

**HONG LEONG CAPITAL BERHAD**  
*(Company Number: 213006-U)*  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2019**

	Note	The Group		The Company	
		As at 30/09/2019 RM'000	As at 30/06/2019 RM'000	As at 30/09/2019 RM'000	As at 30/06/2019 RM'000
<b>ASSETS</b>					
Cash and short term funds		<b>398,308</b>	520,657	<b>1,696</b>	513
Financial assets at fair value through profit or loss ("FVTPL")	<b>11</b>	<b>1,101,450</b>	1,506,205	<b>259,547</b>	259,746
Financial investments at fair value through other comprehensive income ("FVOCI")	<b>12</b>	<b>1,122,150</b>	1,110,915	-	-
Financial investments at amortised cost	<b>13</b>	<b>770,759</b>	735,665	-	-
Derivative financial assets	<b>19</b>	<b>27,041</b>	28,310	-	-
Loans and advances	<b>14</b>	<b>242,265</b>	205,290	-	-
Clients' and brokers' balances	<b>15</b>	<b>187,125</b>	247,532	-	-
Other assets	<b>16</b>	<b>36,063</b>	55,409	<b>396</b>	940
Statutory deposits with Bank Negara Malaysia		<b>33,802</b>	37,259	-	-
Tax recoverable		<b>61</b>	53	<b>9</b>	1
Investment in subsidiary companies		-	-	<b>246,574</b>	246,574
Deferred tax assets		<b>84,771</b>	82,556	-	-
Property and equipment		<b>14,532</b>	15,182	-	-
Right-of-use assets ("ROU")		<b>26,337</b>	-	-	-
Goodwill		<b>33,059</b>	33,059	-	-
Other intangible assets		<b>2,687</b>	3,102	-	-
<b>TOTAL ASSETS</b>		<b>4,080,410</b>	4,581,194	<b>508,222</b>	507,774
<b>LIABILITIES</b>					
Deposits from customers	<b>17</b>	<b>602,717</b>	748,004	-	-
Deposits and placements of banks and other financial institutions	<b>18</b>	<b>2,084,934</b>	2,422,120	-	-
Derivative financial liabilities	<b>19</b>	<b>39,765</b>	34,310	-	-
Clients' and brokers' balances		<b>191,585</b>	282,521	-	-
Lease liabilities		<b>26,002</b>	-	-	-
Other liabilities	<b>20</b>	<b>160,374</b>	144,635	<b>795</b>	612
Current tax liabilities		<b>2,912</b>	1,492	-	-
Subordinated obligations	<b>21</b>	<b>152,325</b>	150,505	-	-
<b>TOTAL LIABILITIES</b>		<b>3,260,614</b>	3,783,587	<b>795</b>	612

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements of the Group and the Company for the financial year ended 30 June 2019*

**HONG LEONG CAPITAL BERHAD**  
 (Company Number: 213006-U)  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2019**

	Note	The Group		The Company	
		As at 30/09/2019 RM'000	As at 30/06/2019 RM'000	As at 30/09/2019 RM'000	As at 30/06/2019 RM'000
<b>EQUITY</b>					
Share capital		246,896	246,896	246,896	246,896
Reserves		578,931	556,742	266,449	266,184
Treasury shares for ESOS scheme		(6,031)	(6,031)	(5,918)	(5,918)
<b>TOTAL EQUITY</b>		<b>819,796</b>	<b>797,607</b>	<b>507,427</b>	<b>507,162</b>
<b>TOTAL LIABILITIES AND EQUITY</b>					
		<b>4,080,410</b>	4,581,194	<b>508,222</b>	507,774
<b>COMMITMENTS AND CONTINGENCIES</b>					
	27	<b>8,878,652</b>	11,469,676	-	-
<b>Net assets per share attributable to ordinary equity holder of the Company (RM)</b>					
		<b>3.40</b>	3.31		

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements of the Group and the Company for the financial year ended 30 June 2019*

**HONG LEONG CAPITAL BERHAD**  
 (Company Number: 213006-U)  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019**

	Current quarter ended 30/09/2019	Last year's quarter ended 30/09/2018	Current year ended 30/09/2019	Last year's ended 30/09/2018
Note	RM'000	RM'000	RM'000	RM'000
<b>The Group</b>				
Interest income	27,962	29,424	27,962	29,424
Interest income for financial assets at FVTPL	9,865	13,190	9,865	13,190
Interest expense	(28,866)	(31,808)	(28,866)	(31,808)
Net interest income	8,961	10,806	8,961	10,806
Non-interest income	51,984	39,984	51,984	39,984
Net income	60,945	50,790	60,945	50,790
Overhead expenses	(36,295)	(27,759)	(36,295)	(27,759)
Operating profit before allowances Allowance for credit impairment losses	24,650	23,031	24,650	23,031
Profit before taxation	24,493	22,710	24,493	22,710
Taxation	(768)	1,321	(768)	1,321
<b>Net profit for the period</b>	<b>23,725</b>	<b>24,031</b>	<b>23,725</b>	<b>24,031</b>
<b>Earnings per share (sen)</b>				
- Basic	9.8	10.0	9.8	10.0
- Diluted	9.8	10.0	9.8	10.0

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements of the Group and the Company for the financial year ended 30 June 2019*

**HONG LEONG CAPITAL BERHAD**  
*(Company Number: 213006-U)*  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019**

	<b>Current quarter ended 30/09/2019 RM'000</b>	<b>Last year's quarter ended 30/09/2018 RM'000</b>	<b>Current year ended 30/09/2019 RM'000</b>	<b>Last year's ended 30/09/2018 RM'000</b>
<b>The Group</b>				
<b>Net profit for the period</b>	<b>23,725</b>	24,031	<b>23,725</b>	24,031
<b>Other comprehensive (expense)/income:</b>				
Items that will be reclassified subsequently to income statements				
Net fair value changes on financial investments at FVOCI				
- Unrealised net gain on revaluation of financial investments at FVOCI	<b>3,961</b>	3,912	<b>3,961</b>	3,912
- Net transfer to income statements on disposal of financial investments at FVOCI	<b>(6,036)</b>	(453)	<b>(6,036)</b>	(453)
- Net credit impairment loss change in financial investments at FVOCI	<b>41</b>	355	<b>41</b>	355
Income tax relating to net fair value changes on financial investments at FVOCI	<b>498</b>	(831)	<b>498</b>	(831)
<b>Other comprehensive (expense)/income for the period, net of tax</b>	<b>(1,536)</b>	2,983	<b>(1,536)</b>	2,983
<b>Total comprehensive income for the period, net of tax</b>	<b>22,189</b>	27,014	<b>22,189</b>	27,014

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements of the Group and the Company for the financial year ended 30 June 2019*

**HONG LEONG CAPITAL BERHAD***(Company Number: 213006-U)***CONDENSED FINANCIAL STATEMENTS****UNAUDITED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME  
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019**

		<b>Current quarter ended 30/09/2019 RM'000</b>	<b>Last year's quarter ended 30/09/2018 RM'000</b>	<b>Current year ended 30/09/2019 RM'000</b>	<b>Last year's ended 30/09/2018 RM'000</b>
	<b>Note</b>				
<b>The Company</b>					
Interest income	<b>22a</b>	<b>2</b>	<b>1</b>	<b>2</b>	<b>1</b>
Interest expense	<b>23</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net interest income		<b>2</b>	<b>1</b>	<b>2</b>	<b>1</b>
Non-interest income	<b>24</b>	<b>679</b>	<b>2,327</b>	<b>679</b>	<b>2,327</b>
Net income		<b>681</b>	<b>2,328</b>	<b>681</b>	<b>2,328</b>
Overhead expenses	<b>25</b>	<b>(373)</b>	<b>(388)</b>	<b>(373)</b>	<b>(388)</b>
<b>Profit before taxation</b>		<b>308</b>	<b>1,940</b>	<b>308</b>	<b>1,940</b>
Taxation		<b>(43)</b>	<b>(87)</b>	<b>(43)</b>	<b>(87)</b>
<b>Net profit/total comprehensive income for the period</b>		<b>265</b>	<b>1,853</b>	<b>265</b>	<b>1,853</b>
<b>Earnings per share (sen)</b>					
- Basic		<b>0.1</b>	<b>0.8</b>	<b>0.1</b>	<b>0.8</b>
- Diluted		<b>0.1</b>	<b>0.8</b>	<b>0.1</b>	<b>0.8</b>

