

HONG LEONG CAPITAL BERHAD
(Company Number: 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2018

	Note	The Group		The Company	
		As at 30/09/2018 RM'000	As at 30/06/2018 RM'000	As at 30/09/2018 RM'000	As at 30/06/2018 RM'000
ASSETS					
Cash and short term funds		205,989	127,647	334	44
Securities purchased under resale agreement		35,628	35,126	-	-
Deposits and placements with banks and other financial institutions		-	40,645	-	-
Financial assets at fair value through profit or loss ("FVTPL")	11	1,196,830	1,244,434	163,469	20,550
Financial investments at fair value through other comprehensive income ("FVOCI")	12	1,972,315	-	-	-
Financial investments at amortised cost	13	696,864	-	-	-
Financial investments available-for-sale	14	-	1,437,915	-	142,410
Financial investments held-to-maturity	15	-	847,659	-	-
Derivative financial assets	21	38,488	29,351	-	-
Loans and advances	16	205,576	227,757	-	-
Clients' and brokers' balances	17	331,878	316,234	-	-
Other assets	18	50,930	51,621	1,536	16,169
Statutory deposits with Bank Negara Malaysia		49,268	52,500	-	-
Tax recoverable		341	367	162	242
Investment in subsidiary companies		-	-	316,574	316,574
Deferred tax assets		89,923	88,325	-	-
Property and equipment		16,832	15,742	-	-
Goodwill		33,059	33,059	-	-
Other intangible assets		3,864	3,696	-	-
TOTAL ASSETS		4,927,785	4,552,078	482,075	495,989
LIABILITIES					
Deposits from customers	19	1,006,747	1,082,656	-	-
Deposits and placements of banks and other financial institutions	20	2,618,005	2,058,960	-	-
Obligations on securities sold under repurchase agreements		-	99,654	-	-
Derivative financial liabilities	21	36,211	44,428	-	-
Clients' and brokers' balances		312,223	350,730	-	-
Other liabilities	22	109,922	99,103	807	16,574
Current tax liabilities		706	199	-	-
Subordinated obligations	23	50,963	50,290	-	-
TOTAL LIABILITIES		4,134,777	3,786,020	807	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)
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UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2018

	The Group		The Company	
	As at 30/09/2018	As at 30/06/2018	As at 30/09/2018	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	552,143	525,193	240,290	238,437
Treasury shares for ESOS scheme	(6,031)	(6,031)	(5,918)	(5,918)
TOTAL EQUITY	793,008	766,058	481,268	479,415
TOTAL LIABILITIES AND EQUITY				
	4,927,785	4,552,078	482,075	495,989
COMMITMENTS AND CONTINGENCIES				
29	11,386,239	8,853,330	-	-
Net assets per share attributable to ordinary equity holder of the Company (RM)				
	3.29	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 PERIOD ENDED 30 SEPTEMBER 2018

	Current quarter ended 30/09/2018	Last year's quarter ended 30/09/2017	Current year ended 30/09/2018	Last year's ended 30/09/2017
Note	RM'000	RM'000	RM'000	RM'000
The Group				
Interest income	24	42,614	37,845	42,614
Interest expense	25	(31,808)	(27,597)	(31,808)
Net interest income		10,806	10,248	10,806
Non-interest income	26	39,984	34,231	39,984
Net income		50,790	44,479	50,790
Overhead expenses	27	(27,759)	(25,856)	(27,759)
Operating profit before allowances		23,031	18,623	23,031
Allowance for impairment losses	28	(321)	(269)	(321)
Profit before taxation		22,710	18,354	22,710
Taxation		1,321	1,697	1,321
Net profit for the period		24,031	20,051	24,031
Earnings per share (sen)				
- Basic		10.0	8.3	10.0
- Diluted		10.0	8.3	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 2018.

HONG LEONG CAPITAL BERHAD
(Company Number: 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

	Current quarter ended 30/09/2018 RM'000	Last year's quarter ended 30/09/2017 RM'000	Current year ended 30/09/2018 RM'000	Last year's ended 30/09/2017 RM'000
The Group				
Net profit for the period	24,031	20,051	24,031	20,051
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	3,912	-	3,912	-
- Net transfer to income statements on disposal of financial investments at FVOCI	(453)	-	(453)	-
Net fair value changes on financial investments available-for-sale				
- Unrealised net gain on revaluation of financial investments available-for-sale	-	1,332	-	1,332
- Net transfer to income statements on disposal of financial investments available-for-sale	-	(659)	-	(659)
Income tax relating to net fair value changes on financial investments at FVOCI/available-for-sale	(831)	(151)	(831)	(151)
Other comprehensive income for the period, net of tax	2,628	522	2,628	522
Total comprehensive income for the period, net of tax	26,659	20,573	26,659	20,573

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 PERIOD ENDED 30 SEPTEMBER 2018

	Current quarter ended 30/09/2018	Last year's quarter ended 30/09/2017	Current year ended 30/09/2018	Last year's ended 30/09/2017
Note	RM'000	RM'000	RM'000	RM'000
The Company				
Interest income	24	1	4	1
Interest expense	25	-	-	-
Net interest income		1	4	1
Non-interest income	26	2,327	1,280	2,327
Net income		2,328	1,284	2,328
Overhead expenses	27	(388)	(571)	(388)
Operating profit before allowances		1,940	713	1,940
Allowance for impairment losses	28	-	-	-
Profit before taxation		1,940	713	1,940
Taxation		(87)	-	(87)
Net profit for the period		1,853	713	1,853
Earnings per share (sen)				
- Basic		0.8	0.3	0.8
- Diluted		0.8	0.3	0.8

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 PERIOD ENDED 30 SEPTEMBER 2018

