income for the financial period, net of tax	<u>318,331</u>	<u>637,808</u>	<u>1,611,142</u>	<u>1,776,655</u>
Attributable to:				
Owners of the parent	202,374	425,584	1,065,843	1,149,839
Non-controlling interests	115,957	212,224	545,299	626,816
	<u>318,331</u>	<u>637,808</u>	<u>1,611,142</u>	<u>1,776,655</u>

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2015.*

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2016**

	As at 31/03/2016 RM '000	As at 30/06/2015 RM '000
<b>THE COMPANY</b>		
<b><u>Assets</u></b>		
Cash and short term funds	205,478	8,345
Deposits and placements with banks and other financial institutions	9,493	8,888
Derivative financial instruments	178	126
Other receivables	781	788
Tax recoverable	2,629	9,771
Deferred tax assets	1,940	2,170
Investment in subsidiary companies	16,924,874	15,007,609
Property and equipment	1,887	2,375
Intangible assets	134	213
<b>Total Assets</b>	<b>17,147,394</b>	<b>15,040,285</b>
<b><u>Liabilities</u></b>		
Derivative financial instruments	1,371	1,158
Payables and other liabilities	7,892	11,103
Borrowings	1,536,707	860,666
<b>Total Liabilities</b>	<b>1,545,970</b>	<b>872,927</b>
<b><u>Financed by:</u></b>		
Share capital	1,147,517	1,052,768
Capital reserves	1,374,482	372,220
Retained profits	13,079,428	12,742,372
Treasury shares for ESOS	(3)	(2)
<b>Total Equity</b>	<b>15,601,424</b>	<b>14,167,358</b>
<b>Total Liabilities and Equity</b>	<b>17,147,394</b>	<b>15,040,285</b>
<b>Commitment and Contingencies</b>	<b>450,000</b>	<b>775,000</b>

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**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2016**

	Individual Quarter		Cumulative Quarter	
	Current	Last year	Current year	Last year
	quarter ended 31/03/2016	quarter ended 31/03/2015	to date 31/03/2016	to date 31/03/2015
<b>THE COMPANY</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
Interest income	212	489	4,636	3,110
Interest expense	(15,955)	(9,163)	(39,809)	(35,280)
Net interest expense	(15,743)	(8,674)	(35,173)	(32,170)
Non-interest income	200,438	228,451	522,752	768,995
Net income	184,695	219,777	487,579	736,825
Overhead expenses	(43)	(5,814)	(10,314)	(20,423)
Allowance for impairment loss	-	(2,002)	-	(2,002)
Profit before taxation	184,652	211,961	477,265	714,400
Taxation	(2,193)	(2,945)	(3,349)	(2,703)
Net profit for the financial period	<u>182,459</u>	<u>209,016</u>	<u>473,916</u>	<u>711,697</u>
Earnings per share - basic (sen)	<u>15.9</u>	<u>19.9</u>	<u>43.4</u>	<u>67.8</u>
Earnings per share - fully diluted (sen)	<u>15.9</u>	<u>19.9</u>	<u>43.4</u>	<u>67.7</u>

**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2016**

	Individual Quarter		Cumulative Quarter	
	Current	Last year	Current year	Last year
	quarter ended 31/03/2016	quarter ended 31/03/2015	to date 31/03/2016	to date 31/03/2015
<b>THE COMPANY</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
Net profit for the financial period	182,459	209,016	473,916	711,697
Other comprehensive income for the financial period	-	-	-	-
Total comprehensive income for the financial period, net of tax	<u>182,459</u>	<u>209,016</u>	<u>473,916</u>	<u>711,697</u>

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**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2016**

	Share capital	Share premium	Statutory reserve	Other Capital reserve	Share options reserve	Fair value reserve	Cash flow hedge reserve	Regulatory reserve#	Exchange fluctuation reserve	Retained profits	Treasury shares for ESOS	Total shareholders' equity	Non-controlling interests	Total equity
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
<b>THE GROUP</b>														
At 1 July 2015	1,052,768	117,229	2,964,899	134,868	-	170,409	106	402,388	464,265	7,816,792	(12,698)	13,111,026	6,353,277	19,464,303
<b>Comprehensive income</b>														
Net profit for the financial period	-	-	-	-	-	-	-	-	-	965,398	-	965,398	497,628	1,463,026
Currency translation differences	-	-	-	-	-	-	-	-	58,097	-	-	58,097	26,981	85,078
Share of other comprehensive income of associates	-	-	-	-	-	5,990	-	-	-	-	-	5,990	2,572	8,562
Net fair value changes in financial investments available-for-sale, net of tax	-	-	-	-	-	37,312	-	-	-	-	-	37,312	18,617	55,929
Net fair value changes in cash flow hedge, net of tax	-	-	-	-	-	-	(954)	-	-	-	-	(954)	(499)	(1,453)
Total comprehensive (loss)/income	-	-	-	-	-	43,302	(954)	-	58,097	965,398	-	1,065,843	545,299	1,611,142
<b>Transaction with owners</b>														
Transfer to statutory reserve	-	-	331,847	-	-	-	-	-	-	(331,847)	-	-	-	-
Transfer to regulatory reserve	-	-	-	-	-	-	-	86,659	-	(86,659)	-	-	-	-
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	-	-	(19,034)	-	(19,034)	19,034	-
Dividends paid	-	-	-	-	-	-	-	-	-	(136,860)	-	(136,860)	-	(136,860)
Non-controlling interests share of dividend	-	-	-	-	-	-	-	-	-	-	-	-	(267,593)	(267,593)
Non-controlling interests share of subsidiaries' treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	(26,517)	(26,517)
Option charge arising from ESOS	-	-	-	-	10,133	-	-	-	-	-	-	10,133	-	10,133
Issue of share pursuant to rights issue exercise	94,749	1,002,262	-	-	-	-	-	-	-	-	(3,402)	1,093,609	1,004,629	2,098,238
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	(19,612)	(19,612)	-	(19,612)
Transfer to capital redemption reserve	-	-	-	2	-	-	-	-	-	(2)	-	-	-	-
<b>At 31 March 2016</b>	<b>1,147,517</b>	<b>1,119,491</b>	<b>3,296,746</b>	<b>134,870</b>	<b>10,133</b>	<b>213,711</b>	<b>(848)</b>	<b>489,047</b>	<b>522,362</b>	<b>8,207,788</b>	<b>(35,712)</b>	<b>15,105,105</b>	<b>7,628,129</b>	<b>22,733,234</b>

	Share capital	Share premium	Statutory reserve	Other Capital reserve	Share options reserve	Fair value reserve	Cash flow hedge reserve	Regulatory reserve#	Exchange fluctuation reserve	Retained profits	Treasury shares for ESOS	Total shareholders' equity	Non-controlling interests	Total equity
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
<b>THE GROUP</b>														
At 1 July 2014	1,052,768	117,229	2,454,525	134,848	7,806	287,257	-	10,266	(12,347)	7,447,552	(25,422)	11,474,482	5,530,249	17,004,731
<b>Comprehensive income</b>														
Net profit for the financial period	-	-	-	-	-	-	-	-	-	1,179,493	-	1,179,493	591,221	1,770,714
Currency translation differences	-	-	-	-	-	-	-	-	79,611	-	-	79,611	31,300	110,911
Share of other comprehensive loss of associates	-	-	-	-	-	3,911	-	-	-	-	-	3,911	3,669	7,580
Net fair value changes in financial investments available-for-sale, net of tax	-	-	-	-	-	(112,790)	-	-	-	-	-	(112,790)	830	(111,960)
Net fair value changes in cash flow hedge, net of tax	-	-	-	-	-	-	(386)	-	-	-	-	(386)	(204)	(590)
Total comprehensive income	-	-	-	-	-	(108,879)	(386)	-	79,611	1,179,493	-	1,149,839	626,816	1,776,655
<b>Transaction with owners</b>														
Transfer to statutory reserves	-	-	369,296	-	-	-	-	-	-	(369,296)	-	-	-	-
Transfer to regulatory reserve	-	-	-	-	-	-	-	232,088	-	(232,088)	-	-	-	-
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	-	-	36,356	-	36,356	9,695	46,051
Dividends paid	-	-	-	-	-	-	-	-	-	(136,470)	-	(136,470)	-	(136,470)
Non-controlling interests share of dividend	-	-	-	-	-	-	-	-	-	-	-	-	(257,155)	(257,155)
Non-controlling interests share of subsidiaries' treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	33,672	33,672
Option charge arising from ESOS	-	-	-	-	1,636	-	-	-	-	-	-	1,636	-	1,636
Exercise of ESOS	-	-	-	-	(3,206)	-	-	-	-	6,403	240	3,437	-	3,437
Transfer to capital redemption reserve	-	-	-	19	-	-	-	-	-	(19)	-	-	-	-
<b>At 31 March 2015</b>	<b>1,052,768</b>	<b>117,229</b>	<b>2,823,821</b>	<b>134,867</b>	<b>6,236</b>	<b>178,378</b>	<b>(386)</b>	<b>242,354</b>	<b>67,264</b>	<b>7,931,931</b>	<b>(25,182)</b>	<b>12,529,280</b>	<b>5,943,277</b>	<b>18,472,557</b>

# Comprise regulatory reserves maintained by the Group's banking subsidiary companies in Malaysia of RM477,802,000 (31 March 2015:RM 232,088,000) and the banking subsidiary company in Vietnam with the State Bank of Vietnam of RM11,245,000 (31 March 2015: RM10,266,000).

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2015.

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)  
CONDENSED FINANCIAL STATEMENTS  
UNAUDITED STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2016**

<b>THE COMPANY</b>	<b>Share capital RM '000</b>	<b>Share premium RM '000</b>	<b>Other capital reserve RM '000</b>	<b>Share options reserve RM '000</b>	<b>Retained profits RM '000</b>	<b>Treasury shares for ESOS RM '000</b>	<b>Total equity RM '000</b>
At 1 July 2015	1,052,768	117,229	254,991	-	12,742,372	(2)	14,167,358
Net loss for the financial period	-	-	-	-	473,916	-	473,916
Dividend paid	-	-	-	-	(136,860)	-	(136,860)
Issue of share pursuant to rights issue exercise	94,749	1,002,262	-	-	-	(1)	1,097,010
<b>At 31 March 2016</b>	<b>1,147,517</b>	<b>1,119,491</b>	<b>254,991</b>	<b>-</b>	<b>13,079,428</b>	<b>(3)</b>	<b>15,601,424</b>

	<b>Share capital RM '000</b>	<b>Share premium RM '000</b>	<b>Other capital reserve RM '000</b>	<b>Share options reserve RM '000</b>	<b>Retained profits RM '000</b>	<b>Treasury shares for ESOS RM '000</b>	<b>Total equity RM '000</b>
At 1 July 2014	1,052,768	117,229	254,991	4,638	12,332,614	(15,181)	13,747,059
Net profit for the financial period	-	-	-	-	711,697	-	711,697
Dividend paid	-	-	-	-	(136,470)	-	(136,470)
Option charge arising from ESOS	-	-	-	1,548	-	-	1,548
<b>At 31 March 2015</b>	<b>1,052,768</b>	<b>117,229</b>	<b>254,991</b>	<b>6,186</b>	<b>12,907,841</b>	<b>(15,181)</b>	<b>14,323,834</b>

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**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CASH FLOW**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2016**

