

HONG LEONG CAPITAL BERHAD
(Company Number: 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Note	The Group		The Company	
		As at 30/06/2017 RM'000	As at 30/06/2016 RM'000	As at 30/06/2017 RM'000	As at 30/06/2016 RM'000
ASSETS					
Cash and short term funds		267,462	296,322	490	1,065
Securities purchased under resale agreement		35,123	-	-	-
Deposits and placements with banks and other financial institutions		-	40,359	-	-
Financial assets held-for-trading	11	1,102,647	1,418,901	-	-
Financial investments available- for-sale	12	1,173,978	1,032,304	140,168	109,082
Financial investments held-to-maturity	13	909,215	528,100	-	-
Derivative financial assets	19	19,916	42,694	-	-
Loans and advances	14	236,592	372,162	-	-
Clients' and brokers' balances	15	270,967	197,034	-	-
Other assets	16	54,772	50,918	615	490
Statutory deposits with Bank Negara Malaysia		58,100	32,400	-	-
Tax recoverable		215	191	213	186
Investment in subsidiary companies		-	-	320,054	320,054
Deferred tax assets		90,948	92,378	-	-
Property and equipment		5,737	6,795	-	-
Goodwill		33,059	33,059	-	-
Other intangible assets		5,255	5,440	-	-
TOTAL ASSETS		4,263,986	4,149,057	461,540	430,877
LIABILITIES					
Deposits from customers	17	648,867	1,031,929	-	-
Deposits and placements of banks and other financial institutions	18	2,247,733	1,904,770	-	-
Repurchased agreements		149,111	-	-	-
Derivative financial liabilities	19	47,959	80,685	-	-
Clients' and brokers' balances		271,738	279,919	-	-
Other liabilities	20	102,536	100,940	613	617
Current tax liabilities		473	206	-	-
Subordinated obligations	21	50,262	50,247	-	-
TOTAL LIABILITIES		3,518,679	3,448,696	613	617

The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Company for the year ended 30 June 2016.

HONG LEONG CAPITAL BERHAD
(Company Number: 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2017

	The Group		The Company	
	As at 30/06/2017	As at 30/06/2016	As at 30/06/2017	As at 30/06/2016
Note	RM'000	RM'000	RM'000	RM'000
EQUITY				
Share capital	246,896	246,896	246,896	246,896
Reserves	504,442	459,496	219,949	189,282
Treasury shares for ESOS scheme	(6,031)	(6,031)	(5,918)	(5,918)
TOTAL EQUITY	745,307	700,361	460,927	430,260
TOTAL LIABILITIES AND EQUITY				
	4,263,986	4,149,057	461,540	430,877
COMMITMENTS AND CONTINGENCIES				
27	7,931,230	8,731,501	-	-
Net assets per share attributable to ordinary equity holder of the Company (RM)				
	3.09	2.90		

The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Company for the year ended 30 June 2016.

HONG LEONG CAPITAL BERHAD
 (Company Number: 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Current quarter ended 30/06/2017	Last year's quarter ended 30/06/2016	Current year ended 30/06/2017	Last year's ended 30/06/2016
Note	RM'000	RM'000	RM'000	RM'000
The Group				
Interest income	22 38,477	34,410	149,654	127,462
Interest expense	23 (27,505)	(22,335)	(105,859)	(85,109)
Net interest income	10,972	12,075	43,795	42,353
Non-interest income	24 40,532	33,750	158,220	130,542
Net income	51,504	45,825	202,015	172,895
Overhead expenses	25 (33,095)	(29,890)	(117,910)	(108,463)
Operating profit before allowances (Allowance for)/write-back of impairment on loans and advances and other losses	26 18,409	15,935	84,105	64,432
Profit before taxation	18,368	15,695	84,037	64,500
Taxation	(8,426)	(8,870)	(4,952)	(2,623)
Net profit for the year	9,942	6,825	79,085	61,877
Earnings per share (sen)				
- Basic	4.1	2.8	32.8	25.6
- Diluted	4.1	2.8	32.8	25.6

The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Company for the year ended 30 June 2016.

HONG LEONG CAPITAL BERHAD
(Company Number: 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Current quarter ended 30/06/2017 RM'000	Last year's quarter ended 30/06/2016 RM'000	Current year ended 30/06/2017 RM'000	Last year's ended 30/06/2016 RM'000
The Group				
Net profit for the year	9,942	6,825	79,085	61,877
Other comprehensive income/(expense):				
Items that will be reclassified subsequently to profit or loss				
Net fair value changes on financial investments available-for-sale				
- Unrealised net gain/(loss) on revaluation revaluation of financial investments available-for-sale	1,644	3,346	(641)	7,260
- Net transfer to income statements on disposal of financial investments available-for-sale	(1,603)	(811)	(5,885)	(481)
Income tax relating to net fair value changes on financial investments available-for-sale	(19)	(604)	1,325	(1,390)
Currency translation differences in respect of foreign operation	-	-	16	(24)
Other comprehensive income/(expense) for the year, net of tax	22	1,931	(5,185)	5,365
Total comprehensive income for the year, net of tax	9,964	8,756	73,900	67,242

The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Company for the year ended 30 June 2016.

HONG LEONG CAPITAL BERHAD
 (Company Number: 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Current quarter ended 30/06/2017	Last year's quarter ended 30/06/2016	Current year ended 30/06/2017	Last year's ended 30/06/2016
Note	RM'000	RM'000	RM'000	RM'000
The Company				
Operating revenue	6,285	2,697	61,868	48,801
Interest income	22 43	6	337	148
Interest expense	23 -	-	-	-
Net interest income	43	6	337	148
Non-interest income	24 6,242	2,691	61,531	48,653
Net income	6,285	2,697	61,868	48,801
Overhead expenses	25 (487)	(447)	(2,126)	(1,782)
Operating profit before allowances	5,798	2,250	59,742	47,019
Allowance for impairment on other losses	26 -	-	-	-
Profit before taxation	5,798	2,250	59,742	47,019
Taxation	(10)	(15)	(127)	(96)
Net profit for the year	5,788	2,235	59,615	46,923
Earnings per share (sen)				
- Basic	2.4	0.9	24.7	19.4
- Diluted	2.4	0.9	24.7	19.4

The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Company for the year ended 30 June 2016.

