

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

	Note	The Group		The Company	
		As at 30/06/2018 RM'000	As at 30/06/2017 RM'000	As at 30/06/2018 RM'000	As at 30/06/2017 RM'000
ASSETS					
Cash and short term funds		127,647	267,462	44	490
Securities purchased under resale agreement		35,126	35,123	-	-
Deposits and placements with banks and other financial institutions		40,645	-	-	-
Financial assets held-for-trading	11	1,244,434	1,102,647	20,550	-
Financial investments available- for-sale	12	1,437,915	1,173,978	142,410	140,168
Financial investments held-to-maturity	13	847,659	909,215	-	-
Derivative financial assets	19	29,351	19,916	-	-
Loans and advances	14	227,757	236,592	-	-
Clients' and brokers' balances	15	316,234	270,967	-	-
Other assets	16	51,621	54,772	16,169	615
Statutory deposits with Bank Negara Malaysia		52,500	58,100	-	-
Tax recoverable		367	215	242	213
Investment in subsidiary companies		-	-	316,574	320,054
Deferred tax assets		88,325	90,948	-	-
Property and equipment		15,742	5,737	-	-
Goodwill		33,059	33,059	-	-
Other intangible assets		3,696	5,255	-	-
TOTAL ASSETS		4,552,078	4,263,986	495,989	461,540
LIABILITIES					
Deposits from customers	17	1,082,656	648,867	-	-
Deposits and placements of banks and other financial institutions	18	2,058,960	2,247,733	-	-
Obligations on securities sold under repurchase agreements		99,654	149,111	-	-
Derivative financial liabilities	19	44,428	47,959	-	-
Clients' and brokers' balances		350,730	271,738	-	-
Other liabilities	20	99,103	102,536	16,574	613
Current tax liabilities		199	473	-	-
Subordinated obligations	21	50,290	50,262	-	-
TOTAL LIABILITIES		3,786,020	3,518,679	16,574	613

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 2017.

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

	The Group		The Company	
	As at 30/06/2018	As at 30/06/2017	As at 30/06/2018	As at 30/06/2017
Note	RM'000	RM'000	RM'000	RM'000
EQUITY				
Share capital	246,896	246,896	246,896	246,896
Reserves	525,193	504,442	238,437	219,949
Treasury shares for ESOS scheme	(6,031)	(6,031)	(5,918)	(5,918)
TOTAL EQUITY	766,058	745,307	479,415	460,927
TOTAL LIABILITIES AND EQUITY				
	4,552,078	4,263,986	495,989	461,540
COMMITMENTS AND CONTINGENCIES				
27	8,853,330	7,931,230	-	-
Net assets per share attributable to ordinary equity holder of the Company (RM)				
	3.17	3.09		

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 2017.

HONG LEONG CAPITAL BERHAD
(Company Number: 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Current quarter ended 30/06/2018	Last year's quarter ended 30/06/2017	Current year ended 30/06/2018	Last year's ended 30/06/2017
Note	RM'000	RM'000	RM'000	RM'000
The Group				
Interest income	22 41,027	38,477	153,663	149,654
Interest expense	23 (28,996)	(27,505)	(109,978)	(105,859)
Net interest income	12,031	10,972	43,685	43,795
Non-interest income	24 38,858	40,532	152,072	158,220
Net income	50,889	51,504	195,757	202,015
Overhead expenses	25 (29,434)	(33,095)	(116,438)	(117,910)
Operating profit before allowances and advances and other losses	21,455	18,409	79,319	84,105
Allowance for impairment on loans and advances and other losses	26 (888)	(41)	(732)	(68)
Profit before taxation	20,567	18,368	78,587	84,037
Taxation	(11,335)	(8,426)	(7,265)	(4,952)
Net profit for the year	9,232	9,942	71,322	79,085
Earnings per share (sen)				
- Basic	3.8	4.1	29.6	32.8
- Diluted	3.8	4.1	29.6	32.8

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 2017.

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

	Current quarter ended 30/06/2018 RM'000	Last year's quarter ended 30/06/2017 RM'000	Current year ended 30/06/2018 RM'000	Last year's ended 30/06/2017 RM'000
The Group				
Net profit for the year	9,232	9,942	71,322	79,085
Other comprehensive (expense)/income:				
Items that will be reclassified subsequently to profit or loss				
Net fair value changes on financial investments available-for-sale				
- Unrealised net (loss)/income on revaluation of financial investments available-for-sale	(3,508)	1,726	(5,089)	(641)
- Net transfer to income statements on disposal of financial investments available-for-sale	(9)	(1,685)	(1,152)	(5,885)
Income tax relating to net fair value changes on financial investments available-for-sale	849	(19)	1,514	1,325
Currency translation differences in respect of foreign operation	-	-	-	16
Other comprehensive (expense)/income for the period, net of tax	(2,668)	22	(4,727)	(5,185)
Total comprehensive income for the period, net of tax	6,564	9,964	66,595	73,900

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 2017.