	The Group		The Company	
	31/03/2016 RM '000	31/03/2015 RM '000	31/03/2016 RM '000	31/03/2015 RM '000
Profit before taxation	1,776,230	2,242,831	477,265	714,400
Adjustment for non-cash items	(110,965)	(55,248)	(478,741)	(735,519)
Operating profit before working capital changes	1,665,265	2,187,583	(1,476)	(21,119)
Income tax (paid)/refunded	(368,112)	(393,558)	4,313	-
Interest received	4,636	3,110	4,636	3,110
Changes in working capital				
Net changes in operating assets	3,885,217	(12,758,358)	(2,806)	58,688
Net changes in operating liabilities	3,128,696	7,663,995	(3,212)	(394)
Net cash generated/(used in) from operating activities	8,315,702	(3,297,228)	1,455	40,285
<b>Cash flow from investing activities</b>				
Net purchases of financial investments available-for-sale	(4,533,351)	(1,700,869)	-	-
Net purchases of financial investments held-to-maturity	(1,741,173)	(503,905)	-	-
Interest received on financial investments available-for-sale and held-to-maturity	642,878	552,757	-	-
Purchase of intangible assets	(21,590)	(39,049)	(2)	(137)
Purchase of property and equipment	(135,488)	(155,227)	(2)	(1,140)
Proceeds from disposal of property and equipment	3,278	8,132	-	150
Dividends received from other investments	155,997	131,888	3,031	651
Dividends received from subsidiaries	-	-	513,534	766,907
Dividends received from associated companies	97,888	96,876	-	-
Dividends received from joint ventures companies	3,755	-	-	-
Subscription of shares in joint venture	-	(1,638)	-	-
Subscription of ordinary shares in subsidiary company	-	-	-	(11,352)
Subscription of redeemable preference shares	-	-	(13,764)	(52,600)
Subscription of right issue in subsidiary company	-	-	(1,903,501)	-
Proceeds from redemption of redeemable preference shares	-	-	-	38,503
Net cash (used in)/generated from investing activities	(5,527,806)	(1,611,035)	(1,400,704)	740,982
<b>Cash flow from financing activities</b>				
Dividends paid to equity holders of the Company	(136,860)	(136,470)	(136,860)	(136,470)
Dividends paid to non-controlling interests	(267,593)	(257,155)	-	-
Purchase of treasury shares	(19,612)	-	-	-
Cash received from ESOS exercised	-	3,437	-	-
Drawdown/(Repayment) of revolving credit	280,000	(60,000)	280,000	(60,000)
Issuance/(Redemption) of medium term notes and commercial paper	295,000	(2,625,000)	295,000	(625,000)
Repayment of senior bonds	(916,350)	-	-	-
Drawdown of term loans	95,000	240,000	95,000	240,000
Repayment of subordinated obligations	(1,185,000)	(200,000)	-	-
Net proceeds from rights issue	2,098,238	-	1,097,010	-
Interest paid on subordinated obligations	(114,966)	(138,812)	-	-
Interest paid on borrowings	(100,460)	(168,847)	(33,768)	(30,282)
Interest paid on non-innovative Tier 1 stapled securities	(35,641)	(35,641)	-	-
Interest paid on innovative Tier 1 capital securities	(33,446)	(31,843)	-	-
Net cash used in financing activities	(41,690)	(3,410,331)	1,596,382	(611,752)
<b>Changes in cash and cash equivalents</b>	<b>2,746,206</b>	<b>(8,318,594)</b>	<b>197,133</b>	<b>169,515</b>
<b>Effect of change in foreign exchange rate</b>	<b>89,997</b>	<b>406,082</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents as at 1 July</b>	<b>8,463,194</b>	<b>17,084,360</b>	<b>8,345</b>	<b>6,882</b>
<b>Cash and cash equivalents as at 31 March</b>	<b>11,299,397</b>	<b>9,171,848</b>	<b>205,478</b>	<b>176,397</b>
<b>Analysis of cash and cash equivalent</b>				
<b>Cash and short terms funds</b>	<b>11,299,397</b>	<b>9,181,148</b>	<b>205,478</b>	<b>185,697</b>
<b>Less: restricted cash</b>	<b>-</b>	<b>(9,300)</b>	<b>-</b>	<b>(9,300)</b>
	<b>11,299,397</b>	<b>9,171,848</b>	<b>205,478</b>	<b>176,397</b>

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2015.



**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
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**1. Basis of preparation**

The unaudited condensed financial statements for the financial period ended 31 March 2016 have been prepared under the historical cost convention, as modified by the revaluation of financial investments available-for-sale and financial assets/financial liabilities at fair value through profit or loss (including derivative financial instruments).

The unaudited condensed financial statements have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standard Board ("MASB") and paragraph 9.22 of Bursa Malaysia Securities Berhad's Listing Requirements and should be read in conjunction with the audited annual financial statements for the Group and the Company for the financial year ended 30 June 2015. The explanatory notes attached to the unaudited condensed financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and the Company since the financial year ended 30 June 2015.

The unaudited condensed financial statements incorporated those activities relating to Islamic banking business which have been undertaken by the Group. Islamic banking business refers generally to the acceptance of deposits and granting of financing under the principles of Shariah.

The significant accounting policies and methods of computation applied in the unaudited condensed financial statements are consistent with those adopted in the annual audited financial statements for the financial year ended 30 June 2015.

(i) Revised BNM Policy Document on Classification and Impairment Provisions for Loans/Financing

On 6 April 2015, BNM issued a revised Policy Document on Classification and Impairment Provisions for Loans/Financing. The issuance of this revised policy document has superseded two guidelines issued by BNM previously, namely Classification and Impairment Provisions for Loans/Financing dated 9 November 2011 and Classification and Impairment Provisions for Loans/Financing – Maintenance of Regulatory Reserves dated 4 February 2014. Some of the key changes introduced in the revised BNM Policy Document include classification of a loan/financing as impaired when the loan/financing is classified as rescheduled and restructured ("R&R") in BNM's Central Credit Reference Information System ("CCRIS") and reclassification of a R&R loan/financing from impaired to non-impaired when repayments based on revised and restructured terms have been observed continuously for a period of at least 6 months.

The requirements in the BNM revised Policy Document are effective on 1 January 2015, except for the following:

- (i) the requirement to classify loans/financing as rescheduled and restructured in the Central Credit Reference Information System ("CCRIS") will be effective on or after 1 April 2015; and
- (ii) the requirement for a banking institution to maintain, in aggregate, collective impairment allowance and regulatory reserves of no less than 1.2% of total outstanding loans/financing, net of individual impairment allowance will be effective beginning 31 December 2015.

The Group have complied to the new requirements to classify loans/financing as rescheduled and restructured. The Group have early adopted the requirement for a banking institution to maintain, in aggregate, collective impairment allowance and regulatory reserves of no less than 1.2% of total outstanding loans/financing, net of individual impairment allowance since financial year 30 June 2015. The regulatory reserve is maintained in addition to the collective impairment allowance required under the MFRS 139 Financial Instruments: Recognition and Measurement, and it will be set aside from the retained profits to a separate reserve within equity as an additional credit risk absorbent. The regulatory reserve is not qualified as Common Equity Tier 1 capital under BNM's Capital Adequacy Framework (Capital Components).

The preparation of unaudited condensed financial statements in conformity with the MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited condensed financial statements, and the reported amounts of income and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group and the Company's accounting policies. Although these estimates and assumptions are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates.

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)  
NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS  
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**2. Status of matters giving rise to the auditor's qualified report in the preceding annual financial statement for the year ended 30 June 2015**

There was no qualified report issued by the auditors in the preceding annual financial statements for the year ended 30 June 2015.

**3. Seasonality or cyclicity of operations**

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

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

There were no exceptional items or unusual events that materially affected the financial statements.

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

There were no material changes in estimates of amounts reported in the prior financial year that have a material effect in the current 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 HLFG for the financial period ended 31 March 2016 other than as mentioned below.

a) Share issuance

During the period ended 31 March 2016, the Company increased its issued and paid-up capital from 1,052,767,789 to 1,147,516,890 via issuance of 94,749,101 new ordinary shares of RM1.00 each on the basis of 9 Rights Share for every 100 existing HLFG's shares held on 6 November 2015 at an issue price of RM11.60 per rights share ("Rights Issue"). The Rights Issue was completed on 7 December 2015.

b) Purchase of shares pursuant to Executive Share Option Scheme ("ESOS") and Executive Share Scheme ("ESS")

As at 31 March 2016, there is no outstanding options to be vested and exercised.

Pursuant to the Rights Issue exercise, the trust had subscribed for 92 shares at issue price of RM11.60. As at 31 March 2016, the total number of Treasury Shares for ESOS is 500 at an average price of RM6.31 per share and the total consideration paid, including transaction costs was RM3,155.

During the financial period ended 31 March 2016, the insurance subsidiary companies purchased 1,389,200 units of shares for RM19,612,065 and no shares were exercised pursuant to the Company's ESOS. Pursuant to the Rights Issue exercise, the trust had subscribed for 293,208 shares at issue price of RM11.60.

The remaining number of shares held by the appointed trustee for the insurance subsidiary companies as at 31 March 2016 was 3,963,900 units at an average price of RM9.01 per share with total consideration paid, including transaction costs was RM35,709,188 which have been classified as treasury shares for ESOS at the Group level.

c) Repayment of debt and equity securities

On 10 August 2015, Hong Leong Bank ("HLB") had fully redeemed the RM700.0 million nominal value bearing coupon rate of 4.85% per annum Tier 2 Subordinated Notes issued by the HLB on 10 August 2010.

On 30 December 2015, HLB had fully redeemed the third tranche of RM500.0 million nominal value subordinated medium term notes bearing coupon rate of 4.75% per annum, which were previously issued by Promino Sdn Bhd (formerly known as EON Bank Berhad) and vested to the Bank on 1 July 2011.

On 17 March 2016, HLB had fully redeemed the USD300.0 million Senior Bonds on its maturity date.

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**7. Dividends paid**

Single-tier interim dividend of 13.0 sen per share amounting to RM136.9 million was paid on 23 December 2015.

**8. Segmental reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity.

Inter-segment pricing is based on internally computed cost of funds.

Segment results, assets and liabilities include items directly attributable to the segment as well as those that can be allocated on a reasonable basis.

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

**Business segments**

The Group comprises the following main business segments:

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

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**8. Segmental reporting (continued)**

<b>The Group</b> <b>31 March 2016</b>	<b>Commercial</b> <b>Banking</b> <b>RM'000</b>	<b>Investment</b> <b>Banking</b> <b>RM'000</b>	<b>Insurance</b> <b>RM'000</b>	<b>Others</b> <b>RM'000</b>	<b>Eliminations</b> <b>RM'000</b>	<b>Consolidated</b> <b>RM'000</b>
<b>Revenue for the period ended</b>						
External revenue	3,085,971	123,259	160,157	(32,556)	-	3,336,831
Intersegment revenue	13,008	3,811	4,449	525,074	(546,342)	-
	<u>3,098,979</u>	<u>127,070</u>	<u>164,606</u>	<u>492,518</u>	<u>(546,342)</u>	<u>3,336,831</u>
<b>Results for the period ended</b>						
Segment results	1,409,201	48,805	74,677	476,295	(528,307)	1,480,671
Share of results of associated companies						280,745
Share of results of joint ventures						14,814
Profit before taxation						<u>1,776,230</u>
Taxation						<u>(313,204)</u>
Net profit for the financial period						<u>1,463,026</u>
Non-controlling interests						<u>(497,628)</u>
Profit attributable to owners of the parent						<u><u>965,398</u></u>
<b>Other information</b>						
Segment assets	188,582,339	3,795,601	15,733,280	17,329,742	(16,851,462)	<u><u>208,589,500</u></u>
Segment liabilities	168,157,856	3,103,963	13,247,959	1,545,860	(199,372)	<u><u>185,856,266</u></u>

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**8. Segmental reporting (continued)**

<b>The Group</b> <b>31 March 2015</b>	<b>Commercial</b> <b>Banking</b> <b>RM'000</b>	<b>Investment</b> <b>Banking</b> <b>RM'000</b>	<b>Insurance</b> <b>RM'000</b>	<b>Others</b> <b>RM'000</b>	<b>Eliminations</b> <b>RM'000</b>	<b>Consolidated</b> <b>RM'000</b>
<b>Revenue for the period ended</b>						
External revenue	3,021,161	122,776	143,143	(15,062)	-	3,272,018
Intersegment revenue	4,952	805	2,203	780,169	(788,129)	-
	<u>3,026,113</u>	<u>123,581</u>	<u>145,346</u>	<u>765,107</u>	<u>(788,129)</u>	<u>3,272,018</u>
<b>Results for the period ended</b>						
Segment results	1,772,292	50,996	95,370	742,548	(769,563)	1,891,643
Share of results of associated companies						340,815
Share of results of joint ventures						10,373
Profit before taxation						<u>2,242,831</u>
Taxation						(472,117)
Net profit for the financial period						<u>1,770,714</u>
Non-controlling interests						(591,221)
Profit attributable to owners of the parent						<u>1,179,493</u>
<b>Other information</b>						
Segment assets	179,820,211	3,859,850	14,248,529	15,386,915	(14,792,333)	<u>198,523,172</u>
Segment liabilities	164,214,870	3,230,890	11,872,988	887,901	(156,034)	<u>180,050,615</u>