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements of the Group and the Company for the financial year ended 30 June 2019*

**HONG LEONG CAPITAL BERHAD**  
 (Company Number: 213006-U)  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019**

	Attributable to owners of the parent					Total RM'000
	Share Capital RM'000	Treasury Shares for ESOS Scheme RM'000	Regulatory Reserves RM'000	Fair Value Reserve RM'000	Retained Profits RM'000	
<b>The Group</b>						
At 1 July 2019	246,896	(6,031)	11,606	7,794	537,342	797,607
Net profit for the financial period	-	-	-	-	23,725	23,725
Other comprehensive expense, net of tax	-	-	-	(1,536)	-	(1,536)
Total comprehensive (expense)/income	-	-	-	(1,536)	23,725	22,189
Transfer from regulatory reserve	-	-	(77)	-	77	-
At 30 September 2019	246,896	(6,031)	11,529	6,258	561,144	819,796
At 1 July 2018	246,896	(6,031)	12,743	(1,391)	514,337	766,554
Net profit for the financial period	-	-	-	-	24,031	24,031
Other comprehensive income, net of tax	-	-	-	2,983	-	2,983
Total comprehensive income	-	-	-	2,983	24,031	27,014
Transfer from regulatory reserve	-	-	638	-	(638)	-
At 30 September 2018	246,896	(6,031)	13,381	1,592	537,730	793,568

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**HONG LEONG CAPITAL BERHAD**  
 (Company Number: 213006-U)  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019**

	<u>Non-Distributable</u>		<u>Distributable</u>	
	Share Capital RM'000	Treasury Shares for ESOS Scheme RM'000	Retained Profits RM'000	Total RM'000
<b>The Company</b>				
At 1 July 2019	246,896	(5,918)	266,184	507,162
Net profit for the financial period	-	-	265	265
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	-	-	265	265
At 30 September 2019	<b>246,896</b>	<b>(5,918)</b>	<b>266,449</b>	<b>507,427</b>
At 1 July 2018	246,896	(5,918)	238,437	479,415
Net profit for the financial period	-	-	1,853	1,853
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	-	-	1,853	1,853
At 30 September 2018	246,896	(5,918)	240,290	481,268

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements of the Group and the Company for the financial year ended 30 June 2019*

**HONG LEONG CAPITAL BERHAD**  
*(Company Number 213006-U)*  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019**

	<b>The Group</b>	
	<b>30/09/2019</b>	<b>30/09/2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Cash flows from operating activities</u></b>		
Profit before taxation	<b>24,493</b>	22,710
<b><u>Adjustments for non-cash items:</u></b>		
- Depreciation of property and equipment	<b>870</b>	926
- Amortisation of intangible assets	<b>439</b>	824
- Depreciation of ROU assets	<b>1,020</b>	-
- Allowance for impairment losses on loans and advances	<b>176</b>	30
- Allowance for impairment losses on financial investments and other financial assets	<b>19</b>	291
- Net unrealised loss/(gain) on revaluation of:		
- Financial assets at FVTPL	<b>4,078</b>	(4,592)
- Derivative financial instruments	<b>6,484</b>	(17,804)
- Interest income from:		
- Financial assets at FVTPL	<b>(9,865)</b>	(13,190)
- Financial investments at FVOCI	<b>(10,013)</b>	(14,897)
- Financial investments at amortised cost	<b>(6,887)</b>	(6,370)
- Interest expense from:		
- Derivative financial instruments	<b>3,928</b>	1,898
- Subordinated obligations	<b>1,820</b>	673
- Lease liabilities	<b>318</b>	-
- Dividend income from:		
- Financial assets at FVTPL	<b>(2,872)</b>	(3,154)
	<b>(10,485)</b>	(55,365)
<b>Operating profit/(loss) before changes in working capital</b>	<b>14,008</b>	(32,655)
Changes in working capital:		
- Securities purchased under resale agreements	-	(503)
- Deposits and placements with banks and other financial institutions with original maturity of more than three months	-	(1,303)
- Financial assets at FVTPL	<b>398,020</b>	331,034
- Derivative financial instruments	<b>260</b>	12
- Loans and advances	<b>(37,151)</b>	19,745
- Clients' and brokers' balances	<b>60,419</b>	(15,651)
- Other assets	<b>19,338</b>	752
- Statutory deposits with Bank Negara Malaysia	<b>3,457</b>	3,232
Net changes in operating assets	<b>444,343</b>	337,318
- Deposits from customers	<b>(145,287)</b>	(75,909)
- Deposits and placements of banks and other financial institutions	<b>(337,186)</b>	559,045
- Obligations on securities sold under repurchase agreements	-	(99,654)
- Clients' and brokers' balances	<b>(90,936)</b>	(38,507)
- Other liabilities	<b>15,210</b>	10,819
Net changes in operating liabilities	<b>(558,199)</b>	355,794
<b>Cash (used in)/generated from operating activities</b>	<b>(99,848)</b>	660,457

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements of the Group and the Company for the financial year ended 30 June 2019*

**HONG LEONG CAPITAL BERHAD**  
**(Company Number 213006-U)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019**

	<b>The Group</b>	
	<b>30/09/2019</b>	<b>30/09/2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash (used in)/generated from operating activities</b>	<b>(99,848)</b>	660,457
Net income tax paid	<b>(1,071)</b>	(665)
<b>Net cash (used in)/generated from operating activities</b>	<b>(100,919)</b>	<b>659,792</b>
<b><u>Cash flows from investing activities</u></b>		
Net purchase of financial investments at FVOCI	<b>(9,930)</b>	(628,060)
Net purchase of financial investments at amortised cost	<b>(38,908)</b>	(31,772)
Dividend received from:		
- Financial assets at FVTPL	<b>2,872</b>	3,154
Interest received from financial assets at FVTPL, financial investments at FVOCI, financial investments at amortised cost and derivatives	<b>29,574</b>	38,018
Interest expenses paid on derivative financial instruments	<b>(3,648)</b>	(1,730)
Purchase of property and equipment	<b>(220)</b>	(2,016)
Purchase of intangible assets	<b>(24)</b>	(992)
<b>Net cash used in investing activities</b>	<b>(20,284)</b>	<b>(623,398)</b>
<b><u>Cash flows from financing activities</u></b>		
Repayment of lease liabilities	<b>(1,146)</b>	-
<b>Net cash used in financing activities</b>	<b>(1,146)</b>	-
<b>Net changes in cash and cash equivalents during the financial period</b>	<b>(122,349)</b>	36,394
<b>Cash and cash equivalents at beginning of the financial period</b>	<b>520,657</b>	127,647
<b>Cash and cash equivalents at end of the financial period</b>	<b>398,308</b>	<b>164,041</b>
<b>Cash and cash equivalents comprise:</b>		
Cash and short term funds	<b>398,308</b>	205,989
Less:		
Deposits and placements with banks and other financial institutions with original maturity of more than three months	<b>-</b>	(41,948)
	<b>398,308</b>	<b>164,041</b>

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**HONG LEONG CAPITAL BERHAD**  
**(Company Number 213006-U)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019**

