

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

	Note	The Group		The Company	
		As at 30/06/2019 RM'000	As at 30/06/2018 RM'000	As at 30/06/2019 RM'000	As at 30/06/2018 RM'000
ASSETS					
Cash and short term funds		520,657	127,647	513	44
Securities purchased under resale agreement		-	35,126	-	-
Deposits and placements with banks and other financial institutions		-	40,645	-	-
Financial assets at fair value through profit or loss ("FVTPL")	11	1,506,205	-	259,746	-
Financial assets at held-for-trading	12	-	1,244,434	-	20,550
Financial investments at fair value through other comprehensive income ("FVOCI")	13	1,110,915	-	-	-
Financial investments available-for-sale	14	-	1,437,915	-	142,410
Financial investments at amortised cost	15	735,665	-	-	-
Financial investments held-to-maturity	16	-	847,659	-	-
Derivative financial assets	22	28,310	29,351	-	-
Loans and advances	17	205,290	227,757	-	-
Clients' and brokers' balances	18	247,532	316,234	-	-
Other assets	19	55,409	51,621	940	16,169
Statutory deposits with Bank Negara Malaysia		37,259	52,500	-	-
Tax recoverable		53	367	1	242
Investment in subsidiary companies		-	-	246,574	316,574
Deferred tax assets		82,556	88,325	-	-
Property and equipment		15,182	15,742	-	-
Goodwill		33,059	33,059	-	-
Other intangible assets		3,102	3,696	-	-
TOTAL ASSETS		4,581,194	4,552,078	507,774	495,989
LIABILITIES					
Deposits from customers	20	748,004	1,082,656	-	-
Deposits and placements of banks and other financial institutions	21	2,422,120	2,058,960	-	-
Obligations on securities sold under repurchase agreements		-	99,654	-	-
Derivative financial liabilities	22	34,310	44,428	-	-
Clients' and brokers' balances		282,521	350,730	-	-
Other liabilities	23	144,635	99,103	612	16,574
Current tax liabilities		1,492	199	-	-
Subordinated obligations	24	150,505	50,290	-	-
TOTAL LIABILITIES		3,783,587	3,786,020	612	16,574

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 2018.

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(Company Number: 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2019

	The Group		The Company	
	As at 30/06/2019	As at 30/06/2018	As at 30/06/2019	As at 30/06/2018
Note	RM'000	RM'000	RM'000	RM'000
EQUITY				
Share capital	246,896	246,896	246,896	246,896
Reserves	556,742	525,193	266,184	238,437
Treasury shares for ESOS scheme	(6,031)	(6,031)	(5,918)	(5,918)
TOTAL EQUITY	797,607	766,058	507,162	479,415
TOTAL LIABILITIES AND EQUITY				
	4,581,194	4,552,078	507,774	495,989
COMMITMENTS AND CONTINGENCIES				
31	11,469,676	8,853,330	-	-
Net assets per share attributable to ordinary equity holder of the Company (RM)				
	3.31	3.17		

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 2018.

HONG LEONG CAPITAL BERHAD
 (Company Number: 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Current quarter ended 30/06/2019 RM'000	Last year's quarter ended 30/06/2018 RM'000	Current year ended 30/06/2019 RM'000	Last year's ended 30/06/2018 RM'000
The Group				
Interest income	25a	24,638	41,027	115,276
Interest income for financial assets at FVTPL	25b	13,632	-	48,190
Interest expense	26	(27,641)	(28,996)	(121,326)
Net interest income		10,629	12,031	42,140
Non-interest income	27	44,218	38,858	156,736
Net income		54,847	50,889	198,876
Overhead expenses	28	(34,076)	(29,434)	(122,353)
Operating profit before allowances		20,771	21,455	76,523
Allowance for impairment losses on loans and advances	29	(176)	(94)	(170)
Write-back of/(allowance for) impairment losses on financial investments and other financial assets	30	183	(794)	379
Profit before taxation		20,778	20,567	76,732
Taxation		(15,553)	(11,335)	(9,020)
Net profit for the year		5,225	9,232	67,712
Earnings per share (sen)				
- Basic		2.2	3.8	28.1
- Diluted		2.2	3.8	28.1

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 2018.

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

	Current quarter ended 30/06/2019 RM'000	Last year's quarter ended 30/06/2018 RM'000	Current year ended 30/06/2019 RM'000	Last year's ended 30/06/2018 RM'000
The Group				
Net profit for the year	5,225	9,232	67,712	71,322
Other comprehensive income/(expense):				
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	3,016	-	11,713	-
- Net transfer to income statements on disposal of financial investments at FVOCI	827	-	455	-
- Net credit impairment loss change in financial investments at FVOCI	(62)	-	(62)	-
Net fair value changes on financial investments available-for-sale				
- Unrealised net loss on revaluation of financial investments available-for-sale	-	(3,508)	-	(5,089)
- Net transfer to income statements on disposal of financial investments available-for-sale	-	(9)	-	(1,152)
Income tax relating to net fair value changes on financial investments at FVOCI/available-for-sale	(923)	849	(2,921)	1,514
Other comprehensive income/(expense) for the year, net of tax	2,858	(2,668)	9,185	(4,727)
Total comprehensive income for the year, net of tax	8,083	6,564	76,897	66,595

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 2018.

HONG LEONG CAPITAL BERHAD
(Company Number: 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Current quarter ended 30/06/2019 RM'000	Last year's quarter ended 30/06/2018 RM'000	Current year ended 30/06/2019 RM'000	Last year's ended 30/06/2018 RM'000
The Company				
Interest income	25a 4	1	7	29
Interest expense	26 -	-	-	-
Net interest income	4	1	7	29
Non-interest income	27 14,552	7,179	75,843	66,238
Net income	14,556	7,180	75,850	66,267
Overhead expenses	28 (566)	(417)	(2,108)	(1,882)
Operating profit before allowances	13,990	6,763	73,742	64,385
Allowance for impairment losses	29 -	-	-	-
Profit before taxation	13,990	6,763	73,742	64,385
Taxation	88	(9)	(131)	(78)
Net profit for the year	14,078	6,754	73,611	64,307
Earnings per share (sen)				
- Basic	5.8	2.8	30.5	26.6
- Diluted	5.8	2.8	30.5	26.6

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 2018.

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

	Current quarter ended 30/06/2019 RM'000	Last year's quarter ended 30/06/2018 RM'000	Current year ended 30/06/2019 RM'000	Last year's ended 30/06/2018 RM'000
The Company				
Net profit for the year	14,078	6,754	73,611	64,307
Other comprehensive income:				
Items that will be reclassified subsequently to profit or loss				
Net fair value changes on financial investments available-for-sale				
- Unrealised net gain on revaluation of financial investments available-for-sale	-	9	-	39
- Net transfer to income statements on disposal of financial investments available-for-sale	-	1	-	6
Other comprehensive income for the year, net of tax	-	10	-	45
Total comprehensive income for the year, net of tax	14,078	6,764	73,611	64,352

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 2018.

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

	Attributable to owners of the parent						Total RM'000
	Share Capital RM'000	Treasury Shares for ESOS Scheme RM'000	General Reserves RM'000	Regulatory Reserves RM'000	Fair Value Reserve RM'000	Retained Profits RM'000	
The Group							
At 1 July 2018							
- as previously reported	246,896	(6,031)	-	2,071	(3,305)	526,427	766,058
- effect of adopting MFRS 9	-	-	-	10,672	1,914	(12,090)	496
At 1 July 2018, restated	246,896	(6,031)	-	12,743	(1,391)	514,337	766,554
Net profit for the financial year	-	-	-	-	-	67,712	67,712
Other comprehensive income, net of tax	-	-	-	-	9,185	-	9,185
Total comprehensive income	-	-	-	-	9,185	67,712	76,897
Transfer from regulatory reserve	-	-	-	(1,137)	-	1,137	-
Dividend paid	-	-	-	-	-	(45,844)	(45,844)
At 30 June 2019	246,896	(6,031)	-	11,606	7,794	537,342	797,607
At 1 July 2017	246,896	(6,031)	543	2,504	1,422	499,973	745,307
Net profit for the financial year	-	-	-	-	-	71,322	71,322
Other comprehensive expense, net of tax	-	-	-	-	(4,727)	-	(4,727)
Total comprehensive (expense)/income	-	-	-	-	(4,727)	71,322	66,595
Transfer from regulatory reserve	-	-	-	(433)	-	433	-
Transfer from general reserve	-	-	(543)	-	-	543	-
Dividend paid	-	-	-	-	-	(45,844)	(45,844)
At 30 June 2018	246,896	(6,031)	-	2,071	(3,305)	526,427	766,058

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 2018.