	Current quarter ended 30/09/2018 RM'000	Last year's quarter ended 30/09/2017 RM'000	Current year ended 30/09/2018 RM'000	Last year's ended 30/09/2017 RM'000
The Company				
Net profit for the period	1,853	713	1,853	713
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	-	27	-	27
- Net transfer to income statements on disposal of financial investments available-for-sale	-	-	-	-
Other comprehensive income for the period, net of tax	-	27	-	27
Total comprehensive income for the period, net of tax	1,853	740	1,853	740

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 PERIOD ENDED 30 SEPTEMBER 2018

	Note	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	1,710	(12,091)	291
At 1 July 2018, restated		246,896	(6,031)	-	12,743	(1,595)	514,336	766,349
Net profit for the period		-	-	-	-	-	24,031	24,031
Other comprehensive income, net of tax		-	-	-	-	2,628	-	2,628
Total comprehensive income		-	-	-	-	2,628	24,031	26,659
Transfer to regulatory reserve		-	-	-	638	-	(638)	-
At 30 September 2018		246,896	(6,031)	-	13,381	1,033	537,729	793,008
At 1 July 2017		246,896	(6,031)	543	2,504	1,422	499,973	745,307
Net profit for the period		-	-	-	-	-	20,051	20,051
Other comprehensive income, net of tax		-	-	-	-	522	-	522
Total comprehensive income		-	-	-	-	522	20,051	20,573
Transfer from regulatory reserve		-	-	-	(235)	-	235	-
At 30 September 2017		246,896	(6,031)	543	2,269	1,944	520,259	765,880

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 PERIOD ENDED 30 SEPTEMBER 2018

	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 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
At 1 July 2017	246,896	(5,918)	(14)	219,963	460,927
Net profit for the period	-	-	-	713	713
Other comprehensive income, net of tax	-	-	27	-	27
Total comprehensive income	-	-	27	713	740
At 30 September 2017	246,896	(5,918)	13	220,676	461,667

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 PERIOD ENDED 30 SEPTEMBER 2018

	The Group	
	30/09/2018	30/09/2017
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
Profit before taxation	22,710	18,354
<u>Adjustments for non-cash items:</u>		
- Depreciation of property and equipment	926	485
- Amortisation of intangible assets	824	693
- Allowance for impairment losses on loans and advances	30	320
- Allowance for impairment losses on clients' and brokers' balances	7	25
- Allowance for impairment losses on financial investments	371	-
- Write-back of allowance for impairment losses on other financial assets	(87)	(76)
- Net unrealised (gain)/loss on revaluation of:		
- Financial assets at FVTPL	(4,592)	2,815
- Derivative financial instruments	(17,804)	1,741
- Interest income from:		
- Financial assets at FVTPL	(11,911)	(9,867)
- Financial investments at FVOCI	(14,897)	-
- Financial investments at amortised cost	(6,370)	-
- Financial investments available-for-sale	-	(8,853)
- Financial investments held-to-maturity	-	(8,327)
- Derivative financial instruments	(1,279)	(2,280)
- Interest expense from derivative financial instruments	1,898	3,324
- Interest expense from subordinated obligations	673	673
- Dividend income from:		
- Financial assets at FVTPL	(3,154)	(1,545)
- Financial investments available-for-sale	-	(1,846)
	(55,365)	(22,718)
Operating loss before changes in working capital	(32,655)	(4,364)
Changes in working capital:		
- Securities purchased under resale agreements	(503)	(102,813)
- Deposits and placements with banks and other financial institutions with original maturity of more than three months	(1,303)	-
- Financial assets at FVTPL	331,034	89,881
- Derivative financial instruments	12	3
- Loans and advances	19,745	(7,113)
- Clients' and brokers' balances	(15,651)	(277,487)
- Other assets	752	(6,694)
- Statutory deposits with Bank Negara Malaysia	3,232	20,360
Net changes in operating assets	337,318	(283,863)
Net changes in operating liabilities:		
- Deposits from customers	(75,909)	(20,601)
- Deposits and placements of banks and other financial institutions	559,045	9,006
- Obligations on securities sold under repurchase agreements	(99,654)	110,649
- Clients' and brokers' balances	(38,507)	319,936
- Other liabilities	10,819	(5,404)
Net changes in operating liabilities	355,794	413,586
Cash generated from operating activities	660,457	125,359

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 PERIOD ENDED 30 SEPTEMBER 2018

	The Group	
	30/09/2018	30/09/2017
	RM'000	RM'000
Cash generated from operating activities	660,457	125,359
Net income tax paid	(665)	(435)
Net cash generated from operating activities	659,792	124,924
<u>Cash flows from investing activities</u>		
Net purchase of financial investments at FVOCI	(628,060)	-
Net purchase of financial investments at amortised cost	(31,772)	-
Net purchase of financial investments available-for-sale	-	(25,869)
Net proceeds of financial investments held-to-maturity	-	51,525
Dividend received from:		
- Financial assets at FVTPL	3,154	1,545
- Financial investments available-for-sale	-	1,846
Interest received from financial assets at FVTPL, financial investments at FVOCI, financial investments at amortised cost and derivative financial instruments/ financial investments available-for-sale and financial investments held-to-maturity	38,018	35,222
Interest expenses paid on derivative financial instruments	(1,730)	(3,324)
Purchase of property and equipment	(2,016)	(166)
Purchase of intangible assets	(992)	(397)
Net cash (used in)/generated from investing activities	(623,398)	60,382
Net changes in cash and cash equivalents during the financial period	36,394	185,306
Cash and cash equivalents at beginning of the financial period	127,647	267,462
Cash and cash equivalents at end of the financial period	164,041	452,768
Cash and cash equivalents comprise:		
Cash and short term funds	205,989	452,768
Less:		
Deposits and placements with banks and other financial institutions with original maturity of more than three months	(41,948)	-
	164,041	452,768