	<b>The Company</b>	
	<b>30/09/2019</b>	<b>30/09/2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Cash flows from operating activities</u></b>		
Profit before taxation	308	1,940
Adjustments for non-cash items:		
- Net unrealised loss/(gain) on revaluation of financial assets at FVTPL	1,992	(193)
- Dividend income from:		
- Financial assets at FVTPL	(2,357)	(1,489)
	(365)	(1,682)
<b>Operating (loss)/profit before changes in working capital</b>	(57)	258
Increase in financial assets at FVTPL	(1,793)	(316)
Decrease in other assets	544	14,633
Increase/(Decrease) in other liabilities	183	(15,767)
<b>Cash used in operating activities</b>	(1,123)	(1,192)
Net income tax paid	(51)	(7)
<b>Net cash used in operating activities</b>	(1,174)	(1,199)
<b><u>Cash flows from investing activities</u></b>		
Dividend received from:		
- Financial assets at FVTPL	2,357	1,489
<b>Net cash generated from investing activities</b>	2,357	1,489
<b>Net changes in cash and cash equivalents during the financial period</b>	1,183	290
<b>Cash and cash equivalents at beginning of the financial period</b>	513	44
<b>Cash and cash equivalents at end of the financial period</b>	1,696	334
<b>Cash and cash equivalents comprise:</b>		
Cash and short term funds	1,696	334

*The unaudited condensed financial statements should be read in conjunction with the audited financial statements of the Group and the Company for the financial year ended 30 June 2019*

**HONG LEONG CAPITAL BERHAD ("HLCB" or "Company")**  
**(formerly known as HLG Capital Berhad)**  
*(Company Number 213006-U)*  
**NOTES TO INTERIM FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019**

**Explanatory Notes pursuant to the Malaysian Financial Reporting Standard 134 ("MFRS 134") and Guidelines on Financial Reporting issued by Bank Negara Malaysia ("BNM")**

**1. Basis of preparation**

The unaudited condensed financial statements for the financial period ended 30 September 2019 have been prepared under the historical cost convention, as modified by the revaluation of financial investments at fair value through other comprehensive income ("FVOCI") and financial assets/financial liabilities (including derivative financial instruments) at fair value through profit or loss ("FVTPL").

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 2019. 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 2019.

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 2019 and modified for the adoption of the following Amendments to MFRSs applicable for financial year beginning on or after 1 July 2019:

- MFRS 16 'Leases'
- Amendments to MFRS 9 'Prepayment Features with Negative Compensation'
- IC Interpretation 23 'Uncertainty over Income Tax Treatments'
- Annual Improvements to MFRSs 2015 – 2017 Cycle
  - Amendments to MFRS 112 'Income Taxes'
  - Amendments to MFRS 123 'Borrowings Costs'

The adoption of these MFRSs, amendments to MFRSs and IC Interpretations did not have any significant financial impact on the results of the Group and the Company other than the effects and change in accounting policies arising from the adoption of MFRS 16 as disclosed in Note 36.

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.

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

The auditors' report on the audited financial statements for the financial year ended 30 June 2019 was not qualified.

**3. Comments about seasonal or cyclical factors**

The operations of the Group and the Company were not materially affected by any seasonal or cyclical factors during the financial quarter ended 30 September 2019.

**4. Unusual items due to their nature, size or incidence**

There were no unusual items affecting the assets, liabilities, equities, net income or cash flows of the Group and the Company during the financial quarter ended 30 September 2019.

**5. Change in estimate**

There were no material changes in estimate of amount reported in prior financial year that have a material effect in the financial quarter ended 30 September 2019.

**6. Debt and Equity Securities**

There were no new issuance and repayment of debt and equity securities, share-buy-back, share cancellations, shares held as treasury shares and resale of treasury shares during the financial period ended 30 September 2019, other than as mentioned below.

Purchase of shares pursuant to ESOS

In accordance with MFRS 132 "Financial instruments: Presentation and Disclosure", the shares purchased for the benefit of the ESOS holdings are recorded as "Treasury Shares for ESOS Scheme" in equity on the statements of financial position.

Total shares held by ESOS Trust comprise 5,612,700 (30.06.2019: 5,612,700) shares in the Group costing RM6,031,241 (30.06.2019: RM6,031,241) inclusive of transaction costs, as at 30 September 2019.

**7. Dividends paid**

There were no dividends paid during the financial quarter ended 30 September 2019.

**8. Valuations of property, plant and equipment**

No valuations of property, plant and equipment were carried out for the financial quarter ended 30 September 2019.

**9. Significant events**

**Public shareholding spread**

The Company currently does not meet the requirement as set out in paragraph 8.02(1) of the Listing Requirements which states that a listed issuer must ensure that at least 25% of its total listed shares (excluding treasury shares) are in the hands of public shareholders.

The public shareholding spread of the Company as at 6 November 2019 was 18.67%.

As announced by the Company on 18 March 2015, Bursa Malaysia Securities Berhad had imposed a suspension on the trading of HLCB's shares with effect from 26 March 2015. The suspension will only be uplifted upon full compliance of the public shareholding spread in accordance with paragraph 8.02(1) of the Listing Requirements.

As announced previously, the Company will continue to discuss with its majority shareholder, Hong Leong Financial Group Berhad, options to comply with the shareholding spread requirement.

**10. Subsequent events**

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

## HLCB Q1 (30.09.19)

### 11. Financial assets at fair value through profit or loss ("FVTPL")

	The Group		The Company	
	As at 30/09/2019 RM'000	As at 30/06/2019 RM'000	As at 30/09/2019 RM'000	As at 30/06/2019 RM'000
<b>Money market instruments</b>				
Malaysian Government Securities	41,556	20,806	-	-
Malaysian Government Investment Issues	21,319	-	-	-
Negotiable instruments of deposits	609,387	991,171	-	-
Cagamas bonds	5,018	5,017	-	-
	<b>677,280</b>	<b>1,016,994</b>	<b>-</b>	<b>-</b>
<b>Quoted securities</b>				
In Malaysia:				
Shares	48,649	62,490	29,524	26,263
Unit trust investment	230,365	233,847	230,023	233,483
	<b>279,014</b>	<b>296,337</b>	<b>259,547</b>	<b>259,746</b>
<b>Unquoted securities</b>				
Shares	1,365	1,365	-	-
Foreign currency bonds	25,356	-	-	-
Corporate bond and/or sukuk	118,435	191,509	-	-
	<b>145,156</b>	<b>192,874</b>	<b>-</b>	<b>-</b>
	<b>1,101,450</b>	<b>1,506,205</b>	<b>259,547</b>	<b>259,746</b>

### 12. Financial investments at fair value through other comprehensive income ("FVOCI")

	The Group	
	As at 30/09/2019 RM'000	As at 30/06/2019 RM'000
<b>Money market instruments</b>		
Malaysian Government Securities	196,911	235,724
Malaysian Government Investment Issues	31,129	31,073
Cagamas bonds	62,558	56,022
	<b>290,598</b>	<b>322,819</b>
<b>Unquoted securities</b>		
Foreign currency bonds	112,912	111,351
Corporate bond and/or sukuk	718,640	676,745
	<b>831,552</b>	<b>788,096</b>
	<b>1,122,150</b>	<b>1,110,915</b>

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### 12. Financial investments at fair value through other comprehensive income ("FVOCI") (continued)

Movements in expected credit losses of debt instruments at FVOCI are as follows:-

The Group	12 Months	Lifetime ECL	Lifetime ECL	Total ECL
	ECL	not credit	credit	
	(Stage 1)	(Stage 2)	(Stage 3)	
	RM'000	RM'000	RM'000	RM'000
At 1 July 2019	143	-	-	143
Allowances made	3	-	-	3
Amount written back	(5)	-	-	(5)
New financial assets originated or purchased	87	-	-	87
Financial assets derecognised	(43)	-	-	(43)
Exchange differences	(1)	-	-	(1)
At 30 September 2019	<b>184</b>	-	-	<b>184</b>
At 1 July 2018	205	-	-	205
Allowances made	44	-	-	44
Amount written back	(20)	-	-	(20)
New financial assets originated or purchased	524	-	-	524
Financial assets derecognised	(607)	-	-	(607)
Exchange differences	(3)	-	-	(3)
At 30 June 2019	<b>143</b>	-	-	<b>143</b>