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

	Non-Distributable		Distributable		Total RM'000
	Share Capital RM'000	Treasury Shares for ESOS Scheme RM'000	Fair Value Reserve RM'000	Retained Profits RM'000	
The Company					
At 1 July 2018					
- as previously reported	246,896	(5,918)	31	238,406	479,415
- effect of adopting MFRS 9	-	-	(31)	31	-
At 1 July 2018, restated	246,896	(5,918)	-	238,437	479,415
Net profit for the financial year	-	-	-	73,611	73,611
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive income	-	-	-	73,611	73,611
Dividend paid	-	-	-	(45,864)	(45,864)
At 30 June 2019	246,896	(5,918)	-	266,184	507,162
At 1 July 2017	246,896	(5,918)	(14)	219,963	460,927
Net profit for the financial year	-	-	-	64,307	64,307
Other comprehensive income, net of tax	-	-	45	-	45
Total comprehensive income	-	-	45	64,307	64,352
Dividend paid	-	-	-	(45,864)	(45,864)
At 30 June 2018	246,896	(5,918)	31	238,406	479,415

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 2018.

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

	The Group	
	30/06/2019	30/06/2018
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
Profit before taxation	76,732	78,587
Adjustments for non-cash items:		
- Depreciation of property and equipment	3,392	2,135
- Amortisation of intangible assets	2,761	2,800
- Gain on disposal of property and equipment	(64)	-
- Property and equipment written off	942	362
- Allowance for impairment losses on loans and advances	170	340
- (Write-back of)/allowance for impairment losses on financial investments and other financial assets	(328)	392
- Net unrealised (gain)/loss on revaluation of:		
- Financial assets at FVTPL	(6,326)	-
- Financial assets held-for-trading	-	6,849
- Derivative financial instruments	(9,790)	(12,232)
- Interest income from:		
- Financial assets at FVTPL	(48,190)	-
- Financial investments at FVOCI	(55,905)	-
- Financial investments at amortised cost	(27,058)	-
- Financial assets held-for-trading	-	(37,123)
- Financial investments available-for-sale	-	(39,832)
- Financial investments held-to-maturity	-	(32,894)
- Derivative financial instruments	-	(8,131)
- Interest expense from derivative financial instruments	8,376	11,423
- Interest expense from subordinated obligations	2,867	2,671
- Dividend income from:		
- Financial assets at FVTPL	(10,437)	-
- Financial assets held-for-trading	-	(3,735)
- Financial investments available-for-sale	-	(7,583)
	(139,590)	(114,558)
Operating loss before changes in working capital	(62,858)	(35,971)
Changes in working capital:		
- Securities purchased under resale agreements	35,126	(3)
- Deposits and placements with banks and other financial institutions with original maturity of more than three months	40,645	(40,645)
- Financial assets at FVTPL	(1,220,361)	-
- Financial assets held-for-trading	1,244,434	(147,310)
- Derivative financial instruments	(196)	(342)
- Loans and advances	19,891	8,495
- Clients' and brokers' balances	68,851	(45,201)
- Other assets	(3,648)	(808)
- Statutory deposits with Bank Negara Malaysia	15,241	5,600
Net changes in operating assets	199,983	(220,214)

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 2018.

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

	The Group	
	30/06/2019	30/06/2018
	RM'000	RM'000
- Deposits from customers	(334,652)	433,789
- Deposits and placements of banks and other financial institutions	363,160	(188,773)
- Obligations on securities sold under repurchase agreements	(99,654)	(49,457)
- Clients' and brokers' balances	(68,209)	78,992
- Other liabilities	45,524	(3,431)
Net changes in operating liabilities	(93,831)	271,120
Cash generated from operating activities	43,294	14,935
Net income tax paid	(4,658)	(3,555)
Net cash generated from operating activities	38,636	11,380
<u>Cash flows from investing activities</u>		
Net disposal of financial investments at FVOCI	246,101	-
Net purchase of financial investments at amortised cost	(67,666)	-
Net purchase of financial investments available-for-sale	-	(264,903)
Net proceeds of financial investments held-to-maturity	-	60,485
Dividend received from:		
- Financial assets at FVTPL	10,437	-
- Financial assets held-for-trading	-	3,735
- Financial investments available-for-sale	-	7,583
Proceeds from liquidation of a subsidiary	-	3,500
Interest received from financial assets at FVTPL, financial investments at FVOCI, financial investments at amortised cost and derivatives	127,533	-
Interest received from financial assets held-for-trading, financial investments available-for-sale, financial investments held-to-maturity and derivatives	-	112,668
Interest expenses paid on derivative financial instruments	(7,630)	(12,033)
Proceeds from disposal of property and equipment	64	-
Purchase of property and equipment	(3,774)	(12,502)
Purchase of intangible assets	(2,167)	(1,241)
Net cash flows arising from acquisition of a subsidiary	(28)	-
Net cash generated from/(used in) investing activities	302,870	(102,708)
<u>Cash flows from financing activities</u>		
Interest paid on subordinated obligations	(2,643)	(2,643)
Proceeds from issuance of subordinated obligations	99,991	-
Dividend paid	(45,844)	(45,844)
Net cash generated from/(used in) financing activities	51,504	(48,487)
Net changes in cash and cash equivalents during the financial year	393,010	(139,815)
Cash and cash equivalents at beginning of the financial year	127,647	267,462
Cash and cash equivalents at end of the financial year	520,657	127,647
Cash and cash equivalents comprise:		
Cash and short term funds	520,657	127,647
Deposits and placements with banks and other financial institutions	-	40,645
	520,657	168,292
Less:		
Deposits and placements with banks and other financial institutions with original maturity of more than three months	-	(40,645)
	520,657	127,647

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

	The Company	
	30/06/2019	30/06/2018
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
Profit before taxation	73,742	64,385
<u>Adjustments for non-cash items:</u>		
- Net unrealised loss on revaluation of financial assets at FVTPL	64	-
- Net unrealised gain on revaluation of financial assets held-for-trading	-	(195)
- Gain on liquidation of a subsidiary	(850)	(20)
- Dividend income from:		
- Financial assets at FVTPL	(7,738)	-
- Financial investments available-for-sale	-	(5,389)
- Subsidiary companies	(66,830)	(60,500)
	(75,354)	(66,104)
Operating loss before changes in working capital	(1,612)	(1,719)
Increase in financial assets at FVTPL	(117,400)	-
Decrease/(Increase) in financial assets held-for-trading	20,550	(20,355)
Decrease/(Increase) in other assets	15,229	(15,554)
(Decrease)/Increase in other liabilities	(15,962)	15,961
Cash used in operating activities	(99,195)	(21,667)
Net income tax refund/(paid)	110	(107)
Net cash used in operating activities	(99,085)	(21,774)
<u>Cash flows from investing activities</u>		
Net purchase of financial investments available-for-sale	-	(2,197)
Dividend received from:		
- Financial assets at FVTPL	7,738	-
- Financial investments available-for-sale	-	5,389
- Subsidiary companies	66,830	60,500
Proceed from liquidation of a subsidiary	70,850	3,500
Net cash generated from investing activities	145,418	67,192
<u>Cash flows from financing activities</u>		
Dividend paid	(45,864)	(45,864)
Net cash used in financing activities	(45,864)	(45,864)
Net changes in cash and cash equivalents during the financial year	469	(446)
Cash and cash equivalents at beginning of the financial year	44	490
Cash and cash equivalents at end of the financial year	513	44
Cash and cash equivalents comprise:		
Cash and short term funds	513	44

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 2018.

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 YEAR ENDED 30 JUNE 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 year ended 30 June 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 2018. 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 2018.

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 2018 and modified for the adoption of the following Amendments to MFRSs applicable for financial year beginning on or after 1 July 2018:

- MFRS 9 'Financial Instruments'
- MFRS 15 'Revenue from Contracts with Customers'
- Amendments to MFRS 2 'Share-based Payment – Classification and Measurement of Share-based Payment Transactions'
- IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration'

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 9 as disclosed in Note 40.

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.

BNM revised policy documents on Financial Reporting

On 2 February 2018, BNM issued the revised policy document on Financial Reporting which prescribes the regulatory reserves to be maintained by banking institutions. With effect from 1 January 2018, the Group's domestic banking subsidiary companies must maintain, in aggregate, loss allowance for non-credit impaired exposures and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures. The financial effects of the adoption of the revised policy are disclosed in Note 40.

2. Auditors' report on preceding annual financial statements

The auditors' report on the audited financial statements for the financial year ended 30 June 2018 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 June 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 June 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 June 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 year ended 30 June 2019, other than as mentioned below.

(a) 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 (30.06.2018: 5,612,700) shares in the Group costing RM6,031,241 (30.06.2018: RM6,031,241) inclusive of transaction costs, as at 30 June 2019.

(b) Issuance of Tier 2 Subordinated Notes

On 14 June 2019, Hong Leong Investment Bank Berhad issued a second tranche of RM100.0 million nominal value of Tier 2 Subordinated Notes ("Sub-Notes") out of its RM1.0 billion Multi-Currency Sub-Notes Programme. The RM100 million Sub-Notes will mature in 2029 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 of 4.23% 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.