HONG LEONG CAPITAL BERHAD
 (Company Number: 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Current quarter ended 30/06/2018	Last year's quarter ended 30/06/2017	Current year ended 30/06/2018	Last year's ended 30/06/2017
Note	RM'000	RM'000	RM'000	RM'000
The Company				
Interest income	22	1	43	29
Interest expense	23	-	-	-
Net interest income		<u>1</u>	43	<u>29</u>
Non-interest income	24	7,179	6,242	66,238
Net income		<u>7,180</u>	6,285	<u>66,267</u>
Overhead expenses	25	(417)	(487)	(1,882)
Operating profit before allowances		<u>6,763</u>	5,798	<u>64,385</u>
Allowance for impairment on other losses	26	-	-	-
Profit before taxation		<u>6,763</u>	5,798	<u>64,385</u>
Taxation		(9)	(10)	(78)
Net profit for the year		<u>6,754</u>	5,788	<u>64,307</u>
Earnings per share (sen)				
- Basic		2.8	2.4	26.6
- Diluted		2.8	2.4	26.6

The unaudited condensed financial statements should be read in conjunction with the audited financial statements of the Group and the Company for the financial year ended 30 June 2017.

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

	Current quarter ended 30/06/2018 RM'000	Last year's quarter ended 30/06/2017 RM'000	Current year ended 30/06/2018 RM'000	Last year's ended 30/06/2017 RM'000
The Company				
Net profit for the year	6,754	5,788	64,307	59,615
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 on revaluation of financial investments available-for-sale	9	20	39	33
- Net transfer to income statements on disposal of financial investments available-for-sale	1	(47)	6	(14)
Other comprehensive income/(expense) for the year, net of tax	10	(27)	45	19
Total comprehensive income for the year, net of tax	6,764	5,761	64,352	59,634

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 2017.

HONG LEONG CAPITAL BERHAD
(Company Number: 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	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 2017	246,896	(6,031)	543	-	2,504	1,422	-	499,973	745,307
Net profit for the year	-	-	-	-	-	-	-	71,322	71,322
Other comprehensive expense, net of tax	-	-	-	-	-	(4,727)	-	-	(4,727)
Total comprehensive (expense)/ income	-	-	-	-	-	(4,727)	-	71,322	66,595
Transfer from regulatory reserve	-	-	-	-	(433)	-	-	433	-
Transfer from general reserve	-	-	(543)	-	-	-	-	543	-
Dividend paid	-	-	-	-	-	-	-	(45,844)	(45,844)
At 30 June 2018	246,896	(6,031)	-	-	2,071	(3,305)	-	526,427	766,058
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 to 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

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 2017.

HONG LEONG CAPITAL BERHAD
 (Company Number: 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Non-Distributable		Distributable		Total RM'000
	Share Capital RM'000	Treasury Shares for ESOS Scheme RM'000	Fair Value Reserve RM'000	Retained Profits RM'000	
The Company					
At 1 July 2017	246,896	(5,918)	(14)	219,963	460,927
Net profit for the year	-	-	-	64,307	64,307
Other comprehensive income, net of tax	-	-	45	-	45
Total comprehensive income	-	-	45	64,307	64,352
Dividend paid	-	-	-	(45,864)	(45,864)
At 30 June 2018	246,896	(5,918)	31	238,406	479,415
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

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 2017.

HONG LEONG CAPITAL BERHAD
(Company Number 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	The Group	
	30/06/2018	30/06/2017
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
Profit before taxation	78,587	84,037
<u>Adjustments for non-cash items:</u>		
- Depreciation of property and equipment	2,135	1,953
- Amortisation of intangible assets	2,800	2,729
- Loss on liquidation of a subsidiary	-	7
- Gain on disposal of property and equipment	-	(121)
- Property and equipment written off	362	8
- Allowance for/(write-back of) impairment for losses on loans and advances	340	(564)
- (Write-back of)/allowance for impairment for losses on clients' and brokers' balances	(66)	146
- Allowance for losses on fee income receivables	458	987
- Net unrealised loss/(gain) on revaluation of:		
- Financial assets held-for-trading	6,849	4,531
- Derivative financial instruments	(12,232)	(9,937)
- Interest income from:		
- Financial assets held-for-trading	(37,123)	(40,852)
- Financial investments available-for-sale	(39,832)	(39,959)
- Financial investments held-to-maturity	(32,894)	(27,754)
- Derivative financial instruments	(8,131)	(8,032)
- Interest expense from derivative financial instruments	11,423	15,012
- Interest expense from subordinated obligations	2,671	2,680
- Dividend income from:		
- Financial assets held-for-trading	(3,735)	(2,173)
- Financial investments available-for-sale	(7,583)	(5,891)
	(114,558)	(107,230)
Operating loss before changes in working capital	(35,971)	(23,193)
<u>Changes in working capital:</u>		
- Securities purchased under resale agreements	(3)	(35,123)
- Deposits and placements with banks and other financial institutions with original maturity of more than three months	(40,645)	-
- Financial assets held-for-trading	(147,310)	308,657
- Derivative financial instruments	(342)	18
- Loans and advances	8,495	136,134
- Clients' and brokers' balances	(45,201)	(74,079)
- Other assets	(808)	(5,009)
- Statutory deposits with Bank Negara Malaysia	5,600	(25,700)
Net changes in operating assets	(220,214)	304,898
- Deposits from customers	433,789	(383,062)
- Deposits and placements of banks and other financial institutions	(188,773)	342,963
- Obligations on securities sold under repurchase agreements	(49,457)	149,111
- Clients' and brokers' balances	78,992	(8,181)
- Other liabilities	(3,431)	1,596
Net changes in operating liabilities	271,120	102,427
Cash generated from operating activities	14,935	384,132

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 2017.