### 13. Financial investments at amortised cost

	The Group	
	As at 30/09/2019 RM'000	As at 30/06/2019 RM'000
<b>Money market instruments</b>		
Malaysian Government Securities	207,896	157,905
Malaysian Government Investment Issues	486,141	478,451
	<b>694,037</b>	<b>636,356</b>
<b>Unquoted securities</b>		
Foreign currency bonds	31,358	53,810
Corporate bond and/or sukuk	45,382	45,535
	<b>76,740</b>	<b>99,345</b>
Less: Expected credit losses	(18)	(36)
	<b>770,759</b>	<b>735,665</b>

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### 13. Financial investments at amortised cost (continued)

Movements in expected credit losses of financial investments at amortised cost are as follows:

The Group	12 Months	Lifetime ECL	Lifetime ECL	Total ECL
	ECL (Stage 1)	not credit impaired (Stage 2)	credit impaired (Stage 3)	
	RM'000	RM'000	RM'000	RM'000
At 1 July 2019	36	-	-	36
Financial assets derecognised	(18)	-	-	(18)
At 30 September 2019	<u>18</u>	<u>-</u>	<u>-</u>	<u>18</u>
At 1 July 2018	24	-	-	24
New financial assets originated or purchased	15	-	-	15
Exchange differences	(3)	-	-	(3)
At 30 June 2019	<u>36</u>	<u>-</u>	<u>-</u>	<u>36</u>

### 14. Loans and advances

	The Group	
	As at 30/09/2019 RM'000	As at 30/06/2019 RM'000
Term loan financing	55,054	19,862
Share margin financing	190,177	188,217
Staff loans	50	51
Other loans	515	515
Gross loans and advances	<u>245,796</u>	<u>208,645</u>
Allowance for impairment losses:		
- expected credit losses	(3,531)	(3,355)
Net loans and advances	<u>242,265</u>	<u>205,290</u>
<b>a. <u>By type of customer</u></b>		
Domestic business enterprises		
- Small and medium enterprises	24,619	509
- Others	89,007	71,282
Individuals	123,408	128,253
Foreign entities	8,762	8,601
Gross loans and advances	<u>245,796</u>	<u>208,645</u>
<b>b. <u>By interest rate sensitivity</u></b>		
Fixed rate		
- Staff housing loans	50	51
- Other fixed rate loan	515	515
Variable rate		
- Cost plus	245,231	208,079
Gross loans and advances	<u>245,796</u>	<u>208,645</u>
<b>c. <u>By residual contractual maturity</u></b>		
Maturity within one year	245,746	202,210
More than one year to three years	-	6,384
More than five years	50	51
Gross loans and advances	<u>245,796</u>	<u>208,645</u>

## 14. Loans and advances (continued)

	The Group	
	As at 30/09/2019 RM'000	As at 30/06/2019 RM'000
<b>d. <u>By geographical distribution</u></b>		
Malaysia	<b>245,796</b>	208,645
<b>e. <u>By economic purpose</u></b>		
Purchase of securities	<b>238,847</b>	201,696
Working capital	<b>6,384</b>	6,384
Purchase of transport vehicles	<b>126</b>	126
Purchase of landed properties	<b>439</b>	439
Gross loans and advances	<b>245,796</b>	208,645
<b>f. Impaired loans and advances</b>		
(i) Movements in impaired loans and advances ("impaired loans") are as follows:		
At 1 July	<b>6,898</b>	6,873
Impaired during the financial period/year	-	25
At 30 September/30 June	<b>6,898</b>	6,898
(ii) <u>By geographical distribution</u>		
Malaysia	<b>6,898</b>	6,898
(iii) <u>By economic purpose</u>		
Purchase of transport vehicles	<b>126</b>	126
Purchase of landed properties	<b>388</b>	388
Working capital	<b>6,384</b>	6,384
Gross impaired loans and advances	<b>6,898</b>	6,898
<b>g. Movements in allowance for impairment losses are as follows:</b>		

**Expected credit losses**

The Group	12 Months	Lifetime ECL	Lifetime ECL	Total ECL
	ECL (Stage 1) RM'000	not credit impaired (Stage 2) RM'000	credit impaired (Stage 3) RM'000	
At 1 July 2019	140	1	3,214	3,355
Transferred to Stage 1	2	(2)	-	-
Transferred to Stage 2	(2)	2	-	-
New financial assets originated	79	-	-	79
Allowance made	92	-	34	126
Allowance written-back	(29)	-	-	(29)
At 30 September 2019	<b>282</b>	<b>1</b>	<b>3,248</b>	<b>3,531</b>

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### 14. Loans and advances (continued)

g. Movements in allowance for impairment losses are as follows:(continued)

#### Expected credit losses (continued)

The Group	12 Months ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total ECL RM'000
At 1 July 2018	223	3	2,959	3,185
Transferred to Stage 1	18	(18)	-	-
Transferred to Stage 2	(16)	16	-	-
New financial assets originated	21	1	-	22
Financial assets derecognised	(4)	-	-	(4)
Allowance made	29	1	287	317
Allowance written-back	(131)	(2)	(32)	(165)
At 30 June 2019	<u>140</u>	<u>1</u>	<u>3,214</u>	<u>3,355</u>

### 15. Clients' and brokers' balances

	The Group	
	As at 30/09/2019 RM'000	As at 30/06/2019 RM'000
Performing accounts	<b>186,714</b>	247,150
Impaired accounts	<b>618</b>	602
	<u><b>187,332</b></u>	<u>247,752</u>
Allowance for impairment losses:		
- expected credit losses	<u><b>(207)</b></u>	<u>(220)</u>
	<u><b>187,125</b></u>	<u>247,532</u>

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### 16. Other assets

	The Group		The Company	
	As at 30/09/2019 RM'000	As at 30/06/2019 RM'000	As at 30/09/2019 RM'000	As at 30/06/2019 RM'000
Amount due from subsidiary companies	-	-	274	130
Deposits and prepayments	9,075	8,583	19	35
Fee income receivable	5,634	8,883	-	-
Cash collaterals pledged for derivative transactions	8,024	7,417	-	-
Treasury related receivables	11	19,185	-	-
Other receivables	13,930	12,665	103	775
Manager's stocks and consumables	768	46	-	-
	<b>37,442</b>	<b>56,779</b>	<b>396</b>	<b>940</b>
Allowance for impairment losses:				
- Expected credit losses	(1,379)	(1,370)	-	-
	<b>36,063</b>	<b>55,409</b>	<b>396</b>	<b>940</b>

### 17. Deposits from customers

	The Group	
	As at 30/09/2019 RM'000	As at 30/06/2019 RM'000
<b>a. <u>By type of deposits</u></b>		
Fixed deposits	<b>602,717</b>	748,004
<b>b. <u>By type of customer</u></b>		
Government and statutory bodies	<b>495,163</b>	525,319
Business enterprises	<b>89,261</b>	180,092
Individuals	<b>18,293</b>	42,593
	<b>602,717</b>	<b>748,004</b>
<b>c. The maturity structure of fixed deposits are as follows:</b>		
Due within:		
- six months	<b>583,795</b>	748,004
- six months to one year	<b>18,922</b>	-
	<b>602,717</b>	<b>748,004</b>

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

	The Group	
	As at 30/09/2019 RM'000	As at 30/06/2019 RM'000
Licensed banks	<b>288,869</b>	319,492
Licensed investment banks	-	130,032
Other financial institutions	<b>1,796,065</b>	1,972,596
	<b>2,084,934</b>	<b>2,422,120</b>

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19. Derivative financial assets/(liabilities)