7. Dividends paid

A final single-tier dividend of 19.0 sen per share amounting to RM45.8 million in respect of the financial year ended 30 June 2018, was paid on 23 November 2018.

8. Valuations of property, plant and equipment

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

9. Significant events

(a) 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 28 June 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.

(b) Acquisition of subsidiary

Hong Leong Asset Management Bhd ("HLAM"), a wholly-owned subsidiary of HLCB, has on 28 June 2019 entered into a sale and purchase agreement ("SPA") with HL Management Co Sdn Bhd ("HLMC") for the acquisition of the entire equity interest in Hong Leong Fund Management Sdn Bhd ("HLFM") comprising 2,600,000 ordinary shares in HLFM ("Sale Shares") for a cash consideration of RM2,554,815.82 ("the Acquisition").

The Acquisition has been completed on even date.

The Proposed Acquisition does not have any material effects on the earnings of HLCB Group for the financial year ended 30 June 2019, as well as the net asset value and gearing of HLCB Group.

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.

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

	The Group		The Company	
	As at 30/06/2019 RM'000	As at 30/06/2018 RM'000	As at 30/06/2019 RM'000	As at 30/06/2018 RM'000
Financial assets held-for-trading				
Money market instruments				
Malaysian Government Securities	20,806	-	-	-
Negotiable instruments of deposits	991,171	-	-	-
Cagamas bonds	5,017	-	-	-
	1,016,994	-	-	-
Quoted securities				
In Malaysia:				
Shares	62,490	-	26,263	-
Unit trust investment	233,847	-	233,483	-
	296,337	-	259,746	-
Unquoted securities				
Shares	1,365	-	-	-
Corporate bond and/or sukuk	191,509	-	-	-
	192,874	-	-	-
	1,506,205	-	259,746	-

12. Financial assets at held-for-trading

	The Group		The Company	
	As at 30/06/2019 RM'000	As at 30/06/2018 RM'000	As at 30/06/2019 RM'000	As at 30/06/2018 RM'000
Financial assets held-for-trading				
Money market instruments				
Malaysian Government Securities	-	10,029	-	-
Malaysian Government Investment Issues	-	81,076	-	-
Negotiable instruments of deposits	-	864,200	-	-
Bankers' acceptances	-	55,084	-	-
	-	1,010,389	-	-
Quoted securities				
In Malaysia:				
Shares	-	22,242	-	16,090
Unit trust investment	-	4,460	-	4,460
	-	26,702	-	20,550
Unquoted securities				
Foreign currency bonds	-	20,095	-	-
Corporate bond and/or sukuk	-	187,248	-	-
	-	207,343	-	-
	-	1,244,434	-	20,550

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

	The Group	
	As at 30/06/2019 RM'000	As at 30/06/2018 RM'000
Money market instruments		
Malaysian Government Securities	235,724	-
Malaysian Government Investment Issues	31,073	-
Cagamas bonds	56,022	-
	<u>322,819</u>	<u>-</u>
Unquoted securities		
Foreign currency bonds	111,351	-
Corporate bond and/or sukuk	676,745	-
	<u>788,096</u>	<u>-</u>
	<u>1,110,915</u>	<u>-</u>

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

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				
- effect of adopting MFRS 9	205	-	-	205
At 1 July 2018, restated	<u>205</u>	<u>-</u>	<u>-</u>	<u>205</u>
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	<u>143</u>	<u>-</u>	<u>-</u>	<u>143</u>

14. Financial investments available-for-sale

	The Group		The Company	
	As at 30/06/2019 RM'000	As at 30/06/2018 RM'000	As at 30/06/2019 RM'000	As at 30/06/2018 RM'000
Money market instruments				
Malaysian Government Securities	-	81,306	-	-
Malaysian Government Investment Issues	-	101,874	-	-
Cagamas bonds	-	55,233	-	-
	<u>-</u>	<u>238,413</u>	<u>-</u>	<u>-</u>
Quoted securities				
In Malaysia:				
Unit trust investment	-	221,994	-	142,410
Unquoted securities				
Shares	-	245	-	-
Foreign currency bonds	-	93,197	-	-
Corporate bond and/or sukuk	-	884,066	-	-
	<u>-</u>	<u>977,508</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>1,437,915</u>	<u>-</u>	<u>142,410</u>

15. Financial investments at amortised cost

	The Group	
	As at 30/06/2019 RM'000	As at 30/06/2018 RM'000
Money market instruments		
Malaysian Government Securities	157,905	-
Malaysian Government Investment Issues	478,451	-
	<u>636,356</u>	<u>-</u>
Unquoted securities		
Foreign currency bonds	53,810	-
Corporate bond and/or sukuk	45,535	-
	<u>99,345</u>	<u>-</u>
Less: Expected credit losses	(36)	-
	<u>735,665</u>	<u>-</u>

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

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				
- effect of adopting MFRS 9	24	-	-	24
At 1 July 2018, restated	<u>24</u>	<u>-</u>	<u>-</u>	<u>24</u>
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>

16. Financial investments held-to-maturity

	The Group	
	As at 30/06/2019 RM'000	As at 30/06/2018 RM'000
Money market instruments		
Malaysian Government Securities	-	216,787
Malaysian Government Investment Issues	-	518,318
	<u>-</u>	<u>735,105</u>
Unquoted securities		
Foreign currency bonds	-	36,861
Corporate bond and/or sukuk	-	75,693
	<u>-</u>	<u>112,554</u>
	<u>-</u>	<u>847,659</u>

17. Loans and advances

	The Group	
	As at 30/06/2019 RM'000	As at 30/06/2018 RM'000
Term loan financing	19,862	19,874
Share margin financing	188,217	208,125
Staff loans	51	58
Other loans	515	490
Gross loans and advances	<u>208,645</u>	<u>228,547</u>
Allowance for impairment losses:		
- expected credit losses	(3,355)	-
- individual assessment allowance	-	(119)
- collective assessment allowance	-	(671)
Net loans and advances	<u>205,290</u>	<u>227,757</u>
a. <u>By type of customer</u>		
Domestic business enterprises		
- Small and medium enterprises	509	112
- Others	71,282	112,062
Individuals	128,253	108,243
Foreign entities	8,601	8,130
Gross loans and advances	<u>208,645</u>	<u>228,547</u>
b. <u>By interest rate sensitivity</u>		
Fixed rate		
- Staff housing loans	51	58
- Other fixed rate loan	515	490
Variable rate		
- Cost plus	208,079	227,999
Gross loans and advances	<u>208,645</u>	<u>228,547</u>
c. <u>By residual contractual maturity</u>		
Maturity within one year	202,210	208,615
More than one year to three years	6,384	19,874
More than five years	51	58
Gross loans and advances	<u>208,645</u>	<u>228,547</u>
d. <u>By geographical distribution</u>		
Malaysia	<u>208,645</u>	<u>228,547</u>
e. <u>By economic purpose</u>		
Purchase of securities	201,696	221,604
Working capital	6,384	6,395
Purchase of transport vehicles	126	119
Purchase of landed properties	439	429
Gross loans and advances	<u>208,645</u>	<u>228,547</u>

17. Loans and advances (continued)

The Group

	As at 30/06/2019 RM'000	As at 30/06/2018 RM'000
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f. Impaired loans and advances

- (i) Movements in impaired loans and advances ("impaired loans") are as follows:

At 1 July		
- as previously reported	6,884	11,576
- effect of adopting MFRS 9	(11)	-
At 1 July, as restated	6,873	11,576
Impaired during the financial year	25	34
Amount written-back during the financial year	-	(4,726)
At 30 June	6,898	6,884

- (ii)
- By geographical distribution

Malaysia	6,898	6,884
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- (iii)
- By economic purpose

Purchase of transport vehicles	126	119
Purchase of landed properties	388	371
Working capital	6,384	6,394
Gross impaired loans and advances	6,898	6,884

- g. Movements in allowance for impairment losses are as follows:

Expected credit losses

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	Individual/ collective assessment allowance RM'000	Total ECL RM'000
At 1 July 2018					
- as previously reported	-	-	-	790	790
- effect of adopting MFRS 9	223	3	2,959	(790)	2,395
At 1 July 2018, as restated	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	140	1	3,214	-	3,355

HLCB Q4 (30.06.19)**17. Loans and advances (continued)**

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

	The Group	
	As at	As at
	30/06/2019	30/06/2018
	RM'000	RM'000
Individual assessment allowance		
At 1 July		
- as previously reported	119	110
- effect of adopting MFRS 9	(119)	-
At 1 July, as restated	-	110
Allowance made during the financial year	-	9
At 30 June	-	119
Collective assessment allowance		
At 1 July		
- as previously reported	671	340
- effect of adopting MFRS 9	(671)	-
At 1 July, as restated	-	340
Allowance made during the financial year	-	331
At 30 June	-	671

