

HONG LEONG CAPITAL BERHAD
Registration No: 199101002695 (213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2020

	Note	The Group		The Company	
		As at 30/09/2020 RM'000	As at 30/06/2020 RM'000	As at 30/09/2020 RM'000	As at 30/06/2020 RM'000
ASSETS					
Cash and short term funds		309,373	358,162	2,230	713
Securities purchased under resale agreement		50,524	50,172	-	-
Deposits and placements with banks and other financial institutions		100,213	-	-	-
Financial assets at fair value through profit or loss ("FVTPL")	11	1,060,944	907,477	259,191	255,892
Financial investments at fair value through other comprehensive income ("FVOCI")	12	1,346,299	1,266,529	-	-
Financial investments at amortised cost	13	877,081	868,134	-	-
Derivative financial assets	19	55,792	54,957	-	-
Loans and advances	14	335,299	316,023	-	-
Clients' and brokers' balances	15	907,482	262,893	-	-
Other assets	16	76,931	47,348	180	673
Tax recoverable		34	167	-	154
Investment in subsidiary companies		-	-	246,574	246,574
Deferred tax assets		81,333	87,822	-	-
Property and equipment		10,953	11,040	-	-
Right-of-use assets ("ROU")		21,738	21,587	-	-
Goodwill		33,059	33,059	-	-
Other intangible assets		2,653	3,008	-	-
TOTAL ASSETS		5,269,708	4,288,378	508,175	504,006
LIABILITIES					
Deposits from customers	17	863,803	737,747	-	-
Deposits and placements of banks and other financial institutions	18	2,089,523	2,073,211	-	-
Derivative financial liabilities	19	82,226	81,620	-	-
Clients' and brokers' balances		1,002,498	305,385	-	-
Lease liabilities		20,517	20,286	-	-
Other liabilities	20	218,853	128,595	1,589	698
Current tax liabilities		1,353	1,046	180	-
Subordinated obligations	21	101,245	100,178	-	-
TOTAL LIABILITIES		4,380,018	3,448,068	1,769	698

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 2020

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UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2020

	Note	The Group		The Company	
		As at 30/09/2020 RM'000	As at 30/06/2020 RM'000	As at 30/09/2020 RM'000	As at 30/06/2020 RM'000
EQUITY					
Share capital		246,896	246,896	246,896	246,896
Reserves		648,825	599,445	265,428	262,330
Treasury shares for ESOS		(6,031)	(6,031)	(5,918)	(5,918)
TOTAL EQUITY		889,690	840,310	506,406	503,308
TOTAL LIABILITIES AND EQUITY		5,269,708	4,288,378	508,175	504,006
COMMITMENTS AND CONTINGENCIES	28	7,196,015	6,967,399	-	-
Net assets per share attributable to ordinary equity holder of the Company (RM)		3.69	3.48		

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 2020

HONG LEONG CAPITAL BERHAD
Registration No: 199101002695 (213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020

	Current quarter ended 30/09/2020	Last year's quarter ended 30/09/2019	Current year ended 30/09/2020	Last year's ended 30/09/2019
Note	RM'000	RM'000	RM'000	RM'000
The Group				
Interest income	27,455	27,962	27,455	27,962
Interest income for financial assets at FVTPL	9,130	9,865	9,130	9,865
Interest expense	(23,772)	(28,866)	(23,772)	(28,866)
Net interest income	12,813	8,961	12,813	8,961
Non-interest income	74,436	51,984	74,436	51,984
Net income	87,249	60,945	87,249	60,945
Overhead expenses	(37,385)	(36,295)	(37,385)	(36,295)
Operating profit before allowances	49,864	24,650	49,864	24,650
Write-back of/(allowance for) impairment losses on loans and advances	2,679	(176)	2,679	(176)
Write-back of impairment losses on financial investments and other financial assets	171	19	171	19
Profit before taxation	52,714	24,493	52,714	24,493
Taxation	(7,150)	(768)	(7,150)	(768)
Net profit for the period	45,564	23,725	45,564	23,725
Earnings per share (sen)				
- Basic	18.9	9.8	18.9	9.8
- Diluted	18.9	9.8	18.9	9.8

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 2020

HONG LEONG CAPITAL BERHAD
Registration No: 199101002695 (213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020

	Current quarter ended 30/09/2020 RM'000	Last year's quarter ended 30/09/2019 RM'000	Current year ended 30/09/2020 RM'000	Last year's ended 30/09/2019 RM'000
The Group				
Net profit for the period	45,564	23,725	45,564	23,725
Other comprehensive income/(expense):				
Items that will be reclassified subsequently to income statements				
Debt instruments at FVOCI				
- Net fair value changes	7,613	3,961	7,613	3,961
- Net loss on disposal	(2,740)	(6,036)	(2,740)	(6,036)
- Net changes in expected credit losses	112	41	112	41
Income tax relating to net fair value changes on financial investments at FVOCI	(1,169)	498	(1,169)	498
Other comprehensive income/(expense) for the period, net of tax	3,816	(1,536)	3,816	(1,536)
Total comprehensive income for the period, net of tax	49,380	22,189	49,380	22,189

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 2020

HONG LEONG CAPITAL BERHAD
Registration No: 199101002695 (213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020

	Current quarter ended 30/09/2020	Last year's quarter ended 30/09/2019	Current year ended 30/09/2020	Last year's ended 30/09/2019
Note	RM'000	RM'000	RM'000	RM'000
The Company				
Interest income	22a 1	2	1	2
Interest expense	23 -	-	-	-
Net interest income	1	2	1	2
Non-interest income	24 3,995	679	3,995	679
Net income	3,996	681	3,996	681
Overhead expenses	25 (469)	(373)	(469)	(373)
Profit before taxation	3,527	308	3,527	308
Taxation	(429)	(43)	(429)	(43)
Net profit/total comprehensive income for the period	3,098	265	3,098	265
Earnings per share (sen)				
- Basic	1.3	0.1	1.3	0.1
- Diluted	1.3	0.1	1.3	0.1

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 2020

HONG LEONG CAPITAL BERHAD
Registration No: 199101002695 (213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020