HONG LEONG CAPITAL BERHAD
(Company Number: 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Current quarter ended 30/06/2017 RM'000	Last year's quarter ended 30/06/2016 RM'000	Current year ended 30/06/2017 RM'000	Last year's ended 30/06/2016 RM'000
The Company				
Net profit for the year	5,788	2,235	59,615	46,923
Other comprehensive income/(expense):				
Items that will be reclassified subsequently to profit or loss				
Net fair value changes on financial investments available-for-sale				
- Unrealised net gain/(loss) on revaluation revaluation of financial investments available-for-sale	-	27	33	23
- Net transfer to income statements on disposal of financial investments available-for-sale	(27)	(10)	(14)	-
Income tax relating to net fair value changes on financial investments available-for-sale	-	-	-	(13)
Other comprehensive income/(expense) for the year, net of tax	(27)	17	19	10
Total comprehensive income for the year, net of tax	5,761	2,252	59,634	46,933

The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Company for the year ended 30 June 2016.

HONG LEONG CAPITAL BERHAD
(Company Number: 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Attributable to owners of the parent								
	Share Capital RM'000	Treasury Shares for ESOS Scheme RM'000	General Reserves RM'000	Statutory Reserves RM'000	Regulatory Reserves RM'000	Fair Value Reserve RM'000	Exchange fluctuation Reserve RM'000	Retained Profits RM'000	Total RM'000
The Group									
At 1 July 2016	246,896	(6,031)	543	113,482	3,563	6,623	(16)	335,301	700,361
Net profit for the year	-	-	-	-	-	-	-	79,085	79,085
Other comprehensive (expense)/income, net of tax	-	-	-	-	-	(5,201)	16	-	(5,185)
Total comprehensive (expense)/income	-	-	-	-	-	(5,201)	16	79,085	73,900
Transfer from statutory reserves	-	-	-	(113,482)	-	-	-	113,482	-
Transfer from regulatory reserve	-	-	-	-	(1,059)	-	-	1,059	-
Dividend paid	-	-	-	-	-	-	-	(28,954)	(28,954)
At 30 June 2017	246,896	(6,031)	543	-	2,504	1,422	-	499,973	745,307
At 1 July 2015	246,896	(6,031)	543	113,482	3,031	1,234	8	294,465	653,628
Net profit for the year	-	-	-	-	-	-	-	61,877	61,877
Other comprehensive income/(expense), net of tax	-	-	-	-	-	5,389	(24)	-	5,365
Total comprehensive income/(expense)	-	-	-	-	-	5,389	(24)	61,877	67,242
Transfer to regulatory reserve	-	-	-	-	532	-	-	(532)	-
Dividend paid	-	-	-	-	-	-	-	(20,509)	(20,509)
At 30 June 2016	246,896	(6,031)	543	113,482	3,563	6,623	(16)	335,301	700,361

The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Company for the year ended 30 June 2016.

HONG LEONG CAPITAL BERHAD
(Company Number: 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Non-Distributable			Distributable	
	Share Capital RM'000	Treasury Shares for ESOS Scheme RM'000	Fair Value Reserve RM'000	Retained Profits RM'000	Total RM'000
The Company					
At 1 July 2016	246,896	(5,918)	(33)	189,315	430,260
Net profit for the year	-	-	-	59,615	59,615
Other comprehensive income, net of tax	-	-	19	-	19
Total comprehensive income	-	-	19	59,615	59,634
Dividend paid	-	-	-	(28,967)	(28,967)
At 30 June 2017	246,896	(5,918)	(14)	219,963	460,927
At 1 July 2015	246,896	(5,918)	(43)	162,910	403,845
Net profit for the year	-	-	-	46,923	46,923
Other comprehensive income, net of tax	-	-	10	-	10
Total comprehensive income	-	-	10	46,923	46,933
Dividend paid	-	-	-	(20,518)	(20,518)
At 30 June 2016	246,896	(5,918)	(33)	189,315	430,260

The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Company for the year ended 30 June 2016.

HONG LEONG CAPITAL BERHAD
(Company Number 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	The Group	
	30/06/2017	30/06/2016
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
Profit before taxation	84,037	64,500
<u>Adjustments for non-cash items:</u>		
- Depreciation of property and equipment	1,953	2,002
- Amortisation of intangible assets	2,729	1,499
- Loss/(gain) on liquidation of subsidiaries	7	(589)
- Gain on disposal of property and equipment	(121)	(4)
- Property and equipment written off	8	357
- (Write-back of)/allowance for impairment for losses on loans and advances	(564)	22
- Allowance for/(write-back of) losses on clients' and brokers' balances	146	(85)
- Allowance for losses on fee income receivables	987	-
- Net unrealised loss/(gain) on revaluation of:		
- Financial assets held-for-trading	4,531	2,729
- Derivative financial instruments	(9,937)	24,272
- Interest income from:		
- Financial assets held-for-trading	(40,852)	(38,079)
- Financial investments available-for-sale	(39,959)	(34,744)
- Financial investments held-to-maturity	(27,754)	(14,233)
- Derivative financial instruments	(8,032)	(5,836)
- Interest expense from derivative financial instruments	15,012	11,408
- Interest expense from subordinated obligations	2,680	2,710
- Dividend income from:		
- Financial assets held-for-trading	(2,173)	(1,937)
- Financial investments available-for-sale	(5,891)	(5,659)
	(107,230)	(56,167)
Operating (loss)/profit before changes in working capital	(23,193)	8,333
Changes in working capital:		
- Securities purchased under resale agreements	(35,123)	-
- Deposits and placements with banks and other financial institutions with original maturity of more than three months	-	124,587
- Financial assets held-for-trading	308,657	(495,000)
- Derivative financial instruments	18	(45)
- Loans and advances	136,134	(46,201)
- Clients' and brokers' balances	(74,079)	1,234
- Other assets	(5,009)	(26,304)
- Statutory deposits with Bank Negara Malaysia	(25,700)	23,780
Net changes in operating assets	304,898	(417,949)
- Deposits from customers	(383,062)	190,182
- Deposits and placements of banks and other financial institutions	342,963	57,379
- Repurchased agreements	149,111	-
- Clients' and brokers' balances	(8,181)	87,191
- Other liabilities	1,596	26,646
Net changes in operating liabilities	102,427	361,398
Cash generated from/(used in) operating activities	384,132	(48,218)

The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and of the Company for the year ended 30 June 2016.