18. Clients' and brokers' balances

	The Group	
	As at	As at
	30/06/2019	30/06/2018
	RM'000	RM'000
Performing accounts	247,150	313,785
Impaired accounts	602	2,828
	247,752	316,613
Allowance for impairment losses:		
- expected credit losses	(220)	-
- individual assessment allowance	-	(351)
- collective assessment allowance	-	(28)
	247,532	316,234

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19. Other assets

	The Group		The Company	
	As at 30/06/2019 RM'000	As at 30/06/2018 RM'000	As at 30/06/2019 RM'000	As at 30/06/2018 RM'000
Amount due from subsidiary companies	-	-	130	150
Deposits and prepayments	8,583	8,922	35	35
Fee income receivable	8,883	4,315	-	-
Cash collaterals pledged for derivative transactions	7,417	3,922	-	-
Treasury related receivables	19,185	4,080	-	-
Equity related receivables	-	4,706	-	-
Other receivables	12,665	26,359	775	15,984
Manager's stocks and consumables	46	790	-	-
	56,779	53,094	940	16,169
Allowance for impairment losses:				
- Expected credit losses	(1,370)	-	-	-
- Individual assessment allowance	-	(1,473)	-	-
	55,409	51,621	940	16,169

20. Deposits from customers

	The Group	
	As at 30/06/2019 RM'000	As at 30/06/2018 RM'000
a. <u>By type of deposits</u>		
Fixed deposits	748,004	1,082,656
b. <u>By type of customer</u>		
Government and statutory bodies	525,319	841,509
Business enterprises	180,092	215,116
Individuals	42,593	26,031
	748,004	1,082,656
c. The maturity structure of fixed deposits are as follows:		
Due within:		
- six months	748,004	1,081,537
- six months to one year	-	1,119
	748,004	1,082,656

21. Deposits and placements of banks and other financial institutions

	The Group	
	As at 30/06/2019 RM'000	As at 30/06/2018 RM'000
Licensed banks	319,492	50,084
Licensed investment banks	130,032	159,570
Other financial institutions	1,972,596	1,849,306
	2,422,120	2,058,960

22. Derivative financial assets/(liabilities)

The Group	Contract or underlying principal amount	Positive fair value	Negative fair value
30/06/2019	RM'000	RM'000	RM'000
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	-
	10,699,713	28,310	(34,310)
30/06/2018			
Interest rate related contracts:			
- Interest rate swaps	4,915,000	7,665	(12,910)
- Futures	272,531	368	(6)
- Cross currency swaps	80,750	5,031	-
Foreign exchange related contracts:			
- Foreign currency swaps	2,848,060	15,958	(31,506)
- Foreign currency forwards	57,563	308	(6)
- Foreign currency spot	4,070	2	-
Equity related contracts:			
- Call option	7,000	19	-
	8,184,974	29,351	(44,428)

23. Other liabilities

	The Group		The Company	
	As at 30/06/2019 RM'000	As at 30/06/2018 RM'000	As at 30/06/2019 RM'000	As at 30/06/2018 RM'000
Amount due to holding company	169	38	-	-
Amount due to related companies	14	29	-	-
Remisiers' trust deposits	13,011	13,799	-	-
Treasury related payables	20,624	30,449	-	-
Advance payments received for corporate exercise	66,015	-	-	-
Other payables and accrued liabilities	44,590	54,581	612	16,574
Post employment benefits obligation - defined contribution plan	212	207	-	-
	144,635	99,103	612	16,574

24. Subordinated obligations

	The Group	
	As at 30/06/2019 RM'000	As at 30/06/2018 RM'000
RM150.0 million Tier 2 subordinated notes, at par	150,000	50,000
Add: Interest payable	603	399
	150,603	50,399
Less: Unamortised discounts	(98)	(109)
	150,505	50,290

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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25a. Interest income

	Current quarter ended 30/06/2019 RM'000	Last year's quarter ended 30/06/2018 RM'000	Current year ended 30/06/2019 RM'000	Last year's ended 30/06/2018 RM'000
The Group				
Loan and advances	3,346	3,807	13,752	14,920
Money at call and deposits placements with banks and other financial institutions	1,646	919	4,218	4,162
Financial investments at FVOCI	9,232	-	55,905	-
Financial investments at amortised cost	6,985	-	27,058	-
Financial assets held-for-trading	-	10,493	-	37,123
Financial investments available-for-sale	-	11,612	-	39,832
Financial investments held-to-maturity	-	8,174	-	32,894
Derivative financial instruments	-	1,560	-	8,131
Others	3,429	4,462	14,343	16,601
Total interest income	24,638	41,027	115,276	153,663
The Company				
Money at call and deposits placements with banks and other financial institutions	4	1	7	29

25b. Interest income for financial assets at FVTPL

	Current quarter ended 30/06/2019 RM'000	Last year's quarter ended 30/06/2018 RM'000	Current year ended 30/06/2019 RM'000	Last year's ended 30/06/2018 RM'000
The Group				
Financial assets at FVTPL	13,632	-	48,190	-

26. Interest expense

	Current quarter ended 30/06/2019 RM'000	Last year's quarter ended 30/06/2018 RM'000	Current year ended 30/06/2019 RM'000	Last year's ended 30/06/2018 RM'000
The Group				
Deposits and placements of banks and other financial institutions	5,304	8,147	32,567	32,381
Deposits from customers	18,478	17,372	76,882	58,105
Derivative financial instruments	2,640	1,751	8,376	11,423
Subordinated obligations	863	666	2,867	2,671
Others	356	1,060	634	5,398
Total interest expense	27,641	28,996	121,326	109,978

27. Non-interest income

	Current quarter ended 30/06/2019 RM'000	Last year's quarter ended 30/06/2018 RM'000	Current year ended 30/06/2019 RM'000	Last year's ended 30/06/2018 RM'000
The Group				
(a) Fee income:				
Fee on loans and advances	18	136	118	554
Arranger fees	1,778	254	4,363	4,439
Placement fees	5,477	775	8,426	2,243
Corporate advisory fees	1,508	1,418	5,052	5,446
Underwriting Commission	1,006	-	2,629	-
Brokerage commissions	12,831	15,371	52,457	65,650
Commission from futures contracts	160	172	731	855
Unit trust fee income	12,886	9,494	50,199	34,353
Other fee income	1,041	8,981	4,115	23,488
	36,705	36,601	128,090	137,028
(b) Net income from securities:				
Net realised gain/(loss) arising from sale of:				
- Financial assets at FVTPL	5,189	-	6,085	-
- Financial assets held-for-trading	-	(16,821)	-	6,935
- Financial investments at FVOCI	5,906	-	14,859	-
- Financial investments available-for-sale	-	134	-	1,212
- Derivative financial instruments	(6,433)	(469)	(35,915)	(49,935)
Net unrealised (loss)/gain on revaluation of:				
- Financial assets at FVTPL	(3,121)	-	6,326	-
- Financial assets held-for-trading	-	14,034	-	(6,849)
- Derivative financial instruments	(2,249)	12,753	9,790	12,232
Dividend income from:				
- Financial assets at FVTPL	2,214	-	10,437	-
- Financial assets held-for-trading	-	811	-	3,735
- Financial investments available-for-sale	-	1,992	-	7,583
	1,506	12,434	11,582	(25,087)
(c) Other income				
Gain on disposal of property and equipment	-	-	64	-
Foreign exchange gain/(loss)	5,949	(10,246)	16,750	39,884
Other non-operating income	58	69	250	247
	6,007	(10,177)	17,064	40,131
Total non-interest income	44,218	38,858	156,736	152,072

27. Non-interest income (continued)

	Current quarter ended 30/06/2019 RM'000	Last year's quarter ended 30/06/2018 RM'000	Current year ended 30/06/2019 RM'000	Last year's ended 30/06/2018 RM'000
The Company				
(a) Net income from securities:				
Net realised gain arising from sale of:				
- Financial assets at FVTPL	498	-	302	-
Net unrealised (loss)/gain on revaluation of:				
- Financial assets at FVTPL	(536)	-	(64)	-
- Financial assets held-for-trading	-	195	-	195
Dividend income from:				
- Financial assets at FVTPL	1,895	-	7,738	-
- Financial investments available-for-sale	-	1,447	-	5,389
- Subsidiary companies	12,000	5,500	66,830	60,500
	13,857	7,142	74,806	66,084
(b) Other income				
Gain on liquidation of a subsidiary	650	-	850	20
Other income	45	37	187	134
	695	37	1,037	154
	14,552	7,179	75,843	66,238

28. Overhead expenses

	Current quarter ended 30/06/2019 RM'000	Last year's quarter ended 30/06/2018 RM'000	Current year ended 30/06/2019 RM'000	Last year's ended 30/06/2018 RM'000
The Group				
Personnel costs				
- Salaries, bonuses and allowances	16,295	14,466	61,362	60,430
- Others	3,581	3,025	14,213	12,859
	19,876	17,491	75,575	73,289
Establishment costs				
- Depreciation of property and equipment	857	718	3,392	2,135
- Amortisation of intangible assets	475	691	2,761	2,800
- Rental of premises	1,179	839	4,694	4,693
- Information technology expenses	1,682	1,431	5,970	6,097
- Others	719	907	2,835	2,915
	4,912	4,586	19,652	18,640
Marketing expenses				
- Advertisement and publicity	229	204	911	566
- Entertainment and business improvement	494	533	2,067	2,147
- Others	117	151	617	478
	840	888	3,595	3,191