	Attributable to owners of the parent					Total RM'000
	Share Capital RM'000	Treasury Shares for ESOS RM'000	Regulatory Reserves RM'000	Fair Value Reserve RM'000	Retained Profits RM'000	
The Group						
At 1 July 2020	246,896	(6,031)	12,076	9,349	578,020	840,310
Net profit for the financial period	-	-	-	-	45,564	45,564
Other comprehensive income, net of tax	-	-	-	3,816	-	3,816
Total comprehensive income	-	-	-	3,816	45,564	49,380
Transfer to regulatory reserve	-	-	1,383	-	(1,383)	-
At 30 September 2020	246,896	(6,031)	13,459	13,165	622,201	889,690
At 1 July 2019	246,896	(6,031)	11,606	7,794	537,342	797,607
Net profit for the financial period	-	-	-	-	23,725	23,725
Other comprehensive expense, net of tax	-	-	-	(1,536)	-	(1,536)
Total comprehensive (expense)/income	-	-	-	(1,536)	23,725	22,189
Transfer from regulatory reserve	-	-	(77)	-	77	-
At 30 September 2019	246,896	(6,031)	11,529	6,258	561,144	819,796

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 2020

HONG LEONG CAPITAL BERHAD
Registration No: 199101002695 (213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020

	Non-Distributable		Distributable	
	Share Capital RM'000	Treasury Shares for ESOS RM'000	Retained Profits RM'000	Total RM'000
The Company				
At 1 July 2020	246,896	(5,918)	262,330	503,308
Net profit for the financial period	-	-	3,098	3,098
Total comprehensive income	-	-	3,098	3,098
At 30 September 2020	246,896	(5,918)	265,428	506,406
At 1 July 2019	246,896	(5,918)	266,184	507,162
Net profit for the financial period	-	-	265	265
Total comprehensive income	-	-	265	265
At 30 September 2019	246,896	(5,918)	266,449	507,427

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 2020

HONG LEONG CAPITAL BERHAD
Registration No: 199101002695 (213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020

	The Group	
	30/09/2020	30/09/2019
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
Profit before taxation	52,714	24,493
<u>Adjustments for non-cash items:</u>		
- Depreciation of property and equipment	854	870
- Amortisation of intangible assets	403	439
- Depreciation of ROU assets	1,003	1,020
- Property and equipment written off	22	-
- (Write-back of)/allowance for impairment losses on loans and advances	(2,705)	176
- (Write-back of)/allowance for impairment losses on financial investments and other financial assets	(171)	19
- Net unrealised (gain)/loss on revaluation of:		
- Financial assets at FVTPL	(2,636)	4,078
- Derivative financial instruments	(737)	6,484
- Net unrealised loss on fair value changes arising from fair value hedges	530	-
- Interest income from:		
- Financial assets at FVTPL	(9,130)	(9,865)
- Financial investments at FVOCI	(10,272)	(10,013)
- Financial investments at amortised cost	(7,480)	(6,887)
- Interest expense from:		
- Derivative financial instruments	10,469	3,928
- Subordinated obligations	1,067	1,820
- Lease liabilities	312	318
- Dividend income from:		
- Financial assets at FVTPL	(1,727)	(2,872)
	(20,198)	(10,485)
Operating profit before changes in working capital	32,516	14,008
<u>Changes in working capital:</u>		
- Securities purchased under resale agreements	(352)	-
- Financial assets at FVTPL	(150,185)	398,020
- Derivative financial instruments	(4,956)	260
- Loans and advances	(16,571)	(37,151)
- Clients' and brokers' balances	(643,932)	60,419
- Other assets	(29,938)	19,338
- Statutory deposits with Bank Negara Malaysia	-	3,457
Net changes in operating assets	(845,934)	444,343
- Deposits from customers	126,056	(145,287)
- Deposits and placements of banks and other financial institutions	16,312	(337,186)
- Clients' and brokers' balances	697,113	(90,936)
- Other liabilities	90,240	15,210
Net changes in operating liabilities	929,721	(558,199)
Cash generated from/(used in) operating activities	116,303	(99,848)

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 2020

HONG LEONG CAPITAL BERHAD
Registration No: 199101002695 (213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020

	The Group	
	30/09/2020	30/09/2019
	RM'000	RM'000
Cash generated from/(used in) operating activities	116,303	(99,848)
Net income tax paid	(1,391)	(1,071)
Net cash generated from/(used in) operating activities	114,912	(100,919)
<u>Cash flows from investing activities</u>		
Net purchase of financial investments at FVOCI	(78,161)	(9,930)
Net purchase of financial investments at amortised cost	(15,669)	(38,908)
Dividend received from:		
- Financial assets at FVTPL	1,727	2,872
Interest received from financial assets at FVTPL, financial investments at FVOCI, financial investments at amortised cost and derivatives	40,179	29,574
Interest expenses paid on derivative financial instruments	(9,492)	(3,648)
Purchase of property and equipment	(48)	(220)
Purchase of intangible assets	(789)	(24)
Net cash used in investing activities	(62,253)	(20,284)
<u>Cash flows from financing activities</u>		
Lease payment	(1,235)	(1,146)
Net cash used in financing activities	(1,235)	(1,146)
Net changes in cash and cash equivalents during the financial period	51,424	(122,349)
Cash and cash equivalents at beginning of the financial period	358,162	520,657
Cash and cash equivalents at end of the financial period	409,586	398,308
Cash and cash equivalents comprise:		
Cash and short term funds	309,373	398,308
Deposits and placements with banks and other financial institutions	100,213	-
	409,586	398,308

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 2020

HONG LEONG CAPITAL BERHAD
Registration No: 199101002695 (213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020

	The Company	
	30/09/2020	30/09/2019
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
Profit before taxation	3,527	308
<u>Adjustments for non-cash items:</u>		
- Net unrealised (gain)/loss on revaluation of financial assets at FVTPL	(448)	1,992
- Dividend income from:		
- Financial assets at FVTPL	(1,509)	(2,357)
	(1,957)	(365)
Operating profit/(loss) before changes in working capital	1,570	(57)
Increase in financial assets at FVTPL	(2,851)	(1,793)
Decrease in other assets	493	544
Increase in other liabilities	891	183
Cash generated from/(used in) operating activities	103	(1,123)
Net income tax paid	(95)	(51)
Net cash generated from/(used in) operating activities	8	(1,174)
<u>Cash flows from investing activities</u>		
Dividend received from:		
- Financial assets at FVTPL	1,509	2,357
Net cash generated from investing activities	1,509	2,357
Net changes in cash and cash equivalents during the financial period	1,517	1,183
Cash and cash equivalents at beginning of the financial period	713	513
Cash and cash equivalents at end of the financial period	2,230	1,696
Cash and cash equivalents comprise:		
Cash and short term funds	2,230	1,696

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 2020

HONG LEONG CAPITAL BERHAD ("HLCB" or "Company")
Registration No: 199101002695 (213006-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020

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 2020 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 2020. 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 2020.