HONG LEONG CAPITAL BERHAD
(Company Number 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	The Group	
	30/06/2018	30/06/2017
	RM'000	RM'000
Cash generated from operating activities	14,935	384,132
Net income tax paid	(3,555)	(1,973)
Net cash generated from operating activities	11,380	382,159
<u>Cash flows from investing activities</u>		
Net (purchase)/disposal of:		
- Financial investments available-for-sale	(264,903)	(144,499)
- Financial investments held-to-maturity	60,485	(378,428)
Dividend received from:		
- Financial assets held-for-trading	3,735	2,173
- Financial investments available-for-sale	7,583	5,891
Proceeds from liquidation of a subsidiary	3,500	157
Interest received from financial assets held-for-trading, financial investments available-for-sale, financial investments held-to-maturity and derivative financial instruments	112,668	113,054
Interest expenses paid on derivative financial instruments	(12,033)	(14,820)
Proceeds from disposal of property and equipment	-	189
Purchase of property and equipment	(12,502)	(948)
Purchase of intangible assets	(1,241)	(2,544)
Net cash used in investing activities	(102,708)	(419,775)
<u>Cash flows from financing activities</u>		
Interest paid on subordinated obligations	(2,643)	(2,665)
Dividend paid	(45,844)	(28,954)
Net cash used in financing activities	(48,487)	(31,619)
Net changes in cash and cash equivalents during the financial year	(139,815)	(69,235)
Effect of exchange rate changes	-	16
Cash and cash equivalents at beginning of the financial year	267,462	336,681
Cash and cash equivalents at end of the financial year	127,647	267,462
Cash and cash equivalents comprise:		
Cash and short term funds	127,647	267,462
Deposits and placements with banks and other financial institutions	40,645	-
	168,292	267,462
Less:		
Deposits and placements with banks and other financial institutions with original maturity of more than three months	(40,645)	-
	127,647	267,462

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 2017.

HONG LEONG CAPITAL BERHAD
(Company Number 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	The Company	
	30/06/2018	30/06/2017
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
Profit before taxation	64,385	59,742
<u>Adjustments for non-cash items:</u>		
- Interest income	(29)	(337)
- Net unrealised gain on revaluation of financial assets held-for-trading	(195)	-
- Gain on liquidation of a subsidiary	(20)	-
- Dividend income from:		
- Financial investments available-for-sale	(5,389)	(4,099)
- Subsidiary companies	(60,500)	(57,300)
	(66,133)	(61,736)
Operating loss before changes in working capital	(1,748)	(1,994)
Increase in financial investments held-for-trading	(20,355)	-
Increase in other assets	(15,554)	(125)
Increase/(decrease) in other liabilities	15,961	(4)
Cash used in operating activities	(21,696)	(2,123)
Net income tax paid	(107)	(154)
Interest received	29	337
Net cash used in operating activities	(21,774)	(1,940)
<u>Cash flows from investing activities</u>		
Net purchase of financial investments available-for-sale	(2,197)	(31,067)
Dividend received from:		
- Financial investments available-for-sale	5,389	4,099
- Subsidiary companies	60,500	57,300
Proceed from liquidation of a subsidiary	3,500	-
Net cash generated from investing activities	67,192	30,332
<u>Cash flows from financing activities</u>		
Dividend paid	(45,864)	(28,967)
Net cash used in financing activities	(45,864)	(28,967)
Net changes in cash and cash equivalents during the financial year	(446)	(575)
Cash and cash equivalents at beginning of the financial year	490	1,065
Cash and cash equivalents at end of the financial year	44	490
Cash and cash equivalents comprise:		
Cash and short term funds	44	490

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 2017.

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 2018

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

1. Basis of preparation

The unaudited condensed financial statements for the financial year ended 30 June 2018 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 2017. 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 2017.

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 2017 and modified for the adoption of the following Amendments to MFRSs applicable for financial year beginning on or after 1 July 2017:

- Amendments to MFRS 107 'Statement of Cash Flows – Disclosure Initiative'
- Amendments to MFRS 112 'Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses'
- Annual Improvements to MFRSs 2014 – 2016 Cycle: MFRS 12 'Disclosures of Interests in Other Entities'

The adoption of the Amendments to MFRS 107 has required additional disclosure of changes in liabilities arising from financing activities. Other than that, the adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

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 2017 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 2018.

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

The 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 2018.

5. Change in estimate

The 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 2018.

6. Debt and Equity Securities

There were no new issuance and repayment of debt and equity securities, share-buy-back, share cancellations, shares held as treasury shares and resale of treasury shares during the financial period ended 30 June 2018, other than as mentioned below.

Purchase of shares pursuant to ESOS

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

Total shares held by ESOS Trust comprise 5,612,700 (2017: 5,612,700) shares in the Group costing RM6,031,241 (2017: RM6,031,241) inclusive of transaction costs, as at 31 December 2017.

7. Dividends paid

A final single-tier dividend of 19.0 sen per share amounting to RM45.8 million in respect of the financial year ended 30 June 2017, was paid on 17 November 2017.

8. Valuations of property, plant and equipment

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

9. Significant events

Public shareholding spread

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

The public shareholding spread of the Company as at 29 June 2018 was 18.67%.