28. Overhead expenses (continued)

	Current quarter ended 30/06/2019 RM'000	Last year's quarter ended 30/06/2018 RM'000	Current year ended 30/06/2019 RM'000	Last year's ended 30/06/2018 RM'000
The Group (continued)				
Administration and general expenses				
- Management fees	1,144	1,151	4,087	4,141
- Communication expenses	401	349	1,795	1,591
- Property and equipment written off	829	362	942	362
- Auditors' remuneration				
- Statutory audit	221	132	535	446
- Regulatory related fee	39	57	54	84
- Tax compliance fee	25	32	25	32
- Other fees	15	134	15	134
- Legal and professional fees	3,570	1,722	6,695	4,353
- Others	2,204	2,530	9,383	10,175
	8,448	6,469	23,531	21,318
	34,076	29,434	122,353	116,438
The Company				
Personnel costs				
- Salaries, bonuses and allowances	-	-	-	90
- Others	34	65	219	368
	34	65	219	458
Establishment costs				
- Information technology expenses	-	-	17	17
- Others	14	15	50	69
	14	15	67	86
Marketing expenses				
- Others	-	1	2	32
	-	1	2	32
Administration and general expenses				
- Management fees	172	175	499	498
- Communication expenses	-	1	4	8
- Auditors' remuneration				
- Statutory audit	13	23	79	87
- Regulatory related fee	(4)	2	11	11
- Other fees	-	14	-	32
- Legal and professional fees	193	-	604	46
- Others	144	121	623	624
	518	336	1,820	1,306
	566	417	2,108	1,882

29. Allowance for impairment losses on loans and advances

	Current quarter ended 30/06/2019 RM'000	Last year's quarter ended 30/06/2018 RM'000	Current year ended 30/06/2019 RM'000	Last year's ended 30/06/2018 RM'000
The Group				
Allowance for impairment losses on loans and advances:				
- Expected credit losses	(176)	-	(170)	-
- Individual assessment allowance	-	(3)	-	(9)
- Collective assessment allowance	-	(91)	-	(331)
	<u>(176)</u>	<u>(94)</u>	<u>(170)</u>	<u>(340)</u>

30. Write-back of/(allowance for) impairment losses on financial investments and other financial assets

	Current quarter ended 30/06/2019 RM'000	Last year's quarter ended 30/06/2018 RM'000	Current year ended 30/06/2019 RM'000	Last year's ended 30/06/2018 RM'000
The Group				
Expected credit losses/allowance for impairment losses on:				
(a) Financial investments				
- Financial investments at FVOCI	59	-	62	-
- Financial investments at amortised cost	2	-	(12)	-
	61	-	50	-
(b) Other financial assets:				
(i) Clients' and brokers' balances:				
- Expected credit losses	98	-	149	-
- Impaired clients' and brokers' balances recovered	4	-	51	-
- Individual assessment allowance	-	(107)	-	66
- Collective assessment allowance	-	2	-	-
(ii) Deposits and placements with banks and other financial institutions	-	-	22	-
(iii) Securities purchased under resale agreements	-	-	2	-
(iv) Other assets				
- Expected credit losses	20	-	105	-
- Individual assessment allowance	-	(689)	-	(458)
	122	(794)	329	(392)
	<u>183</u>	<u>(794)</u>	<u>379</u>	<u>(392)</u>

31. Commitments and contingencies

	As at 30/06/2019 Principal Amount RM'000	As at 30/06/2018 Principal Amount RM'000
The Group		
Commitments and contingent liabilities		
Direct Credit Substitutes	1,000	1,000
Obligations under underwriting agreement	18,860	-
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	-	4,914
Any commitments that are unconditionally cancelled at any time by the bank without prior notice - maturity less than one year	<u>750,103</u>	<u>662,442</u>
	<u>769,963</u>	<u>668,356</u>
Derivative financial instruments		
Interest rate related contracts:		
- One year or less	4,566,819	1,472,531
- Over one year to five years	3,367,720	3,580,750
- Over five years	245,000	215,000
Foreign exchange related contracts		
- One year or less	2,484,022	2,909,693
Equity related contracts		
- One year or less	36,152	-
- Over one year to five years	-	7,000
	<u>10,699,713</u>	<u>8,184,974</u>
	<u>11,469,676</u>	<u>8,853,330</u>

32. 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.

The Group 30.06.2019	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
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

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32. Fair value of financial instruments (continued)

Determination of fair value and fair value hierarchy (continued)

The Group 30.06.2019	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial liability				
Derivative financial liabilities	-	34,310	-	34,310
30.06.2018				
Financial assets				
Financial assets held-for-trading	26,702	1,217,732	-	1,244,434
- Money market instruments	-	1,010,389	-	1,010,389
- Quoted securities	26,702	-	-	26,702
- Unquoted securities	-	207,343	-	207,343
Financial investments available-for-sale	221,994	1,215,676	245	1,437,915
- Money market instruments	-	238,413	-	238,413
- Quoted securities	221,994	-	-	221,994
- Unquoted securities	-	977,263	245	977,508
Derivative financial assets	-	29,351	-	29,351
	248,696	2,462,759	245	2,711,700
Financial liability				
Derivative financial liabilities	-	44,428	-	44,428
The Company 30.06.2019				
Financial asset				
Financial assets at FVTPL				
- Quoted securities	259,746	-	-	259,746
30.06.2018				
Financial asset				
Financial assets held-for-trading				
- Quoted securities	20,550	-	-	20,550
Financial investments available-for-sale				
- Quoted securities	142,410	-	-	142,410
	162,960	-	-	162,960

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

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32. Fair value of financial instruments (continued)

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

	The Group	
	31.03.2019	30.06.2018
	RM'000	RM'000
Financial assets at FVTPL		
At 1 July		
- as previously reported	-	-
- effect of adopting MFRS 9	<u>1,380</u>	-
At 1 July, as restated	<u>1,380</u>	-
Fair value changes recognised in income statement	<u>(15)</u>	-
At 30 June	<u>1,365</u>	-
Financial investments available-for-sale		
At 1 July		
- as previously reported	245	245
- effect of adopting MFRS 9	<u>(245)</u>	-
At 1 July, as restated	<u>-</u>	<u>245</u>
At 30 June	<u>-</u>	<u>245</u>

33. Capital adequacy

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

	HLIB	HLIB
	30/06/2019	30/06/2018
Before deducting proposed dividends:		
Common equity tier 1 ("CET1") capital ratio	30.907%	33.073%
Tier 1 capital ratio	30.907%	33.073%
Total capital ratio	<u>43.489%</u>	<u>37.619%</u>
After deducting proposed dividends: ⁽¹⁾		
CET1 capital ratio	28.642%	29.115%
Tier 1 capital ratio	28.642%	29.115%
Total capital ratio	<u>41.224%</u>	<u>33.661%</u>

Note:

⁽¹⁾ Proposed dividends of RM28,000,005 (30.06.2018: RM45,500,070).

33. Capital adequacy (continued)

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

	HLIB 30/06/2019 RM'000	HLIB 30/06/2018 RM'000
CET1 capital		
Paid-up ordinary share capital	252,950	252,950
Retained profits	237,920	250,085
Other reserves	7,794	(3,355)
Less: goodwill and intangibles	(31,129)	(31,672)
Less: deferred tax assets	(80,926)	(87,582)
Less: investment in subsidiary companies	(200)	(200)
Less: 55% of cumulative gains of financial investments at FVOCI	(4,287)	-
Total CET1 capital	<u>382,122</u>	<u>380,226</u>
Tier-1 capital	382,122	380,226
Tier-2 capital		
Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves ⁽²⁾	5,556	-
Collective assessment allowance ⁽³⁾ and regulatory reserve ⁽²⁾	-	2,266
Subordinated obligations	150,000	50,000
Total Tier 2 capital	<u>155,556</u>	<u>52,266</u>
Total capital	<u>537,678</u>	<u>432,492</u>

Note:

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

⁽³⁾ Excludes collective assessment allowance attributable to loans and advances classified as impaired.