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 2020 and modified for the adoption of the following Amendments to MFRSs applicable for financial year beginning on or after 1 July 2020:

- Amendments to MFRS 3 'Definition of a Business'
- Amendments to MFRS 101 'Classification of liabilities as current or non-current'

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.

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

2. Auditors' report on preceding annual financial statements

The auditors' report on the audited financial statements for the financial year ended 30 June 2020 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 2020.

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 2020.

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 2020.

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 2020, 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" in equity on the statements of financial position.

Total shares held by ESOS Trust comprise 5,612,700 (30.06.2020: 5,612,700) shares in the Group costing RM6,031,241 (30.06.2020: RM6,031,241) inclusive of transaction costs, as at 30 September 2020.

7. Dividends paid

There were no dividends paid during the financial quarter ended 30 September 2020.

8. Valuations of property, plant and equipment

No valuations of property, plant and equipment were carried out for the financial quarter ended 30 September 2020.

9. Significant events

COVID-19 pandemic

As the current situation is unprecedented, and it is difficult to predict the economic impact, the Group will continue monitoring the situation closely and continue to assess the impact on the Group's earnings as the situation develops.

10. Subsequent events

(a) Executive share scheme

HLCB had on 14 October 2020 announced the establishment of an executive share scheme comprising an executive share option scheme (“ESOS”) and an executive share grant scheme (“ESGS”) (collectively referred to as the “ESS” or the “Scheme”) in relation to ordinary shares in HLCB (“HLCB Shares”) for the eligible executives and/or directors of HLCB and its subsidiaries (“HLCB Group”) (such executives and directors, “Eligible Executives”).

Details of the ESS

The ESS is to be administered by the Board of Directors of the Company or Board of Directors of the relevant subsidiary of the Company (as applicable) (in each case, the “Board”) or a duly authorised committee of the relevant Board or an individual authorised by the relevant Board in accordance with the bye-laws governing the ESS (“Bye-Laws”).

The ESS comprise the following:

a) ESOS

The ESOS is intended to allow the Company to offer options to acquire HLCB Shares (“Options”) to the Eligible Executives at an exercise price to be determined by the Board at its discretion (“Option Price”).

a) ESGS

The ESGS is intended to allow the Company to reward the Eligible Executives with awards of HLCB Shares without any consideration payable by the Eligible Executives (“Grants”).

The Board may at its discretion impose such conditions (including financial and performance targets and the period within which such targets are to be achieved) as it deems fit with the offer of the Grants or Options. In implementing the ESS, the exercise of Options and/or vesting of HLCB Shares pursuant to Grants are to be satisfied by transfer of HLCB Shares.

Salient features of the ESS

(a) Quantum

At any point of time during the existence of the ESS, the aggregate number of HLCB Shares comprised in the Options and/or Grants shall not exceed an amount equivalent to 10% of the issued ordinary share capital (excluding treasury shares) of the Company at any one time.

(b) Eligibility

The participants in the ESS must be at least 18 years of age and:

- i. be an executive of HLCB or any of its subsidiaries (“Member of the Group”) and has been confirmed in service; or
- ii. be a director of a Member of the Group,

as at the date of an offer of Option and/or Grant (“Offer”).

(c) Rights attaching to the HLCB Shares

In the event that any HLCB Shares are to be transferred upon the exercise of Options and/or vesting of HLCB Shares pursuant to the Grants, the HLCB Shares shall be transferred together with all dividends, rights, entitlements and distributions, in respect of which the record date is on or after the transfer date.

10. Subsequent events (continued)

(a) Executive share scheme (continued)

Salient features of the ESS (continued)

(d) Duration

The ESS shall be in force for a period of 10 years from the effective date for the implementation of the ESS and may be extended by the Board of the Company for such periods as it may decide in its absolute discretion.

Utilisation of Proceeds

The proceeds to be received pursuant to the exercise of Options under the ESOS will depend on the actual number of HLCB Shares underlying the Options granted and exercised, and the Option Price payable upon the exercise of Options. Therefore, the amount of proceeds to be raised from the exercise of Options is not determinable at this juncture.

The proceeds from the exercise of Options shall be utilised to pay for the cost of purchasing the said HLCB Shares and/or to purchase additional HLCB Shares for the purpose of the Scheme.

HLCB will not receive any proceeds pursuant to the ESGS as the Eligible Executives will not be required to pay for the HLCB Shares to be transferred to them under the ESGS.

Rationale for the ESS

The purpose of the ESS is to align the long term interests of Eligible Executives with those of the shareholders of the Company as well as to motivate and reward them.

(b) Public shareholding spread

HLCB's shares were suspended from trading since 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, 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.

On 9 November 2020, the Company announced that its majority shareholder, Hong Leong Financial Group Berhad has completed a private placement of 27,000,000 existing ordinary shares in HLCB to increase the public shareholding spread of HLCB.

Following the completion of the said private placement, the public shareholding spread of the Company as at 9 November 2020 is 29.60% and the Company has met the requirements as set out in Paragraph 8.02(1) of the Listing Requirements.

On 11 November 2020, the Company announced that Bursa Malaysia Securities Berhad has, via its letter dated 10 November 2020, resolved to approve the upliftment of suspension in the trading of the ordinary shares in HLCB effective from 9.00 a.m., Friday, 13 November 2020.

The trading in HLCB's shares has resumed accordingly.