<b>The Group</b>	<b>Contract or underlying principal amount</b>	<b>Positive fair value</b>	<b>Negative fair value</b>
<b>30/09/2019</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Interest rate related contracts:			
- Interest rate swaps	6,145,000	20,356	(32,710)
- Futures	76,650	102	(193)
- Cross currency swaps	83,770	1,773	-
Foreign exchange related contracts:			
- Foreign currency swaps	1,597,251	4,687	(6,478)
- Foreign currency forwards	155,380	74	(384)
Equity related contracts:			
- Futures	9,858	37	-
- Call option	7,000	12	-
	<b>8,074,909</b>	<b>27,041</b>	<b>(39,765)</b>
<b>30/06/2019</b>			
Interest rate related contracts:			
- Interest rate swaps	8,005,000	16,732	(29,429)
- Futures	91,819	-	(134)
- Cross currency swaps	82,720	2,745	-
Foreign exchange related contracts:			
- Foreign currency swaps	2,313,381	8,731	(4,228)
- Foreign currency forwards	170,641	48	(519)
Equity related contracts:			
- Futures	29,152	39	-
- Call option	7,000	15	-
	<b>10,699,713</b>	<b>28,310</b>	<b>(34,310)</b>

**20. Other liabilities**

	<b>The Group</b>		<b>The Company</b>	
	<b>As at 30/09/2019 RM'000</b>	<b>As at 30/06/2019 RM'000</b>	<b>As at 30/09/2019 RM'000</b>	<b>As at 30/06/2019 RM'000</b>
Amount due to holding company	467	169	-	-
Amount due to related companies	14	14	-	-
Remisiers' trust deposits	13,038	13,011	-	-
Treasury related payables	-	20,624	-	-
Advance payments received for corporate exercise	243	66,015	-	-
Other payables and accrued liabilities	146,399	44,590	795	612
Post employment benefits obligation - defined contribution plan	213	212	-	-
	<b>160,374</b>	<b>144,635</b>	<b>795</b>	<b>612</b>

**21. Subordinated obligations**

	<b>The Group</b>	
	<b>As at 30/09/2019 RM'000</b>	<b>As at 30/06/2019 RM'000</b>
RM150.0 million Tier 2 subordinated notes, at par	150,000	150,000
Add: Interest payable	2,338	603
	<b>152,338</b>	<b>150,603</b>
Less: Unamortised discounts	(13)	(98)
	<b>152,325</b>	<b>150,505</b>

On 6 November 2014, Hong Leong Investment Bank Berhad ("HLIB") had completed the first issuance of RM50.0 million nominal value of Tier 2 Subordinated Notes ("Sub-Notes") out of its RM1.0 billion Multi-Currency Sub-Notes Programme. The RM50.0 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.

Subsequently, on 14 June 2019, the Bank issued a second tranche of RM100.0 million nominal value of 10-year non-callable 5 years Sub Notes callable on 14 June 2024 (and thereafter) and due on 14 June 2029 out of its RM1.0 billion Multi-Currency Sub Notes Programme. The coupon rate for this second tranche of the Sub Notes is 4.23% per annum, which is payable semi-annually in arrears from the date of the issue.

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### 22a. Interest income

	Current quarter ended 30/09/2019 RM'000	Last year's quarter ended 30/09/2018 RM'000	Current year ended 30/09/2019 RM'000	Last year's ended 30/09/2018 RM'000
<b>The Group</b>				
Loan and advances	3,252	3,365	3,252	3,365
Money at call and deposits placements with banks and other financial institutions	3,955	824	3,955	824
Financial investments at FVOCI	10,013	14,897	10,013	14,897
Financial investments at amortised cost	6,887	6,370	6,887	6,370
Others	3,855	3,968	3,855	3,968
Total interest income	<u>27,962</u>	<u>29,424</u>	<u>27,962</u>	<u>29,424</u>
<b>The Company</b>				
Money at call and deposits placements with banks and other financial institutions	<u>2</u>	<u>1</u>	<u>2</u>	<u>1</u>

### 22b. Interest income for financial assets at FVTPL

	Current quarter ended 30/09/2019 RM'000	Last year's quarter ended 30/09/2018 RM'000	Current year ended 30/09/2019 RM'000	Last year's ended 30/09/2018 RM'000
<b>The Group</b>				
Financial assets at FVTPL	<u>9,865</u>	<u>13,190</u>	<u>9,865</u>	<u>13,190</u>

### 23. Interest expense

	Current quarter ended 30/09/2019 RM'000	Last year's quarter ended 30/09/2018 RM'000	Current year ended 30/09/2019 RM'000	Last year's ended 30/09/2018 RM'000
<b>The Group</b>				
Deposits and placements of banks and other financial institutions	5,517	10,114	5,517	10,114
Deposits from customers	17,278	18,885	17,278	18,885
Derivative financial instruments	3,928	1,898	3,928	1,898
Subordinated obligations	1,820	673	1,820	673
Others	323	238	323	238
Total interest expense	<u>28,866</u>	<u>31,808</u>	<u>28,866</u>	<u>31,808</u>

## 24. Non-interest income

	Current quarter ended 30/09/2019 RM'000	Last year's quarter ended 30/09/2018 RM'000	Current year ended 30/09/2019 RM'000	Last year's ended 30/09/2018 RM'000
<b>The Group</b>				
(a) <b>Fee income:</b>				
Fee on loans and advances	77	38	77	38
Arranger fees	853	425	853	425
Placement fees	709	463	709	463
Corporate advisory fees	1,381	723	1,381	723
Brokerage commissions	12,492	14,359	12,492	14,359
Commission from futures contracts	390	136	390	136
Unit trust fee income	18,050	11,339	18,050	11,339
Other fee income	3,461	628	3,461	628
	<b>37,413</b>	<b>28,111</b>	<b>37,413</b>	<b>28,111</b>
(b) <b>Net income from securities:</b>				
Net realised gain/(loss) arising from sale of:				
- Financial assets at FVTPL	5,207	(1,131)	5,207	(1,131)
- Financial investments at FVOCI	10,265	2,399	10,265	2,399
- Derivative financial instruments	13,655	(16,216)	13,655	(16,216)
Net unrealised (loss)/gain on revaluation of:				
- Financial assets at FVTPL	(4,078)	4,592	(4,078)	4,592
- Derivative financial instruments	(6,484)	17,804	(6,484)	17,804
Dividend income from:				
- Financial assets at FVTPL	2,872	3,154	2,872	3,154
	<b>21,437</b>	<b>10,602</b>	<b>21,437</b>	<b>10,602</b>
(c) <b>Other income</b>				
Foreign exchange (loss)/gain	(6,931)	1,219	(6,931)	1,219
Other non-operating income	65	52	65	52
	<b>(6,866)</b>	<b>1,271</b>	<b>(6,866)</b>	<b>1,271</b>
Total non-interest income	<b>51,984</b>	<b>39,984</b>	<b>51,984</b>	<b>39,984</b>
<b>The Company</b>				
(a) <b>Net income from securities:</b>				
Net realised gain arising from sale of:				
- Financial assets at FVTPL	263	612	263	612
Net unrealised (loss)/gain on revaluation of:				
- Financial assets at FVTPL	(1,992)	193	(1,992)	193
Dividend income from:				
- Financial assets at FVTPL	2,357	1,489	2,357	1,489
	<b>628</b>	<b>2,294</b>	<b>628</b>	<b>2,294</b>
(b) <b>Other income</b>				
Other income	51	33	51	33
	<b>679</b>	<b>2,327</b>	<b>679</b>	<b>2,327</b>