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

	HLIB 30/06/2019 RM'000	HLIB 30/06/2018 RM'000
Credit risk	444,468	407,598
Market risk	519,266	457,231
Operational risk	272,622	284,840
	<u>1,236,356</u>	<u>1,149,669</u>

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34. Segmental reporting

(a) Segment information by activities for the financial year ended 30 June 2019:

The Group	Investment banking and stockbroking RM'000	Fund management and unit trust management RM'000	Investment holding and others RM'000	Elimination RM'000	Consolidated RM'000
30 June 2019					
Net income					
Net interest income	41,261	785	94	-	42,140
Non interest income	97,240	50,265	77,044	(67,813)	156,736
Total net income	<u>138,501</u>	<u>51,050</u>	<u>77,138</u>	<u>(67,813)</u>	<u>198,876</u>
Results					
Profit from operations	47,981	21,827	74,737	(67,813)	76,732
Taxation					(9,020)
Profit after taxation					<u>67,712</u>
30 June 2018					
Net income					
Net interest income	43,073	533	79	-	43,685
Non interest income	111,231	34,379	67,024	(60,562)	152,072
Total net income	<u>154,304</u>	<u>34,912</u>	<u>67,103</u>	<u>(60,562)</u>	<u>195,757</u>
Results					
Profit from operations	61,827	12,366	64,956	(60,562)	78,587
Taxation					(7,265)
Profit after taxation					<u>71,322</u>

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

35. 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 2018.

36. Changes in composition of the Group

- (a) 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:

HLCB had placed HLCB Assets Sdn Bhd (“HLCB Assets”) and HLG Capital Markets Sdn Bhd (“HLGCM”), its wholly-owned subsidiaries, under member’s voluntary winding-up pursuant to Section 439(1)(b) of the Companies Act, 2016.

Mr Ling Kam Hoong of Messrs Ling Kam Hoong & Co., had been appointed as liquidator of HLCB Assets and HLGCM (collectively “Subsidiaries”).

HLCB Assets and HLGCM were investment holding companies and will become dormant following the disposal of all investments upon the commencement of the winding-up. There are no future plans for the Subsidiaries.

The voluntary winding-up of the Subsidiaries do not have any impact on the net assets and earnings per share of HLCB for financial year ended 30 June 2019.

- (b) Hong Leong Asset Management Bhd (“HLAM”), a wholly-owned subsidiary of HLCB, has on 28 June 2019 entered into a sale and purchase agreement (“SPA”) with HL Management Co Sdn Bhd (“HLMC”) for the acquisition of the entire equity interest in Hong Leong Fund Management Sdn Bhd (“HLFM”) comprising 2,600,000 ordinary shares in HLFM (“Sale Shares”) for a cash consideration of RM2,554,815.82 (“the Acquisition”).

The Acquisition has been completed on even date.

The Proposed Acquisition does not have any material effects on the earnings of HLCB Group for the financial year ended 30 June 2019, as well as the net asset value and gearing of HLCB Group.

37. Capital commitments

Capital commitments for the purchase of property and equipment as at 30 June 2019 is RM6.9 million.

38. 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 June 2019.

39. 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.

40. Changes in accounting policies

(a) Adoption of MFRS 9 'Financial Instruments'

The Group and the Company have adopted MFRS 9 'Financial Instruments' on 1 July 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements.

As permitted by the transitional provisions of MFRS 9, the Group and the Company elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date the transition were recognised in the opening retained profits and other reserves of the current period.

The adoption of MFRS 9 has resulted in changes in the Group and the Company's accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets.

Classification and measurement

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss ("FVTPL") and fair value through other comprehensive income ("FVOCI"). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at FVTPL with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main changes are:

- For financial liabilities classified as FVTPL, the fair value changes due to own credit risk should be recognised directly to OCI. There is no subsequent recycling to income statement.

The combined application of the entity's business model and the cash flow characteristics of the financial assets do not result in the significant change in the classification of financial asset when compared to the existing classification of financial assets in the statement of financial position as at 30 June 2018. However, the Group and the Company have identified certain financial investments currently held at available-for-sale which fail the solely for the payment of principal and interest ("SPPI") test to be reclassified as FVTPL on 1 July 2018.

Certain debt instruments which pass the SPPI test have been re-designated from held-to-maturity to FVOCI.

The Group and the Company do not expect a significant impact arising from the changes in classification and measurement of the financial assets.

There will be no significant changes to the Group's and the Company's accounting for financial liabilities as it largely retains the MFRS 139 requirements. All the financial liabilities, except for derivatives financial liabilities and financial liabilities designated at FVTPL, will remain as amortised cost as there has not been significant change in the requirements for financial liabilities under MFRS 9.

Impairment of financial assets

MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The new impairment model requires the recognition of impairment allowances based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under MFRS 139. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, lease receivables, loan commitments, financial guarantee contracts and other loan commitments.

40. Changes in accounting policies (continued)

(a) Adoption of MFRS 9 'Financial Instruments' (continued)

Impairment of financial assets (continued)

Under MFRS 9, impairment will be measured on each reporting date according to a three-stage expected credit loss impairment model:

- Stage 1 – from initial recognition of a financial assets to the date on which the credit risk of the asset has increased significantly relative to its initial recognition, a loss allowance is recognised equal to the credit losses expected to result from defaults occurring over the next 12 months (12-month ECL).
- Stage 2 – following a significant increase in credit risk relative to the initial recognition of the financial assets, a loss allowance is recognised equal to the credit losses expected over the remaining life of the financial asset (Lifetime ECL).
- Stage 3 – When a financial asset is considered to be credit-impaired, a loss allowance equal to full lifetime expected credit losses is to be recognised (Lifetime ECL).

As all financial assets within the scope of MFRS 9 impairment model will be assessed for at least 12-month ECL, and the population of financial assets to which full lifetime ECL applies is larger than the population of impaired loans for which there is objective evidence of impairment in accordance with MFRS 139, the total allowance for credit losses is expected to increase under MFRS 9 relative to the allowance for credit losses under MFRS 139.

In addition, changes in the required credit loss allowance, including the impact of movements between Stage 1 (12-month ECL) and Stage 2 (lifetime ECL) and the application of forward looking information, will be recorded in income statement, allowance for credit losses will be more volatile under MFRS 9.

The assessment of credit risk and the estimation of ECL are required to be unbiased, probability-weighted and should incorporate all available information which is relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should also take into account the time value of money.

Hedge accounting

Under MFRS 9, the general hedge accounting requirements have been simplified for hedge effectiveness testing and permit hedge accounting to be applied to a greater variety of hedging instruments and risks. The Group does not expect a significant impact arising from the changes in the hedge accounting requirements.

(b) BNM revised policy documents on Financial Reporting

On 2 February 2018, BNM issued the revised policy documents on Financial Reporting which prescribe the regulatory reserves to be maintained by banking institutions. With effect from 1 January 2018, the Group's domestic banking subsidiary companies must maintain, in aggregate, loss allowance for non-credit impaired exposures and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.

40. Changes in accounting policies (continued)

(c) Financial effect

- (i) The adoption of MFRS 9 resulted in the following financial effects to the statements of financial position of the Group and of the Company.

The Group	MFRS 139 carrying amount 30 June 2018 RM'000	Classification and measurement RM'000	Expected credit losses RM'000	MFRS 9 carrying amount 1 July 2018 RM'000
Assets				
Cash and short-term funds	127,647	-	-	127,647
Securities purchased under resale agreements	35,126	-	(2)	35,124
Deposits and placements with banks and other financial institutions	40,645	-	(22)	40,623
Financial assets at FVTPL	-	1,524,108	-	1,524,108
Financial assets held-for-trading	1,244,434	(1,244,434)	-	-
Financial assets at FVOCI	-	1,341,551	-	1,341,551
Financial investments available-for-sale	1,437,915	(1,437,915)	-	-
Financial assets at amortised cost	-	667,393	(24)	667,369
Financial investments held-to-maturity	847,659	(847,659)	-	-
Derivative financial assets	29,351	-	-	29,351
Loans and advances	227,757	(11)	(2,395)	225,351
Clients' and brokers' balances	316,234	-	-	316,234
Other assets	51,621	-	(2)	51,619
Statutory deposits with Bank Negara Malaysia	52,500	-	-	52,500
Tax recoverable	367	-	-	367
Deferred tax assets	88,325	(728)	636	88,233
Property and equipment	15,742	-	-	15,742
Goodwill	33,059	-	-	33,059
Other intangible assets	3,696	-	-	3,696
Total assets	4,552,078	2,305	(1,809)	4,552,574
Liabilities				
Deposits from customers	1,082,656	-	-	1,082,656
Deposits and placements of banks and other financial institutions	2,058,960	-	-	2,058,960
Obligations on securities sold under repurchase agreements	99,654	-	-	99,654
Derivative financial liabilities	44,428	-	-	44,428
Clients' and brokers' balances	350,730	-	-	350,730
Other liabilities	99,103	-	-	99,103
Current tax liabilities	199	-	-	199
Subordinated obligations	50,290	-	-	50,290
	3,786,020	-	-	3,786,020
Equity				
Share capital	246,896	-	-	246,896
Reserves	525,193	2,305	(1,809)	525,689
Regulatory reserve	2,071	10,672	-	12,743
Fair value reserve	(3,305)	1,709	205	(1,391)
Retained profits	526,427	(10,076)	(2,014)	514,337
Treasury share for ESOS scheme	(6,031)	-	-	(6,031)
	766,058	2,305	(1,809)	766,554
Total equity and liabilities	4,552,078	2,305	(1,809)	4,552,574