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

	The Group		The Company	
	As at 30/09/2020 RM'000	As at 30/06/2020 RM'000	As at 30/09/2020 RM'000	As at 30/06/2020 RM'000
Money market instruments				
Malaysian Government Securities	86,303	-	-	-
Malaysian Government Investment Issues	22,389	-	-	-
Negotiable instruments of deposits	648,677	588,325	-	-
	<u>757,369</u>	<u>588,325</u>	<u>-</u>	<u>-</u>
Quoted securities				
In Malaysia:				
Shares	58,677	45,642	30,352	27,696
Unit trust investment	228,927	228,284	228,839	228,196
	<u>287,604</u>	<u>273,926</u>	<u>259,191</u>	<u>255,892</u>
Unquoted securities				
Shares	-	1,432	-	-
Corporate bond and/or sukuk	15,971	43,794	-	-
	<u>15,971</u>	<u>45,226</u>	<u>-</u>	<u>-</u>
	<u>1,060,944</u>	<u>907,477</u>	<u>259,191</u>	<u>255,892</u>

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

	The Group	
	As at 30/09/2020 RM'000	As at 30/06/2020 RM'000
Money market instruments		
Malaysian Government Securities	30,528	41,229
Malaysian Government Investment Issues	74,219	52,982
Cagamas bonds	75,842	30,358
	<u>180,589</u>	<u>124,569</u>
Unquoted securities		
Foreign currency bonds	125,866	72,260
Corporate bond and/or sukuk	1,039,844	1,069,700
	<u>1,165,710</u>	<u>1,141,960</u>
	<u>1,346,299</u>	<u>1,266,529</u>

HLCB Q1 (30.09.2020)

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

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

The Group	12 Months	Lifetime ECL	Lifetime ECL	Total ECL
	ECL (Stage 1)	not credit impaired (Stage 2)	credit impaired (Stage 3)	
	RM'000	RM'000	RM'000	RM'000
At 1 July 2020	341	-	-	341
Allowances made	25	-	-	25
Amount written back	(5)	-	-	(5)
New financial assets originated or purchased	113	-	-	113
Financial assets derecognised	(23)	-	-	(23)
Exchange differences	2	-	-	2
At 30 September 2020	453	-	-	453
At 1 July 2019	143	-	-	143
Allowances made	7	-	-	7
Amount written back	(25)	-	-	(25)
New financial assets originated or purchased	347	-	-	347
Financial assets derecognised	(98)	-	-	(98)
Exchange differences	(33)	-	-	(33)
At 30 June 2020	341	-	-	341

13. Financial investments at amortised cost

	The Group	
	As at 30/09/2020 RM'000	As at 30/06/2020 RM'000
Money market instruments		
Malaysian Government Securities	397,421	291,869
Malaysian Government Investment Issues	419,755	534,018
	817,176	825,887
Unquoted securities		
Foreign currency bonds	16,625	16,964
Corporate bond and/or sukuk	43,295	25,298
	59,920	42,262
Less: Expected credit losses	(15)	(15)
	877,081	868,134

13. Financial investments at amortised cost (continued)

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

The Group	12 Months 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 2020	15	-	-	15
Financial assets derecognised	-	-	-	-
Exchange differences	-	-	-	-
At 30 September 2020	<u>15</u>	<u>-</u>	<u>-</u>	<u>15</u>
At 1 July 2019	36	-	-	36
New financial assets originated or purchased	(22)	-	-	(22)
Exchange differences	1	-	-	1
At 30 June 2020	<u>15</u>	<u>-</u>	<u>-</u>	<u>15</u>

14. Loans and advances

	The Group	
	As at 30/09/2020 RM'000	As at 30/06/2020 RM'000
Term loan financing	89,123	93,935
Share margin financing	246,782	225,398
Staff loans	43	44
Other loans	281	281
Gross loans and advances	<u>336,229</u>	<u>319,658</u>
Less: Expected credit losses	(930)	(3,635)
Net loans and advances	<u>335,299</u>	<u>316,023</u>
a. <u>By type of customer</u>		
Domestic business enterprises		
- Small and medium enterprises	58,339	57,941
- Others	119,772	124,759
Individuals	154,269	133,221
Foreign entities	3,849	3,737
Gross loans and advances	<u>336,229</u>	<u>319,658</u>
b. <u>By interest rate sensitivity</u>		
Fixed rate		
- Staff housing loans	43	44
- Other fixed rate loan	281	281
Variable rate		
- Cost plus	335,905	319,333
Gross loans and advances	<u>336,229</u>	<u>319,658</u>

14. Loans and advances (continued)

	The Group	
	As at 30/09/2020 RM'000	As at 30/06/2020 RM'000
c. <u>By residual contractual maturity</u>		
Maturity within one year	282,172	265,733
More than one year to three years	48,006	48,006
More than three years to five years	43	44
More than five years	6,008	5,875
Gross loans and advances	<u>336,229</u>	<u>319,658</u>
d. <u>By geographical distribution</u>		
Malaysia	<u>336,229</u>	<u>319,658</u>
e. <u>By economic purpose</u>		
Purchase of securities	282,029	265,451
Working capital	53,876	53,882
Purchase of transport vehicles	126	126
Purchase of landed properties	198	199
Gross loans and advances	<u>336,229</u>	<u>319,658</u>
f. Impaired loans and advances		
(i) Movements in impaired loans and advances ("impaired loans") are as follows:		
At 1 July	6,522	6,898
Impaired during the financial period/year	21	34,066
Amount written-back during the financial period/year	(6,263)	(34,442)
At 30 September/30 June	<u>280</u>	<u>6,522</u>
(ii) <u>By geographical distribution</u>		
Malaysia	<u>280</u>	<u>6,522</u>
(iii) <u>By economic purpose</u>		
Purchase of transport vehicles	126	126
Purchase of landed properties	154	155
Purchase of securities	-	366
Working capital	-	5,875
Gross impaired loans and advances	<u>280</u>	<u>6,522</u>

14. Loans and advances (continued)

g. Movements in expected credit losses are as follows:

The Group	12 Months	Lifetime ECL	Lifetime ECL	Total ECL
	ECL (Stage 1) RM'000	not credit impaired (Stage 2) RM'000	credit impaired (Stage 3) RM'000	
At 1 July 2020	656	1	2,978	3,635
Transferred to Stage 1	211	(1)	(210)	-
Transferred to Stage 2	(2)	2,331	(2,329)	-
New financial assets originated	4	-	-	4
Allowance made	19	-	2	21
Allowance written-back	(240)	(2,175)	(315)	(2,730)
At 30 September 2020	648	156	126	930
At 1 July 2019	140	1	3,214	3,355
Transferred to Stage 1	6	(6)	-	-
Transferred to Stage 2	(6)	6	-	-
Transferred to Stage 3	(11)	-	11	-
New financial assets originated	602	-	2,657	3,259
Financial assets derecognised	(2)	-	(3,088)	(3,090)
Allowance made	137	1	1,839	1,977
Allowance written-back	(210)	(1)	(1,655)	(1,866)
At 30 June 2020	656	1	2,978	3,635

15. Clients' and brokers' balances

	The Group	
	As at 30/09/2020 RM'000	As at 30/06/2020 RM'000
Performing accounts	904,453	261,268
Impaired accounts	4,398	3,651
	908,851	264,919
Less: Expected credit losses	(1,369)	(2,026)
	907,482	262,893