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 PERIOD ENDED 30 SEPTEMBER 2018

	The Company	
	30/09/2018	30/09/2017
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
Profit before taxation	1,940	713
<u>Adjustments for non-cash items:</u>		
- Interest income	(1)	(4)
- Net unrealised gain on revaluation of financial assets FVTPL	(193)	-
- Dividend income from:		
- Financial assets at FVTPL	(1,489)	-
- Financial investments available-for-sale	-	(1,249)
	<u>(1,683)</u>	<u>(1,253)</u>
Operating profit/(loss) before changes in working capital	257	(540)
Increase in financial assets at FVTPL	(316)	-
Decrease in other assets	14,633	428
(Decrease)/increase in other liabilities	(15,767)	96
Cash used in operating activities	(1,193)	(16)
Net income tax paid	(7)	(44)
Interest received	1	4
Net cash used in operating activities	(1,199)	(56)
<u>Cash flows from investing activities</u>		
Net purchase of financial investments available-for-sale	-	(1,201)
Dividend received from:		
- Financial assets at FVTPL	1,489	-
- Financial investments available-for-sale	-	1,249
Net cash generated from investing activities	1,489	48
Net changes in cash and cash equivalents during the financial period	290	(8)
Cash and cash equivalents at beginning of the financial period	44	490
Cash and cash equivalents at end of the financial period	<u>334</u>	<u>482</u>
Cash and cash equivalents comprise:		
Cash and short term funds	<u>334</u>	<u>482</u>

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 PERIOD ENDED 30 SEPTEMBER 2018

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 2018 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'
- 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 38.

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 38.

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 September 2018.

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 2018.

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 2018.

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 2018, 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 (30.06.2018: 5,612,700) shares in the Group costing RM6,031,241 (30.06.2018: RM6,031,241) inclusive of transaction costs, as at 30 September 2018.

7. Dividends paid

There was no dividend paid during the financial period ended 30 September 2018.

8. Valuations of property, plant and equipment

No valuations of property, plant and equipment were carried out for the financial quarter ended 30 September 2018.

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 7 November 2018 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.

The Company has not identified a satisfactory plan to address the non-compliance with the 25% public shareholding spread requirement.

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 (30.09.18)
11. Financial assets at fair value through profit or loss ("FVTPL")

	The Group		The Company	
	As at 30/09/2018 RM'000	As at 30/06/2018 RM'000	As at 30/09/2018 RM'000	As at 30/06/2018 RM'000
Financial assets held-for-trading				
Money market instruments				
Malaysian Government Securities	159,844	10,029	-	-
Malaysian Government Investment Issues	133,528	81,076	-	-
Negotiable instruments of deposits	453,770	864,200	-	-
Bankers' acceptances	-	55,084	-	-
	747,142	1,010,389	-	-
Quoted securities				
In Malaysia:				
Shares	33,789	22,242	14,281	16,090
Unit trust investment	229,500	4,460	149,188	4,460
	263,289	26,702	163,469	20,550
Unquoted securities				
Shares	1,380	-	-	-
Foreign currency bonds	40,950	20,095	-	-
Corporate bond and/or sukuk	144,069	187,248	-	-
	186,399	207,343	-	-
	1,196,830	1,244,434	163,469	20,550

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

	The Group	
	As at 30/09/2018 RM'000	As at 30/06/2018 RM'000
Money market instruments		
Malaysian Government Securities	130,747	-
Malaysian Government Investment Issues	121,883	-
Negotiable instruments of deposits	530,759	-
Cagamas bonds	56,034	-
	839,423	-
Unquoted securities		
Foreign currency bonds	257,554	-
Corporate bond and/or sukuk	875,898	-
	1,133,452	-
Allowance for credit losses	(560)	-
	1,972,315	-

HLCB Q1 (30.09.18)
12. Financial investments at fair value through other comprehensive income ("FVOCI") (continued)

Movements in allowance for impairment losses on financial investments at FVOCI are as follows:-

The Group	12 Months ECL (Stage 1) RM'000	Lifetime ECL no 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	205	-	-	205
Allowances made	12	-	-	12
Amount written back	(6)	-	-	(6)
New financial assets originated or purchased	344	-	-	344
Financial assets derecognised	(5)	-	-	(5)
Exchange differences	10	-	-	10
At 30 September 2018	560	-	-	560

13. Financial investments at amortised cost

	The Group	
	As at 30/09/2018 RM'000	As at 30/06/2018 RM'000
Money market instruments		
Malaysian Government Securities	116,932	-
Malaysian Government Investment Issues	445,296	-
	562,228	-
Unquoted securities		
Foreign currency bonds	53,812	-
Corporate bond and/or sukuk	80,864	-
	134,676	-
Allowance for credit losses	(40)	-
	696,864	-

Movements in allowance for impairment losses on financial investments at amortised cost are as follows:-

The Group	12 Months ECL (Stage 1) RM'000	Lifetime ECL no 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	24	-	-	24
New financial assets originated or purchased	15	-	-	15
Exchange differences	1	-	-	1
At 30 September 2018	40	-	-	40

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14. Financial investments available-for-sale

	The Group		The Company	
	As at 30/09/2018 RM'000	As at 30/06/2018 RM'000	As at 30/09/2018 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 held-to-maturity

	The Group	
	As at 30/09/2018 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>