HONG LEONG CAPITAL BERHAD
(Company Number 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	The Group	
	30/06/2017	30/06/2016
	RM'000	RM'000
Cash generated from/(used in) operating activities	384,132	(48,218)
Net income tax paid	(1,973)	(548)
Net cash generated from/(used in) operating activities	382,159	(48,766)
<u>Cash flows from investing activities</u>		
Net purchase of:		
- Financial investments available-for-sale	(144,499)	(66,607)
- Financial investments held-to-maturity	(378,428)	(146,697)
Dividend received from:		
- Financial assets held-for-trading	2,173	1,937
- Financial investments available-for-sale	5,891	5,749
Proceeds from liquidation of subsidiaries	157	602
Interest received from financial assets held-for-trading, financial investments available-for-sale, financial investments held-to-maturity and derivative financial instruments	113,054	85,203
Interest expenses paid on derivative financial instruments	(14,820)	(11,821)
Proceeds from disposal of property and equipment	189	5
Purchase of property and equipment	(948)	(3,185)
Purchase of intangible assets	(2,544)	(3,958)
Net cash used in investing activities	(419,775)	(138,772)
<u>Cash flows from financing activities</u>		
Interest paid on subordinated obligations	(2,665)	(2,657)
Dividend paid	(28,954)	(20,509)
Net cash used in financing activities	(31,619)	(23,166)
Net changes in cash and cash equivalents during the financial year	(69,235)	(210,704)
Effect of exchange rate changes	16	(24)
Cash and cash equivalents at beginning of the financial year	336,681	547,409
Cash and cash equivalents at end of the financial year	267,462	336,681
Cash and cash equivalents comprise:		
Cash and short term funds	267,462	296,322
Deposit and placements with other financial institutions	-	40,359
	267,462	336,681

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HONG LEONG CAPITAL BERHAD
(Company Number 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	The Company	
	30/06/2017	30/06/2016
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
Profit before taxation	59,742	47,019
<u>Adjustments for non-cash items:</u>		
- Interest income	(337)	(148)
- Dividend income from:		
- Financial investments available-for-sale	(4,099)	(4,980)
- Subsidiary companies	(57,300)	(43,200)
	(61,736)	(48,328)
Operating loss before changes in working capital	(1,994)	(1,309)
(Increase)/decrease in other assets	(125)	186
(Decrease)/increase in other liabilities	(4)	119
Cash used in operating activities	(2,123)	(1,004)
Net income tax paid	(154)	(126)
Interest received	337	148
Net cash used in operating activities	(1,940)	(982)
<u>Cash flows from investing activities</u>		
Net (purchase)/disposal of financial investments available-for-sale	(31,067)	24,071
Dividend received from:		
- Financial investments available-for-sale	4,099	5,070
- Subsidiary companies	57,300	43,200
Investment in subsidiary company	-	(50,000)
Net cash generated from investing activities	30,332	22,341
<u>Cash flows from financing activities</u>		
Dividend paid	(28,967)	(20,518)
Net cash used in financing activities	(28,967)	(20,518)
Net changes in cash and cash equivalents during the financial year	(575)	841
Cash and cash equivalents at beginning of the financial year	1,065	224
Cash and cash equivalents at end of the financial year	490	1,065
Cash and cash equivalents comprise:		
Cash and short term funds	490	1,065

The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and of the Company for the year ended 30 June 2016.

HONG LEONG CAPITAL BERHAD ("HLCB" or "Company")
(formerly known as HLG Capital Berhad)
(Company Number 213006-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

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

1. Basis of preparation

The unaudited condensed financial statements for the financial year ended 30 June 2017 have been prepared under the historical cost convention, as modified by the revaluation of financial investments available-for-sale and financial assets/financial liabilities at fair value through profit or loss (including derivative financial instruments).

The unaudited condensed financial statements have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standard Board ("MASB") and paragraph 9.22 of Bursa Malaysia Securities Berhad's Listing Requirements and should be read in conjunction with the audited annual financial statements for the Group and the Company for the financial year ended 30 June 2016. 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 2016.

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 2016 and modified for the adoption of the following Amendments to MFRSs applicable for financial period beginning on or after 1 July 2016:

- Amendments to MFRS 101 "Presentation of Financial Statements" - Disclosure Initiative
- Amendments to MFRS 10, 12 & 128 "Investment Entities - Applying the Consolidation Exception"
- Annual Improvements to MFRSs 2012 - 2014 Cycle

The adoption of the above annual improvements and amendments do not give rise to any material financial impact to the Group and to 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.

Significant changes in regulatory requirements

Bank Negara Malaysia ("BNM") has issued the policy document on Capital Funds which came into effect on 3 May 2017. The policy document has been updated to remove the requirement for a banking institution to maintain a reserve fund.

BNM expects banking institutions to exercise prudence before submitting an application to distribute the reserves as dividends. BNM in considering the dividend application, shall consider, among others, the banking institution's ability to comply with the fully phased-in capital conservation buffer requirement and any other buffers that the BNM may specify.

During the financial year, the Group has transferred RM113,482,000 from its statutory reserve to retained profits in accordance with BNM's requirements.

1. Basis of preparation (continued)

Companies Act, 2016

The Companies Act, 2016 (“New Act”) was enacted to replace the Companies Act, 1965 with the objectives to create a legal and regulatory structure that will facilitate business, and promote accountability as well as protection of corporate directors and shareholders, taking into consideration the interest of other stakeholders. The New Act was passed on 4 April 2016 by the Dewan Rakyat (House of Representative) and gazetted on 15 September 2016. On 26 January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism announced that the date on which the New Act comes into operation while section 241 and Division 8 of Part III of the New Act come into operation on 31 January 2017.

Amongst the key changes introduced in the New Act which will affect the financial statements of the Group and of the Company upon the commencement of the New Act on 31 January 2017 are:

- a) removal of the authorised share capital; and
- b) shares of the Company will cease to have par or nominal value

Notwithstanding this provision, the Group and the Company may within 24 months from the commencement of the New Act, use the amount standing to the credit of its share premium account for purposes as set out in Section 618 (3) of the New Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

The adoption of the New Act does not have any financial impact on the Group and the Company for the current financial year as any accounting implications will only be applied prospectively, if applicable, and the effect of adoption mainly will be on disclosures to the annual report and financial statements for the financial year ending 30 June 2017.