## 25. Overhead expenses

	Current quarter ended 30/09/2019 RM'000	Last year's quarter ended 30/09/2018 RM'000	Current year ended 30/09/2019 RM'000	Last year's ended 30/09/2018 RM'000
<b>The Group</b>				
Personnel costs				
- Salaries, bonuses and allowances	24,131	13,719	24,131	13,719
- Others	1,496	3,260	1,496	3,260
	<b>25,627</b>	<b>16,979</b>	<b>25,627</b>	<b>16,979</b>
Establishment costs				
- Depreciation of property and equipment	870	926	870	926
- Amortisation of intangible assets	439	824	439	824
- Depreciation of ROU assets	1,020	-	1,020	-
- Rental of premises	9	1,247	9	1,247
- Information technology expenses	1,957	1,343	1,957	1,343
- Others	575	812	575	812
	<b>4,870</b>	<b>5,152</b>	<b>4,870</b>	<b>5,152</b>
Marketing expenses				
- Advertisement and publicity	205	89	205	89
- Entertainment and business improvement	355	541	355	541
- Others	93	133	93	133
	<b>653</b>	<b>763</b>	<b>653</b>	<b>763</b>
Administration and general expenses				
- Management fees	1,234	1,072	1,234	1,072
- Communication expenses	445	467	445	467
- Auditors' remuneration				
- Statutory audit	89	112	89	112
- Regulatory related fee	3	10	3	10
- Legal and professional fees	734	985	734	985
- Others	2,640	2,219	2,640	2,219
	<b>5,145</b>	<b>4,865</b>	<b>5,145</b>	<b>4,865</b>
	<b>36,295</b>	<b>27,759</b>	<b>36,295</b>	<b>27,759</b>
<b>The Company</b>				
Personnel costs				
- Salaries, bonuses and allowances	-	-	-	-
- Others	91	56	91	56
	<b>91</b>	<b>56</b>	<b>91</b>	<b>56</b>
Establishment costs				
- Information technology expenses	1	1	1	1
- Others	15	11	15	11
	<b>16</b>	<b>12</b>	<b>16</b>	<b>12</b>

**25. Overhead expenses (continued)**

	<b>Current quarter ended 30/09/2019 RM'000</b>	<b>Last year's quarter ended 30/09/2018 RM'000</b>	<b>Current year ended 30/09/2019 RM'000</b>	<b>Last year's ended 30/09/2018 RM'000</b>
<b>The Company (continued)</b>				
Administration and general expenses				
- Management fees	150	148	150	148
- Communication expenses	1	1	1	1
- Auditors' remuneration				
- Statutory audit	11	22	11	22
- Regulatory related fee	3	10	3	10
- Legal and professional fees	-	12	-	12
- Others	101	127	101	127
	<b>266</b>	<b>320</b>	<b>266</b>	<b>320</b>
	<b>373</b>	<b>388</b>	<b>373</b>	<b>388</b>

**26. Allowance for credit impairment losses**

	<b>Current quarter ended 30/09/2019 RM'000</b>	<b>Last year's quarter ended 30/09/2018 RM'000</b>	<b>Current year ended 30/09/2019 RM'000</b>	<b>Last year's ended 30/09/2018 RM'000</b>
<b>The Group</b>				
Expected credit losses				
(a) Loans and advances	(176)	(30)	(176)	(30)
(b) Financial investments				
(i) Financial investments at FVOCI	(41)	(355)	(41)	(355)
(ii) Financial investments at amortised cost	18	(16)	18	(16)
	<b>(23)</b>	<b>(371)</b>	<b>(23)</b>	<b>(371)</b>
(c) Other financial assets:				
(i) Clients' and brokers' balances:				
- Expected credit losses	12	(7)	12	(7)
- Impaired clients' and brokers' balances recovered	38	-	38	-
(ii) Deposits and placements with banks and other financial institutions	-	22	-	22
(iii) Securities purchased under resale agreements	-	2	-	2
(iv) Other assets	(8)	63	(8)	63
	<b>42</b>	<b>80</b>	<b>42</b>	<b>80</b>
	<b>(157)</b>	<b>(321)</b>	<b>(157)</b>	<b>(321)</b>

27. Commitments and contingencies

	As at 30/09/2019 Principal Amount RM'000	As at 30/06/2019 Principal Amount RM'000
<b>The Group</b>		
<b>Commitments and contingent liabilities</b>		
Direct Credit Substitutes	1,000	1,000
Obligations under underwriting agreement	-	18,860
Other commitments, such as formal standby facilities and credit lines, with an original maturity:		
- over one year	30,000	-
Any commitments that are unconditionally cancelled at any time by the bank without prior notice		
- maturity less than one year	772,743	750,103
	<u>803,743</u>	<u>769,963</u>
<b>Derivative financial instruments</b>		
Interest rate related contracts:		
- One year or less	2,971,650	4,566,819
- Over one year to five years	3,088,770	3,367,720
- Over five years	245,000	245,000
Foreign exchange related contracts		
- One year or less	1,752,631	2,484,022
Equity related contracts		
- One year or less	16,858	36,152
	<u>8,074,909</u>	<u>10,699,713</u>
	<u>8,878,652</u>	<u>11,469,676</u>

**28. Fair value of financial instruments**

Determination of fair value and fair value hierarchy

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Valuations derived from valuation techniques in which one or more significant inputs are not based on observable market data.

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

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

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

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). This category includes unquoted shares held for socio economic reasons. Fair values for shares held for socio economic reasons are based on the net tangible assets of the affected companies. The Group's exposure to financial instruments classified as Level 3 comprised a small number of financial instruments which constitute an insignificant component of the Group's portfolio of financial instruments. Hence, changing one or more of the inputs to reasonable alternative assumptions would not change the value significantly for the financial assets in Level 3 of the fair value hierarchy.

<b>The Group 30.09.2019</b>	<b>Level 1 RM'000</b>	<b>Level 2 RM'000</b>	<b>Level 3 RM'000</b>	<b>Total RM'000</b>
<b>Financial assets</b>				
Financial assets at FVTPL	<b>279,014</b>	<b>821,071</b>	<b>1,365</b>	<b>1,101,450</b>
- Money market instruments	-	<b>677,280</b>	-	<b>677,280</b>
- Quoted securities	<b>279,014</b>	-	-	<b>279,014</b>
- Unquoted securities	-	<b>143,791</b>	<b>1,365</b>	<b>145,156</b>
Financial investments at FVOCI	-	<b>1,122,150</b>	-	<b>1,122,150</b>
- Money market instruments	-	<b>290,598</b>	-	<b>290,598</b>
- Unquoted securities	-	<b>831,552</b>	-	<b>831,552</b>
Derivative financial assets	-	<b>27,041</b>	-	<b>27,041</b>
	<b>279,014</b>	<b>1,970,262</b>	<b>1,365</b>	<b>2,250,641</b>

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### 28. Fair value of financial instruments (continued)

#### Determination of fair value and fair value hierarchy (continued)

<b>The Group</b> <b>30.09.2019</b>	<b>Level 1</b> <b>RM'000</b>	<b>Level 2</b> <b>RM'000</b>	<b>Level 3</b> <b>RM'000</b>	<b>Total</b> <b>RM'000</b>
<b>Financial liability</b>				
Derivative financial liabilities	-	39,765	-	39,765
<b>30.06.2019</b>				
<b>Financial assets</b>				
Financial assets at FVTPL	296,337	1,208,503	1,365	1,506,205
- Money market instruments	-	1,016,994	-	1,016,994
- Quoted securities	296,337	-	-	296,337
- Unquoted securities	-	191,509	1,365	192,874
Financial investments at FVOCI	-	1,110,915	-	1,110,915
- Money market instruments	-	322,819	-	322,819
- Unquoted securities	-	788,096	-	788,096
Derivative financial assets	-	28,310	-	28,310
	296,337	2,347,728	1,365	2,645,430
<b>Financial liability</b>				
Derivative financial liabilities	-	34,310	-	34,310
<b>The Company</b> <b>30.09.2019</b>				
<b>Financial asset</b>				
Financial assets at FVTPL				
- Quoted securities	259,547	-	-	259,547
<b>30.06.2019</b>				
<b>Financial asset</b>				
Financial assets at FVTPL				
- Quoted securities	259,746	-	-	259,746

There were no transfers between Level 1 and 2 during the financial period.