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16. Other assets

	The Group		The Company	
	As at 30/09/2020 RM'000	As at 30/06/2020 RM'000	As at 30/09/2020 RM'000	As at 30/06/2020 RM'000
Amount due from subsidiary companies	-	-	84	-
Amount due from related companies	5	-	-	-
Deposits and prepayments	13,189	13,037	19	34
Fee income receivable	4,230	6,175	-	-
Cash collaterals pledged for derivative transactions	16,487	17,673	-	-
Treasury related receivables	32,412	-	-	-
Other receivables	12,078	10,884	77	639
Manager's stocks and consumables	332	1,007	-	-
	78,733	48,776	180	673
Less: Expected credit losses	(1,802)	(1,428)	-	-
	76,931	47,348	180	673

17. Deposits from customers

	The Group	
	As at 30/09/2020 RM'000	As at 30/06/2020 RM'000
a. <u>By type of deposits</u>		
Fixed deposits	863,803	737,747
b. <u>By type of customer</u>		
Government and statutory bodies	640,127	515,109
Business enterprises	208,918	207,466
Individuals	14,758	15,172
	863,803	737,747
c. The maturity structure of fixed deposits are as follows:		
Due within:		
- six months	863,803	720,239
- six months to one year	-	17,508
	863,803	737,747

18. Deposits and placements of banks and other financial institutions

	The Group	
	As at 30/09/2020 RM'000	As at 30/06/2020 RM'000
Licensed banks	166,419	228,601
Licensed investment banks	-	75,304
Other financial institutions	1,923,104	1,769,306
	2,089,523	2,073,211

19. Derivative financial assets/(liabilities)

The Group	Contract or underlying principal amount	Positive fair value	Negative fair value
30/09/2020	RM'000	RM'000	RM'000
Derivatives at FVTPL:			
(i) Interest rate related contracts:			
- Interest rate swaps	4,000,000	47,649	(71,089)
- Futures	11,232	-	(40)
- Cross currency swaps	83,200	2,717	-
(ii) Foreign exchange related contracts:			
- Foreign currency swaps	1,760,480	5,186	(4,735)
- Foreign currency forwards	255,348	176	(3,478)
(iii) Equity related contracts:			
- Futures	10,137	64	-
Derivatives designated as fair value hedge:			
- Interest rate swap	70,000	-	(2,884)
	6,190,397	55,792	(82,226)
30/06/2020			
Derivatives at FVTPL:			
(i) Interest rate related contracts:			
- Interest rate swaps	4,350,000	47,834	(74,171)
- Cross currency swaps	85,700	557	-
(ii) Foreign exchange related contracts:			
- Foreign currency swaps	1,225,578	6,086	(4,567)
- Foreign currency forwards	258,331	480	(372)
Derivatives designated as fair value hedge:			
- Interest rate swap	70,000	-	(2,510)
	5,989,609	54,957	(81,620)

20. Other liabilities

	The Group		The Company	
	As at 30/09/2020 RM'000	As at 30/06/2020 RM'000	As at 30/09/2020 RM'000	As at 30/06/2020 RM'000
Amount due to holding company	109	109	21	-
Amount due to related companies	12	12	-	-
Remisiers' trust deposits	15,305	13,465	-	-
Treasury related payables	86,656	40,099	-	-
Advance payments received for corporate exercise	248	248	-	-
Other payables and accrued liabilities	116,307	74,447	1,568	698
Post employment benefits obligation				
- defined contribution plan	216	215	-	-
	218,853	128,595	1,589	698

21. Subordinated obligations

	The Group	
	As at 30/09/2020 RM'000	As at 30/06/2020 RM'000
RM100.0 million Tier 2 subordinated notes, at par	100,000	100,000
Add: Interest payable	1,252	185
	101,252	100,185
Less: Unamortised discounts	(7)	(7)
	101,245	100,178

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, HLIB 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.

On 6 November 2019, HLIB had fully redeemed the first issuance of RM50.0 million nominal value of this Sub Notes.

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22a. Interest income

	Current quarter ended 30/09/2020 RM'000	Last year's quarter ended 30/09/2019 RM'000	Current year ended 30/09/2020 RM'000	Last year's ended 30/09/2019 RM'000
The Group				
Loan and advances	3,644	3,252	3,644	3,252
Money at call and deposits placements with banks and other financial institutions	1,715	3,955	1,715	3,955
Financial investments at FVOCI	10,272	10,013	10,272	10,013
Financial investments at amortised cost	7,480	6,887	7,480	6,887
Others	4,344	3,855	4,344	3,855
Total interest income	<u>27,455</u>	<u>27,962</u>	<u>27,455</u>	<u>27,962</u>
The Company				
Money at call and deposits placements with banks and other financial institutions	<u>1</u>	<u>2</u>	<u>1</u>	<u>2</u>

22b. Interest income for financial assets at FVTPL

	Current quarter ended 30/09/2020 RM'000	Last year's quarter ended 30/09/2019 RM'000	Current year ended 30/09/2020 RM'000	Last year's ended 30/09/2019 RM'000
The Group				
Financial assets at FVTPL	<u>9,130</u>	<u>9,865</u>	<u>9,130</u>	<u>9,865</u>

23. Interest expense

	Current quarter ended 30/09/2020 RM'000	Last year's quarter ended 30/09/2019 RM'000	Current year ended 30/09/2020 RM'000	Last year's ended 30/09/2019 RM'000
The Group				
Deposits and placements of banks and other financial institutions	1,310	5,517	1,310	5,517
Deposits from customers	10,617	17,278	10,617	17,278
Derivative financial instruments	10,469	3,928	10,469	3,928
Subordinated obligations	1,067	1,820	1,067	1,820
Lease liabilities	312	318	312	318
Others	(3)	5	(3)	5
Total interest expense	<u>23,772</u>	<u>28,866</u>	<u>23,772</u>	<u>28,866</u>