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

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

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

10. Subsequent events

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

HLCB Q4 (30.06.18)

11. Financial assets held-for-trading

	The Group		The Company	
	As at 30/06/2018 RM'000	As at 30/06/2017 RM'000	As at 30/06/2018 RM'000	As at 30/06/2017 RM'000
Money market instruments				
Malaysian Government Securities	10,029	-	-	-
Malaysian Government Investment Issues	81,076	30,561	-	-
Negotiable instruments of deposits	864,200	831,596	-	-
Bankers' acceptances	55,084	-	-	-
	1,010,389	862,157	-	-
Quoted securities				
In Malaysia:				
Shares	22,242	35,077	16,090	-
Unit trust investment	4,460	6,470	4,460	-
	26,702	41,547	20,550	-
Unquoted securities				
Foreign currency bonds	20,095	-	-	-
Private and Islamic debt securities	187,248	198,943	-	-
	207,343	198,943	-	-
	1,244,434	1,102,647	20,550	-

12. Financial investments available-for-sale

	The Group		The Company	
	As at 30/06/2018 RM'000	As at 30/06/2017 RM'000	As at 30/06/2018 RM'000	As at 30/06/2017 RM'000
Money market instruments				
Malaysian Government Securities	81,306	30,378	-	-
Malaysian Government Investment Issues	101,874	60,896	-	-
Cagamas bonds	55,233	65,442	-	-
	238,413	156,716	-	-
Quoted securities				
In Malaysia:				
Unit trust investment	221,994	201,063	142,410	140,168
Unquoted securities				
Shares	245	245	-	-
Foreign currency bonds	93,197	74,832	-	-
Private and Islamic debt securities	884,066	741,122	-	-
	977,508	816,199	-	-
	1,437,915	1,173,978	142,410	140,168

HLCB Q4 (30.06.18)**13. Financial investments held-to-maturity**

	The Group	
	As at	As at
	30/06/2018	30/06/2017
	RM'000	RM'000
Money market instruments		
Malaysian Government Securities	216,787	211,031
Malaysian Government Investment Issues	518,318	518,643
	<u>735,105</u>	<u>729,674</u>
Unquoted securities		
Foreign currency bonds	36,861	93,757
Private and Islamic debt securities	75,693	85,784
	<u>112,554</u>	<u>179,541</u>
	<u>847,659</u>	<u>909,215</u>

14. Loans and advances

	The Group	
	As at	As at
	30/06/2018	30/06/2017
	RM'000	RM'000
Term loan financing	19,874	25,685
Share margin financing	208,125	210,707
Staff loans	58	64
Other loans	490	586
Gross loans and advances	<u>228,547</u>	<u>237,042</u>
Allowance for impaired loans and advances:		
- individual assessment allowance	(119)	(110)
- collective assessment allowance	(671)	(340)
Net loans and advances	<u>227,757</u>	<u>236,592</u>

14a. By type of customer

Domestic business enterprises		
- Small and medium enterprises	112	110
- Others	112,062	120,574
Individuals	108,243	108,535
Foreign entities	8,130	7,823
Gross loans and advances	<u>228,547</u>	<u>237,042</u>

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14. Loans and advances (continued)

	The Group	
	As at 30/06/2018 RM'000	As at 30/06/2017 RM'000
14b. <u>By interest rate sensitivity</u>		
Fixed rate		
- Staff housing loans	58	64
- Other fixed rate loan	490	586
Variable rate		
- Cost plus	227,999	236,392
Gross loans and advances	<u>228,547</u>	<u>237,042</u>
14c. <u>By residual contractual maturity</u>		
Maturity within one year	208,615	225,988
More than one year to three years	19,874	10,990
More than five years	58	64
Gross loans and advances	<u>228,547</u>	<u>237,042</u>
14d. <u>By geographical distribution</u>		
Malaysia	<u>228,547</u>	<u>237,042</u>
14e. <u>By economic purpose</u>		
Purchase of securities	221,604	210,707
Working capital	6,395	25,685
Purchase of transport vehicles	119	110
Purchase of landed properties	429	540
Gross loans and advances	<u>228,547</u>	<u>237,042</u>
14f. Movements in impaired loans and advances ("impaired loans") are as follows:		
At 1 July	11,576	574
Impaired during the year	34	11,002
Amount written-back during the year	(4,726)	-
At 30 June	<u>6,884</u>	<u>11,576</u>
 % of impaired loans to total loans and advances, net of individual assessment allowance	 <u>3.0%</u>	 <u>4.9%</u>
14g. <u>Impaired loans and advances by geographical distribution</u>		
Malaysia	<u>6,884</u>	<u>11,576</u>
14h. <u>Impaired loans and advances by economic purpose</u>		
Purchase of transport vehicles	119	110
Purchase of landed properties	371	476
Working capital	6,394	10,990
Gross impaired loans and advances	<u>6,884</u>	<u>11,576</u>

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14. Loans and advances (continued)

	The Group	
	As at 30/06/2018 RM'000	As at 30/06/2017 RM'000
14i. Movement in the allowance for loss on loans and advances are as follows:		
<u>Individual assessment allowance</u>		
At 1 July	110	100
Allowance made during the year	9	10
At 30 June	<u>119</u>	<u>110</u>
<u>Collective assessment allowance</u>		
At 1 July	340	914
Allowance made/(written-back) during the year	331	(574)
At 30 June	<u>671</u>	<u>340</u>

15. Clients' and brokers' balances

	The Group	
	As at 30/06/2018 RM'000	As at 30/06/2017 RM'000
Performing accounts	313,785	270,148
Impaired accounts	<u>2,828</u>	<u>1,264</u>
	316,613	271,412
Less: Individual assessment allowance	(351)	(417)
Collective assessment allowance	<u>(28)</u>	<u>(28)</u>
	316,234	270,967

16. Other assets

	The Group		The Company	
	As at 30/06/2018 RM'000	As at 30/06/2017 RM'000	As at 30/06/2018 RM'000	As at 30/06/2017 RM'000
Amount due from subsidiary companies	-	-	150	572
Deposits and prepayments	8,922	5,280	35	43
Fee income receivable	2,842	16,076	-	-
Cash collaterals pledged for derivative transactions	3,922	22,531	-	-
Treasury related receivables	4,080	-	-	-
Equity related receivables	4,706	913	-	-
Other receivables	26,359	9,460	15,984	-
Manager's stocks and consumables	790	512	-	-
	<u>51,621</u>	<u>54,772</u>	<u>16,169</u>	<u>615</u>