16. Loans and advances

	The Group	
	As at 30/09/2018 RM'000	As at 30/06/2018 RM'000
Term loan financing	19,863	19,874
Share margin financing	188,364	208,125
Staff loans	56	58
Other loans	508	490
Gross loans and advances	<u>208,791</u>	<u>228,547</u>
Allowance for impaired loans and advances:		
- allowance for credit losses	(3,215)	-
- individual assessment allowance	-	(119)
- collective assessment allowance	-	(671)
Net loans and advances	<u>205,576</u>	<u>227,757</u>
a. <u>By type of customer</u>		
Domestic business enterprises		
- Small and medium enterprises	114	112
- Others	110,645	112,062
Individuals	89,767	108,243
Foreign entities	8,265	8,130
Gross loans and advances	<u>208,791</u>	<u>228,547</u>
b. <u>By interest rate sensitivity</u>		
Fixed rate		
- Staff housing loans	56	58
- Other fixed rate loan	508	490
Variable rate		
- Cost plus	208,227	227,999
Gross loans and advances	<u>208,791</u>	<u>228,547</u>
c. <u>By residual contractual maturity</u>		
Maturity within one year	202,351	208,615
More than one year to three years	6,384	19,874
More than five years	56	58
Gross loans and advances	<u>208,791</u>	<u>228,547</u>
d. <u>By geographical distribution</u>		
Malaysia	<u>208,791</u>	<u>228,547</u>
e. <u>By economic purpose</u>		
Purchase of securities	201,843	221,604
Working capital	6,384	6,395
Purchase of transport vehicles	126	119
Purchase of landed properties	438	429
Gross loans and advances	<u>208,791</u>	<u>228,547</u>

16. Loans and advances (continued)

	The Group	
	As at 30/09/2018 RM'000	As at 30/06/2018 RM'000
f. Impaired loans and advances		
(i) Movements in impaired loans and advances ("impaired loans") are as follows:		
At 1 July 2018		
- as previously reported	6,884	11,576
- effect of adoption of MFRS 9	(11)	-
At 1 July 2018, as restated	<u>6,873</u>	<u>11,576</u>
Impaired during the financial period/year	17	34
Amount written-back during the financial year	-	(4,726)
At 30 September/30 June	<u>6,890</u>	<u>6,884</u>
% of impaired loans to total loans and advances, net of individual assessment allowance	<u>3.3%</u>	<u>3.0%</u>
(ii) <u>By geographical distribution</u>		
Malaysia	<u>6,890</u>	<u>6,884</u>
(iii) <u>By economic purpose</u>		
Purchase of transport vehicles	126	119
Purchase of landed properties	380	371
Working capital	<u>6,384</u>	<u>6,394</u>
Gross impaired loans and advances	<u>6,890</u>	<u>6,884</u>
g. Movement in the allowance for losses on loans and advances are as follows:		

Allowance for credit losses

The Group	12 Months ECL (Stage 1) RM'000	Lifetime ECL no credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total ECL RM'000
At 1 July 2018				
- as previously reported	-	-	-	-
- effect of adoption of MFRS 9	226	3	2,956	3,185
At 1 July 2018, as restated	<u>226</u>	<u>3</u>	<u>2,956</u>	<u>3,185</u>
Transferred to Stage 1	3	(3)	-	-
Transferred to Stage 2	(1)	1	-	-
New financial assets originated	2	-	-	2
Financial assets derecognised	(1)	-	-	(1)
Allowance made	7	-	41	48
Allowance written-back	(19)	-	-	(19)
At 30 September 2018	<u>217</u>	<u>1</u>	<u>2,997</u>	<u>3,215</u>

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g. Movement in the allowance for losses on loans and advances are as follows: (continued)

	The Group	
	As at	As at
	30/09/2018	30/06/2018
	RM'000	RM'000
Individual assessment allowance		
At 1 July		
- as previously reported	119	110
- effect of adoption of MFRS 9	(119)	-
At 1 July, as restated	-	110
Allowance made during the financial year	-	9
At 30 September/30 June	-	119
Collective assessment allowance		
At 1 July		
- as previously reported	671	340
- effect of adoption of MFRS 9	(671)	-
At 1 July, as restated	-	340
Allowance made during the financial year	-	331
At 30 September/30 June	-	671

17. Clients' and brokers' balances

	The Group	
	As at	As at
	30/09/2018	30/06/2018
	RM'000	RM'000
Performing accounts	329,041	313,785
Impaired accounts	3,222	2,828
	332,263	316,613
Less: Allowance for bad and doubtful debts		
- allowance for credit losses	(385)	-
- individual assessment allowance	-	(351)
- collective assessment allowance	-	(28)
	331,878	316,234

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18. Other assets

	The Group		The Company	
	As at	As at	As at	As at
	30/09/2018	30/06/2018	30/09/2018	30/06/2018
	RM'000	RM'000	RM'000	RM'000
Amount due from subsidiary companies	-	-	137	150
Deposits and prepayments	5,520	8,922	20	35
Fee income receivable	1,750	2,842	-	-
Cash collaterals pledged for derivative transactions	5,557	3,922	-	-
Treasury related receivables	21,476	4,080	-	-
Equity related receivables	1,237	4,706	-	-
Other receivables	14,950	26,359	1,379	15,984
Manager's stocks and consumables	440	790	-	-
	50,930	51,621	1,536	16,169

19. Deposits from customers

	The Group	
	As at	As at
	30/09/2018	30/06/2018
	RM'000	RM'000
a. <u>By type of deposits</u>		
Fixed deposits	1,006,747	1,082,656
b. <u>By type of customer</u>		
Government and statutory bodies	747,006	841,509
Business enterprises	240,258	215,116
Individuals	19,483	26,031
	1,006,747	1,082,656
c. The maturity structure of fixed deposits are as follows:		
Due within:		
- six months	1,006,747	1,081,537
- six months to one year	-	1,119
	1,006,747	1,082,656