24. Non-interest income

	Current quarter ended 30/09/2020 RM'000	Last year's quarter ended 30/09/2019 RM'000	Current year ended 30/09/2020 RM'000	Last year's ended 30/09/2019 RM'000
The Group				
(a) Fee income:				
Fee on loans and advances	38	77	38	77
Arranger fees	53	853	53	853
Placement fees	730	709	730	709
Corporate advisory fees	917	1,381	917	1,381
Underwriting Commission	129	-	129	-
Brokerage commissions	41,767	12,492	41,767	12,492
Commission from futures contracts	237	390	237	390
Unit trust fee income	12,374	18,050	12,374	18,050
Other fee income	1,302	3,461	1,302	3,461
	57,547	37,413	57,547	37,413
(b) Net income from securities:				
Net realised (loss)/gain arising from sale of:				
- Financial assets at FVTPL	(553)	5,207	(553)	5,207
- Financial investments at FVOCI	10,045	10,265	10,045	10,265
- Derivative financial instruments	(15,952)	13,655	(15,952)	13,655
Net unrealised gain/(loss) on revaluation of:				
- Financial assets at FVTPL	2,636	(4,078)	2,636	(4,078)
- Derivative financial instruments	737	(6,484)	737	(6,484)
Dividend income from:				
- Financial assets at FVTPL	1,727	2,872	1,727	2,872
Net unrealised loss on fair value changes arising from fair value hedges	(530)	-	(530)	-
	(1,890)	21,437	(1,890)	21,437
(c) Other income				
Foreign exchange gain/(loss)	18,516	(6,931)	18,516	(6,931)
Other non-operating income	263	65	263	65
	18,779	(6,866)	18,779	(6,866)
Total non-interest income	74,436	51,984	74,436	51,984

The Company

(a) Net income from securities:				
Net realised gain arising from sale of:				
- Financial assets at FVTPL	1,794	263	1,794	263
Net unrealised gain/(loss) on revaluation of:				
- Financial assets at FVTPL	448	(1,992)	448	(1,992)
Dividend income from:				
- Financial assets at FVTPL	1,509	2,357	1,509	2,357
	3,751	628	3,751	628
(b) Other income				
Other income	244	51	244	51
Total non-interest income	3,995	679	3,995	679

25. Overhead expenses

	Current quarter ended 30/09/2020 RM'000	Last year's quarter ended 30/09/2019 RM'000	Current year ended 30/09/2020 RM'000	Last year's ended 30/09/2019 RM'000
The Group				
Personnel costs				
- Salaries, bonuses and allowances	23,020	24,131	23,020	24,131
- Others	2,886	1,496	2,886	1,496
	25,906	25,627	25,906	25,627
Establishment costs				
- Depreciation of property and equipment	854	870	854	870
- Amortisation of intangible assets	403	439	403	439
- Depreciation of ROU assets	1,003	1,020	1,003	1,020
- Rental of premises	24	9	24	9
- Information technology expenses	2,400	1,957	2,400	1,957
- Others	673	575	673	575
	5,357	4,870	5,357	4,870
Marketing expenses				
- Advertisement and publicity	84	205	84	205
- Entertainment and business improvement	113	355	113	355
- Others	88	93	88	93
	285	653	285	653
Administration and general expenses				
- Management fees	1,938	1,234	1,938	1,234
- Communication expenses	345	445	345	445
- Property and equipment written off	22	-	22	-
- Auditors' remuneration				
- Statutory audit	98	89	98	89
- Regulatory related fee	3	3	3	3
- Legal and professional fees	733	734	733	734
- Others	2,698	2,640	2,698	2,640
	5,837	5,145	5,837	5,145
Total overhead expenses	37,385	36,295	37,385	36,295
The Company				
Personnel costs				
- Salaries, bonuses and allowances	-	-	-	-
- Others	87	91	87	91
	87	91	87	91
Establishment costs				
- Information technology expenses	17	1	17	1
- Others	17	15	17	15
	34	16	34	16

25. Overhead expenses (continued)

	Current quarter ended 30/09/2020 RM'000	Last year's quarter ended 30/09/2019 RM'000	Current year ended 30/09/2020 RM'000	Last year's ended 30/09/2019 RM'000
The Company (continued)				
Marketing expenses				
- Others	37	-	37	-
	<u>37</u>	<u>-</u>	<u>37</u>	<u>-</u>
Administration and general expenses				
- Management fees	179	150	179	150
- Communication expenses	1	1	1	1
- Auditors' remuneration				
- Statutory audit	20	11	20	11
- Regulatory related fee	3	3	3	3
- Legal and professional fees	20	-	20	-
- Others	88	101	88	101
	<u>311</u>	<u>266</u>	<u>311</u>	<u>266</u>
Total overhead expenses	<u>469</u>	<u>373</u>	<u>469</u>	<u>373</u>

26. Write-back of/(allowance for) for impairment losses on loans and advances

	Current quarter ended 30/09/2020 RM'000	Last year's quarter ended 30/09/2019 RM'000	Current year ended 30/09/2020 RM'000	Last year's ended 30/09/2019 RM'000
The Group				
Expected credit losses	2,705	(176)	2,705	(176)
Impaired loans and advances written-off	(26)	-	(26)	-
	<u>2,679</u>	<u>(176)</u>	<u>2,679</u>	<u>(176)</u>

27. Write-back of impairment losses on financial investments and other financial assets

	Current quarter ended 30/09/2020 RM'000	Last year's quarter ended 30/09/2019 RM'000	Current year ended 30/09/2020 RM'000	Last year's ended 30/09/2019 RM'000
The Group				
(a) Financial investments				
(i) Financial investments at FVOCI	(112)	(41)	(112)	(41)
(ii) Financial investments at amortised cost	-	18	-	18
	<u>(112)</u>	<u>(23)</u>	<u>(112)</u>	<u>(23)</u>
(b) Other financial assets:				
(i) Clients' and brokers' balances:				
- Expected credit losses	657	12	657	12
- Impaired clients' and brokers' balances recovered	-	38	-	38
(ii) Other assets	(374)	(8)	(374)	(8)
	<u>283</u>	<u>42</u>	<u>283</u>	<u>42</u>
	<u>171</u>	<u>19</u>	<u>171</u>	<u>19</u>

28. Commitments and contingencies

	As at 30/09/2020 Principal Amount RM'000	As at 30/06/2020 Principal Amount RM'000
The Group		
Commitments and contingent liabilities		
Direct Credit Substitutes	1,000	1,000
Obligations under underwriting agreement	8,615	-
Lending of banks' securities or the posting of securities as collateral by bank, including instances where these arise out of repo-style transactions	50,524	52,352
Other commitments, such as formal standby facilities and credit lines, with an original maturity:		
- Over one year	30,000	30,000
Any commitments that are unconditionally cancelled at any time by the bank without prior notice		
- Maturity less than one year	915,479	894,438
	<u>1,005,618</u>	<u>977,790</u>
Derivative financial instruments		
Interest rate related contracts:		
- One year or less	1,196,232	1,365,000
- Over one year to five years	2,918,200	3,030,700
- Over five years	50,000	110,000
Foreign exchange related contracts		
- One year or less	2,015,828	1,483,909
Equity related contracts		
- One year or less	10,137	-
	<u>6,190,397</u>	<u>5,989,609</u>
	<u>7,196,015</u>	<u>6,967,399</u>