Reconciliation of fair value measurement in Level 3 of the fair value hierarchy are as follows:

	<b>The Group</b>	
	<b>31.09.2019</b>	<b>30.06.2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets at FVTPL</b>		
At 1 July	1,365	1,380
Fair value changes recognised in income statement	-	(15)
At 30 September/30 June	1,365	1,365

29. Capital adequacy

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

	<b>HLIB 30/09/2019</b>	<b>HLIB 30/06/2019</b>
<b>Before deducting proposed dividends:</b>		
Common equity tier 1 ("CET1") capital ratio	<b>33.801%</b>	30.907%
Tier 1 capital ratio	<b>33.801%</b>	30.907%
Total capital ratio	<b>47.676%</b>	43.489%
<b>After deducting proposed dividends: <sup>(1)</sup></b>		
CET1 capital ratio	<b>31.308%</b>	28.642%
Tier 1 capital ratio	<b>31.308%</b>	28.642%
Total capital ratio	<b>45.182%</b>	41.224%

Note:

<sup>(1)</sup> Proposed dividends of RM28,000,005 (30.06.2019: RM28,000,005).

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

	<b>HLIB 30/09/2019 RM'000</b>	<b>HLIB 30/06/2019 RM'000</b>
<b>CET1 capital</b>		
Paid-up ordinary share capital	<b>252,950</b>	252,950
Retained profits	<b>237,920</b>	237,920
Other reserves	<b>6,258</b>	7,794
Less: goodwill and intangibles	<b>(30,812)</b>	(31,129)
Less: deferred tax assets	<b>(83,141)</b>	(80,926)
Less: investment in subsidiary companies	<b>(200)</b>	(200)
Less: 55% of cumulative gains of financial investments at FVOCI	<b>(3,442)</b>	(4,287)
Total CET1 capital	<b>379,533</b>	382,122
<b>Tier-1 capital</b>	<b>379,533</b>	382,122
<b>Tier-2 capital</b>		
Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves <sup>(2)</sup>	<b>5,792</b>	5,556
Subordinated obligations	<b>150,000</b>	150,000
Total Tier 2 capital	<b>155,792</b>	155,556
Total capital	<b>535,325</b>	537,678

Note:

<sup>(2)</sup> Includes the qualifying regulatory reserve for non-impaired loans and advances.

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**29. Capital adequacy (continued)**

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

	<b>HLIB 30/09/2019 RM'000</b>	<b>HLIB 30/06/2019 RM'000</b>
Credit risk	<b>463,372</b>	444,468
Market risk	<b>386,782</b>	519,266
Operational risk	<b>272,684</b>	272,622
	<b><u>1,122,838</u></b>	<u>1,236,356</u>

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### 30. Segmental reporting

(a) Segment information by activities for the financial period ended 30 September 2019:

<b>The Group</b>	<b>Investment banking and stockbroking RM'000</b>	<b>Fund management and unit trust management RM'000</b>	<b>Investment holding and others RM'000</b>	<b>Elimination RM'000</b>	<b>Consolidated RM'000</b>
<b>30 September 2019</b>					
<b>Net income</b>					
Net interest income	8,730	203	28	-	8,961
Non interest income	33,193	18,055	736	-	51,984
Total net income	<u>41,923</u>	<u>18,258</u>	<u>764</u>	-	<u>60,945</u>
<b>Results</b>					
Profit from operations	14,007	10,143	343	-	24,493
Taxation					(768)
Profit after taxation					<u>23,725</u>
<b>30 September 2018</b>					
<b>Net income</b>					
Net interest income	10,663	122	21	-	10,806
Non interest income	25,512	11,341	3,131	-	39,984
Total net income	<u>36,175</u>	<u>11,463</u>	<u>3,152</u>	-	<u>50,790</u>
<b>Results</b>					
Profit from operations	15,306	4,687	2,717	-	22,710
Taxation					1,321
Profit after taxation					<u>24,031</u>

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

### 31. Property and equipment

The valuations of property and equipment have been brought forward without amendment from the financial statements for the financial year ended 30 June 2019.

**32. 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.

**33. Capital commitments**

Capital commitments for the purchase of property and equipment as at 30 September 2019 is RM2.9 million.

**34. Changes in contingent liabilities**

Details of contingent liabilities since the last audited reporting period are as follows:

Hong Leong Asset Management Bhd, a wholly owned subsidiary of the Company, is the Manager of Hong Leong Consumer Products Sector Fund (“Funds”). The Company provided a guarantee to Deutsche Trustees Malaysia Berhad, the trustee of the Funds, that if the funds falls below the minimum fund size of RM1,000,000, the Company would invest cash, equivalent to the shortfall, into the relevant fund.

The size of the fund was above the minimum of RM1.0 million as at 30 September 2019.

**35. Related party transactions**

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

### 36. Changes in accounting policies

MFRS 16 'Leases' (effective from 1 January 2019) supersedes MFRS 117 'Leases' and the related interpretations.

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" ("ROU") of the underlying asset and a lease liability reflecting future lease payments for most leases.

The ROU asset is depreciated in accordance with the principle as set out in MFRS 116 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in statements of income.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

The Group has adopted this standard from its mandatory adoption date of 1 July 2019. As permitted by MFRS 16, the Group has applied the modified retrospective approach and will not restate comparative amounts for the financial year prior to the first adoption. ROU assets for property leases will be measured on transition as if the new rules had always been applied. All other ROU assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

On adoption of MFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of MFRS 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's borrowing rate as of 1 July 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 July 2019 for the Group was ranging from 4.11% and 4.94% per annum.

(a) The table below summarises the effects upon adoption of MFRS 16 as at 1 July 2019:

<b>The Group</b>	<b>As at 30 June 2019 RM'000</b>	<b>Effect of adoption of MFRS 16 RM'000</b>	<b>As restated 1 July 2019 RM'000</b>
ROU assets	-	27,358	27,358
Lease liabilities	-	26,831	26,831
Other liabilities	144,635	527	145,162

(b) Operating lease commitment reconciliation

The reconciliation on operating lease commitments under MFRS 117 to MFRS 16 are as follows:

	<b>The Group RM'000</b>
Operating lease commitments disclosed as at 30 June 2019	6,802
Less: Discounted using the incremental borrowing	(233)
Less: Short-term leases recognised on a straight-line basis as expense	(10)
Less: Low-value leases recognised on a straight line basis as expense	(72)
Add: Adjustments as a result of a different treatment of extension and termination option	20,344
Lease liabilities recognised as at 1 July 2019	<u>26,831</u>

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

#### 1. Performance review

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

	The Group		Variance	
	Current quarter ended 30/09/2019	Last year's quarter ended 30/09/2018	RM'000	%
	RM'000	RM'000	RM'000	%
Revenue	89,811	82,598	7,213	8.7%
Profit before tax	24,493	22,710	1,783	7.9%
Profit after tax	23,725	24,031	(306)	-1.3%
Profit attributable to equity holders of the Company	23,725	24,031	(306)	-1.3%

The group recorded a 7.9% higher profit before tax ("PBT") of RM24.5 million for the 1st quarter ended 30 September 2019 as compared to RM22.7 million recorded in the previous year corresponding quarter.

Higher PBT mainly contributed by higher non-interest income earned (30.0%).

The performance of the respective operating business segments for the 1st quarter ended 30 September 2019 as compared to the previous year corresponding quarter is analysed as follows:-

	The Group		Variance	
	Current quarter ended 30/09/2019	Last year's quarter ended 30/09/2018	RM'000	%
	RM'000	RM'000	RM'000	%
<b>Profit before tax by segments:</b>				
Investment banking and stockbroking	14,007	15,306	(1,299)	-8.5%
Fund management and unit trust management	10,143	4,687	5,456	>100.0%
Investment holding and others	343	2,717	(2,374)	-87.4%
	<u>24,493</u>	<u>22,710</u>	<u>1,783</u>	<u>7.9%</u>

Investment banking and stockbroking - lower PBT by RM1.3 million (-8.5%) attributed to lower profit contribution from its stockbroking division in current quarter.