20. Deposits and placements of banks and other financial institutions

	The Group	
	As at	As at
	30/09/2018	30/06/2018
	RM'000	RM'000
Licensed banks	507,615	50,084
Licensed investment banks	82,037	159,570
Other financial institutions	2,028,353	1,849,306
	2,618,005	2,058,960

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21. Derivative financial assets/liabilities

The Group	Contract or underlying principal amount	Positive fair value	Negative fair value
30/09/2018	RM'000	RM'000	RM'000
Interest rate related contracts:			
- Interest rate swaps	6,055,000	7,813	(13,235)
- Futures	589,594	1,058	-
- Cross currency swaps	82,750	2,712	-
Foreign exchange related contracts:			
- Foreign currency swaps	3,912,970	26,871	(22,963)
- Foreign currency forwards	17,348	-	(13)
- Foreign currency spot	54	-	-
Equity related contracts:			
- Futures	10,035	22	-
- Call option	7,000	12	-
	10,674,751	38,488	(36,211)
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)

22. Other liabilities

	The Group		The Company	
	As at 30/09/2018 RM'000	As at 30/06/2018 RM'000	As at 30/09/2018 RM'000	As at 30/06/2018 RM'000
Amount due to holding company	225	38	-	-
Amount due to related companies	30	29	-	-
Remisiers' trust deposits	13,463	13,799	-	-
Treasury related payables	10,021	30,449	-	-
Other payables and accrued liabilities	85,974	54,581	807	16,574
Post employment benefits obligation				
- defined contribution plan	209	207	-	-
	109,922	99,103	807	16,574

23. Subordinated obligations

	The Group	
	As at 30/09/2018 RM'000	As at 30/06/2018 RM'000
RM50.0 million Tier 2 subordinated notes, at par	50,000	50,000
Add: Interest payable	1,067	399
	51,067	50,399
Less: Unamortised discounts	(104)	(109)
	50,963	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.

24. Interest income

	Current quarter ended 30/09/2018 RM'000	Last year's quarter ended 30/09/2017 RM'000	Current year ended 30/09/2018 RM'000	Last year's ended 30/09/2017 RM'000
The Group				
Loan and advances	3,365	3,577	3,365	3,577
Money at call and deposits placements with banks and other financial institutions	824	881	824	881
Financial assets at FVTPL	11,911	9,867	11,911	9,867
Financial investments at FVOCI	14,897	-	14,897	-
Financial investments at amortised cost	6,370	-	6,370	-
Financial investments available-for-sale	-	8,853	-	8,853
Financial investments held-to-maturity	-	8,327	-	8,327
Derivative financial instruments	1,279	2,280	1,279	2,280
Others	3,968	4,060	3,968	4,060
Total interest income	42,614	37,845	42,614	37,845
The Company				
Money at call and deposits placements with banks and other financial institutions	1	4	1	4

25. Interest expense

	Current quarter ended 30/09/2018 RM'000	Last year's quarter ended 30/09/2017 RM'000	Current year ended 30/09/2018 RM'000	Last year's ended 30/09/2017 RM'000
The Group				
Deposits and placements of banks and other financial institutions	10,114	8,462	10,114	8,462
Deposits from customers	18,885	13,738	18,885	13,738
Derivative financial instruments	1,898	3,324	1,898	3,324
Subordinated notes	673	673	673	673
Others	238	1,400	238	1,400
Total interest expense	31,808	27,597	31,808	27,597

26. Non-interest income

	Current quarter ended 30/09/2018 RM'000	Last year's quarter ended 30/09/2017 RM'000	Current year ended 30/09/2018 RM'000	Last year's ended 30/09/2017 RM'000
The Group				
(a) Fee income:				
Fee on loans and advances	38	-	38	-
Arranger fees	425	2,083	425	2,083
Placement fees	463	50	463	50
Corporate advisory fees	723	905	723	905
Brokerage commissions	14,359	14,350	14,359	14,350
Commission from futures contracts	136	201	136	201
Unit trust fee income	11,339	7,281	11,339	7,281
Other fee income	628	5,918	628	5,918
	28,111	30,788	28,111	30,788
(b) Net income from securities:				
Net realised (loss)/gain arising from sale of:				
- Financial assets at FVTPL	(1,131)	3,490	(1,131)	3,490
- Financial investments at FVOCI	2,399	-	2,399	-
- Financial investments available-for-sale	-	748	-	748
- Derivative financial instruments	(16,216)	(7,481)	(16,216)	(7,481)
Net unrealised gain/(loss) on revaluation of:				
- Financial assets at FVTPL	4,592	(2,815)	4,592	(2,815)
- Derivative financial instruments	17,804	(1,741)	17,804	(1,741)
Dividend income from:				
- Financial assets at FVTPL	3,154	1,545	3,154	1,545
- Financial investments available-for-sale	-	1,846	-	1,846
	10,602	(4,408)	10,602	(4,408)
(c) Other income				
Foreign exchange gain	1,219	7,799	1,219	7,799
Other non-operating income	52	52	52	52
	1,271	7,851	1,271	7,851
Total non-interest income	39,984	34,231	39,984	34,231

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26. Non-interest income (continued)

	Current quarter ended 30/09/2018 RM'000	Last year's quarter ended 30/09/2017 RM'000	Current year ended 30/09/2018 RM'000	Last year's ended 30/09/2017 RM'000
The Company				
(a) Net income from securities:				
Net realised gain arising from sale of:				
- Financial assets at FVTPL	612	-	612	-
Net unrealised gain on revaluation of:				
- Financial assets at FVTPL	193	-	193	-
Dividend income from:				
- Financial assets at FVTPL	1,489	-	1,489	-
- Financial investments available-for-sale	-	1,249	-	1,249
	<u>2,294</u>	<u>1,249</u>	<u>2,294</u>	<u>1,249</u>
(b) Other income				
Other income	33	31	33	31
	<u>2,327</u>	<u>1,280</u>	<u>2,327</u>	<u>1,280</u>