2. Auditors' report on preceding annual financial statements

The auditors' report on the audited financial statements for the financial year ended 30 June 2016 was not qualified.

3. Comments about seasonal or cyclical factors

The operations of the Group and the Company were not materially affected by any seasonal or cyclical factors during the financial quarter ended 30 June 2017.

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

There were no unusual items affecting the assets, liabilities, equities, net income or cash flows of the Group and the Company during the financial quarter ended 30 June 2017.

5. Change in estimate

There were no material changes in estimate of amount reported in prior financial year that have a material effect in the financial quarter ended 30 June 2017.

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 June 2017, 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 (2016: 5,612,700) shares in the Group costing RM6,031,241 (2016: RM6,031,241) inclusive of transaction costs, as at 30 June 2017.

7. Dividends paid

A final single-tier dividend of 12.0 sen per share amounting to RM29.0 million in respect of the financial year ended 30 June 2016, was paid on 18 November 2016.

8. Valuations of property, plant and equipment

No valuations of property, plant and equipment were carried out for the financial quarter ended 30 June 2017.

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 30 June 2017 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 Q4 (30.06.17)

11. Financial assets held-for-trading

	The Group	
	As at 30/06/2017 RM'000	As at 30/06/2016 RM'000
Money market instruments		
Malaysian Government Investment Issues	30,561	-
Negotiable instruments of deposits	831,596	763,252
	862,157	763,252
Quoted securities		
In Malaysia:		
Shares	35,077	16,772
Unit trust investment	6,470	-
	41,547	16,772
Unquoted securities		
Foreign currency bonds	-	21,057
Private and Islamic debt securities	198,943	617,820
	198,943	638,877
	1,102,647	1,418,901

12. Financial investments available-for-sale

	The Group		The Company	
	As at 30/06/2017 RM'000	As at 30/06/2016 RM'000	As at 30/06/2017 RM'000	As at 30/06/2016 RM'000
Money market instruments				
Malaysian Government Securities	30,378	30,606	-	-
Malaysian Government Investment Issues	60,896	30,889	-	-
Cagamas bonds	65,442	15,094	-	-
	156,716	76,589	-	-
Quoted securities				
In Malaysia:				
Shares	-	16,674	-	-
Unit trust investment	201,063	150,869	140,168	109,082
	201,063	167,543	140,168	109,082
Unquoted securities				
Shares	245	245	-	-
Foreign currency bonds	74,832	168,754	-	-
Private and Islamic debt securities	741,122	619,173	-	-
	816,199	788,172	-	-
	1,173,978	1,032,304	140,168	109,082

HLCB Q4 (30.06.17)**13. Financial investments held-to-maturity**

	The Group	
	As at	As at
	30/06/2017	30/06/2016
	RM'000	RM'000
Money market instruments		
Malaysian Government Securities	211,031	81,194
Malaysian Government Investment Issues	518,643	266,161
	729,674	347,355
Unquoted securities		
Foreign currency bonds	93,757	125,456
Private and Islamic debt securities	85,784	55,289
	179,541	180,745
	909,215	528,100

14. Loans and advances

	The Group	
	As at	As at
	30/06/2017	30/06/2016
	RM'000	RM'000
Term loan financing	25,685	84,527
Share margin financing	210,707	288,004
Staff loans	64	71
Other loans	586	574
Gross loans and advances	237,042	373,176
Allowance for impaired loans and advances:		
- individual assessment allowance	(110)	(100)
- collective assessment allowance	(340)	(914)
Net loans and advances	236,592	372,162

14a. By type of customer

Domestic business enterprises		
- Small and medium enterprises	110	20,273
- Others	120,574	216,899
Individuals	108,535	127,909
Foreign entities	7,823	8,095
Gross loans and advances	237,042	373,176

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14. Loans and advances (continued)

	The Group	
	As at 30/06/2017 RM'000	As at 30/06/2016 RM'000
14b. <u>By interest rate sensitivity</u>		
Fixed rate		
- Staff housing loans	64	71
- Other fixed rate loan	586	574
Variable rate		
- Cost plus	236,392	372,531
Gross loans and advances	<u>237,042</u>	<u>373,176</u>
14c. <u>By residual contractual maturity</u>		
Maturity within one year	225,988	308,648
More than one year to three years	10,990	64,457
More than five years	64	71
Gross loans and advances	<u>237,042</u>	<u>373,176</u>
14d. <u>By geographical distribution</u>		
Malaysia	<u>237,042</u>	<u>373,176</u>
14e. <u>By economic purpose</u>		
Purchase of securities	210,707	338,562
Working capital	25,685	33,969
Purchase of transport vehicles	110	100
Purchase of landed properties	540	545
Gross loans and advances	<u>237,042</u>	<u>373,176</u>
14f. Movements in impaired loans and advances ("impaired loans") are as follows:		
At 1 July	574	623
Impaired during the year	11,002	-
Amount written-back during the year	-	(38)
Amount written-off during the year	-	(11)
At 30 June	<u>11,576</u>	<u>574</u>
 % of impaired loans to total loans and advances, net of individual assessment allowance	 <u>4.9%</u>	 <u>0.2%</u>
14g. <u>Impaired loans and advances by geographical distribution</u>		
Malaysia	<u>11,576</u>	<u>574</u>
14h. <u>Impaired loans and advances by economic purpose</u>		
Purchase of transport vehicles	110	100
Purchase of landed properties	476	474
Working capital	10,990	-
Gross impaired loans and advances	<u>11,576</u>	<u>574</u>

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14. Loans and advances (continued)

	The Group	
	As at 30/06/2017 RM'000	As at 30/06/2016 RM'000
14i. Movement in the allowance for loss on loans and advances are as follows:		
<u>Individual assessment allowance</u>		
At 1 July	100	111
Allowance made during the year	10	-
Allowance written-off during the year	-	(11)
At 30 June	110	100
<u>Collective assessment allowance</u>		
At 1 July	914	892
Allowance (written-back)/made during the year	(574)	22
At 30 June	340	914