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17. Deposits from customers

	The Group	
	As at 30/06/2018 RM'000	As at 30/06/2017 RM'000
17a. <u>By type of deposits</u>		
Fixed deposits	1,082,656	648,867
17b. <u>By type of customer</u>		
Government and statutory bodies	841,509	456,337
Business enterprises	215,116	171,984
Individuals	26,031	20,546
	1,082,656	648,867
17c. The maturity structure of fixed deposits are as follows:		
Due within:		
- six months	1,081,537	642,665
- six months to one year	1,119	6,202
	1,082,656	648,867

18. Deposits and placements of banks and other financial institutions

	The Group	
	As at 30/06/2018 RM'000	As at 30/06/2017 RM'000
Licensed banks	50,084	778,053
Licensed investment banks	159,570	50,004
Other financial institutions	1,849,306	1,419,676
	2,058,960	2,247,733

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19. Derivative financial assets/liabilities

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

	The Group		The Company	
	As at 30/06/2018 RM'000	As at 30/06/2017 RM'000	As at 30/06/2018 RM'000	As at 30/06/2017 RM'000
Amount due to holding company	38	-	-	-
Amount due to related companies	29	118	-	-
Remisiers' trust deposits	13,799	13,786	-	-
Treasury related payables	30,449	-	-	-
Other payables and accrued liabilities	54,581	88,430	16,574	613
Post employment benefits obligation - defined contribution plan	207	202	-	-
	99,103	102,536	16,574	613

21. Subordinated obligations

	The Group	
	As at 30/06/2018 RM'000	As at 30/06/2017 RM'000
RM50.0 million Tier 2 subordinated notes, at par	50,000	50,000
Add: Interest payable	399	392
	50,399	50,392
Less: Unamortised discounts	(109)	(130)
	50,290	50,262

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 (30.06.18)**22. Interest income**

	Current quarter ended 30/06/2018 RM'000	Last year's quarter ended 30/06/2017 RM'000	Current year ended 30/06/2018 RM'000	Last year's ended 30/06/2017 RM'000
The Group				
Loan and advances	3,807	3,741	14,920	19,026
Money at call and deposits placements with banks and other financial institutions	919	660	4,162	2,675
Financial assets held-for-trading	10,493	8,122	37,123	40,852
Financial investments available-for-sale	11,612	11,105	39,832	39,959
Financial investments held-to-maturity	8,174	8,206	32,894	27,754
Derivative financial instruments	1,560	2,036	8,131	8,032
Others	4,462	4,607	16,601	11,356
Total interest income	41,027	38,477	153,663	149,654
The Company				
Money at call and deposits placements with banks and other financial institutions	1	43	29	337

23. Interest expense

	Current quarter ended 30/06/2018 RM'000	Last year's quarter ended 30/06/2017 RM'000	Current year ended 30/06/2018 RM'000	Last year's ended 30/06/2017 RM'000
The Group				
Deposits and placements of banks and other financial institutions	8,147	8,979	32,381	30,340
Deposits from customers	17,372	13,806	58,105	57,110
Derivative financial instruments	1,751	3,479	11,423	15,012
Subordinated notes	666	667	2,671	2,680
Others	1,060	574	5,398	717
Total interest expense	28,996	27,505	109,978	105,859

24. Non-interest income

	Current quarter ended 30/06/2018 RM'000	Last year's quarter ended 30/06/2017 RM'000	Current year ended 30/06/2018 RM'000	Last year's ended 30/06/2017 RM'000
The Group				
(a) Fee income:				
Fee on loans and advances	136	-	554	785
Arranger fees	254	3,953	4,439	9,633
Placement fees	775	8,909	2,243	12,451
Corporate advisory fees	1,418	1,235	5,446	5,630
Underwriting Commission	-	94	-	1,795
Brokerage commissions	15,371	17,286	65,650	59,321
Commission from futures contracts	172	152	855	620
Unit trust fee income	9,494	7,868	34,353	27,260
Other fee income	8,981	1,167	23,488	13,792
	36,601	40,664	137,028	131,287
(b) Net income from securities:				
Net realised (loss)/gain arising from sale/early redemption of:				
- Financial assets held-for-trading	(16,821)	3,886	6,935	6,022
- Financial investments available-for-sale	134	971	1,212	5,927
- Financial investments held-to-maturity	-	74	-	189
- Derivative financial instruments	(469)	(3,415)	(49,935)	18,129
Net unrealised gain/(loss) on revaluation of:				
- Financial assets held-for-trading	14,034	(3,163)	(6,849)	(4,531)
- Derivative financial instruments	12,753	434	12,232	9,937
Dividend income from:				
- Financial assets held-for-trading	811	314	3,735	2,173
- Financial investments available-for-sale	1,992	1,796	7,583	5,891
	12,434	897	(25,087)	43,737
(c) Other income				
Gain on disposal of property and equipment	-	19	-	121
Loss on liquidation of a subsidiary	-	-	-	(7)
Foreign exchange (loss)/gain	(10,246)	(1,097)	39,884	(17,284)
Other non-operating income	69	49	247	366
	(10,177)	(1,029)	40,131	(16,804)
Total non-interest income	38,858	40,532	152,072	158,220

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24. Non-interest income (continued)