40. Changes in accounting policies (continued)

(c) Financial effect (continued)

- (i) The adoption of MFRS 9 resulted in the following financial effects to the statements of financial position of the Group and of the Company. (continued)

The Company	MFRS 139 carrying amount 30 June 2018 RM'000	Classification and measurement RM'000	Expected credit losses RM'000	MFRS 9 carrying amount 1 July 2018 RM'000
Assets				
Cash and short-term funds	44	-	-	44
Financial assets at FVTPL	20,550	142,410	-	162,960
Financial investments available-for-sale	142,410	(142,410)	-	-
Other assets	16,169	-	-	16,169
Tax recoverable	242	-	-	242
Investment in subsidiary companies	316,574	-	-	316,574
Total assets	495,989	-	-	495,989
Liabilities				
Other liabilities	16,574	-	-	16,574
	16,574	-	-	16,574
Equity				
Share capital	246,896	-	-	246,896
Reserves	238,437	-	-	238,437
Fair value reserve	31	(31)	-	-
Retained profits	238,406	31	-	238,437
Treasury share for ESOS scheme	(5,918)	-	-	(5,918)
	479,415	-	-	479,415
Total equity and liabilities	495,989	-	-	495,989

- (ii) The following table shows the original measurement categories in accordance with MFRS 139 and the new measurement categories under MFRS 9 and adoption of Revised Financial Reporting Guidelines issued by BNM on the statements of financial position of the Group and of the Company.

	Impact of adopting MFRS 9 and Revised Financial Reporting Guidelines	
	The Group RM'000	The Company RM'000
Securities purchased under resale agreements		
Closing balance under MFRS 139 as at 30 June 2018	35,126	-
- recognition of expected credit losses under MFRS 9	(2)	-
Opening balance under MFRS 9 as at 1 July 2018	35,124	-
Deposits and placements with banks and other financial institutions		
Closing balance under MFRS 139 as at 30 June 2018	40,645	-
- recognition of expected credit losses under MFRS 9	(22)	-
Opening balance under MFRS 9 as at 1 July 2018	40,623	-

40. Changes in accounting policies (continued)

(c) Financial effect (continued)

- (ii) The following table shows the original measurement categories in accordance with MFRS 139 and the new measurement categories under MFRS 9 and adoption of Revised Financial Reporting Guidelines issued by BNM on the statements of financial position of the Group and of the Company. (continued)

	Impact of adopting MFRS 9 and Revised Financial Reporting Guidelines	
	The Group RM'000	The Company RM'000
Financial assets at FVTPL		
Closing balance under MFRS 139 as at 30 June 2018	-	-
- redesignation from financial assets held-for-trading	1,244,434	20,550
- redesignation from financial investments available-for-sale	278,539	142,410
- unrealised gain on financial investments available-for-sale redesignated	1,135	-
Opening balance under MFRS 9 as at 1 July 2018	<u>1,524,108</u>	<u>162,960</u>
Financial assets held-for-trading		
Closing balance under MFRS 139 as at 30 June 2018	1,244,434	20,550
- redesignation to financial assets at FVTPL	<u>(1,244,434)</u>	<u>(20,550)</u>
Opening balance under MFRS 9 as at 1 July 2018	<u>-</u>	<u>-</u>
Financial investments at FVOCI		
Closing balance under MFRS 139 as at 30 June 2018	-	-
- redesignation from financial investments available-for-sale	1,159,376	-
- redesignation from financial investments held-to-maturity	180,266	-
- unrealised gain on financial investments held-to-maturity redesignated	1,909	-
Opening balance under MFRS 9 as at 1 July 2018	<u>1,341,551</u>	<u>-</u>
Financial investments available-for-sale		
Closing balance under MFRS 139 as at 30 June 2018	1,437,915	142,410
- redesignation to financial investments at FVOCI	(1,159,376)	-
- redesignation to financial assets at FVTPL	<u>(278,539)</u>	<u>(142,410)</u>
Opening balance under MFRS 9 as at 1 July 2018	<u>-</u>	<u>-</u>
Financial investments at amortised cost		
Closing balance under MFRS 139 as at 30 June 2018	-	-
- redesignation from financial investments held-to-maturity	667,393	-
- recognition of expected credit losses under MFRS 9	(24)	-
Opening balance under MFRS 9 as at 1 July 2018	<u>667,369</u>	<u>-</u>
Financial investments held-to-maturity		
Closing balance under MFRS 139 as at 30 June 2018	847,659	-
- redesignation to financial investments at FVOCI	(180,266)	-
- redesignation to financial investments at amortised cost	<u>(667,393)</u>	<u>-</u>
Opening balance under MFRS 9 as at 1 July 2018	<u>-</u>	<u>-</u>
Loans and advances		
Closing balance under MFRS 139 as at 30 June 2018	227,757	-
- recognition of expected credit losses under MFRS 9	(2,395)	-
- remeasurement of unwinding of income	(11)	-
Opening balance under MFRS 9 as at 1 July 2018	<u>225,351</u>	<u>-</u>

40. Changes in accounting policies (continued)

(c) Financial effect (continued)

(ii) The following table shows the original measurement categories in accordance with MFRS 139 and the new measurement categories under MFRS 9 and adoption of Revised Financial Reporting Guidelines issued by BNM on the statements of financial position of the Group and of the Company. (continued)

	Impact of adopting MFRS 9 and Revised Financial Reporting Guidelines	
	The Group RM'000	The Company RM'000
Other assets		
Closing balance under MFRS 139 as at 30 June 2018	51,621	16,169
- recognition of expected credit losses under MFRS 9	(2)	-
Opening balance under MFRS 9 as at 1 July 2018	<u>51,619</u>	<u>16,169</u>
Deferred tax assets		
Closing balance under MFRS 139 as at 30 June 2018	88,325	-
- in respect of unrealised gain on financial assets at FVTPL	(272)	-
- in respect of unrealised gain on financial investments FVOCI	(458)	-
- in respect of recognition of expected credit losses under MFRS 9	636	-
- others	2	-
Opening balance under MFRS 9 as at 1 July 2018	<u>88,233</u>	<u>-</u>
Regulatory reserve		
Closing balance under MFRS 139 as at 30 June 2018	2,071	-
- Transfer from retained profits (Revised Financial Reporting Guidelines)	10,672	-
Opening balance under MFRS 9 as at 1 July 2018	<u>12,743</u>	<u>-</u>
Fair value reserve		
Closing balance under MFRS 139 as at 30 June 2018	(3,305)	31
- Unrealised gain on financial investments at FVOCI	1,909	-
- Deferred tax in respect of unrealised gain on financial investments at FVOCI	(458)	-
- Reversal of unrealised loss on financial investments at FVOCI	355	(31)
- Deferred tax in respect of reversal of unrealised loss on financial investments at FVOCI	(97)	-
- Recognition of expected credit losses under MFRS 9	205	-
Opening balance under MFRS 9 as at 1 July 2018	<u>(1,391)</u>	<u>-</u>
Retained profits		
Closing balance under MFRS 139 as at 30 June 2018	526,427	238,406
- Transfer to regulatory reserve (Revised Financial Reporting Guidelines)	(10,672)	-
- Unrealised gain on financial assets at FVTPL	780	31
- Recognition of expected credit loss	(2,650)	-
- Deferred tax assets in respect of unrealised gain on financial assets at FVTPL and expected credit loss	463	-
- Remeasurement of unwinding of income	(11)	-
Opening balance under MFRS 9 as at 1 July 2018	<u>514,337</u>	<u>238,437</u>

40. Changes in accounting policies (continued)

(d) Presentation of interest for derivatives and other financial instruments measured at FVTPL

MFRS 9 introduced a consequential amendment to paragraph 82(a) of MFRS 1 ‘Presentation of Financial Statements’, which is effective for accounting periods beginning on or after 1 January 2018. Under this amendment, interest revenue calculated using the effective interest method should be separately presented as a component of revenue on the face of the income statements.

The effective interest method does not apply to derivatives and other instruments measured at FVTPL. The interest arising on such instruments should not be included in the line item of ‘interest income’ (except for gains and losses arising from related hedging instruments that are accounted for as hedges under MFRS 9).

Accordingly, the Group has changed the classification of interest income for financial assets measured at FVTPL and derivative instruments from ‘Interest income’ to ‘Interest income for financial assets at FVTPL’ as reflected in Note 25b.

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

	The Group			
	Current	Last year's		
	quarter ended 30/06/2019	quarter ended 30/06/2018	Variance	%
	RM'000	RM'000	RM'000	
Revenue	82,488	79,885	2,603	3.3%
Profit before tax	20,778	20,567	211	1.0%
Profit after tax	5,225	9,232	(4,007)	-43.4%
Profit attributable to equity holders of the Company	5,225	9,232	(4,007)	-43.4%

The group recorded a 1.0% higher profit before tax ("PBT") of RM20.8 million for the 4th quarter June 2019 as compared to RM20.6 million recorded in the previous year corresponding quarter.