27. Overhead expenses

	Current quarter ended 30/09/2018 RM'000	Last year's quarter ended 30/09/2017 RM'000	Current year ended 30/09/2018 RM'000	Last year's ended 30/09/2017 RM'000
The Group				
Personnel costs				
- Salaries, bonuses and allowances	13,719	12,606	13,719	12,606
- Others	3,260	3,021	3,260	3,021
	<u>16,979</u>	<u>15,627</u>	<u>16,979</u>	<u>15,627</u>
Establishment costs				
- Depreciation of property and equipment	926	485	926	485
- Amortisation of intangible assets	824	693	824	693
- Rental of premises	1,247	1,115	1,247	1,115
- Information technology expenses	1,343	1,566	1,343	1,566
- Others	812	748	812	748
	<u>5,152</u>	<u>4,607</u>	<u>5,152</u>	<u>4,607</u>
Marketing expenses				
- Advertisement and publicity	89	62	89	62
- Entertainment and business improvement	541	442	541	442
- Others	133	102	133	102
	<u>763</u>	<u>606</u>	<u>763</u>	<u>606</u>

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27. Overhead expenses (continued)

	Current quarter ended 30/09/2018 RM'000	Last year's quarter ended 30/09/2017 RM'000	Current year ended 30/09/2018 RM'000	Last year's ended 30/09/2017 RM'000
The Group (continued)				
Administration and general expenses				
- Management fees	1,072	993	1,072	993
- Communication expenses	467	387	467	387
- Auditors' remuneration				
- Statutory audit	112	105	112	105
- Regulatory related fee	10	8	10	8
- Legal and professional fees	985	995	985	995
- Others	2,219	2,528	2,219	2,528
	4,865	5,016	4,865	5,016
	27,759	25,856	27,759	25,856
The Company				
Personnel costs				
- Salaries, bonuses and allowances	-	90	-	90
- Others	56	123	56	123
	56	213	56	213
Establishment costs				
- Information technology expenses	1	-	1	-
- Others	11	17	11	17
	12	17	12	17
Marketing expenses				
- Others	-	2	-	2
	-	2	-	2
Administration and general expenses				
- Management fees	148	124	148	124
- Communication expenses	1	1	1	1
- Auditors' remuneration				
- Statutory audit	22	22	22	22
- Regulatory related fee	10	8	10	8
- Legal and professional fees	12	3	12	3
- Others	127	181	127	181
	320	339	320	339
	388	571	388	571

28. Allowance for impairment losses

	Current quarter ended 30/09/2018 RM'000	Last year's quarter ended 30/09/2017 RM'000	Current year ended 30/09/2018 RM'000	Last year's ended 30/09/2017 RM'000
The Group				
(a) (Allowance for)/write-back of impairment losses on loans and advances:				
- Stage 1 - 12 months ECL, net	11		11	-
- Stage 3 - Life time ECL credit impaired, net	(41)		(41)	-
- Collective assessment allowance made	-	(320)	-	(320)
	(30)	(320)	(30)	(320)
(b) (Allowance for)/write-back of impairment losses on clients' and brokers' balances:				
- Stage 1 - 12 months ECL, net	11	-	11	-
- Stage 3 - Life time ECL credit impaired, net	(18)	-	(18)	-
- Individual assessment allowance made	-	(100)	-	(100)
- Individual assessment allowance written back	-	76	-	76
- Collective assessment allowance made	-	(1)	-	(1)
	(7)	(25)	(7)	(25)
(c) Allowance for impairment losses on financial investments				
(i) Financial investments at FVOCI				
- Stage 1 - 12 months ECL, net	(355)	-	(355)	-
(ii) Financial investments at amortised cost				
- Stage 1 - 12 months ECL, net	(16)	-	(16)	-
	(371)	-	(371)	-
(d) Write-back of allowance for impairment losses on other financial assets				
- Stage 1 - 12 months ECL, net	23	-	23	-
- Stage 3 - Life time ECL credit impaired, net	64	-	64	-
- Individual assessment allowance written back	-	76	-	76
	87	76	87	76
	(321)	(269)	(321)	(269)

29. Commitments and contingencies

	As at 30/09/2018 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
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
Other commitments, such as formal standby facilities and credit lines, with an original maturity:		
- over one year	9,000	-
Any commitments that are unconditionally cancelled at any time by the bank without prior notice		
- maturity less than one year	<u>701,488</u>	<u>662,442</u>
	<u>711,488</u>	<u>668,356</u>
Derivative financial instruments		
Interest rate related contracts:		
- One year or less	3,059,594	1,472,531
- Over one year to five years	3,422,750	3,580,750
- Over five years	245,000	215,000
Foreign exchange related contracts		
- One year or less	3,930,372	2,909,693
Equity related contracts		
- One year or less	10,035	-
- Over one year to five years	7,000	7,000
	<u>10,674,751</u>	<u>8,184,974</u>
	<u>11,386,239</u>	<u>8,853,330</u>

30. 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 30.09.2018	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Financial assets at FVTPL	263,289	932,161	1,380	1,196,830
- Money market instruments	-	747,142	-	747,142
- Quoted securities	263,289	-	-	263,289
- Unquoted securities	-	185,019	1,380	186,399
Financial investments at FVOCI	-	1,972,315	-	1,972,315
- Money market instruments	-	839,162	-	839,162
- Unquoted securities	-	1,133,153	-	1,133,153
Derivative financial assets	-	38,488	-	38,488
	263,289	2,942,964	1,380	3,207,633

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30. Fair value of financial instruments (continued)

Determination of fair value and fair value hierarchy (continued)

The Group 30.09.2018	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial liability				
Derivative financial liabilities	-	36,211	-	36,211
30.06.2018				
Financial assets				
Financial assets at FVTPL	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 30.09.2018				
Financial asset				
Financial assets at FVTPL				
- Quoted securities	163,469	-	-	163,469
30.06.2018				
Financial asset				
Derivative financial assets				
- 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 period.