15. Clients' and brokers' balances

	The Group	
	As at 30/06/2017 RM'000	As at 30/06/2016 RM'000
Performing accounts	270,148	195,943
Impaired accounts	1,264	1,390
	271,412	197,333
Less: Individual assessment allowance	(417)	(282)
Collective assessment allowance	(28)	(17)
	270,967	197,034

16. Other assets

	The Group		The Company	
	As at 30/06/2017 RM'000	As at 30/06/2016 RM'000	As at 30/06/2017 RM'000	As at 30/06/2016 RM'000
Amount due from subsidiary companies	-	-	572	445
Deposits and prepayments	5,280	7,706	43	45
Fee income receivable	16,076	7,743	-	-
Collaterals pledged for derivative transactions	22,531	27,271	-	-
Other receivables	10,373	8,006	-	-
Manager's stocks and consumables	512	192	-	-
	54,772	50,918	615	490

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17. Deposits from customers

	The Group	
	As at 30/06/2017 RM'000	As at 30/06/2016 RM'000
17a. <u>By type of deposits</u>		
Fixed deposits	648,867	1,031,929
17b. <u>By type of customer</u>		
Government and statutory bodies	456,337	873,906
Business enterprises	171,984	144,774
Individuals	20,546	13,249
	648,867	1,031,929
17c. The maturity structure of fixed deposits are as follows:		
Due within:		
- six months	642,665	1,030,876
- six months to one year	6,202	1,053
	648,867	1,031,929

18. Deposits and placements of banks and other financial institutions

	The Group	
	As at 30/06/2017 RM'000	As at 30/06/2016 RM'000
Licensed banks	778,053	641,635
Licensed investment banks	50,004	-
Other financial institutions	1,419,676	1,263,135
	2,247,733	1,904,770

19. Derivative financial assets/liabilities

	Contract or underlying principal amount RM'000	Positive fair value RM'000	Negative fair value RM'000
The Group			
30/06/2017			
Interest rate related contracts:			
- Interest rate swaps	5,015,000	12,806	(23,881)
- Futures	322,498	337	-
- Cross currency swaps	171,770	83	(16,724)
Foreign exchange related contracts:			
- Foreign currency swaps	1,520,828	5,883	(7,345)
- Foreign currency forwards	73,399	171	(6)
- Foreign currency spot	17,735	1	(3)
Equity related contracts:			
- Call option	7,000	635	-
	7,128,230	19,916	(47,959)

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19. Derivative financial assets/liabilities (continued)

	Contract or underlying principal amount RM'000	Positive fair value RM'000	Negative fair value RM'000
The Group			
30/06/2016			
Interest rate related contracts:			
- Interest rate swaps	5,413,500	19,664	(36,729)
- Futures	139,893	-	(1,567)
- Cross currency swaps	120,945	3,412	(11,085)
Foreign exchange related contracts:			
- Foreign currency swaps	2,308,659	18,347	(30,597)
- Foreign currency forwards	45,938	-	(696)
Equity related contracts:			
- Futures	5,032	-	(11)
- Call option	7,000	1,271	-
	<u>8,040,967</u>	<u>42,694</u>	<u>(80,685)</u>

20. Other liabilities

	The Group		The Company	
	As at 30/06/2017 RM'000	As at 30/06/2016 RM'000	As at 30/06/2017 RM'000	As at 30/06/2016 RM'000
Amount due to related companies	118	97	-	-
Remisiers' trust deposits	13,786	12,998	-	-
Other payables and accrued liabilities	88,430	87,648	613	617
Post employment benefits obligation				
- defined contribution plan	202	197	-	-
	<u>102,536</u>	<u>100,940</u>	<u>613</u>	<u>617</u>

21. Subordinated obligations

	The Group	
	As at	As at
	30/06/2017	30/06/2016
	RM'000	RM'000
RM50.0 million Tier 2 subordinated notes, at par	50,000	50,000
Add: Interest payable	392	407
	50,392	50,407
Less: Unamortised discounts	(130)	(160)
	50,262	50,247

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.

HLCB Q4 (30.06.17)**22. Interest income**

	Current quarter ended 30/06/2017 RM'000	Last year's quarter ended 30/06/2016 RM'000	Current year ended 30/06/2017 RM'000	Last year's ended 30/06/2016 RM'000
The Group				
Loan and advances	3,741	5,171	19,026	20,508
Money at call and deposits placements with banks and other financial institutions	660	717	2,675	4,245
Financial assets held-for-trading	8,122	12,280	40,852	38,079
Financial investments available-for-sale	11,105	8,460	39,959	34,744
Financial investments held-to-maturity	8,206	3,672	27,754	14,233
Derivative financial instruments	2,036	1,673	8,032	5,836
Others	4,607	2,437	11,356	9,817
Total interest income	38,477	34,410	149,654	127,462
The Company				
Money at call and deposits placements with banks and other financial institutions	43	6	337	148

23. Interest expense

	Current quarter ended 30/06/2017 RM'000	Last year's quarter ended 30/06/2016 RM'000	Current year ended 30/06/2017 RM'000	Last year's ended 30/06/2016 RM'000
The Group				
Deposits and placements of banks and other financial institutions	8,979	6,167	30,340	23,053
Deposits from customers	13,806	12,986	57,110	47,668
Derivative financial instruments	3,479	2,427	15,012	11,408
Subordinated notes	667	661	2,680	2,710
Others	574	94	717	270
Total interest expense	27,505	22,335	105,859	85,109