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**9. Financial assets held-for-trading**

	The Group	
	As at	As at
	31/03/2016	30/06/2015
	RM '000	RM '000
Money market instruments:		
Government treasury bills	83,113	78,632
Malaysian Government securities	1,139,052	120,509
Negotiable instruments of deposit	6,607,533	5,485,337
Bankers' acceptances and Islamic accepted bills	-	457,179
Bank Negara Malaysia bills	-	383,325
Malaysian Government investment certificates	889,564	609,725
Cagamas bonds	82,008	36,450
Khazanah bonds	18,398	-
Other government securities	137,263	33,035
	<u>8,956,931</u>	<u>7,204,192</u>
Quoted securities:		
Shares in Malaysia	549,274	515,312
Shares outside Malaysia	136,568	92,789
Foreign currency bonds in Malaysia	238,717	375,822
Unit trust investments	229,783	189,412
Warrants quoted in Malaysia	-	129
	<u>1,154,342</u>	<u>1,173,464</u>
Unquoted securities:		
Foreign currency bonds in Malaysia	69,499	-
Foreign currency bonds outside Malaysia	40,816	65,864
Structured investments	4,420	-
Private and Islamic debts securities	1,311,492	795,284
	<u>1,426,227</u>	<u>861,148</u>
Total financial assets held-for-trading	<u>11,537,500</u>	<u>9,238,804</u>

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

	<b>The Group</b>	
	<b>As at</b>	<b>As at</b>
	<b>31/03/2016</b>	<b>30/06/2015</b>
	<b>RM '000</b>	<b>RM '000</b>
Money market instruments:		
Government treasury bills	9,213	168,553
Malaysian Government securities	452,812	486,964
Malaysian Government investment certificates	3,015,414	3,541,575
Khazanah bonds	119,942	345,140
Cagamas bonds	1,085,813	905,342
Other government securities	1,740,047	1,580,814
Sukuk	508,939	-
	<u>6,932,180</u>	<u>7,028,388</u>
Quoted securities:		
Shares in Malaysia	1,366,175	1,246,807
Shares outside Malaysia	137,216	239,995
Foreign currency bonds in Malaysia	3,403,979	4,380,452
Foreign currency bonds outside Malaysia	1,834,057	1,452,826
Warrants in Malaysia	531	1,016
Unit trust investments	7,061,587	3,591,062
	<u>13,803,545</u>	<u>10,912,158</u>
Unquoted securities :		
Shares in Malaysia	393,146	393,145
Shares outside Malaysia	10,109	4,134
Foreign currency bonds in Malaysia	1,125,162	358,364
Foreign currency bonds outside Malaysia	437,877	419,344
Investment-linked funds	300	300
Private debt securities	11,590,617	10,507,224
	<u>13,557,211</u>	<u>11,682,511</u>
Total financial investments available-for-sale	<u>34,292,936</u>	<u>29,623,057</u>

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

	<b>The Group</b>	
	<b>As at</b>	<b>As at</b>
	<b>31/03/2016</b>	<b>30/06/2015</b>
	<b>RM '000</b>	<b>RM '000</b>
Money market instruments:		
Government treasury bills	53,649	-
Malaysian Government securities	3,384,719	3,003,596
Malaysian Government investment certificates	7,564,138	6,549,704
Negotiable instruments of deposit	-	2,338
Cagamas bonds	30,442	30,454
Sukuk	465,858	-
Other Government securities	362,279	335,159
	<u>11,861,085</u>	<u>9,921,251</u>
Unquoted securities:		
Loan stocks	49	49
Private and Islamic debt securities	667,775	717,665
Foreign currency bonds in Malaysia	-	98,029
Foreign currency bonds outside Malaysia	121,581	150,358
Unquoted bonds	486	486
Investment in preference shares	32,066	54,000
	<u>821,957</u>	<u>1,020,587</u>
Total financial investments held-to-maturity	<u>12,683,042</u>	<u>10,941,838</u>

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
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**12. Loans, advances and financing**

	The Group	
	As at 31/03/2016 RM '000	As at 30/06/2015 RM '000
Overdrafts	3,912,453	4,005,025
Term loans:		
- Housing and shop loans/financing	58,977,946	53,828,770
- Syndicated term loan/financing	9,293,996	9,038,647
- Hire purchase receivables	18,648,008	18,099,246
- Other term loans/financing	8,682,482	9,002,712
Credit/charge card receivables	3,789,590	3,889,314
Bills receivables	1,096,736	1,166,833
Trust receipts	330,265	322,780
Claims on customers under acceptance credits	7,094,100	7,369,680
Block discounting	-	14
Revolving credits	6,629,718	6,549,079
Policy and premium loans	622,758	661,576
Staff loans/financing	164,804	167,557
Other loans/financing	407,154	305,619
Gross loans, advances and financing	<u>119,650,010</u>	<u>114,406,852</u>
Unamortised fair value changes arising from terminated fair value hedges	(1,124)	(2,188)
Allowance for impaired loans, advances and financing:		
- collective assessment allowance	(947,009)	(969,925)
- individual assessment allowance	(287,395)	(323,071)
Total net loans, advances and financing	<u>118,414,482</u>	<u>113,111,668</u>

**(a) By type of customer**

	The Group	
	As at 31/03/2016 RM '000	As at 30/06/2015 RM '000
Domestic non-bank financial institutions	512,850	638,549
Domestic business enterprises		
- small and medium enterprises	18,676,762	17,816,923
- others	17,398,957	18,531,751
Government and statutory bodies	24,397	24,448
Individuals	76,474,091	71,743,193
Other domestic entities	79,695	171,386
Foreign entities	6,483,258	5,480,602
Gross loans, advances and financing	<u>119,650,010</u>	<u>114,406,852</u>

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

	The Group	
	As at 31/03/2016 RM '000	As at 30/06/2015 RM '000
Fixed rate		
- Housing and shop loans/financing	2,612,719	2,738,272
- Hire purchase receivables	18,172,559	17,779,388
- Other fixed rate loan/financing	8,089,487	7,799,128
Variable rate		
- Base lending rate plus	74,666,850	69,749,552
- Cost plus	15,723,142	16,021,109
- Other variables rates	385,253	319,403
Gross loans, advances and financing	<u>119,650,010</u>	<u>114,406,852</u>



**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
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**12. Loans, advances and financing (continued)**

**(c) By economic purpose**

	<b>The Group</b>	
	<b>As at 31/03/2016 RM '000</b>	<b>As at 30/06/2015 RM '000</b>
Purchase of securities	848,709	927,652
Purchase of transport vehicles	18,451,302	18,020,608
Purchase of landed properties		
- residential	50,071,754	45,307,229
- non-residential	14,855,275	14,231,669
Purchase of fixed assets (excluding landed properties)	408,217	462,979
Personal use	3,728,717	3,523,573
Credit card	3,789,590	3,889,314
Purchase of consumer durables	393	418
Construction	1,464,286	1,257,882
Mergers and acquisition	238,414	258,988
Working capital	23,082,337	23,536,346
Other purpose	2,711,016	2,990,194
Gross loans, advances and financing	<u>119,650,010</u>	<u>114,406,852</u>

**(d) By geographical distribution**

	<b>The Group</b>	
	<b>As at 31/03/2016 RM '000</b>	<b>As at 30/06/2015 RM '000</b>
Malaysia	114,374,710	110,271,571
Singapore	4,397,826	3,529,821
Hong Kong	35,526	20,063
Vietnam	385,251	319,403
Cambodia	456,697	265,994
Gross loans, advances and financing	<u>119,650,010</u>	<u>114,406,852</u>

**(e) By residual contractual maturity**

	<b>The Group</b>	
	<b>As at 31/03/2016 RM '000</b>	<b>As at 30/06/2015 RM '000</b>
Within one year	29,939,578	29,502,698
One year to less than three years	7,244,228	7,851,837
Three years to less than five years	10,768,123	10,277,792
Five years and more	71,698,081	66,774,525
Gross loans, advances and financing	<u>119,650,010</u>	<u>114,406,852</u>

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
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**12. Loans, advances and financing (continued)**

**(f) Impaired loans, advances and financing by economic purpose**

	The Group	
	As at 31/03/2016 RM '000	As at 30/06/2015 RM '000
Purchase of securities	229	235
Purchase of transport vehicles	157,366	184,180
Purchase of landed properties		
- residential	231,859	207,744
- non-residential	79,811	46,190
Purchase of fixed assets (excluding landed properties)	24,157	34,188
Personal use	39,621	34,714
Credit card	51,042	42,907
Purchase of consumer durables	-	4
Construction	7,714	4,114
Working capital	358,569	365,444
Other purpose	19,101	28,863
Gross impaired loans, advances and financing	969,469	948,583

**(g) Impaired loans, advances and financing by geographical distribution**

	The Group	
	As at 31/03/2016 RM '000	As at 30/06/2015 RM '000
Malaysia	956,483	935,858
Singapore	5,417	-
Vietnam	7,569	12,725
Gross impaired loans, advances and financing	969,469	948,583

**(h) Movements in impaired loans, advances and financing are as follows:**

	The Group	
	As at 31/03/2016 RM '000	As at 30/06/2015 RM '000
As at beginning of the financial period/year	948,583	1,232,588
Impaired during the financial period/year	1,222,024	1,525,362
Performing during the financial period/year	(610,664)	(792,443)
Amount written back in respect of recoveries	(264,850)	(480,823)
Amount written off	(325,213)	(541,798)
Exchange differences	(411)	5,697
As at end of the financial period/year	969,469	948,583
Gross impaired loan as a % of gross loans, advances and financing	0.8%	0.8%

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
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**12. Loans, advances and financing (continued)**

**(i) Movements in allowance for impaired loans, advances and financing are as follows:**

	<b>The Group</b>	
	<b>As at 31/03/2016 RM '000</b>	<b>As at 30/06/2015 RM '000</b>
<u>Collective assessment allowance</u>		
As at beginning of the financial period/year	969,925	1,077,911
Net allowance made during the period/year	266,636	213,042
Amount transferred to individual assessment allowance	(109)	(94)
Amount written off	(280,771)	(310,003)
Unwinding income	(8,907)	(12,129)
Exchange differences	235	1,198
As at end of the financial period/year	<u>947,009</u>	<u>969,925</u>
Collective assessment allowance (inclusive of regulatory reserve) as % of gross loans, advances and financing less individual impairment allowance	<u>1.2%</u>	<u>1.2%</u>
<u>Individual assessment allowance</u>		
As at beginning of the financial period/year	323,071	511,647
Net allowance made during the period/year	38,562	80,769
Amount transferred from collective assessment allowance	109	94
Amount transfer to allowance for impairment losses on securities	(2,566)	(5,274)
Amount written back in respect of recoveries	(53,746)	(130,671)
Amount written off	(14,887)	(132,862)
Unwinding income	(3,009)	(5,360)
Exchange differences	(139)	4,728
As at end of the financial period/year	<u>287,395</u>	<u>323,071</u>

**13. Other receivables**

	<b>The Group</b>	
	<b>As at 31/03/2016 RM '000</b>	<b>As at 30/06/2015 RM '000</b>
Investment properties	1,848	1,848
Foreclosed properties	939	1,023
Sundry debtors and other prepayments	222,669	259,729
Treasury related receivable	646,916	429,244
Fee income receivable	12,990	7,123
Collateral pledged for derivative transactions	667,795	518,448
Other receivables	223,744	200,266
	<u>1,776,901</u>	<u>1,417,681</u>
	<b>The Company</b>	
	<b>As at 31/03/2016 RM '000</b>	<b>As at 30/06/2015 RM '000</b>
Amount due from subsidiary companies	146	179
Sundry debtors and other prepayments	406	381
Other receivables	229	228
	<u>781</u>	<u>788</u>

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**14. Deposits from customers**

**(a) By type of deposits**

	The Group	
	As at	As at
	31/03/2016	30/06/2015
	RM '000	RM '000
Fixed deposits	85,444,082	78,620,058
Short-term placement	14,357,997	13,031,197
Negotiable instruments of deposits	10,614,365	12,879,060
	<u>110,416,444</u>	<u>104,530,315</u>
Demand deposits	19,728,951	20,030,167
Savings deposits	15,898,679	15,823,857
Others	892,971	640,821
Gross deposits from customers	<u>146,937,045</u>	<u>141,025,160</u>
Fair value changes arising from designation at fair value through profit or loss*	(28,503)	(69,695)
Total net deposits from customers	<u>146,908,542</u>	<u>140,955,465</u>

\*Note:

The Group have issued structured deposits (Callable Range Accrual Notes) and designated them at fair value through profit or loss. This designation is permitted under MFRS 139 "Financial Instruments: Recognition and Measurement" as it significantly reduces accounting mismatch. These instruments are managed by the Group on the basis of its fair value and includes terms that have substantive derivative characteristic. The structured deposits are recorded at fair value. The structured deposits designated at fair value amounted to RM1,553 million (2015:RM1,542 million) for the Group.