	Current quarter ended 30/06/2018 RM'000	Last year's quarter ended 30/06/2017 RM'000	Current year ended 30/06/2018 RM'000	Last year's ended 30/06/2017 RM'000
The Company				
(a) Net income from securities:				
Net realised loss arising from sale of:				
- Financial investments available-for-sale	-	-	-	(86)
Net unrealised gain on revaluation of:				
- Financial assets held-for-trading	195	-	195	-
Dividend income from:				
- Financial investments available-for-sale	1,447	1,239	5,389	4,099
- Subsidiary companies	5,500	5,000	60,500	57,300
	7,142	6,239	66,084	61,313
(b) Other income				
Gain on liquidation of a subsidiary	-	-	20	-
Foreign exchange gain	-	-	-	11
Other income	37	3	134	207
	37	3	154	218
	7,179	6,242	66,238	61,531

25. Overhead expenses

	Current quarter ended 30/06/2018 RM'000	Last year's quarter ended 30/06/2017 RM'000	Current year ended 30/06/2018 RM'000	Last year's ended 30/06/2017 RM'000
The Group				
Personnel costs				
- Salaries, bonuses and allowances	14,466	19,495	60,430	64,203
- Others	3,025	2,997	12,859	11,900
	17,491	22,492	73,289	76,103
Establishment costs				
- Depreciation of property and equipment	718	586	2,135	1,953
- Amortisation of intangible assets	691	633	2,800	2,729
- Rental of premises	839	1,099	4,693	4,603
- Information technology expenses	1,431	1,685	6,097	6,390
- Others	907	717	2,915	2,749
	4,586	4,720	18,640	18,424
Marketing expenses				
- Advertisement and publicity	204	266	566	673
- Entertainment and business improvement	533	423	2,147	2,176
- Others	151	120	478	499
	888	809	3,191	3,348

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25. Overhead expenses (continued)

	Current quarter ended 30/06/2018 RM'000	Last year's quarter ended 30/06/2017 RM'000	Current year ended 30/06/2018 RM'000	Last year's ended 30/06/2017 RM'000
The Group (continued)				
Administration and general expenses				
- Management fees	1,151	941	4,141	4,013
- Communication expenses	349	475	1,591	1,476
- Property and equipment written off	362	8	362	8
- Auditors' remuneration				
- Statutory audit	132	129	446	417
- Regulatory related fee	57	42	84	50
- Tax compliance fee	15	15	15	15
- Other fees	134	273	134	273
- Legal and professional fees	1,722	1,207	4,353	4,654
- Others	2,547	1,984	10,192	9,129
	6,469	5,074	21,318	20,035
	29,434	33,095	116,438	117,910
The Company				
Personnel costs				
- Salaries, bonuses and allowances	-	33	90	194
- Others	65	99	368	276
	65	132	458	470
Establishment costs				
- Information technology expenses	-	2	17	21
- Others	15	25	69	66
	15	27	86	87
Marketing expenses				
- Others	1	2	32	36
	1	2	32	36
Administration and general expenses				
- Management fees	175	108	498	388
- Communication expenses	1	3	8	11
- Auditors' remuneration				
- Statutory audit	23	41	87	86
- Regulatory related fee	2	3	11	11
- Other fees	14	25	32	25
- Legal and professional fees	-	(1)	46	360
- Others	121	147	624	652
	336	326	1,306	1,533
	417	487	1,882	2,126

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26. Allowance for impairment on loans and advances and other losses

	Current quarter ended 30/06/2018 RM'000	Last year's quarter ended 30/06/2017 RM'000	Current year ended 30/06/2018 RM'000	Last year's ended 30/06/2017 RM'000
The Group				
(Allowance for)/write-back of losses on impaired loans and advances:				
Individual assessment allowance				
- made during the year	(3)	(10)	(9)	(10)
Collective assessment allowance				
(made)/written-back during the year	(91)	108	(331)	574
(Allowance for)/write-back of losses on clients' and brokers' balances:				
Individual assessment allowance				
- made during the year	(108)	37	(204)	(245)
- written-back during the year	1	16	270	110
Collective assessment allowance				
written-back/(made) during the year	2	(12)	-	(11)
Bad debts on clients' and brokers' balances				
- written off	-	(12)	-	(12)
- recovered	-	13	-	513
(Allowance for)/write-back of losses on fee income receivables:				
Individual assessment allowance				
- made during the year	(689)	(181)	(816)	(987)
- written-back during the year	-	-	358	-
	(888)	(41)	(732)	(68)

27. Commitments and contingencies

	As at 30/06/2018 Principal Amount RM'000	As at 30/06/2017 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	4,914	10,352
Other commitments, such as formal standby facilities and credit lines		
- maturity less than one year	-	326
Any commitments that are unconditionally cancelled at any time by the bank without prior notice		
- maturity less than one year	662,442	661,322
	<u>668,356</u>	<u>803,000</u>
Derivative financial instruments		
Interest rate related contracts:		
- One year or less	1,472,531	1,778,383
- Over one year to five years	3,580,750	3,485,885
- Over five years	215,000	245,000
Foreign exchange related contracts		
- One year or less	2,909,693	1,611,962
Equity related contracts		
- Over one year to five years	7,000	7,000
	<u>8,184,974</u>	<u>7,128,230</u>
	<u>8,853,330</u>	<u>7,931,230</u>