24. Non-interest income

	Current quarter ended 30/06/2017 RM'000	Last year's quarter ended 30/06/2016 RM'000	Current year ended 30/06/2017 RM'000	Last year's ended 30/06/2016 RM'000
The Group				
(a) Fee income:				
Fee on loans and advances	-	1	785	320
Arranger fees	3,303	4,780	9,633	15,428
Placement fee	8,909	1,553	12,451	9,001
Guarantee fees	-	-	-	52
Corporate advisory fees	1,235	1,714	5,630	6,204
Underwriting Commission	94	442	1,795	1,206
Brokerage commissions	17,286	12,150	59,321	52,535
Commission from futures contracts	152	86	620	472
Unit trust fee income	7,868	5,550	27,260	20,750
Other fee income	1,817	1,614	13,792	8,791
	40,664	27,890	131,287	114,759
(b) Net realised gain/(loss) arising from sale/early redemption of:				
- Financial assets held-for-trading	3,886	10,779	6,022	15,090
- Financial investments available-for-sale	971	1,025	5,927	1,114
- Financial investments held-to-maturity	74	-	189	-
- Derivative financial instruments	(3,415)	27,933	18,129	(13,414)
	1,516	39,737	30,267	2,790
(c) Net unrealised (loss)/gain on revaluation of:				
- Financial assets held-for-trading	(3,163)	(6,820)	(4,531)	(2,729)
- Derivative financial instruments	434	(10,072)	9,937	(24,272)
	(2,729)	(16,892)	5,406	(27,001)
(d) Dividend income from:				
- Financial assets held-for-trading	314	(2)	2,173	1,937
- Financial investments available-for-sale	1,796	1,519	5,891	5,659
	2,110	1,517	8,064	7,596
(e) Gain on disposal of property and equipment	19	4	121	4
(f) (Loss)/gain on liquidation of a subsidiary	-	(1)	(7)	589
(g) Foreign exchange (loss)/gain	(1,097)	(18,808)	(17,284)	30,920
(h) Other income	49	303	366	885
Total non-interest income	40,532	33,750	158,220	130,542

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24. Non-interest income (continued)

	Current quarter ended 30/06/2017 RM'000	Last year's quarter ended 30/06/2016 RM'000	Current year ended 30/06/2017 RM'000	Last year's ended 30/06/2016 RM'000
The Company				
(a) Fee income:				
Other fee income	-	-	-	208
(b) Net realised loss arising from sale of:				
- Financial investments available-for-sale	-	(16)	(86)	(19)
(c) Dividend income from:				
- Financial investments available-for-sale	1,239	1,041	4,099	4,980
- Subsidiary companies	5,000	1,600	57,300	43,200
(d) Foreign exchange gain	-	-	11	-
(e) Other income	3	66	207	284
	6,242	2,691	61,531	48,653

25. Overhead expenses

	Current quarter ended 30/06/2017 RM'000	Last year's quarter ended 30/06/2016 RM'000	Current year ended 30/06/2017 RM'000	Last year's ended 30/06/2016 RM'000
The Group				
Personnel costs				
- Salaries, bonuses and allowances	19,495	17,978	64,203	56,411
- Others	2,997	1,944	11,900	12,247
	22,492	19,922	76,103	68,658
Establishment costs				
- Depreciation of property and equipment	586	551	1,953	2,002
- Amortisation of intangible assets	633	507	2,729	1,499
- Rental of premises	1,099	1,352	4,603	6,285
- Information technology expenses	1,685	1,477	6,390	5,474
- Others	717	893	2,749	3,707
	4,720	4,780	18,424	18,967
Marketing expenses				
- Advertisement and publicity	266	14	673	507
- Entertainment and business improvement	423	621	2,176	1,834
- Others	120	208	499	535
	809	843	3,348	2,876

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25. Overhead expenses (continued)

	Current quarter ended 30/06/2017 RM'000	Last year's quarter ended 30/06/2016 RM'000	Current year ended 30/06/2017 RM'000	Last year's ended 30/06/2016 RM'000
The Group (continued)				
Administration and general expenses				
- Management fees	941	916	4,013	3,643
- Communication expenses	475	341	1,476	1,369
- Property and equipment written off	8	357	8	357
- Auditors' remuneration				
- Statutory audit	129	61	417	366
- Regulatory related fee	42	42	50	50
- Tax compliance fee	15	12	15	14
- Other fees	273	20	273	20
- Legal and professional fees	1,207	626	4,654	3,443
- Others	1,984	1,970	9,129	8,700
	5,074	4,345	20,035	17,962
	33,095	29,890	117,910	108,463
The Company				
Personnel costs				
- Salaries, bonuses and allowances	33	27	194	306
- Others	99	60	276	285
	132	87	470	591
Establishment costs				
- Information technology expenses	2	17	21	19
- Others	25	15	66	140
	27	32	87	159
Marketing expenses				
- Others	2	2	36	5
	2	2	36	5
Administration and general expenses				
- Management fees	108	186	388	462
- Communication expenses	3	2	11	13
- Auditors' remuneration				
- Statutory audit	41	14	86	60
- Regulatory related fee	3	3	11	11
- Tax compliance fee	-	(2)	-	-
- Other fees	25	-	25	-
- Legal and professional fees	(1)	(12)	360	-
- Others	147	135	652	481
	326	326	1,533	1,027
	487	447	2,126	1,782

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26. (Allowance for)/write-back of impairment on loans and advances and other losses

	Current quarter ended 30/06/2017 RM'000	Last year's quarter ended 30/06/2016 RM'000	Current year ended 30/06/2017 RM'000	Last year's ended 30/06/2016 RM'000
The Group				
(Allowance for)/write-back of losses on impaired loans and advances:				
Individual assessment allowance				
- made during the year	(10)	-	(10)	-
Collective assessment allowance				
written-back/(made) during the year	108	(337)	574	(22)
Bad debts on loans and advances				
- recovered	-	-	-	5
Write-back of/(allowance for) losses on clients' and brokers' balances:				
Individual assessment allowance				
- made during the year	37	(47)	(245)	(150)
- written-back during the year	16	138	110	229
Collective assessment allowance (made)/written-back during the year				
	(12)	6	(11)	6
Bad debts on clients' and brokers' balances				
- written off	(12)	-	(12)	-
- recovered	13	-	513	-
Allowance for losses on fee income receivables:				
Individual assessment allowance				
- made during the year	(181)	-	(987)	-
	(41)	(240)	(68)	68

27. Commitments and contingencies

	As at 30/06/2017 Principal Amount RM'000	As at 30/06/2016 Principal Amount RM'000
The Group		
Commitments and contingent liabilities		
Direct Credit Substitutes	1,000	1,000
Obligations under underwriting agreement	130,000	-
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	10,352	-
Other commitments, such as formal standby facilities and credit lines		
- maturity less than one year	326	2,165
- maturity over one year	-	589
Any commitments that are unconditionally cancelled at any time by the bank without prior notice		
- maturity less than one year	661,322	686,780
	803,000	690,534
Derivative financial instruments		
Interest rate related contracts:		
- One year or less	1,778,383	1,388,708
- Over one year to five years	3,485,885	3,630,630
- Over five years	245,000	655,000
Foreign exchange related contracts		
- One year or less	1,611,962	2,354,597
Equity related contracts		
- One year or less	-	5,032
- Over one year to five years	7,000	7,000
	7,128,230	8,040,967
	7,931,230	8,731,501