**(b) By type of customers**

	The Group	
	As at	As at
	31/03/2016	30/06/2015
	RM '000	RM '000
Government and statutory bodies	2,162,266	3,573,261
Business enterprises	64,245,033	65,130,000
Individuals	78,154,434	70,246,132
Others	2,375,312	2,075,767
Gross deposits from customers	<u>146,937,045</u>	<u>141,025,160</u>

**(c) The maturity structure of fixed deposits, negotiable instruments of deposits and short-term placements are as follows:**

	The Group	
	As at	As at
	31/03/2016	30/06/2015
	RM '000	RM '000
Due within six months	85,556,041	79,319,553
More than six months to one year	21,692,858	21,105,271
More than one year to five years	2,634,001	3,375,491
More than five years	533,544	730,000
	<u>110,416,444</u>	<u>104,530,315</u>

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

	<b>The Group</b>	
	<b>As at</b>	<b>As at</b>
	<b>31/03/2016</b>	<b>30/06/2015</b>
	<b>RM '000</b>	<b>RM '000</b>
Licensed banks and investment banks	6,317,403	7,007,161
Licensed Islamic banks	-	49,004
Other financial institutions	1,877,192	1,887,457
	<u>8,194,595</u>	<u>8,943,622</u>
The maturity structure of deposits and placements of banks and other financial institutions:		
- One year or less (short term)	<u>8,194,595</u>	<u>8,943,622</u>

**16. Payables and other liabilities**

	<b>The Group</b>	
	<b>As at</b>	<b>As at</b>
	<b>31/03/2016</b>	<b>30/06/2015</b>
	<b>RM '000</b>	<b>RM '000</b>
Trade payables	1,829,894	1,607,852
Loan advance payment	2,567,674	2,268,769
Post employment benefits obligations - defined contribution plan	1,714	1,695
Treasury and cheque clearing	35,797	533,584
Treasury related payables	213,295	174,206
Sundry creditors and accruals	527,571	564,022
Provision for bonus and staff related expenses	78,094	144,710
Others	539,026	501,856
	<u>5,793,065</u>	<u>5,796,694</u>

	<b>The Company</b>	
	<b>As at</b>	<b>As at</b>
	<b>31/03/2016</b>	<b>30/06/2015</b>
	<b>RM '000</b>	<b>RM '000</b>
Sundry creditors and accruals	1,119	2,106
Provision for bonus and staff related expenses	6,730	8,956
Post employment benefits obligations - defined contribution plan	43	41
	<u>7,892</u>	<u>11,103</u>

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**17. Interest income**

	The Group		The Group	
	Current	Last year	Current year	Last year
	quarter ended 31/03/2016 RM '000	quarter ended 31/03/2015 RM '000	to date 31/03/2016 RM '000	to date 31/03/2015 RM '000
Loans, advances and financing	1,173,812	1,111,736	3,492,925	3,299,877
Money at call and deposit placements with financial institutions	61,690	46,324	153,408	229,185
Securities purchased under resale agreements	31,380	39,239	118,475	126,730
Financial assets held-for-trading	156,893	157,209	427,158	453,987
Financial investments available-for-sale	134,091	125,894	404,639	349,942
Financial investments held-to-maturity	81,143	67,702	238,239	202,808
Others	3,323	4,085	11,590	9,776
	<u>1,642,332</u>	<u>1,552,189</u>	<u>4,846,434</u>	<u>4,672,305</u>
Of which:				
Interest income earned on impaired loans, advances and financing	11,835	14,400	36,885	44,639

	The Company		The Company	
	Current	Last year	Current year	Last year
	quarter ended 31/03/2016 RM '000	quarter ended 31/03/2015 RM '000	to date 31/03/2016 RM '000	to date 31/03/2015 RM '000
Money at call and deposit placements with financial institutions	212	195	4,636	1,206
Others	-	294	-	1,904
	<u>212</u>	<u>489</u>	<u>4,636</u>	<u>3,110</u>

**18. Interest expense**

	The Group		The Group	
	Current	Last year	Current year	Last year
	quarter ended 31/03/2016 RM '000	quarter ended 31/03/2015 RM '000	to date 31/03/2016 RM '000	to date 31/03/2015 RM '000
Deposits and placements of banks and other financial institutions	28,605	19,608	73,578	63,421
Deposits from customers	774,465	705,548	2,236,565	2,022,999
Short term placements	87,373	59,274	223,381	162,174
Borrowings	36,413	28,325	105,790	116,267
Subordinated obligations	40,194	54,691	137,703	171,188
Non-innovative Tier 1 stapled securities	17,655	17,574	53,436	53,579
Innovative Tier 1 capital securities	8,248	7,694	24,340	22,640
Others	1,574	2,451	9,680	8,252
	<u>994,527</u>	<u>895,165</u>	<u>2,864,473</u>	<u>2,620,520</u>
	The Company		The Company	
	Current	Last year	Current year	Last year
	quarter ended 31/03/2016 RM '000	quarter ended 31/03/2015 RM '000	to date 31/03/2016 RM '000	to date 31/03/2015 RM '000
Borrowings	15,877	9,136	39,346	34,643
Others	78	27	463	637
	<u>15,955</u>	<u>9,163</u>	<u>39,809</u>	<u>35,280</u>

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**19. Non-Interest Income**

	The Group		The Group	
	Current quarter ended 31/03/2016 RM '000	Last year quarter ended 31/03/2015 RM '000	Current year to date 31/03/2016 RM '000	Last year to date 31/03/2015 RM '000
Net income from insurance business	(7,691)	17,120	126,697	103,388
Net brokerage and commissions from stockbroking business	15,622	14,215	45,294	43,907
Net unit trust and asset management income	5,258	3,786	15,200	11,911
Fee income:				
Commissions	32,229	38,998	104,659	116,180
Service charges and fees	15,555	11,498	39,138	36,935
Guarantee fees	4,949	5,587	12,762	15,316
Credit card related fees	60,387	59,405	184,966	179,972
Corporate advisory fees	1,831	2,261	5,251	11,699
Commitment fees	8,494	8,309	26,248	26,429
Fee on loans, advances and financing	13,478	14,176	42,440	45,229
Placement fees	619	1,849	7,448	6,099
Arranger fees	1,495	2,558	10,648	5,983
Other fee income	34,430	19,023	69,389	58,143
	<u>173,467</u>	<u>163,664</u>	<u>502,949</u>	<u>501,985</u>
Gain/(loss) arising from sale of financial assets:				
Net gain from sale of financial assets held-for-trading	20,039	15,440	26,575	45,721
Net gain from sale of financial investments available-for-sale	27,494	55,849	39,692	95,756
Net gain from redemption of financial investments held-to-maturity	2	59	31	330
Net loss from sale of derivatives financial instruments	24,453	11,964	(40,884)	(20,711)
	<u>71,988</u>	<u>83,312</u>	<u>25,414</u>	<u>121,096</u>
Gross dividend income from:				
Financial assets held-for-trading	422	292	5,155	1,356
Financial investments available-for-sale	61,462	35,592	150,842	130,532
	<u>61,884</u>	<u>35,884</u>	<u>155,997</u>	<u>131,888</u>
Net unrealised gain/(loss) on revaluation of:				
Financial assets held-for-trading	21,756	10,692	14,173	5,277
Derivatives financial instruments	(129,560)	(82,120)	(79,961)	(65,498)
	<u>(107,804)</u>	<u>(71,428)</u>	<u>(65,788)</u>	<u>(60,221)</u>
Amortisation of fair value changes arising from terminated fair value hedges	(73)	(480)	(477)	(2,924)
Other income:				
Foreign exchange gain/(loss)	41,982	31,371	188,912	27,954
Rental income	2,591	1,528	7,250	4,605
Gain on disposal of property and equipment (net)	1,934	4,953	1,954	6,684
Others	4,068	5,963	5,148	14,997
	<u>50,575</u>	<u>43,815</u>	<u>203,264</u>	<u>54,240</u>
Total non-interest income	<u>263,226</u>	<u>289,888</u>	<u>1,008,550</u>	<u>905,270</u>

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**19. Non-Interest Income (continued)**

	The Company		The Company	
	Current quarter ended 31/03/2016 RM '000	Last year quarter ended 31/03/2015 RM '000	Current year to date 31/03/2016 RM '000	Last year to date 31/03/2015 RM '000
Fee income:				
Management fees	2,523	2,589	8,067	7,965
Gain/(Loss) arising from sale of financial assets:				
Gain/Net (loss) from sale of financial assets held-for-trading	-	-	16	(50)
Net loss from sale of derivatives financial instruments	-	-	(1,910)	(5,363)
Gross dividend income from:				
Financial assets held-for-trading	-	13	3,031	651
Subsidiary companies	199,044	228,290	513,534	766,907
Net unrealised loss on revaluation of:				
Derivatives financial instruments	(1,145)	(2,459)	(184)	(1,313)
Other income	16	18	198	198
Total non-interest income	200,438	228,451	522,752	768,995

**20. Overhead expenses**

	The Group		The Group	
	Current quarter ended 31/03/2016 RM '000	Last year quarter ended 31/03/2015 RM '000	Current year to date 31/03/2016 RM '000	Last year to date 31/03/2015 RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	258,362	275,933	780,343	774,200
- Mutual separation scheme (MSS) *	-	-	171,658	-
- Medical expenses	7,503	7,588	22,503	20,221
- Training and convention expenses	5,351	(6,480)	25,494	8,604
- Staff welfare	3,092	2,358	6,884	7,072
- Others	12,171	9,666	35,267	25,954
	286,479	289,065	1,042,149	836,051
<u>Establishment costs</u>				
- Depreciation of property and equipments	22,555	18,682	65,416	55,823
- Amortisation of intangible assets	19,899	19,366	58,571	55,802
- Rental of premises	23,391	22,216	70,366	65,680
- Information technology expenses	27,965	28,640	93,967	89,758
- Security services	5,142	7,032	19,607	19,972
- Electricity, water and sewerage	6,117	6,262	18,492	18,878
- Hire of plant and machinery	4,140	3,588	11,958	10,372
- Others	6,024	6,663	16,730	19,462
	115,233	112,449	355,107	335,747
<u>Marketing expenses</u>				
- Advertisement and publicity	12,160	11,432	29,055	24,442
- Credit card related fees	28,749	29,116	90,540	87,022
- Others	4,077	4,621	15,328	13,986
	44,807	45,169	134,744	125,450
<u>Administration and general expenses</u>				
- Teletransmission expenses	2,266	4,087	10,544	11,381
- Stationery and printing expenses	4,881	4,896	13,321	14,593
- Professional fees	17,378	8,894	50,003	47,764
- Insurance fees	10,004	9,891	28,716	28,245
- Credit card fees	9,488	8,815	27,634	23,812
- Travelling and transport expenses	1,396	1,543	3,594	4,749
- Registration and license fees	2,427	2,202	7,249	5,102
- Brokerage and commission	1,593	1,511	5,079	5,262
- Stamp, postage and courier	3,904	5,493	15,410	16,631
- Others	15,211	(2,975)	38,589	13,079
	68,548	44,357	200,139	170,618
	515,067	491,040	1,732,139	1,467,866

\* Hong Leong Bank Berhad and Hong Leong Islamic Bank Berhad had implemented a MSS as part of its move to strengthen operational efficiencies. This scheme was offered to all permanent staff at all levels, functions and locations on a voluntary basis, which will create an opportunity for both the Bank and employees to gain mutual benefits.