28. Fair value of financial instruments

Determination of fair value and fair value hierarchy

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

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

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

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

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

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

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

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

The Group 30.06.2018	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Financial assets held-for-trading	26,702	1,217,732	-	1,244,434
- Money market instruments	-	1,010,389	-	1,010,389
- Quoted securities	26,702	-	-	26,702
- Unquoted securities	-	207,343	-	207,343
Financial investments available-for-sale	221,994	1,215,676	245	1,437,915
- Money market instruments	-	238,413	-	238,413
- Quoted securities	221,994	-	-	221,994
- Unquoted securities	-	977,263	245	977,508
Derivative financial assets	-	29,351	-	29,351
	248,696	2,462,759	245	2,711,700

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28. Fair value of financial instruments (continued)

Determination of fair value and fair value hierarchy (continued)

The Group 30.06.2018	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial liability				
Derivative financial liabilities	-	44,428	-	44,428
30.06.2017				
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
Financial liability				
Derivative financial liabilities	-	47,959	-	47,959
The Company				
30.06.2018				
Financial asset				
Financial assets held-for-trading				
- Quoted securities	20,550	-	-	20,550
Financial investments available-for-sale				
- Quoted securities	142,410	-	-	142,410
	162,960	-	-	162,960
30.06.2017				
Financial asset				
Financial investments available-for-sale				
- Quoted securities	140,168	-	-	140,168

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

28. Fair value of financial instruments (continued)

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

The Group	Financial investments available-for-sale	
	30.06.2018 RM'000	30.06.2017 RM'000
At beginning/end of financial year	<u>245</u>	<u>245</u>

29. Capital adequacy

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

	HLIB 30/06/2018	HLIB 30/06/2017
Before deducting proposed dividends:		
Common equity tier 1 ("CET1") capital ratio	33.073%	29.744%
Tier 1 capital ratio	33.073%	29.744%
Total capital ratio	<u>37.619%</u>	<u>33.912%</u>
After deducting proposed dividends: ⁽¹⁾		
CET1 capital ratio	29.115%	25.398%
Tier 1 capital ratio	29.115%	25.398%
Total capital ratio	<u>33.661%</u>	<u>29.566%</u>

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

	HLIB 30/06/2018 RM'000	HLIB 30/06/2017 RM'000
CET1 capital		
Paid-up ordinary share capital	252,950	252,950
Retained profits	250,085	246,910
Other reserves	(3,355)	1,440
Less: goodwill and intangibles	(31,672)	(33,796)
Less: deferred tax assets	(87,582)	(90,153)
Less: investment in subsidiary companies	(200)	(160)
Less: 55% of cumulative gains of financial instruments available-for-sale	-	(792)
Total CET1 capital	<u>380,226</u>	<u>376,399</u>
Tier-1 capital	380,226	376,399

Note:

(1) Proposed dividends of RM45,500,000 (2017: RM55,000,000).

29. Capital adequacy (continued)

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

	HLIB 30/06/2018 RM'000	HLIB 30/06/2017 RM'000
Tier-2 capital		
Collective assessment allowance ⁽²⁾ and regulatory reserve ⁽³⁾	2,266	2,783
Subordinated obligations	50,000	50,000
Regulatory adjustments:		
- Investment in subsidiary companies	-	(40)
Total Tier 2 capital	<u>52,266</u>	<u>52,743</u>
Total capital	<u>432,492</u>	<u>429,142</u>

Note:

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

⁽³⁾ Includes the qualifying regulatory reserve for non-impaired loans and advances of RM2,071,000 (2017: RM2,504,000).

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

	HLIB 30/06/2018 RM'000	HLIB 30/06/2017 RM'000
Credit risk	407,598	461,963
Market risk	457,231	517,433
Operational risk	284,840	286,064
	<u>1,149,669</u>	<u>1,265,460</u>

30. Segmental reporting

(a) Segment information by activities for the financial year ended 30 June 2018:

The Group	Investment banking and stockbroking RM'000	Fund management and unit trust management RM'000	Investment holding and others RM'000	Elimination RM'000	Consolidated RM'000
30 June 2018					
Net income					
Net interest income	43,073	533	79	-	43,685
Non interest income	111,231	34,379	67,024	(60,562)	152,072
Total net income	<u>154,304</u>	<u>34,912</u>	<u>67,103</u>	<u>(60,562)</u>	<u>195,757</u>
Results					
Profit from operations	61,827	12,366	64,956	(60,562)	78,587
Taxation					(7,265)
Profit after taxation					<u>71,322</u>
30 June 2017					
Net income					
Net interest income	42,718	490	587	-	43,795
Non interest income	120,966	27,288	67,234	(57,268)	158,220
Total net income	<u>163,684</u>	<u>27,778</u>	<u>67,821</u>	<u>(57,268)</u>	<u>202,015</u>
Results					
Profit from operations	67,981	8,079	65,245	(57,268)	84,037
Taxation					(4,952)
Profit after taxation					<u>79,085</u>

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

31. Property and equipment

The valuations of property and equipment have been brought forward without amendment from the financial statements for the financial year ended 30 June 2017.

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:

HLCB had placed HLG Securities Sdn Bhd (“HLGS”), its wholly-owned subsidiary, under member’s voluntary winding-up pursuant to Section 439(1)(b) of the Companies Act, 2016. Mr Ling Kam Hoong of Messrs Ling Kam Hoong & Co., had been appointed on 6 October 2017 as liquidator of HLGS. HLGS is currently dormant and there are no future plans to activate the company.

The voluntary winding-up of HLGS has no impact on the net assets and earnings per share of the HLCB for the financial year ended 30 June 2018.

33. Capital commitments

Capital commitments for the purchase of property and equipment as at 30 June 2018 is RM9.9 million.