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30. Fair value of financial instruments (continued)

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

	The Group	
	30.09.2018 RM'000	30.06.2018 RM'000
Financial assets at FVTPL		
At 1 July		
- as previously reported	-	-
- effect of adoption of MFRS 9	1,380	-
At 1 July, as restated	1,380	-
At 30 September/30 June	1,380	-
Financial investments available-for-sale		
At 1 July		
- as previously reported	245	245
- effect of adoption of MFRS 9	(245)	-
At 1 July, as restated	-	245
At 30 September/30 June	-	245

31. Capital adequacy

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

	HLIB 30/09/2018	HLIB 30/06/2018
Before deducting proposed dividends:		
Common equity tier 1 ("CET1") capital ratio	24.246%	33.073%
Tier 1 capital ratio	24.246%	33.073%
Total capital ratio	28.019%	37.619%
After deducting proposed dividends: ⁽¹⁾		
CET1 capital ratio	21.268%	29.115%
Tier 1 capital ratio	21.268%	29.115%
Total capital ratio	25.040%	33.661%

Note:

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

31. Capital adequacy (continued)

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

	HLIB 30/09/2018 RM'000	HLIB 30/06/2018 RM'000
CET1 capital		
Paid-up ordinary share capital	252,950	252,950
Retained profits	237,945	250,085
Other reserves	1,033	(3,355)
Less: goodwill and intangibles	(31,611)	(31,672)
Less: deferred tax assets	(89,181)	(87,582)
Less: investment in subsidiary companies	(200)	(200)
Less: 55% of cumulative gains of financial investments at FVOCI	(568)	-
Total CET1 capital	<u>370,368</u>	<u>380,226</u>
Tier-1 capital	370,368	380,226
Tier-2 capital		
Collective assessment allowance ⁽²⁾ and regulatory reserve ⁽³⁾	-	2,266
General provision ⁽⁴⁾	7,632	-
Subordinated obligations	50,000	50,000
Total Tier 2 capital	<u>57,632</u>	<u>52,266</u>
Total capital	<u>428,000</u>	<u>432,492</u>

Note:

⁽²⁾ Excludes collective assessment allowance attributable to loans and advances classified as impaired.

⁽³⁾ Includes the qualifying regulatory reserve for non-impaired loans and advances (30.06.2018: RM2,071,000).

⁽⁴⁾ Pursuant to BNM's policy document on Financial Reporting, general provision refers to loss allowance, measured at an amount equal to 12-month and lifetime expected credit losses and regulatory reserve, to the extent they are ascribed to non-credit impaired exposures, determined under Standardised Approach for credit risk.

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

	HLIB 30/09/2018 RM'000	HLIB 30/06/2018 RM'000
Credit risk	610,606	407,598
Market risk	630,597	457,231
Operational risk	286,329	284,840
	<u>1,527,532</u>	<u>1,149,669</u>

32. Segmental reporting

(a) Segment information by activities for the financial period ended 30 September 2018:

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 September 2018					
Net income					
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>
Results					
Profit from operations	15,306	4,687	2,717	-	22,710
Taxation					1,321
Profit after taxation					<u>24,031</u>
30 September 2017					
Net income					
Net interest income	10,130	104	14	-	10,248
Non interest income	24,678	7,283	2,270	-	34,231
Total net income	<u>34,808</u>	<u>7,387</u>	<u>2,284</u>	-	<u>44,479</u>
Results					
Profit from operations	14,426	2,291	1,637	-	18,354
Taxation					1,697
Profit after taxation					<u>20,051</u>

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

33. 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.

34. 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.

35. Capital commitments

Capital commitments for the purchase of property and equipment as at 30 September 2018 is RM8.6 million.

36. 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 2018.

37. 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.

38. 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.

38. 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.

38. 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	30 June 2018 RM'000	Classification and measurement RM'000	Expected credit losses RM'000	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	1,244,434	279,674	-	1,524,108
Financial assets at FVOCI	-	1,341,551	(205)	1,341,346
Financial assets at amortised cost	-	667,393	(24)	667,369
Financial investments available-for-sale	1,437,915	(1,437,915)	-	-
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	(2,014)	4,552,369
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	(2,014)	525,484
Regulatory reserve	2,071	10,672	-	12,743
Fair value reserve	(3,305)	1,710	-	(1,595)
Retained profits	526,427	(10,077)	(2,014)	514,336
Treasury share for ESOS scheme	(6,031)	-	-	(6,031)
	766,058	2,305	(2,014)	766,349
Total equity and liabilities	4,552,078	2,305	(2,014)	4,552,369

38. 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	30 June 2018 RM'000	Classification and measurement RM'000	Expected credit losses RM'000	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	-

38. 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	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 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	-
- recognition of expected credit losses under MFRS 9	(205)	-
Opening balance under MFRS 9 as at 1 July 2018	<u>1,341,346</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 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	(278,539)	(142,410)
Opening balance under MFRS 9 as at 1 July 2018	<u>-</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	(667,393)	-
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)	-
- Other classification and measurement	(11)	-
Opening balance under MFRS 9 as at 1 July 2018	<u>225,351</u>	<u>-</u>