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**20. Overhead expenses (continued)**

	The Company		The Company	
	Current	Last year	Current year	Last year
	quarter ended	quarter ended	to date	to date
	31/03/2016	31/03/2015	31/03/2016	31/03/2015
	RM '000	RM '000	RM '000	RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	(1,204)	3,451	5,661	13,716
- Medical expenses	30	71	74	125
- Training and convention expenses	14	3	22	17
- Staff welfare	109	85	258	222
- Others	165	647	428	2,065
	<u>(886)</u>	<u>4,257</u>	<u>6,443</u>	<u>16,145</u>
<u>Establishment costs</u>				
- Depreciation of property and equipments	165	111	492	396
- Amortisation of intangible assets	26	39	81	74
- Rental of premises	190	209	539	595
- Electricity, water and sewerage	9	11	30	33
- Hire of plant and machinery	6	8	25	26
- Others	97	102	223	231
	<u>493</u>	<u>480</u>	<u>1,390</u>	<u>1,355</u>
<u>Administration and general expenses</u>				
- Teletransmission expenses	7	6	23	16
- Stationery and printing expenses	5	8	29	32
- Professional fees	(193)	642	555	1,074
- Management fees	562	337	1,688	1,646
- Travelling and transport expenses	12	9	29	20
- Others	43	75	157	135
	<u>436</u>	<u>1,077</u>	<u>2,481</u>	<u>2,923</u>
	<u>43</u>	<u>5,814</u>	<u>10,314</u>	<u>20,423</u>

**21. (Writeback of)/allowance for impairment losses on loans, advances and financing and other losses**

	The Group		The Group	
	Current	Last year	Current year	Last year
	quarter ended	quarter ended	to date	to date
	31/03/2016	31/03/2015	31/03/2016	31/03/2015
	RM '000	RM '000	RM '000	RM '000
(Writeback of)/allowance for impairment losses on loans, advances and financing:				
- Individual assessment allowance	(13,740)	2,421	(15,184)	(64,434)
- Collective assessment allowance	87,984	38,557	266,636	154,245
(Writeback of)/allowance for impairment losses on clients' and brokers' balances:				
- Individual assessment allowance	(26)	139	7	194
- Collective assessment allowance	-	(15)	-	(2)
(Writeback of)/allowance impairment losses on other assets				
- Individual assessment allowance	-	-	-	(95)
Impaired loans and financing:				
- written off	5,713	12,184	16,822	40,273
- recovered	(60,530)	(59,721)	(164,625)	(205,335)
	<u>19,401</u>	<u>(6,435)</u>	<u>103,656</u>	<u>(75,154)</u>

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**22. Capital adequacy**

The banking subsidiaries' regulatory capital is governed by BNM Capital Adequacy Framework guidelines. With effect from 1 January 2013, the capital adequacy ratios of the banking subsidiaries are computed in accordance with BNM's Capital Adequacy Framework issued on 28 November 2012 and its revised version on 13 October 2015 (the "Framework"). The Framework sets out the approach for computing the regulatory capital adequacy ratios, the minimum levels of the ratios at which banking institutions are required to operate as well as requirement on Capital Conservation Buffer ("CCB") and Counter Cyclical Buffer ("CCyB"). The minimum capital adequacy requirements for Common Equity Tier I (CET I) capital ratio, Tier I capital ratio and Total Capital ratio are 4.50%, 6.00% and 8.00% respectively. The Group are also required to maintain CCB of up to 2.50% of total risk weighted assets ("RWA"), which is phased in starting with 0.625% in year 2016, 1.250% in year 2017, 1.875% in year 2018 and 2.500% in year 2019. The CCyB which ranges from 0% up to 2.50% is determined as the weighted average of prevailing CcyB rates applied in the jurisdictions in which a financial institution has credit exposures. There is no BNM announcement on the CcyB rates yet.

The risk-weighted assets ("RWA") of the banking subsidiaries have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk computation.

**Basel III**

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

	Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	31/03/2016	30/06/2015	31/03/2016	30/06/2015	31/03/2016	30/06/2015
<b>Before deducting proposed dividends</b>						
CET I capital ratio	12.410%	11.147%	11.874%	9.861%	24.362%	23.683%
Tier I capital ratio	13.347%	12.297%	12.954%	11.179%	24.362%	23.683%
Total capital ratio	15.736%	14.715%	15.857%	14.226%	28.582%	27.355%
<b>After deducting proposed dividends</b>						
CET I capital ratio	12.410%	10.750%	11.874%	9.406%	24.362%	20.832%
Tier I capital ratio	13.347%	11.900%	12.954%	10.724%	24.362%	20.832%
Total capital ratio	15.736%	14.318%	15.857%	13.771%	28.582%	24.504%

(b) The component of CET I, Tier I and Tier II capital under the revised Capital Components Framework are as follows:

	Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	31/03/2016	30/06/2015	31/03/2016	30/06/2015	31/03/2016	30/06/2015
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
<b>CET I capital</b>						
Paid up share capital	2,167,718	1,879,909	2,167,718	1,879,909	165,000	165,000
Share premium	5,571,345	2,872,183	5,571,345	2,872,183	87,950	87,950
Retained profit	7,328,096	7,819,514	5,328,581	5,653,204	(18,858)	22,742
Other reserves	4,815,512	4,363,914	3,659,668	3,219,396	198,542	197,667
Less: Treasury shares	(735,040)	(648,588)	(735,040)	(648,588)	-	-
Less: Other intangible assets	(281,779)	(318,107)	(263,542)	(302,801)	-	-
Less: Goodwill	(1,831,312)	(1,831,312)	(1,771,547)	(1,771,547)	(32,154)	(32,535)
Less: Deferred tax assets	-	-	-	-	(95,002)	(95,002)
Less: Investment in subsidiary companies/ associated company/joint venture	(1,933,354)	(1,242,626)	(1,429,447)	(952,672)	(217)	(154)
Total CET I capital	15,101,186	12,894,887	12,527,736	9,949,084	305,261	345,668
<b>Additional Tier I capital</b>						
Non-innovative Tier I stapled securities	840,000	980,000	840,000	980,000	-	-
Innovative Tier I capital securities	300,000	350,000	300,000	350,000	-	-
Total additional Tier I capital	1,140,000	1,330,000	1,140,000	1,330,000	-	-
Total Tier I capital	16,241,186	14,224,887	13,667,736	11,279,084	305,261	345,668

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**22. Capital adequacy (continued)**

**Basel III**

(b) The component of CET I, Tier I and Tier II capital under the revised Capital Components Framework are as follows (continued):

	Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	31/03/2016	30/06/2015	31/03/2016	30/06/2015	31/03/2016	30/06/2015
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
<b>Tier II Capital</b>						
Collective assessment allowance ^ and regulatory reserves #	1,196,042	1,109,877	1,015,750	951,123	3,017	3,825
Subordinated obligations	2,999,312	3,552,000	2,999,312	3,552,000	50,000	50,000
Tier II capital before regulatory adjustments	4,195,354	4,661,877	4,015,062	4,503,123	53,017	53,825
Less: Regulatory adjustments						
Investment in subsidiary companies	-	-	(543,670)	(815,066)	(144)	(230)
Investment in associated company	(1,233,747)	(1,786,666)	(378,610)	(567,915)	-	-
Investment in joint venture	(55,156)	(77,274)	(30,684)	(46,027)	-	-
Total Tier II capital	2,906,451	2,797,937	3,062,098	3,074,115	52,873	53,595
<b>Total capital</b>	<b>19,147,637</b>	<b>17,022,824</b>	<b>16,729,834</b>	<b>14,353,199</b>	<b>358,134</b>	<b>399,263</b>

^ Excludes collective assessment allowance attributable to loans, advances and financing classified as impaired but not individually assessed for impairment.

# Includes the qualifying regulatory reserves for non-impaired loans of Hong Leong Bank Group of RM475,265,000 (2015: RM388,112,000), Hong Leong Bank Berhad of RM404,389,000 (2015: RM334,138,000) and Hong Leong Investment Bank Berhad of RM2,537,000 (2015: RM3,031,000) respectively.

(c) The breakdown of RWA by each major risk category is as follows:

	Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	31/03/2016	30/06/2015	31/03/2016	30/06/2015	31/03/2016	30/06/2015
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Credit risk	110,362,746	105,009,787	94,963,249	91,202,163	516,232	678,033
Market risk	3,722,113	3,052,311	3,860,984	3,065,215	424,199	483,713
Operational risk	7,597,615	7,620,076	6,681,756	6,627,632	312,586	297,840
Total RWA	121,682,474	115,682,174	105,505,989	100,895,010	1,253,017	1,459,586

(d) The capital adequacy ratios of Hong Leong Bank Group's subsidiary company are as follows:

	Hong Leong Islamic Bank	
	31/03/2016	30/06/2015
<b>Before deducting proposed dividends</b>		
CET I capital ratio	10.502%	11.323%
Tier I capital ratio	10.502%	11.323%
Total capital ratio	14.177%	15.240%
<b>After deducting proposed dividends</b>		
CET I capital ratio	10.502%	11.253%
Tier I capital ratio	10.502%	11.253%
Total capital ratio	14.177%	15.170%

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**23. Events after Balance Sheet date**

There are no materials events subsequent to the end of the financial period ended 31 March 2016.

**24. Changes in composition of the Group**

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

- (a) Wing Trade Investments Limited, a wholly-owned subsidiary of HLFGB in British Virgin Islands, was dissolved on 24 July 2015.
- (b) Promitol Sdn Bhd, a wholly-owned subsidiary of Hong Leong Bank Berhad ("HLB") which in turn a subsidiary of HLFGB, was dissolved on 29 July 2015.
- (c) ECS Jaya (1969) Sdn Bhd, a wholly-owned subsidiary of Hong Leong Investment Bank Berhad ("HLIB") which in turn a wholly-owned subsidiary of Hong Leong Capital Berhad ("HLCB"), a subsidiary of HLFGB, was dissolved on 29 January 2016.
- (d) RC Research Sdn Bhd, a wholly-owned subsidiary of HLIB, was dissolved on 8 March 2016.

**25. 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.

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**26. 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 notional/principal amount of the commitments and contingencies constitute the following:

	<b>The Group</b>	
	<b>31/03/2016</b>	<b>30/06/2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Direct credit substitutes	118,178	220,983
Certain transaction related contingent items	1,671,080	1,606,465
Short-term self liquidating trade related contingencies	735,924	755,587
Irrevocable commitments to extend credit:		
- less than one year	18,074,442	17,262,934
- more than one year	16,580,478	18,158,775
Any commitments that are unconditionally cancellable at any time by the Group without prior notice		
- less than one year	656,440	722,877
Foreign exchange related contracts		
- less than one year	31,519,026	33,596,962
- one year to less than five years	4,826,478	4,409,157
- five years and above	873,491	819,693
Interest rate related contracts		
- less than one year	55,253,352	23,442,517
- one year to less than five years	40,361,828	46,063,835
- five years and above	2,623,328	2,654,631
Equity related contracts		
- less than one year	286,923	360,330
- one year to less than five years	213,965	111,437
Commodity related contracts		
- less than one year	6,059	1,471
- one year to less than five years	-	3,826
Unutilised credit card lines	7,490,105	7,426,036
Others		
- less than one year	-	1,781
- more than one year	-	2,719
<b>Total</b>	<b>181,304,445</b>	<b>157,622,016</b>

	<b>The Company</b>	
	<b>31/03/2016</b>	<b>30/06/2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Interest rate swaps		
- less than one year	350,000	-
- one year to less than five years	100,000	775,000
	<b>450,000</b>	<b>775,000</b>

- b. Hong Leong Asset Management Bhd, a wholly-owned subsidiary company of Hong Leong Capital Berhad ("HLCB"), is the Manager of Hong Leong Consumer Products Sector Fund ("Funds"). HLCB provided a guarantee to Deutsche Trustee Malaysia Berhad, the trustee of the Funds, that if the 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 the fund was above the minimum of RM1 million as at 31 March 2016 (30 June 2015: RM1 million).