Higher PBT mainly contributed by higher non-interest income earned (13.8%).

The performance of the respective operating business segments for the 4th quarter ended 30 June 2019 as compared to the previous year corresponding quarter is analysed as follows:-

	The Group			
	Current	Last year's		
	quarter ended 30/06/2019	quarter ended 30/06/2018	Variance	%
	RM'000	RM'000	RM'000	
Profit before tax by segments:				
Investment banking and stockbroking	13,164	16,429	(3,265)	-19.9%
Fund management and unit trust management	6,244	4,020	2,224	55.3%
Investment holding and others	1,370	118	1,252	>100.0%
	20,778	20,567	211	1.0%

Investment banking and stockbroking - lower PBT by RM3.3 million (-19.9%) attributed to lower profit contribution from its investment banking and stockbroking division in current quarter.

Fund management and unit trust management - PBT increased by RM2.2 million (55.3%) mainly due to higher net contribution from management fee income.

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1. Performance review (continued)

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

	The Group		Variance RM'000	%
	Current year ended 30/06/2019 RM'000	Last year's ended 30/06/2018 RM'000		
Revenue	320,202	305,735	14,467	4.7%
Profit before tax	76,732	78,587	(1,855)	-2.4%
Profit after tax	67,712	71,322	(3,610)	-5.1%
Profit attributable to equity holders of the Company	67,712	71,322	(3,610)	-5.1%

The group recorded a lower PBT of RM76.7 million for the financial year ended 30 June 2019 as compared to RM78.6 million recorded in the previous financial year.

Lower PBT mainly due to higher overhead expenses incurred (5.1%), offset by higher non-interest income earned (3.1%).

The performance of the respective operating business segments for the twelve months ended 30 June 2019 as compared to the previous financial year is analysed as follows:-

	The Group		Variance RM'000	%
	Current year ended 30/06/2019 RM'000	Last year's ended 30/06/2018 RM'000		
Profit before tax by segments:				
Investment banking and stockbroking	47,981	61,827	(13,846)	-22.4%
Fund management and unit trust management	21,827	12,366	9,461	76.5%
Investment holding and others	6,924	4,394	2,530	57.6%
	<u>76,732</u>	<u>78,587</u>	<u>(1,855)</u>	-2.4%

Investment banking and stockbroking - lower PBT by RM13.8 million (-22.4%) mainly attributed to lower profit contribution from both its stockbroking division and investment banking division.

Fund management and unit trust management - PBT increased by RM9.5 million (76.5%) mainly due to higher net contribution from management fee income.

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1. Performance review (continued)

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

	The Group		Variance RM'000	%
	Current	Preceding		
	quarter ended 30/06/2019 RM'000	quarter ended 31/03/2019 RM'000		
Revenue	82,488	78,270	4,218	5.4%
Profit before tax	20,778	18,423	2,355	12.8%
Profit after tax	5,225	20,433	(15,208)	-74.4%
Profit attributable to equity holders of the Company	5,225	20,433	(15,208)	-74.4%

For the financial quarter ended 30 June 2019, the Group reported a higher PBT of RM20.8 million as compared to RM18.4 million in the preceding financial quarter ended 31 March 2019. The higher PBT was mainly due to higher non-interest income of RM4.8 million (12.2%).

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

Profit before tax by segments:	The Group		Variance RM'000	%
	Current	Preceding		
	quarter ended 30/06/2019 RM'000	quarter ended 31/03/2019 RM'000		
Investment banking and stockbroking	13,164	11,217	1,947	17.4%
Fund management and unit trust management	6,244	4,961	1,283	25.9%
Investment holding and others	1,370	2,245	(875)	-39.0%
	20,778	18,423	2,355	12.8%

Investment banking and stockbroking - higher PBT by RM1.9 million (17.4%) mainly due to higher profit contribution from its Investment banking division.

Fund management and unit trust management - PBT increased by RM1.3 million (25.9%) mainly due to higher net contribution from management fee income in current quarter.

2. Prospects for 2019

The business and market environment will continue to be challenging over the near term with market uncertainties caused by the global trade tension. The rapid development and adoption of digital technologies in the business world and in our society has also driven the Group to be proactive in harnessing digital technology to build an operating environment that our stakeholders have come to expect; we will continue to invest in technology to further enhance our efficiency and productivity. The Group remains committed to deliver long-term sustainable growth and shareholder value by continuing to execute our business strategies, strengthening our digital solutions, managing cost efficiency and driving productivity.

On the investment banking front, notwithstanding the challenges ahead, the team will continue to focus on the offering of innovative structured products and to widen its marketing universe to explore funding opportunities that are value add to its clients from financing cost and capital structure perspective. The team will also endeavor to play an active role in the development of the local capital markets from both the supply and demand side of the space. For Equity Markets, the team will continue with the strategy to focus on advisory and equity raising as we strengthen our banking franchise. HLIB takes cognizance that continued ability to compete in the business is dependent on the talents and efforts of the employees. To that end, HLIB has continued to invest in people's capabilities to support our strategy of delivering a comprehensive suite of Equity Markets services to help our clients succeed.

For Stockbroking business, HLIB will continue with its efforts to drive and improve the market share in the institutional segment by engaging clients with value visits and investment ideas. As for the Retail Business, the Bank aspires to improve the ranking by engaging retail clients with value trading ideas and enhance customer experience with new digital initiatives. Overall, the Stockbroking business will remain challenging due to the global trade tension and interest rate uncertainty coupled with pressure on brokerage rates by demand from institutional and retail clients.

Hong Leong Asset Management ("HLAM") will continue to work towards delivering consistent and strong fund performance. HLAM believes that consistency and superior investment performance are the key drivers of growth for the business. HLAM will continue to launch products and services to meet investors' demand for retail and wholesale funds and will also be launching regional and global funds. HLAM will also be focusing on building asset under management, tapping into Hong Leong Group's resources such as the bank and insurance distribution channels. To support the Group's initiatives on digitalisation, on-going efforts will be put in place to improve digitalisation of our business operations. HLAM is working towards increasing our digital offering. The fund management business will continue to grow through continued sales and marketing efforts and focus on delivering strong fund performance. HLAM is constantly monitoring market demand and investors' appetite, and will launch appropriate funds at opportune times. Sales and marketing efforts are ongoing to strengthen our branding and presence through customer events and roadshows.

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	
	30/06/2019	30/06/2018	30/06/2019	30/06/2018
The Group	RM'000	RM'000	RM'000	RM'000
Malaysian income tax:				
- Current	2,433	907	6,398	3,072
- (Over)/Under provision in prior years	(122)	1	(134)	56
Deferred taxation	13,242	10,427	2,756	4,137
	15,553	11,335	9,020	7,265

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 June 2019:

The Group	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Interest rate related contracts			
(i) Less than 1 year	4,566,819	1,759	(2,756)
(ii) 1 year to 3 years	2,487,720	14,606	(22,319)
(iii) More than 3 years	1,125,000	3,112	(4,488)
Foreign exchange related contracts			
(i) Less than 1 year	2,484,022	8,779	(4,747)
Equity related contracts			
(i) Less than 1 year	36,152	54	-
	10,699,713	28,310	(34,310)

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.

HLCB Q4 (30.06.19)**8. Group borrowings and debt securities**

The Group	More than 1 year		Less than 1 year		Sub-total		Total
	Foreign currency RM'000	Local currency RM'000	Foreign currency RM'000	Local currency RM'000	Foreign currency RM'000	Local currency RM'000	
Unsecured							
As at 30 June 2019							
RM150.0 million Tier 2 subordinated notes	-	149,902	-	603	-	150,505	150,505
As at 30 June 2018							
RM50.0 million Tier 2 subordinated notes	-	49,891	-	399	-	50,290	50,290

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

A final single-tier dividend of 22.0 sen per share has been proposed for the current quarter.

Amount per share:	22.0 sen
Previous corresponding quarter:	19.0 sen
Payment date:	To be announced later
Entitlement date:	To be announced later

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.

	Financial quarter ended		Financial period ended	
	30/06/2019	30/06/2018	30/06/2019	30/06/2018
The Group				
Net profit attributable to equity holders of the Company (RM'000):	5,225	9,232	67,712	71,322
Weighted average number of ordinary shares in issue ('000):	241,283	241,283	241,283	241,283
Basic earnings per share (sen)	2.2	3.8	28.1	29.6
The Company				
Net profit attributable to equity holders of the Company (RM'000):	14,078	6,754	73,611	64,307
Weighted average number of ordinary shares in issue ('000):	241,388	241,388	241,388	241,388
Basic earnings per share (sen)	5.8	2.8	30.5	26.6

(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 June 2019 and 30 June 2018.

Dated this 28 August 2019.