29. 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 30.09.2020	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Financial assets at FVTPL	287,604	773,340	-	1,060,944
- Money market instruments	-	757,369	-	757,369
- Quoted securities	287,604	-	-	287,604
- Unquoted securities	-	15,971	-	15,971
Financial investments at FVOCI	-	1,346,299	-	1,346,299
- Money market instruments	-	180,589	-	180,589
- Unquoted securities	-	1,165,710	-	1,165,710
Derivative financial assets	-	55,792	-	55,792
	287,604	2,175,431	-	2,463,035

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29. Fair value of financial instruments (continued)

Determination of fair value and fair value hierarchy (continued)

The Group 30.09.2020	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial liability				
Derivative financial liabilities	-	82,226	-	82,226
30.06.2020				
Financial assets				
Financial assets at FVTPL	273,926	632,119	1,432	907,477
- Money market instruments	-	588,325	-	588,325
- Quoted securities	273,926	-	-	273,926
- Unquoted securities	-	43,794	1,432	45,226
Financial investments at FVOCI	-	1,266,529	-	1,266,529
- Money market instruments	-	124,569	-	124,569
- Unquoted securities	-	1,141,960	-	1,141,960
Derivative financial assets	-	54,957	-	54,957
	273,926	1,953,605	1,432	2,228,963
Financial liability				
Derivative financial liabilities	-	81,620	-	81,620
The Company 30.09.2020				
Financial asset				
Financial assets at FVTPL				
- Quoted securities	259,191	-	-	259,191
30.06.2020				
Financial asset				
Financial assets at FVTPL				
- Quoted securities	255,892	-	-	255,892

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

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

	The Group	
	30.09.2020	30.06.2020
	RM'000	RM'000
Financial assets at FVTPL		
At 1 July	1,432	1,365
Fair value changes recognised in income statements	-	67
Disposed during the financial period	(1,432)	-
At 30 September/30 June	-	1,432

30. Capital adequacy

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

	HLIB 30/09/2020	HLIB 30/06/2020
Before deducting proposed dividends:		
Common equity tier 1 ("CET1") capital ratio	38.677%	42.128%
Tier 1 capital ratio	38.677%	42.128%
Total capital ratio	48.384%	52.768%
After deducting proposed dividends: ⁽¹⁾		
CET1 capital ratio	32.712%	35.500%
Tier 1 capital ratio	32.712%	35.500%
Total capital ratio	42.419%	46.139%

Note:

⁽¹⁾ Proposed dividends of RM66,000,000 (30.06.2020: RM66,000,000).

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

	HLIB 30/09/2020 RM'000	HLIB 30/06/2020 RM'000
CET1 capital		
Paid-up ordinary share capital	252,950	252,950
Retained profits	279,828	279,828
Other reserves	13,165	9,349
Less: goodwill and intangibles	(31,098)	(31,380)
Less: deferred tax assets	(79,423)	(85,925)
Less: investment in subsidiary companies	(200)	(200)
Less: 55% of cumulative gains of financial investments at FVOCI	(7,241)	(5,142)
Total CET1 capital	427,981	419,480
Tier 1 capital	427,981	419,480
Tier 2 capital		
Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves ⁽²⁾	7,412	5,940
Subordinated obligations	100,000	100,000
Total Tier 2 capital	107,412	105,940
Total capital	535,393	525,420

Note:

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

30. Capital adequacy (continued)

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

	HLIB 30/09/2020 RM'000	HLIB 30/06/2020 RM'000
Credit risk	592,967	476,122
Market risk	234,466	257,167
Operational risk	279,122	262,434
	<u>1,106,555</u>	<u>995,723</u>

31. Segmental reporting

(a) Segment information by activities for the financial period ended 30 September 2020:

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 2020					
Net income					
Net interest income	12,778	28	7	-	12,813
Non interest income	58,030	12,385	4,021	-	74,436
Total net income	<u>70,808</u>	<u>12,413</u>	<u>4,028</u>	-	<u>87,249</u>
Results					
Profit from operations	43,437	5,757	3,520	-	52,714
Taxation					(7,150)
Profit after taxation					<u>45,564</u>
30 September 2019					
Net income					
Net interest income	8,730	203	28	-	8,961
Non interest income	33,193	18,055	736	-	51,984
Total net income	<u>41,923</u>	<u>18,258</u>	<u>764</u>	-	<u>60,945</u>
Results					
Profit from operations	14,007	10,143	343	-	24,493
Taxation					(768)
Profit after taxation					<u>23,725</u>

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

32. 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 2020.

33. Changes in composition of the Group

There were no changes in composition of the Group for the current financial year and up to the date of this report.

34. Capital commitments

Capital commitments for the purchase of property and equipment as at 30 September 2020 is RM2.9 million.

35. 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 (“Fund”). The Company provided a guarantee to Deutsche Trustees Malaysia Berhad, the trustee of the Fund, that if the Fund falls below the minimum fund size of RM1.0 million, 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 2020.

36. 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.

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

1. Performance review

(a) Current financial quarter under review against previous corresponding financial quarter

	The Group		Variance	%
	Current	Last year's		
	quarter ended	quarter ended		
	30/09/2020	30/09/2019	RM'000	
	RM'000	RM'000		
Net income	87,249	60,945	26,304	43.2%
Profit before tax	52,714	24,493	28,221	>100.0%
Profit after tax	45,564	23,725	21,839	92.1%
Profit attributable to equity holders of the Company	45,564	23,725	21,839	92.1%

The group recorded a >100.0% higher profit before tax ("PBT") of RM52.7 million for the 1st quarter ended 30 September 2020 as compared to RM24.5 million recorded in the previous year corresponding quarter.

Higher PBT mainly contributed by higher non-interest income earned (43.2%).

The performance of the respective operating business segments for the 1st quarter ended 30 September 2020 as compared to the previous year corresponding quarter is analysed as follows:-

	The Group		Variance	%
	Current	Last year's		
	quarter ended	quarter ended		
	30/09/2020	30/09/2019	RM'000	
	RM'000	RM'000		
Profit before tax by segments:				
Investment banking and stockbroking	43,437	14,007	29,430	>100.0%
Fund management and unit trust management	5,757	10,143	(4,386)	-43.2%
Investment holding and others	3,520	343	3,177	>100.0%
	52,714	24,493	28,221	>100.0%

Investment banking and stockbroking - higher PBT by RM29.4 million (>100.0%) attributed to higher profit contribution from both its stockbroking division and investment banking division in current quarter.