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**27. Fair value of financial instruments**

Financial instruments comprise financial assets and financial liabilities. Fair value is the amount at which a financial asset could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents the estimates of fair values as at the statements of financial position date.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the uncertainties and assumptions could materially affect these estimates and the resulting fair value estimates.

Determination of fair value and fair value hierarchy

The Group and the Company measure fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Valuations derived from valuation techniques in which one or more significant inputs are not based on observable market data.

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. These would include actively traded listed equities and actively exchange-traded derivatives.

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instrument are generally classified as Level 2.

In cases where quoted prices are generally not available, the Group then determines fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high.

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Such inputs are generally determined based on observable inputs of a similar nature, historical observations on the level of the input or other analytical techniques.

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**27. Fair value of financial instruments (continued)**

Determination of fair value and fair value hierarchy (continued)

The table below analyses financial instruments carried at fair value analysed by level within the fair value hierarchy:

**The Group**

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>31 March 2016</b>				
<b><i>Recurring fair value measurements</i></b>				
<b><u>Financial assets</u></b>				
Financial assets held-for-trading				
- Money market instruments	-	8,956,931	-	8,956,931
- Quoted securities	1,154,342	-	-	1,154,342
- Unquoted securities	-	1,426,227	-	1,426,227
Financial investments available-for-sale				
- Money market instruments	-	6,932,180	-	6,932,180
- Quoted securities	13,803,545	-	-	13,803,545
- Unquoted securities	-	13,159,807	397,404	13,557,211
Derivative financial instruments	213	1,337,757	4,728	1,342,698
	<u>14,958,100</u>	<u>31,812,902</u>	<u>402,132</u>	<u>47,173,134</u>

**Financial liabilities**

Derivative financial instruments	266	1,887,539	4,728	1,892,533
	<u>266</u>	<u>1,887,539</u>	<u>4,728</u>	<u>1,892,533</u>

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>30 June 2015</b>				

***Recurring fair value measurements***

**Financial assets**

Financial assets held-for-trading				
- Money market instruments	-	7,204,192	-	7,204,192
- Quoted securities	1,173,464	-	-	1,173,464
- Unquoted securities	-	861,148	-	861,148
Financial investments available-for-sale				
- Money market instruments	-	7,028,388	-	7,028,388
- Quoted securities	10,912,158	-	-	10,912,158
- Unquoted securities	-	11,285,232	397,279	11,682,511
Derivative financial instruments	42	1,461,090	6,952	1,468,084
	<u>12,085,664</u>	<u>27,840,050</u>	<u>404,231</u>	<u>40,329,945</u>

**Financial liabilities**

Derivative financial instruments	2,959	1,359,454	6,952	1,369,365
	<u>2,959</u>	<u>1,359,454</u>	<u>6,952</u>	<u>1,369,365</u>

The Group recognise transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial period (30 June 2015 - RM Nil).

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**27. Fair value of financial instruments (continued)**

Determination of fair value and fair value hierarchy (continued)

The table below analyses financial instruments carried at fair value analysed by level within the fair value hierarchy (continued):

**The Company**

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>31 March 2016</b>				
<b><u>Recurring fair value measurements</u></b>				
<b><u>Financial assets</u></b>				
Derivative financial instruments	-	178	-	178
<b><u>Financial liabilities</u></b>				
Derivative financial instruments	-	1,371	-	1,371
<b>30 June 2015</b>				
<b><u>Recurring fair value measurements</u></b>				
<b><u>Financial assets</u></b>				
Derivative financial instruments	-	126	-	126
<b><u>Financial liabilities</u></b>				
Derivative financial instruments	-	1,158	-	1,158

Reconciliation of fair value measurements in Level 3 of the fair value hierarchy:

	Financial Assets		Financial Liability
	Financial investments available-for- sale RM'000	Derivative financial instruments RM'000	Derivative financial instruments RM'000
<b>The Group</b>			
<b>31 March 2016</b>			
As at beginning of the financial period	397,279	6,952	6,952
Total losses recognised in income statement	-	(8,343)	(8,343)
Net fair value changes recognised in other comprehensive income	125	-	-
Purchase	-	6,224	6,224
Disposal	-	(105)	(105)
As at end of the financial period	397,404	4,728	4,728
Total losses recognised in statement of income relating to assets/liability held on 31 March 2016	-	(8,343)	(8,343)
Total gain recognised in other comprehensive income relating to assets held on 31 March 2016	125	-	-
	Financial Assets		Financial Liability
	Financial investments available-for- sale RM'000	Derivative financial instruments RM'000	Derivative financial instruments RM'000
<b>The Group</b>			
<b>30 June 2015</b>			
As at beginning of the financial period	369,708	-	-
Total losses recognised in income statement	-	(480)	(480)
Net fair value changes recognised in other comprehensive income	27,596	-	-
Purchase	-	7,432	7,432
Disposal	(25)	-	-
As at end of the financial period	397,279	6,952	6,952
Total losses recognised in statement of income relating to assets/liability held on 30 June 2015	-	(480)	(480)
Total gain recognised in other comprehensive income relating to assets held on 30 June 2015	27,596	-	-



**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG”)  
ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES  
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**1 Review of performance**

**Current quarter against previous corresponding quarter**

HLFG Group recorded a profit before tax of RM591.9 million for the current quarter ended 31 March 2016 compared to RM699.7 million in the previous corresponding quarter, a decrease of RM107.8 million or 15.4%. The decrease was mainly due to lower contribution across all operating division.

Hong Leong Bank Group recorded a lower profit before tax of RM606.6 million for the current quarter ended 31 March 2016 compared to RM662.7 million in the previous corresponding quarter, a decrease of RM56.1 million or 8.5%. The decrease was mainly due to higher operating expenses of RM21.7 million, higher allowance for impairment losses on loans, advances and financing amounting to RM26.6 million and lower share of profit from Bank of Chengdu and Sichuan Jincheng Consumer Finance Joint Venture of RM17.1 million. This is however mitigated by higher net income of RM14.1 million.

HLA Holdings Group recorded a loss before tax of RM8.8 million for the current quarter ended 31 March 2016 compared to profit before tax of RM35.3 million in the previous corresponding quarter, a decrease of RM44.1 million or 124.9%. The decrease was due to lower net income of RM14.6 million, a lower share of profit from associated company of RM6.9 million, higher operating expenses RM19.7 million and higher impairment loss on securities of RM2.9 million.

Hong Leong Capital Group recorded a profit before tax of RM14.5 million for the current quarter ended 31 March 2016 compared to RM16.7 million in the previous corresponding quarter, a decrease of RM2.2 million or 13.2%. This was mainly due to lower contribution from its investment banking and stockbroking divisions.

**2 Current period-to-date against previous period-to-date**

HLFG Group recorded a profit before tax of RM1,776.2 million for the period ended 31 March 2016 as compared to RM2,242.8 million in the previous corresponding period, with a decrease of RM466.6 million or 20.8%. The decrease was mainly due to lower contribution across all operating division.

Hong Leong Bank Group recorded a profit before tax of RM1,657.3 million for the period ended 31 March 2016 as compared to RM2,073.7 million in the previous corresponding period, a decrease of RM416.4 million or 20.1%. The decrease was due to higher operating expenses of RM250.1 million (inclusive of a one-off Mutual Separation Scheme expense of RM171.7 million), higher allowance for impairment losses on loans, advances and financing of RM179.5 million, lower share of profit from Bank of Chengdu and Sichuan Jincheng Consumer Finance joint venture of RM53.3 million and lower writeback of impairment losses from securities of RM6.4 million. This is however mitigated by higher net income of RM72.9 million.

HLA Holdings Group recorded a profit before tax of RM122.3 million for the period ended 31 March 2016 as compared to RM146.5 million in the previous corresponding period, a decrease of RM24.2 million or 16.5%. The decrease was mainly due to higher operating expenses of RM12.7 million, lower share of profit from associated company of RM3.4 million and higher allowance for impairment losses on securities of RM20.4 million. This is however mitigated by higher net income of RM12.3 million.

Hong Leong Capital Group recorded a profit before tax of RM48.8 million for the period ended 31 March 2016 as compared to RM51.0 million in the previous corresponding period, a decrease of RM2.2 million or 4.3%. This is mainly due to lower contribution from the investment banking and stockbroking divisions.

**3 Current quarter against preceding quarter**

HLFG Group recorded a profit before taxation of RM591.9 million for the current quarter ended 31 March 2016 compared to RM487.4 million in the preceding quarter, an increase of RM104.5 million or 21.4%. The increase in profit before tax was mainly due to higher contribution from its banking division.

Hong Leong Bank Group recorded a profit before tax of RM606.6 million for the current quarter ended 31 March 2016 as compared to RM425.8 million in the preceding quarter, an increase of RM180.8 million or 42.5%. The increase was mainly due to lower operating expenses of RM186.1 million (one-off Mutual Separation Scheme expense of RM171.7 million in preceding quarter), higher share of profit from Bank of Chengdu and Sichuan Jincheng Consumer Finance Joint Venture of RM25.7 million and lower allowance for impairment losses on loans, advances and financing of RM40.3 million. This is however offset by lower net income of RM71.3 million.

HLA Holdings Group recorded a loss before tax of RM8.8 million for the current quarter ended 31 March 2016 compared to profit before tax of RM57.3 million in the preceding quarter, a decrease of RM66.1 million or 115.4%. The decrease was mainly due to lower net income of RM52.9 million, lower share of profit from associated company by RM1.4 million and higher allowance for impairment losses on securities of RM11.5 million.

Hong Leong Capital Group recorded a profit before tax of RM14.5 million for the current quarter ended 31 March 2016 compared to RM21.5 million in the preceding quarter, a decrease of RM7.0 million or 32.6%. This was mainly due to lower contribution from its investment banking and stockbroking divisions.

**HONG LEONG FINANCIAL GROUP BERHAD ("HLFG")  
 ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES  
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**4 Prospects for the current year**

Barring unforeseen circumstances, the Group is expected to maintain performance in line with market conditions for the current financial year.

**5 Variance of actual profit from forecasted profit**

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

**6 Taxation**

	The Group		The Group	
	Current quarter ended 31/03/2016 RM '000	Last year quarter ended 31/03/2015 RM '000	Current year to date 31/03/2016 RM '000	Last year to date 31/03/2015 RM '000
Malaysian income tax	6,401	153,197	313,209	481,221
Transfer from deferred tax	99,918	(2,586)	(577)	(1,002)
	<u>106,319</u>	<u>150,611</u>	<u>312,632</u>	<u>480,219</u>
Prior year over provision - Malaysia	634	(45)	572	(8,102)
	<u>106,953</u>	<u>150,566</u>	<u>313,204</u>	<u>472,117</u>

  

	The Company		The Company	
	Current quarter ended 31/03/2016 RM '000	Last year quarter ended 31/03/2015 RM '000	Current year to date 31/03/2016 RM '000	Last year to date 31/03/2015 RM '000
Malaysian income tax	924	1,359	3,118	2,430
Transfer from deferred tax	1,269	1,586	231	273
	<u>2,193</u>	<u>2,945</u>	<u>3,349</u>	<u>2,703</u>

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

**7 Sale of properties/unquoted investments**

There were no material gains or losses on disposal of unquoted investments (other than in the ordinary course of business) and/or properties for the financial year under review.