38. 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 FVOCI	(458)	-
- in respect of recognition of expected credit losses under MFRS 9	636	-
- in respect of other classification and measurement	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	2,265	(31)
- Deferred tax in respect of Unrealised gain of financial investments at FVOCI	(555)	-
Opening balance under MFRS 9 as at 1 July 2018	<u>(1,595)</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	778	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	464	-
- Other classification and measurement	(11)	-
Opening balance under MFRS 9 as at 1 July 2018	<u>514,336</u>	<u>238,437</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 30/09/2018	Last year's quarter ended 30/09/2017	RM'000	%
	RM'000	RM'000		
Revenue	82,598	72,076	10,522	14.6%
Profit before tax	22,710	18,354	4,356	23.7%
Profit after tax	24,031	20,051	3,980	19.8%
Profit attributable to equity holders of the Company	24,031	20,051	3,980	19.8%

The group recorded a 23.7% higher profit before tax ("PBT") of RM22.7 million for the 1st quarter September 2018 as compared to RM18.4 million recorded in the previous year corresponding quarter.

Higher PBT mainly contributed by higher non-interest income.

The performance of the respective operating business segments for the three months ended 30 September 2018 as compared to the previous year corresponding quarter is analysed as follows:-

Profit before tax by segments:	The Group		Variance	
	Current quarter ended 30/09/2018	Last year's quarter ended 30/09/2017	RM'000	%
	RM'000	RM'000		
Investment banking and stockbroking	15,306	14,426	880	6.1%
Fund management and unit trust management	4,687	2,291	2,396	>100.0%
Investment holding and others	2,717	1,637	1,080	66.0%
	<u>22,710</u>	<u>18,354</u>	<u>4,356</u>	<u>23.7%</u>

Investment banking and stockbroking - higher PBT by RM0.9 million (6.1%) attributed to higher revenue contribution from its Treasury and Markets division in current quarter.

Fund management and unit trust management - PBT increased by RM2.4 million (>100%) 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 quarter ended 30/09/2018 RM'000	Preceding quarter ended 30/06/2018 RM'000	RM'000	%
Revenue	82,598	79,885	2,713	3.4%
Profit before tax	22,710	20,567	2,143	10.4%
Profit after tax	24,031	9,232	14,799	>100.0%
Profit attributable to equity holders of the Company	24,031	9,232	14,799	>100.0%

For the financial quarter ended 30 September 2018, the Group reported a higher PBT of RM22.7 million as compared to RM20.6 million in the preceding financial quarter ended 30 June 2018. The higher PBT was mainly due to lower overheads incurred for the current quarter.

The performance of the respective operating business segments for the three months ended 30 September 2018 as compared to the preceding quarter is analysed as follows:-

	The Group		Variance	
	Current quarter ended 30/09/2018 RM'000	Preceding quarter ended 30/06/2018 RM'000	RM'000	%
Profit before tax by segments:				
Investment banking and stockbroking	15,306	16,429	(1,123)	-6.8%
Fund management and unit trust management	4,687	4,020	667	16.6%
Investment holding and others	2,717	118	2,599	>100.0%
	22,710	20,567	2,143	10.4%

Investment banking and stockbroking - lower PBT by RM1.1 million (-6.8%) mainly due to lower revenue contribution from its Investment banking division.

Fund management and unit trust management - PBT increased by RM0.7 million (16.6%) 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 for FY2019. 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 by FY2019. The fund management business will continue to grow through continued sales and marketing efforts and focus on delivering strong fund performance in FY2019. 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	
	30/09/2018	30/09/2017	30/09/2018	30/09/2017
The Group	RM'000	RM'000	RM'000	RM'000
Malaysian income tax:				
- Current	1,212	552	1,212	552
- Over provision in prior years	(12)	-	(12)	-
Deferred taxation	(2,521)	(2,249)	(2,521)	(2,249)
	<u>(1,321)</u>	<u>(1,697)</u>	<u>(1,321)</u>	<u>(1,697)</u>

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 2018:

The Group	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Interest rate related contracts			
(i) Less than 1 year	3,059,594	2,214	(782)
(ii) 1 year to 3 years	1,930,000	5,643	(9,776)
(iii) More than 3 years	1,737,750	3,726	(2,677)
Foreign exchange related contracts			
(i) Less than 1 year	3,930,372	26,871	(22,976)
Equity related contracts			
(i) Less than 1 year	10,035	22	-
(ii) 1 year to 3 years	7,000	12	-
	10,674,751	38,488	(36,211)

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	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 September 2018							
RM Tier 2 subordinated notes	-	49,896	-	1,067	-	50,963	50,963
As at 30 June 2018							
RM Tier 2 subordinated notes	-	49,891	-	399	-	50,290	50,290
As at 30 September 2017							
RM Tier 2 subordinated notes	-	49,875	-	1,060	-	50,935	50,935

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.

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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 2018.

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	
	30/09/2018	30/09/2017	30/09/2018	30/09/2017
The Group				
Net profit attributable to equity holders of the Company (RM'000):	24,031	20,051	24,031	20,051
Weighted average number of ordinary shares in issue ('000):	241,283	241,283	241,283	241,283
Basic earnings per share (sen)	10.0	8.3	10.0	8.3
The Company				
Net profit attributable to equity holders of the Company (RM'000):	1,853	713	1,853	713
Weighted average number of ordinary shares in issue ('000):	241,388	241,388	241,388	241,388
Basic earnings per share (sen)	0.8	0.3	0.8	0.3

(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 2018 and 30 September 2017.

Dated this 28 November 2018