28. Fair value of financial instruments

Determination of fair value and fair value hierarchy

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

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

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

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

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

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

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

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

The Group 30.06.2017	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Financial assets held-for-trading	41,547	1,061,100	-	1,102,647
- Money market instruments	-	862,157	-	862,157
- Quoted securities	41,547	-	-	41,547
- Unquoted securities	-	198,943	-	198,943
Financial investments available-for-sale	201,063	972,670	245	1,173,978
- Money market instruments	-	156,716	-	156,716
- Quoted securities	201,063	-	-	201,063
- Unquoted securities	-	815,954	245	816,199
Derivative financial assets	-	19,916	-	19,916
	242,610	2,053,686	245	2,296,541

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28. Fair value of financial instruments (continued)

Determination of fair value and fair value hierarchy (continued)

The Group 30.06.2017	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial liability				
Derivative financial liabilities	-	47,959	-	47,959
30.06.2016				
Financial assets				
Financial assets held-for-trading	16,772	1,402,129	-	1,418,901
- Money market instruments	-	763,252	-	763,252
- Quoted securities	16,772	-	-	16,772
- Unquoted securities	-	638,877	-	638,877
Financial investments available-for-sale	167,543	864,516	245	1,032,304
- Money market instruments	-	76,589	-	76,589
- Quoted securities	167,543	-	-	167,543
- Unquoted securities	-	787,927	245	788,172
Derivative financial assets	-	42,694	-	42,694
	184,315	2,309,339	245	2,493,899
Financial liability				
Derivative financial liabilities	-	80,685	-	80,685
The Company 30.06.2017				
Financial asset				
Financial investments available-for-sale				
- Quoted securities	140,168	-	-	140,168
30.06.2016				
Financial asset				
Financial investments available-for-sale				
- Quoted securities	109,082	-	-	109,082

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

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

The Group	Financial investments available-for-sale	
	30.06.2017 RM'000	30.06.2016 RM'000
At beginning/end of financial year	245	245

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29. Capital adequacy

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

	HLIB 30/06/2017	HLIB 30/06/2016
Before deducting proposed dividends:		
Common equity tier 1 ("CET1") capital ratio	29.744%	29.202%
Tier 1 capital ratio	29.744%	29.202%
Total capital ratio	33.912%	33.576%
After deducting proposed dividends: ⁽¹⁾		
CET1 capital ratio	25.003%	24.986%
Tier 1 capital ratio	25.003%	24.986%
Total capital ratio	29.171%	29.360%

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

	HLIB 30/06/2017 RM'000	HLIB 30/06/2016 RM'000
CET1 capital		
Paid-up ordinary share capital	252,950	165,000
Share premium	-	87,950
Retained profits	246,910	36,357
Other reserves	1,440	202,504
Less: goodwill and intangibles	(33,796)	(34,379)
Less: deferred tax assets	(90,153)	(91,882)
Less: investment in subsidiary companies	(160)	(217)
Less: 55% of cumulative gains of financial instruments available-for-sale	(792)	(3,100)
Total CET1 capital	376,399	362,233
Tier-1 capital		
	376,399	362,233
Tier-2 capital		
Collective assessment allowance ⁽²⁾ and regulatory reserve ⁽³⁾	2,783	4,394
Subordinated obligations	50,000	50,000
Regulatory adjustments:		
- Investment in subsidiary companies	(40)	(144)
Total Tier 2 capital	52,743	54,250
Total capital	429,142	416,483

Note:

(1) Proposed dividends of RM60,000,000 (2016: RM52,300,000).

(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 of RM2,504,000 (2016: RM3,563,000).

29. Capital adequacy (continued)

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

	HLIB 30/06/2017 RM'000	HLIB 30/06/2016 RM'000
Credit risk	461,963	520,091
Market risk	517,433	416,042
Operational risk	286,064	304,287
	<u>1,265,460</u>	<u>1,240,420</u>

30. Segmental reporting

(a) Segment information by activities for the financial year ended 30 June 2017:

	Investment banking and stockbroking	Fund management and unit trust management	Investment holding and others	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
30 June 2017					
REVENUE & EXPENSES					
Revenue					
Net Interest income	42,718	490	587	-	43,795
Non interest income	120,966	27,288	67,234	(57,268)	158,220
Results					
Profit/(loss) from operations	67,981	8,079	65,245	(57,268)	84,037
Taxation					(4,952)
Profit after taxation					79,085
30 June 2016					
REVENUE & EXPENSES					
Revenue					
Net Interest income	41,821	295	237	-	42,353
Non interest income	103,029	21,065	49,717	(43,269)	130,542
Results					
Profit/(loss) from operations	57,648	2,243	47,844	(43,235)	64,500
Taxation					(2,623)
Profit after taxation					61,877

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

31. Property and equipment

The valuations of property and equipment have been brought forward without amendment from the financial statements for the financial year ended 30 June 2016.

32. Changes in composition of the Group

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

- (a) HLG Nominee (Asing) Sdn Bhd, a wholly-owned subsidiary of HLIB, which in turn a wholly-owned subsidiary of HLCB, was dissolved on 15 October 2016.
- (b) HLG Nominee (Tempatan) Sdn Bhd, a wholly-owned subsidiary of HLIB, which in turn a wholly-owned subsidiary of HLCB, was dissolved on 7 December 2016.
- (c) On 23 December 2016, the liquidator of HLG Principal Investments (L) Limited, incorporated in Labuan ("HLG PI"), a wholly-owned subsidiary of HLG Capital Markets Sdn Bhd, which in turn is a wholly-owned subsidiary of HLCB, had convened the final meeting for HLG PI to conclude the member's voluntary winding-up of HLG PI.

The liquidator had lodged the Return Relating to the Final Meeting of HLG PI with the Labuan Financial Services Authority ("LOFSA") and LOFSA had informed that the HLG PI shall be dissolved with effect from 25 December 2016.

33. Capital commitments

Capital commitments for the purchase of property and equipment as at 30 June 2017 is RM7.4 million.

34. Changes in contingent liabilities

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

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

The size of the fund was above the minimum of RM1.0 million as at 30 June 2017.