**8 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.

**9 Status of corporate proposals**

There were no corporate proposals announced but not completed at the latest practicable date which was not earlier than 7 days from the issue of this report, other than as mentioned below:-

- (a) On 3 July 2015, HLB announced that it had on 3 July 2015 entered into a conditional share sale agreement ("SSA") with Hong Leong Real Estate Holdings Sdn Bhd ("HLREH") for the proposed acquisition of the entire issued and paid-up share capital of DC Tower Sdn Bhd ("DCT") for an indicative cash consideration of RM189,333,000, subject to adjustments (if any) pursuant to the terms of the SSA ("Proposed Acquisition").

DCT is principally a property investment company, holding the development and ownership rights in respect of a 33-storey purpose-built stratified office building currently referred to as Office Tower A which is located within the on-going integrated development project known as Damansara City Kuala Lumpur.

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

		<b>The Group</b>	
		<b>As at 31/03/2016 RM '000</b>	<b>As at 30/06/2015 RM '000</b>
	Note		
Revolving credit	(i)	280,366	-
Commercial papers	(ii)	269,665	374,236
Medium term notes	(ii)	755,970	351,194
Term loans	(iii)	180,523	85,072
Senior bonds	(iv)	1,184,369	2,286,380
		<u>2,670,893</u>	<u>3,096,882</u>
Repayment of revolving credit			
- less than one year		280,366	-
Repayment of commercial papers			
- less than one year		269,665	374,236
Repayment of medium term notes			
- one to three years		355,505	100,331
- three years and above		400,465	250,863
Repayment of term loans			
- less than one year		180,523	85,072
Repayment of senior bonds			
- one to three years		1,184,369	2,286,380
		<u>2,670,893</u>	<u>3,096,882</u>
		<b>The Company</b>	
		<b>As at 31/03/2016 RM '000</b>	<b>As at 30/06/2015 RM '000</b>
	Note		
Revolving credit	(i)	280,366	-
Commercial papers	(ii)	269,665	374,236
Medium term notes	(ii)	806,153	401,358
Term loans	(iii)	180,523	85,072
		<u>1,536,707</u>	<u>860,666</u>
Repayment of revolving credit			
- less than one year		280,366	-
Repayment of commercial papers			
- less than one year		269,665	374,236
Repayment of medium term notes			
- one to three years		405,687	150,495
- three years and above		400,466	250,863
Repayment of term loans			
- less than one year		180,523	85,072
		<u>1,536,707</u>	<u>860,666</u>

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**10 Borrowings (continued)**

- (i) The unsecured revolving credit facilities carried an interest rate ranging from 3.64% to 3.92% (30 June 2015: ranging from 3.58% to 3.77%) per annum and repayable within 12 months.
- (ii) On 14 October 2011, the Company entered into RM1.8 billion CP/MTNs Programme comprising a seven (7) years Commercial Papers (CP) programmes and a twenty (20) years Medium Term Notes (MTNs) programmes which were constituted by a Trust Deed between the Company and Malaysian Trustees Berhad as trustee. The CPs are issued at a discount and the issue price is calculated in accordance with the Rules on Fully Automated System for Issuing/Tendering (“FAST”) issued by Bank Negara Malaysia at the tenure of one (1), two (2), three (3), six (6), nine (9) or twelve (12) months as the Company may select. The CPs carry an interest rate ranging from 3.59% to 3.86% (30 June 2015: 3.58% to 3.82%).

The MTNs are issued at par and the issue price is calculated in accordance with the FAST Rules, at the tenure which shall be more than one (1) year as the Company may select. The MTNs carry interest rates ranging from 4.30% to 4.80% (30 June 2015: 4.05% to 4.50%) per annum.

The CP/MTNs are unsecured and the Company is required to maintain a debt to equity ratio for these facilities.

- (iii) The Company has the following term loans for the financial year:
- (a) an unsecured short-term loan facility of RM10 million maturing on 11 January 2017. The term loan with one month interest period bears an interest rate ranging from 3.70% to 3.92% (30 June 2015: 3.66% to 3.93%) per annum.
- (b) an unsecured 1 year term loan of RM170 million maturing on 2 July 2016. The term loan with one month interest period bears an interest rate ranging from 3.70% to 3.92% (30 June 2015: 3.66% to 3.93%) per annum.
- (iv) The Group has the following senior bonds:

	Note	The Group	
		As at 31/03/2016 RM '000	As at 30/06/2015 RM '000
USD 300 million senior bonds, at par	(a)	-	916,350
USD 300 million senior bonds, at par	(b)	919,200	919,200
Foreign exchange translations		250,800	435,750
		<u>1,170,000</u>	<u>2,271,300</u>
Add: Interest payable		16,453	19,401
		<u>1,186,453</u>	<u>2,290,701</u>
Less: Unamortised discounts		(2,084)	(4,321)
		<u><u>1,184,369</u></u>	<u><u>2,286,380</u></u>

- (a) 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.

The Bonds will constitute direct, general, unsubordinated and (subject to the provisions of Negative Pledge Condition) unsecured obligations of HLB which will at all times rank parri passu among themselves and at least parri passu with all other present and future unsecured obligations of HLB.

- (b) On 20 April 2012, HLB completed its inaugural US dollar senior unsecured notes issuance of USD300 million (the “Senior Notes”) under its Euro Medium Term Note Programme of up to USD1.5 billion (or its equivalent in other currencies) in nominal value (the “Programme”) which was established on 9 April 2012.

The Senior Notes will have a tenor of five years, maturing on 19 April 2017. The Senior Notes will pay a coupon of 3.125% per annum which is equivalent to a yield to investors of 3.269%.

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**11 Subordinated obligations**

		The Group	
		As at 31/03/2016 RM '000	As at 30/06/2015 RM '000
	Note		
RM700 million Tier 2 subordinated debt, at par	(a)	-	685,000
Add: Interest payable		-	12,673
		-	697,673
Less: Unamortised discounts		-	(2)
		-	697,671
RM1.0 billion Tier 2 subordinated debt, at par	(b)	1,000,000	1,000,000
Add: Interest payable		17,638	6,793
		1,017,638	1,006,793
Less: Unamortised discounts		(2)	(124)
		1,017,636	1,006,669
Subordinated medium term notes, at par	(c)	-	500,000
Add: Interest payable		-	65
		-	500,065
Less: Unamortised discounts		-	(350)
Add: Fair value adjustments on completion of business combination accounting		-	(147)
		-	499,568
RM1.5 billion Tier 2 subordinated debt, at par	(d)	1,500,000	1,500,000
Add: Interest payable		18,679	1,664
		1,518,679	1,501,664
Less: Unamortised discounts		(686)	(1,027)
		1,517,993	1,500,637
RM500 million Tier 2 subordinated debt, at par	(e)	500,000	500,000
Add: Interest payable		3,082	6,895
		503,082	506,895
Less: Unamortised discounts		(1,664)	(204)
		501,418	506,691
RM400 million Tier 2 subordinated Sukuk Ijarah, at par	(f)	400,000	400,000
Add: Interest payable		5,576	736
		405,576	400,736
Less: Unamortised discounts		(293)	(431)
		405,283	400,305
RM500 million Tier 2 subordinated notes, at par	(g)	500,000	500,000
Add: Interest payable		6,575	526
		506,575	500,526
Less: Unamortised discounts		(672)	(1,006)
		505,903	499,520
RM50 million Tier 2 subordinated notes, at par	(h)	50,000	50,000
Add: Interest payable		1,067	407
		51,067	50,407
Less: Unamortised discounts		(161)	(213)
		50,906	50,194
		<u>3,999,139</u>	<u>5,161,255</u>

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**11 Subordinated obligations (continued)**

- (a) 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.

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 10 August 2015, Hong Leong Bank (“HLB”) had fully redeemed the RM700.0 million nominal value of Tier 2 Sub Debt bearing coupon rate of 4.85% per annum.

- (b) 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.

- (c) On 27 February 2009, Promino Sdn Bhd (“Promino”) (formerly known as EON Bank Berhad), 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 Promino 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, Promino 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 Promino 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.

Subsequently, on 30 December 2010, Promino 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 Promino 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 be remain at 4.75% per annum, from the beginning of the sixth (6) year to the final maturity date.

On 1 July 2011, the above Subordinated MTN was vested to HLB. The above tranches of Subordinated MTNs constitute unsecured liabilities of HLB 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 2 capital for the purpose of determining the capital adequacy ratio of HLB.

On 27 February 2014, HLB had fully redeemed the first tranche of RM410.0 million nominal value of the 10 non-callable 5 years subordinated MTNs bearing coupon rate of 5.75% per annum.

On 2 December 2014, HLB had fully redeemed the second tranche of RM250.0 million nominal value of the 10 non-callable 5 years subordinated MTNs bearing coupon rate of 5.75% per annum.

On 30 December 2015, HLB had fully redeemed the third tranche of RM500.0 million nominal value of the 10 non-callable 5 years subordinated MTNs bearing coupon rate of 4.75% per annum.

- (d) On 22 June 2012, HLB had completed the issuance of RM1.5 billion nominal value of Tier 2 Subordinated Notes (“Sub Notes”). The RM1.5 billion Sub Notes will mature in 2024 and are callable on any interest payment date falling on or after the 7th anniversary of the issue date subject to approval of BNM. The Sub Notes which bears interest of 4.50% per annum is payable semi-annually in arrears.

The Sub Notes 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.

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**11 Subordinated obligations (continued)**

- (e) On 19 September 2012, HLA has created and issued up to RM500 million in nominal value of Subordinated Notes (“Sub-Notes”) under a proposed Subordinated Notes Programme to raise funds for general working capital and/or business operations purpose.

On 20 March 2013, the Securities Commission approved the application subject to certain operational terms and conditions being fulfilled.

On 7 February 2013, the HLA completed its RM500 million Sub-Notes issuance. The Sub-Notes were issued for a period of 12 years on a 12 non-callable 7 basis with a coupon rate of 4.5% per annum.

The Sub-Notes are classified as tier 2 capital under Risk-Based Capital Framework for Insurers.

- (f) On 17 June 2014, Hong Leong Islamic Bank Berhad (“HLISB”), a wholly owned subsidiary of HLB, had completed the first issuance of RM400 million nominal value of Tier 2 Subordinated Sukuk Ijarah (“Subordinated Sukuk Ijarah”) out of its RM1.0 billion Tier 2 Subordinated Sukuk Ijarah Programme. The RM400 million Subordinated Sukuk Ijarah will mature in 2024 and is callable at end of year 5 and on each subsequent coupon payment dates thereafter subject to approval of BNM. The Subordinated Sukuk Ijarah which bears profit rate of 4.80% per annum is payable semi-annually in arrears.

The Subordinated Sukuk Ijarah constitute direct, unconditional, subordinated and unsecured obligations of HLISB and subordinated in right and priority of payment, to the extent and in the manner provided in the Subordinated Sukuk Ijarah, ranking pari passu among themselves. The Subordinated Sukuk Ijarah is subordinated in right of payment to all deposit liabilities and other liabilities of HLISB, except to those liabilities, which by their terms, rank equally in right of payment with or are subordinated to the Subordinated Sukuk Ijarah. The Subordinated Sukuk Ijarah qualifies as Tier 2 capital for the purpose of determining the capital adequacy ratio of HLISB.

- (g) On 23 June 2014, HLB had completed the first issuance of RM500 million nominal value of Tier 2 Subordinated Notes (“Sub-Notes”) out of its RM10.0 billion Multi-Currency Sub-Notes Programme. The RM500 million Sub-Notes will mature in 2024 and is callable on any coupon payment date falling on or after the 5th anniversary of the issue date. The Sub-Notes which bears interest rate of 4.80% per annum is payable semi-annually in arrears. The exercise of the call option on the Sub-Notes shall be subject to the approval of BNM.

The Sub-Notes constitute unsecured liabilities of 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, except to those liabilities, which by their terms, rank equally in right of payment with or are subordinated to the Sub-Notes. The Sub-Notes qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of HLB.