Fund management and unit trust management - PBT decreased by RM4.4 million (-43.2%) mainly due to lower net contribution from management fee income.

Investment holding and others - PBT increased by RM3.2 million (>100.0%) mainly due to higher unrealised gain on revaluation of financial assets at FVTPL and realised gain from disposal of financial assets at FVTPL.

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1. Performance review (continued)

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

	The Group		Variance	
	Current	Preceding		
	quarter ended	quarter ended	RM'000	%
	30/09/2020	30/06/2020		
	RM'000	RM'000		
Net income	87,249	74,099	13,150	17.7%
Profit before tax	52,714	37,685	15,029	39.9%
Profit after tax	45,564	36,299	9,265	25.5%
Profit attributable to equity holders of the Company	45,564	36,299	9,265	25.5%

For the financial quarter ended 30 September 2020, the Group reported a higher PBT of RM52.7 million as compared to RM37.7 million in the preceding financial quarter ended 30 June 2020. The higher PBT was mainly due to higher non-interest income earned (25.8%).

The performance of the respective operating business segments for the three months ended 30 September 2020 as compared to the preceding quarter is analysed as follows:-

	The Group		Variance	
	Current	Preceding		
	quarter ended	quarter ended	RM'000	%
	30/09/2020	30/06/2020		
	RM'000	RM'000		
Profit before tax by segments:				
Investment banking and stockbroking	43,437	23,351	20,086	86.0%
Fund management and unit trust management	5,757	5,417	340	6.3%
Investment holding and others	3,520	8,917	(5,397)	-60.5%
	52,714	37,685	15,029	39.9%

Investment banking and stockbroking - higher PBT by RM20.1 million (86.0%) mainly due to higher profit contribution from both its investment banking division and stockbroking division.

Fund management and unit trust management - PBT increased by RM0.3 million (6.3%) mainly due to higher net contribution from management fee income in current quarter.

Investment holding and others - PBT decreased by RM5.4 million (-60.5%) mainly due to lower unrealised gain on revaluation of financial assets at FVTPL.

2. Prospects for 2021

The recovery of the global and domestic economy is expected to start in the second half of 2020 as businesses and activities were allowed to gradually resume operations. However, we believe the pace of recovery will remain dependent on the availability of a medical solution. Beyond the COVID-19 outbreak, other downside risks persist as the US goes through its presidential election year and the trade tension between US and China remain unresolved which will have impact to the global economy. Nevertheless, we expect Malaysia to weather the crisis from a position of strength owing to its diverse economic structure, sound macro fundamentals, strong institutions and policy flexibility.

We view the COVID-19 outbreak and consequential Movement Control Order ("MCO") as a catalyst to sharpen our business continuity measures and to further accelerate innovating the way we do business. The Group will continue to be proactive in harnessing digital technologies to build an operating environment that our stakeholders expect. To achieve this, we will continue to invest in technology to further enhance our efficiency and productivity as well as to adjust to the new normal.

Enhancing and tightening cybersecurity will also be one of our focus moving into FY2021. As the Group is progressively changing its way of doing business to cope with the new normal and more focus put on serving our clients through digital channels which created a surge in demand for digital capabilities, products and services, there are new risks that our cybersecurity team need to address to support business continuity while protecting our business and clients.

Going forward and in view of the recent imposed Conditional Movement Control Order ("CMCO"), the Group will continue to execute our business strategies, sharpen our business continuity measures and continue to improve on our digital solutions as well as manage cost efficiency and drive productivity with the objective to deliver long-term sustainable growth as well as increase shareholder value.

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	
	30/09/2020	30/09/2019	30/09/2020	30/09/2019
The Group	RM'000	RM'000	RM'000	RM'000
Malaysian income tax:				
- Current	1,848	2,485	1,848	2,485
- Over provision in prior years	(18)	-	(18)	-
Deferred taxation	5,320	(1,717)	5,320	(1,717)
	<u>7,150</u>	<u>768</u>	<u>7,150</u>	<u>768</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.

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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 2020:

The Group	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Interest rate related contracts			
(i) Less than 1 year	1,196,232	5,861	(6,898)
(ii) 1 year to 3 years	1,913,200	41,743	(67,115)
(iii) More than 3 years	1,055,000	2,762	-
Foreign exchange related contracts			
(i) Less than 1 year	2,015,828	5,362	(8,213)
Equity related contracts			
(i) Less than 1 year	10,137	64	-
	6,190,397	55,792	(82,226)

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

Credit risk

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

Market risk

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

Related accounting policies

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

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8. Group borrowings and debt securities

The Group Unsecured	More than 1 year		Less than 1 year		Sub-total		Total RM'000
	Foreign currency RM'000	Local currency RM'000	Foreign currency RM'000	Local currency RM'000	Foreign currency RM'000	Local currency RM'000	
As at 30 September 2020							
RM100.0 million Tier 2 subordinated notes	-	99,993	-	1,252	-	101,245	101,245
As at 30 June 2020							
RM100.0 million Tier 2 subordinated notes	-	99,993	-	185	-	100,178	100,178
As at 30 September 2019							
RM150.0 million Tier 2 subordinated notes	-	149,987	-	2,338	-	152,325	152,325

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.

On 14 June 2019, HLIB 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.

On 6 November 2019, HLIB had fully redeemed the first issuance of RM50.0 million nominal value of this Sub Notes.

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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 2020.

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 period.

	Financial quarter ended		Financial period ended	
	30/09/2020	30/09/2019	30/09/2020	30/09/2019
The Group				
Net profit attributable to equity holders of the Company (RM'000):	45,564	23,725	45,564	23,725
Weighted average number of ordinary shares in issue ('000):	241,283	241,283	241,283	241,283
Basic earnings per share (sen)	18.9	9.8	18.9	9.8
The Company				
Net (loss)/profit attributable to equity holders of the Company (RM'000):	3,098	265	3,098	265
Weighted average number of ordinary shares in issue ('000):	241,388	241,388	241,388	241,388
Basic (loss)/earnings per share (sen)	1.3	0.1	1.3	0.1

(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 2020 and 30 September 2019.

Dated this 27 November 2020.