35. Related party transactions

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

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 recorded a higher profit before tax ("PBT") of RM18.4 million for the 4th quarter June 2017 as compared to RM15.7 million recorded in the previous year corresponding quarter. This is mainly due to higher contribution from its fund management and unit trust management segment.

Investment banking and stockbroking

The investment banking and stockbroking segment recorded a higher PBT of RM14.2 million for the 4th quarter June 2017 as compared to previous year corresponding quarter of RM13.5 million, mainly due to higher contribution from its Debt Markets division and Stockbroking division.

Fund management and unit trust management

Fund management and unit trust management recorded a higher PBT of RM2.2 million for the 4th quarter June 2017 as compared to RM1.0 million in previous year corresponding quarter, mainly due to higher net contribution from management fee income.

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

The group recorded a higher PBT of RM84.0 million for the financial period ended June 2017 as compared to RM64.5 million in the previous financial period, higher by 30.3%. This is mainly due to higher contribution from both its investment banking and stockbroking segment and fund management and unit trust management segment.

Investment banking and stockbroking

The investment banking and stockbroking segment recorded a higher PBT by 17.9% as compared to previous year corresponding period due to higher contribution from its Stockbroking division, Treasury and Markets division and Equity Markets division.

Fund management and unit trust management

Fund management and unit trust management recorded a higher PBT of RM8.1 million for the financial period ended June 2017 as compared to a RM2.2 million in previous year corresponding period, mainly due to higher net contribution from management fee income in this financial period.

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1. Performance review (continued)

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

For the financial quarter ended 30 June 2017, the Group reported a lower PBT of RM18.4 million compared to RM25.8 million in the preceding financial quarter. This was mainly due to lower contribution from its investment banking and stockbroking segment.

Investment banking and stockbroking

The investment banking and stockbroking segment recorded a lower PBT of RM14.2 million for the 4th quarter June 2017 as compared to preceding financial quarter of RM21.6 million mainly due to lower contribution from its Treasury and Markets division and Equity Markets division.

Fund management and unit trust management

The fund management and unit trust management segment recorded a higher PBT of RM2.2 million for 4th quarter June 2017 as compared to RM1.8 million recorded in preceding financial quarter, mainly due to higher net contribution from management fee income.

2. Prospects for the next financial year

The Group is expected to show satisfactory performance in the financial year ending 30 June 2017 with improving profitability via diversification of income source from more extensive investment banking activities.

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

The Group	Financial quarter ended		Financial year ended	
	30/06/2017	30/06/2016	30/06/2017	30/06/2016
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax:				
- Current	673	394	2,285	870
- (Over)/under provision in prior years	(33)	122	(88)	70
Deferred taxation	7,786	8,354	2,755	1,683
	<u>8,426</u>	<u>8,870</u>	<u>4,952</u>	<u>2,623</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.

HLCB Q4 (30.06.17)

6. Group borrowings

The Group has no borrowings as at 30 June 2017.

7. Subordinated obligations

	The Group	
	As at 30/06/2017	As at 30/06/2016
RM50.0 million Tier 2 subordinated notes, at par	50,000	50,000
Add: Interest payable	392	407
	<u>50,392</u>	<u>50,407</u>
Less: Unamortised discounts	(130)	(160)
	<u>50,262</u>	<u>50,247</u>

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.

8. Off-balance sheet financial instruments

Details of financial instruments with off-balance sheet risk as at 30 June 2017:

The Group	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Interest rate related contracts			
(i) Less than 1 year	1,778,383	665	(17,142)
(ii) 1 year to 3 years	1,625,000	11,096	(18,895)
(iii) More than 3 years	2,105,885	1,465	(4,568)
Foreign exchange related contracts			
(i) Less than 1 year	1,611,962	6,055	(7,354)
Equity related contractes			
(i) More than 3 years	7,000	635	-
	<u>7,128,230</u>	<u>19,916</u>	<u>(47,959)</u>

8. Off-balance sheet financial instruments (continued)

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.

9. Material litigation

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

10. Dividends

A final single-tier dividend of 19.0 sen per share has been proposed for the current quarter.

Amount per share:	19.0 sen
Previous corresponding quarter:	12.0 sen
Payment date:	To be announced later
Entitlement date:	To be announced later

11. Earnings per share ("EPS")

(a) Basic earnings per share

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

	Financial quarter ended		Financial period ended	
	30/06/2017	30/06/2016	30/06/2017	30/06/2016
The Group				
Net profit attributable to equity holders of the Company (RM'000):	9,942	6,825	79,085	61,877
Weighted average number of ordinary shares in issue ('000):	241,283	241,283	241,283	241,283
Basic earnings per share (sen)	4.1	2.8	32.8	25.6
The Company				
Net profit attributable to equity holders of the Company (RM'000):	5,788	2,235	59,615	46,923
Weighted average number of ordinary shares in issue ('000):	241,388	241,388	241,388	241,388
Basic earnings per share (sen)	2.4	0.9	24.7	19.4

(b) Fully diluted earnings per share

There is no diluted earnings per share as the Group and the Company have no category of dilutive potential ordinary shares outstanding as at 30 June 2017 and 30 June 2016.

12. Realised and unrealised profits/losses

The breakdown of retained profits of the Group and the Bank as at the reporting date, into realised and unrealised profits, as disclosed pursuant to the directive issued by Bursa Malaysia Securities Berhad ("Bursa Malaysia") on 25 March 2010, is as follows:

	As at 30/06/2017 RM'000	As at 30/06/2016 RM'000
The Group		
Total retained profit		
- Realised	604,643	411,821
- Unrealised		
- in respect of deferred tax recognised in the profit or loss	90,948	92,378
- in respect of other items of income and expense	21,310	47,969
	<u>716,901</u>	<u>552,168</u>
Less : Consolidation adjustment	<u>(216,928)</u>	<u>(216,867)</u>
	<u>499,973</u>	<u>335,301</u>
The Company		
Total retained profit		
- Realised	219,963	189,315
- Unrealised		
- in respect of deferred tax recognised in the profit or loss	-	-
	<u>219,963</u>	<u>189,315</u>

The disclosure of realised and unrealised profits or losses above is solely for compliance with the directive issued by the Bursa Malaysia Securities Berhad and should not be used for any other purpose.

Dated this 24 August 2017.