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

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

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**12 Non-innovative Tier 1 stapled securities**

	<b>The Group</b>	
	<b>As at 31/03/2016 RM '000</b>	<b>As at 30/06/2015 RM '000</b>
RM1.4 billion Non-Innovative Tier 1 stapled securities, at par	1,400,000	1,400,000
Add: Interest payable	28,667	11,040
	<u>1,428,667</u>	<u>1,411,040</u>
Less: Unamortised discounts	(3)	(171)
	<u><u>1,428,664</u></u>	<u><u>1,410,869</u></u>

On 5 May 2011, HLB had completed its issuance of Non-innovative Tier 1 stapled securities (“NIT-1 stapled securities”) of RM1.4 billion. The NIT-1 Stapled Securities which is perpetual in nature and callable at the end of year 5 and on each coupon payment date, pays a semi annual coupon of 5.05% per annum. The call option shall be subject to the approval of BNM.

The NIT-1 Stapled Securities 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 1 capital for the purpose of determining the capital adequacy ratio of HLB Group and HLB.

**13 Innovative Tier 1 capital securities**

	<b>The Group</b>	
	<b>As at 31/03/2016 RM '000</b>	<b>As at 30/06/2015 RM '000</b>
RM500 million Innovative Tier 1 capital securities, at par	500,000	500,000
Add: Interest payable	2,486	12,771
	<u>502,486</u>	<u>512,771</u>
Less: Unamortised discounts	(6,188)	(7,367)
Add: Fair value adjustments on completion of business combination accounting	16,902	24,819
	<u><u>513,200</u></u>	<u><u>530,223</u></u>

On 10 September 2009, Promino, an indirect subsidiary of the Company, 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 Promino 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 HLB Group and HLB.



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**14 Off-Balance Sheet financial instruments**

Details of financial instruments with off-balance sheet risk as at 31 March 2016

**The Group**

Items	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
- Forwards			
(i) Less than 1 year	22,069,418	425,267	(712,841)
(ii) 1 year to 3 years	39,000	1,153	(365)
(iii) More than 3 years	48,503	-	(20,707)
- Swaps			
(i) Less than 1 year	6,885,364	186,202	(183,611)
(ii) 1 year to 3 years	4,467,359	270,326	(417,586)
(iii) More than 3 years	1,092,319	89,567	(37,728)
- Options			
(i) Less than 1 year	2,564,244	31,757	(31,015)
(ii) 1 year to 3 years	52,788	8,627	(8,627)
Interest rate related contracts			
- Futures			
(i) Less than 1 year	29,854,500	1,007	(752)
- Swaps			
(i) Less than 1 year	25,398,852	17,345	(30,036)
(ii) 1 year to 3 years	20,324,076	66,123	(96,754)
(iii) More than 3 years	22,661,080	237,470	(346,205)
Equity related contracts			
(i) Less than 1 year	286,923	2,616	(2,616)
(ii) 1 year to 3 years	206,965	2,112	(2,112)
(iii) More than 3 years	7,000	1,519	-
Commodity related contracts			
(i) Less than 1 year	6,059	1,607	(1,578)
<b>Total</b>	<b>135,964,450</b>	<b>1,342,698</b>	<b>(1,892,533)</b>

**The Company**

Items	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Interest rate related contracts			
- Swaps			
(i) Less than 1 year	350,000	178	(127)
(i) 1 year to 3 years	100,000	-	(1,244)
<b>Total</b>	<b>450,000</b>	<b>178</b>	<b>(1,371)</b>

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**14 Off-Balance Sheet financial instruments (continued)**

Details of financial instruments with off-balance sheet risk as at 30 June 2015

**The Group**

Items	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
- Forwards			
(i) Less than 1 year	24,276,218	767,439	(424,069)
(ii) 1 year to 3 years	98,423	2,110	-
- Swaps			
(i) Less than 1 year	6,772,023	148,744	(142,880)
(ii) 1 year to 3 years	2,833,122	137,620	(216,453)
(iii) More than 3 years	2,297,305	136,315	(185,756)
- Options			
(i) Less than 1 year	2,548,721	32,004	(26,254)
Interest rate related contracts			
- Futures			
(i) Less than 1 year	8,776,870	146	(2,987)
(ii) 1 year to 3 years	48,832	-	(220)
- Swaps			
(i) Less than 1 year	14,665,647	26,571	(25,506)
(ii) 1 year to 3 years	27,642,346	60,097	(78,996)
(iii) More than 3 years	21,027,288	146,684	(259,008)
Equity related contracts			
(i) Less than 1 year	360,330	3,075	(3,075)
(ii) 1 year to 3 years	102,937	3,877	(3,877)
(iii) More than 3 years	8,500	3,097	-
Commodity related contracts			
(i) Less than 1 year	1,471	87	(81)
(ii) 1 year to 3 years	3,826	218	(203)
<b>Total</b>	<b>111,463,859</b>	<b>1,468,084</b>	<b>(1,369,365)</b>

**The Company**

Items	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Interest rate related contracts			
- Swaps			
(i) 1 year to 3 years	775,000	126	(1,158)
<b>Total</b>	<b>775,000</b>	<b>126</b>	<b>(1,158)</b>

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**14 Off-Balance Sheet financial instruments (continued)**

**Market risk**

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk. 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 effectively and hence, exposed to foreign exchange and interest rate market risk were RM26,837,544 (FYE June 2015: RM33,684,338) and RM81,681,948,960 (FYE June 2015: RM63,369,478,507) respectively.

Derivatives

Market risk arises from the impact on trading positions of changes in foreign exchange rates and interest rates. It also includes the impact from changes in the correlations and volatilities of other risk factors. The Group manages trading market risk in the course of market-making, structuring and packaging products for investors and other clients, as well as to benefit from market opportunities. The Group's market risk framework identifies the types of the market risk to be covered, the risk metrics and methodologies to be used to capture such risk and the standards governing the management of market risk within the Group including limit setting and independent model validation, monitoring and valuation. Management of derivatives risks is continually reviewed and enhanced to ensure that the complexities of the business are appropriately controlled.

**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 RM1,288,970,468 (FYE June 2015: RM1,520,741,372). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

Derivatives

The amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Group (ie, assets where their fair value is positive), which in relation to derivatives is only a small fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Group requires margin deposits from counterparties.

The Group uses the following derivative instruments for both hedging and non-hedging purposes:

Currency forwards represent commitments to purchase foreign and domestic currency, including undelivered spot transactions. Interest rate futures are contractual obligations to receive or pay a net amount based on changes in currency rates or interest rates, or to buy or sell foreign currency or a financial instrument on a future date at a specified price, established in an organised financial market. The credit risk of futures contracts is negligible, as futures contracts are collateralised by cash or marketable securities, and changes in the futures' contract value are settled daily with the exchange.

Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates (for example, fixed rate for floating rate) or a combination of all these (ie, cross-currency interest rate swaps). No exchange of principal takes place, except for certain currency swaps. The Group's credit risk represents the potential cost to replace the swap contracts if counterparties fail to fulfil their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities.

Foreign currency and interest rate options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of a foreign currency or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of foreign exchange or interest rate risk. Options may be either exchange-traded or negotiated between the Group and a customer (OTC). The Group is exposed to credit risk on purchased options only, and only to the extent of their carrying amount, which is their fair value.

The notional amounts of certain types of financial instrument provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time.

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**14 Off-Balance Sheet financial instruments (continued)**

**Liquidity risk**

Derivatives

Liquidity risk arises in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt in cash, securities or equities. Daily settlement limits are established for each counterparty to cover the aggregate of all settlement risk arising from the Group’s market transactions on any single day.

**Related accounting policies**

Derivative financial instruments are measured at fair value and are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gain or loss arising from a change in the fair value of the derivatives is recognised in the income statements unless they are part of a hedging relationship which qualifies for hedge accounting where the gain or loss is recognised as follows:

*Fair value hedge*

Where a derivative financial instrument hedges the changes in fair value of a recognised asset or liability, any gain or loss on the hedging instrument is recognised in the income statement. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in the income statement.

*Cash flow hedge*

Gains and losses on the hedging instrument, to the extent that the hedge is effective, are deferred in the separate component of equity. The ineffective part of any gain or loss is recognised in the income statement. The deferred gains and losses are then released to the income statement in the years when the hedged items affects the income statement.

**15 Material litigation**

The Group does not have any material litigation which, in the opinion of the Directors, would have a material adverse impact on the financial results of the Group.

**16 HLFG Dividends**

A second single-tier interim dividend of 25 sen per share has been proposed by the Company for the current quarter.

- (i) Amount per share : 25 sen per share
- (ii) Previous corresponding period : 25 sen per share
- (iii) Entitlement date : 13 June 2016
- (iv) Payment date : 28 June 2016

For the financial period ended 31 March 2016, a total single-tier dividend of 38 sen per share was declared (31 March 2015: 38 sen per share).

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**17 Earnings per share**

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares (excluding treasury shares) in issue during the financial period.

	The Group		The Group	
	Current quarter ended 31/03/2016 RM '000	Last year quarter ended 31/03/2015 RM '000	Current year to date 31/03/2016 RM '000	Last year to date 31/03/2015 RM '000
Net profit attributable to equity holders	315,067	363,499	965,398	1,179,493
Weighted average number of ordinary shares ('000)	1,143,573	1,047,663	1,089,510	1,047,663
<b>Basic earnings per share (Sen)</b>	<b>27.6</b>	<b>34.7</b>	<b>88.6</b>	<b>112.6</b>

	The Company		The Company	
	Current quarter ended 31/03/2016 RM '000	Last year quarter ended 31/03/2015 RM '000	Current year to date 31/03/2016 RM '000	Last year to date 31/03/2015 RM '000
Net profit attributable to equity holders	182,459	209,016	473,916	711,697
Weighted average number of ordinary shares ('000)	1,147,516	1,049,767	1,092,734	1,049,767
<b>Basic earnings per share (Sen)</b>	<b>15.9</b>	<b>19.9</b>	<b>43.4</b>	<b>67.8</b>

(b) Fully diluted earnings per share

The Company has only one category of dilutive potential ordinary share, share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	The Group		The Group	
	Current quarter ended 31/03/2016 RM '000	Last year quarter ended 31/03/2015 RM '000	Current year to date 31/03/2016 RM '000	Last year to date 31/03/2015 RM '000
Net profit attributable to equity holders	315,067	363,499	965,398	1,179,493
Weighted average number of ordinary shares ('000)				
- during the year	1,143,573	1,047,663	1,089,510	1,047,663
- adjustment for ESOS	-	958	-	958
	<u>1,143,573</u>	<u>1,048,621</u>	<u>1,089,510</u>	<u>1,048,621</u>
<b>Fully diluted earnings per share (Sen)</b>	<b>27.6</b>	<b>34.7</b>	<b>88.6</b>	<b>112.5</b>

	The Company		The Company	
	Current quarter ended 31/03/2016 RM '000	Last year quarter ended 31/03/2015 RM '000	Current year to date 31/03/2016 RM '000	Last year to date 31/03/2015 RM '000
Net profit attributable to equity holders	182,459	209,016	473,916	711,697
Weighted average number of ordinary shares ('000)				
- during the year	1,147,516	1,049,767	1,092,734	1,049,767
- adjustment for ESOS	-	955	-	955
	<u>1,147,516</u>	<u>1,050,722</u>	<u>1,092,734</u>	<u>1,050,722</u>
<b>Fully diluted earnings per share (Sen)</b>	<b>15.9</b>	<b>19.9</b>	<b>43.4</b>	<b>67.7</b>

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG”)  
 ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES  
 FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2016**

**18 Realised and unrealised profit**

	<b>The Group</b>	
	<b>As at 31/03/2016 RM '000</b>	<b>As at 30/06/2015 RM '000</b>
Total retained profits of the Group and its subsidiaries		
- Realised	19,912,396	19,285,289
- Unrealised	1,235,319	1,161,592
Total share of retained profits from associated companies		
- Realised	2,256,269	1,976,541
- Unrealised	2,776	1,759
Total share of retained profits from joint ventures		
- Realised	41,461	26,647
	<u>23,448,221</u>	<u>22,451,828</u>
Less: Consolidation adjustments	(15,240,433)	(14,635,036)
Total Group's retained profits as per consolidated accounts	<u><u>8,207,788</u></u>	<u><u>7,816,792</u></u>

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

Dated this 24th May 2016