Fund management and unit trust management - PBT increased by RM5.5 million (>100.0%) mainly due to higher net contribution from management fee income.

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### 1. Performance review (continued)

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

	The Group		Variance	
	Current	Preceding	RM'000	%
	quarter ended	quarter ended		
	30/09/2019	30/06/2019		
	RM'000	RM'000		
Revenue	<b>89,811</b>	82,488	7,323	8.9%
Profit before tax	<b>24,493</b>	20,778	3,715	17.9%
Profit after tax	<b>23,725</b>	5,225	18,500	>100.0%
Profit attributable to equity holders of the Company	<b>23,725</b>	5,225	18,500	>100.0%

For the financial quarter ended 30 September 2019, the Group reported a higher PBT of RM24.5 million as compared to RM20.8 million in the preceding financial quarter ended 30 June 2019. The higher PBT was mainly due to higher non-interest income of RM7.8 million (17.6%).

The performance of the respective operating business segments for the three months ended 30 September 2019 as compared to the preceding quarter is analysed as follows:-

	The Group		Variance	
	Current	Preceding	RM'000	%
	quarter ended	quarter ended		
	30/09/2019	30/06/2019		
	RM'000	RM'000		
<b>Profit before tax by segments:</b>				
Investment banking and stockbroking	<b>14,007</b>	13,164	843	6.4%
Fund management and unit trust management	<b>10,143</b>	6,244	3,899	62.4%
Investment holding and others	<b>343</b>	1,370	(1,027)	-75.0%
	<b>24,493</b>	20,778	3,715	17.9%

Investment banking and stockbroking - higher PBT by RM0.8 million (6.4%) mainly due to higher profit contribution from its Investment banking division.

Fund management and unit trust management - PBT increased by RM3.9 million (62.4%) mainly due to higher net contribution from management fee income in current quarter.

**2. Prospects for 2019**

Moving into FY2020, the economic outlook is anticipated to improve with the resumption of mega infrastructure projects. Along with this positive development, the regulators have also been playing an active role together with the market participants to revive the vibrancy of the capital markets from product innovation, accessibility, technological advancement and governance perspective. Premised on this improving landscape, Debt Markets contribution in FY2020 is expected to be higher than FY2019 with new funding opportunities to be explored and the completion of the outstanding mandates carried forward from FY2019.

Corporate Finance saw strong demands for its two completed Main Market IPOs in FY2019 as evidenced by overwhelming subscriptions by both the institutional and retail investors, and expects the trend to continue into FY2020. The team will continue to keep abreast of developments of the medium sized companies, while at the same time, maintaining a keen focus on providing value-added corporate advisory services to clients. Corporate exercises that provide opportunity for multiple revenue streams via placement and underwriting activities will also remain as one of the key focus going forward.

Under Stockbroking business, as for Government-Linked Corporation business, HLIB will continue to engage our customers to rebuild volume and HLIB also plan to introduce Direct Market Access trading, which allows clients to trade electronically through HLIB. As for the Retail Business, the Bank will continue to invest and innovate in digitalisation efforts to build and strengthen market position.

In view of the current market uncertainty from the trade tension which has a negative impact to the regional growth and a possible interest rate cut by US Federal Reserve and Bank Negara Malaysia to mitigate the slower growth effect, Hong Leong Asset Management ("HLAM") will focus on high dividend yield stocks that may re-rate in view of the benign interest rate environment. Domestic-centric sectors, for example, construction and consumer, are also preferred as these sectors are expected to be less susceptible to global macro uncertainties. Selected export stocks that may benefit from possible supply chain diversions may be considered. HLAM is committed to deliver fund performance through a robust investment process with investment strategies consistently executed by a competent and experienced investment team. The team employs bottom-up stock picking approach which is key to fund outperformance in the local stock market. Fundamental-based investment strategy is strictly observed to avoid occurrence of emotional investing that may lead to bad investment decisions. In the current environment of rapidly evolving political and economic landscape, increased effort will be deployed to obtain business updates and outlook from companies in order to make sound investment decisions.

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

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

**4. Taxation**

	Financial quarter ended		Financial year ended	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
The Group	RM'000	RM'000	RM'000	RM'000
Malaysian income tax:				
- Current	2,485	1,212	2,485	1,212
- Over provision in prior years	-	(12)	-	(12)
Deferred taxation	(1,717)	(2,521)	(1,717)	(2,521)
	<b>768</b>	<b>(1,321)</b>	<b>768</b>	<b>(1,321)</b>

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### 5. Status of corporate proposals

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

### 6. Status of utilisation of proceeds raised from corporate proposals

The proceeds raised from the issuances of the debt securities in prior years have been used for as intended.

### 7. Off-balance sheet financial instruments

Details of financial instruments with off-balance sheet risk as at 30 September 2019:

The Group	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Interest rate related contracts			
(i) Less than 1 year	2,971,650	2,495	(3,764)
(ii) 1 year to 3 years	2,328,770	15,323	(23,679)
(iii) More than 3 years	1,005,000	4,413	(5,460)
Foreign exchange related contracts			
(i) Less than 1 year	1,752,631	4,761	(6,862)
Equity related contracts			
(i) Less than 1 year	16,858	49	-
	<b>8,074,909</b>	<b>27,041</b>	<b>(39,765)</b>

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

#### Credit risk

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

#### Market risk

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

#### Related accounting policies

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

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### 8. Group borrowings and debt securities

The Group Unsecured	More than 1 year		Less than 1 year		Sub-total		Total RM'000
	Foreign currency RM'000	Local currency RM'000	Foreign currency RM'000	Local currency RM'000	Foreign currency RM'000	Local currency RM'000	
<b>As at 30 September 2019</b>							
RM150.0 million Tier 2 subordinated notes	-	149,987	-	2,338	-	152,325	152,325
<b>As at 30 June 2019</b>							
RM150.0 million Tier 2 subordinated notes	-	149,902	-	603	-	150,505	150,505
<b>As at 30 September 2018</b>							
RM50.0 million Tier 2 subordinated notes	-	49,896	-	1,067	-	50,963	50,963

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

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

Subsequently, on 14 June 2019, the Bank issued a second tranche of RM100.0 million nominal value of 10-year non-callable 5 years Sub Notes callable on 14 June 2024 (and thereafter) and due on 14 June 2029 out of its RM1.0 billion Multi-Currency Sub Notes Programme. The coupon rate for this second tranche of the Sub Notes is 4.23% per annum, which is payable semi-annually in arrears from the date of the issue.

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### 9. Material litigation

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

### 10. Dividends

The Board of Directors does not recommend any dividend to be paid for the financial period ended 30 September 2019.

### 11. Earnings per share

#### (a) Basic earnings per share

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

	<b>Financial quarter ended</b>		<b>Financial period ended</b>	
	<b>30/09/2019</b>	<b>30/09/2018</b>	<b>30/09/2019</b>	<b>30/09/2018</b>
<b>The Group</b>				
Net profit attributable to equity holders of the Company (RM'000):	<b>23,725</b>	24,031	<b>23,725</b>	24,031
Weighted average number of ordinary shares in issue ('000):	<b>241,283</b>	241,283	<b>241,283</b>	241,283
Basic earnings per share (sen)	<b>9.8</b>	10.0	<b>9.8</b>	10.0
<b>The Company</b>				
Net profit attributable to equity holders of the Company (RM'000):	<b>265</b>	1,853	<b>265</b>	1,853
Weighted average number of ordinary shares in issue ('000):	<b>241,388</b>	241,388	<b>241,388</b>	241,388
Basic earnings per share (sen)	<b>0.1</b>	0.8	<b>0.1</b>	0.8

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

There is no diluted earnings per share as the Group and the Company have no category of dilutive potential ordinary shares outstanding as at 30 September 2019 and 30 September 2018.

Dated this 27 November 2019.