34. Changes in contingent liabilities

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

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

The size of the fund was above the minimum of RM1.0 million as at 30 June 2018.

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 under review against previous corresponding financial quarter

	The Group		Variance	%
	Current quarter ended 30/06/2018 RM'000	Last year's quarter ended 30/06/2017 RM'000		
Revenue	79,885	79,009	876	1.1%
Profit before tax	20,567	18,368	2,199	12.0%
Profit after tax	9,232	9,942	(710)	-7.1%
Profit attributable to equity holders of the Company	9,232	9,942	(710)	-7.1%

The group recorded a 1.1% higher profit before tax ("PBT") of RM20.6 million for the 4th quarter June 2018 as compared to RM18.4 million recorded in the previous year corresponding quarter.

Higher PBT mainly contributed by lower overhead expenses.

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

	The Group		Variance	%
	Current quarter ended 30/06/2018 RM'000	Last year's quarter ended 30/06/2017 RM'000		
Profit before tax by segments:				
Investment banking and stockbroking	16,429	14,193	2,236	15.8%
Fund management and unit trust management	4,020	2,180	1,840	84.4%
Investment holding and others	118	1,995	(1,877)	-94.1%
	20,567	18,368	2,199	12.0%

Investment banking and stockbroking - higher PBT by RM2.2 million (15.8%) attributed to lower variable overhead expenses incurred for current quarter.

Fund management and unit trust management - PBT increased by RM1.8 million (84.4%) mainly due to higher net contribution from management fee income.

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1. Performance review (continued)

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

	The Group		Variance RM'000	%
	Current year ended 30/06/2018 RM'000	Last year's ended 30/06/2017 RM'000		
Revenue	305,735	307,874	(2,139)	-0.7%
Profit before tax	78,587	84,037	(5,450)	-6.5%
Profit after tax	71,322	79,085	(7,763)	-9.8%
Profit attributable to equity holders of the Company	71,322	79,085	(7,763)	-9.8%

The group recorded a lower PBT of RM78.6 million for the financial year ended 30 June 2018 as compared to RM84.0 million recorded in the previous financial year.

Lower PBT mainly due to lower revenue contribution for current year. The lower revenue mainly contributed by lower non-interest income of RM6.1 million (-3.9%) and net interest income of RM0.1 million (-0.3%).

The performance of the respective operating business segments for the twelve months ended 30 June 2018 as compared to the previous financial year is analysed as follows:-

	The Group		Variance RM'000	%
	Current year ended 30/06/2018 RM'000	Last year's ended 30/06/2017 RM'000		
Profit before tax by segments:				
Investment banking and stockbroking	61,827	67,981	(6,154)	-9.1%
Fund management and unit trust management	12,366	8,079	4,287	53.1%
Investment holding and others	4,394	7,977	(3,583)	-44.9%
	<u>78,587</u>	<u>84,037</u>	<u>(5,450)</u>	-6.5%

Investment banking and stockbroking - lower PBT by RM6.2 million (-9.1%) mainly attributed to lower revenue contribution from its investment banking division but partially offset by higher revenue contribution from its stockbroking division.

Fund management and unit trust management - PBT increased by RM4.3 million (53.1%) mainly due to higher net contribution from management fee income.

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1. Performance review (continued)

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

	The Group		Variance RM'000	%
	Current quarter ended 30/06/2018 RM'000	Preceding quarter ended 31/03/2018 RM'000		
Revenue	79,885	72,734	7,151	9.8%
Profit before tax	20,567	20,652	(85)	-0.4%
Profit after tax	9,232	21,361	(12,129)	-56.8%
Profit attributable to equity holders of the Company	9,232	21,361	(12,129)	-56.8%

For the financial quarter ended 30 June 2018, the Group reported a marginally lower PBT of RM20.6 million as compared to RM20.7 million in the preceding financial quarter ended 31 March 2018. The lower PBT was mainly due to higher overheads incurred for the current quarter but partially offset by higher non-interest income of RM2.8 million (7.8%).

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

	The Group		Variance RM'000	%
	Current quarter ended 30/06/2018 RM'000	Preceding quarter ended 31/03/2018 RM'000		
Profit before tax by segments:				
Investment banking and stockbroking	16,429	16,779	(350)	-2.1%
Fund management and unit trust management	4,020	3,089	931	30.1%
Investment holding and others	118	784	(666)	-84.9%
	<u>20,567</u>	<u>20,652</u>	<u>(85)</u>	<u>-0.4%</u>

Investment banking and stockbroking - lower PBT by RM0.4 million (-2.1%) mainly due to higher overheads incurred in current quarter. This was partially offset by higher revenue contribution from its Investment banking division.

Fund management and unit trust management - PBT increased by RM0.9 million (30.1%) mainly due to higher net contribution from management fee income and lower overheads incurred in current quarter.

2. Prospects for 2018

Despite a recovery in economic growth throughout FY2017, the outlook for FY2018 remains challenging as investors' sentiment remains susceptible to global economic uncertainties. However, the Bank will continue to focus on driving long-term sustainable growth for our businesses. The Bank's team of dedicated staff will also strengthen our efforts to build resilience towards disruptions in the market in the way we manage our processes, assets and businesses.

On the investment banking front, despite the challenging market conditions and operating environment, emphasis will continue to be placed on the offering of innovative financing solutions which has been the foundation of growth for Hong Leong Investment Bank ("HLIB") since its inception in Year 2009. Moving forward, resources will be channeled towards further widening the deals origination universe and to strengthen the distribution and placement capability for the Bank to compete vigorously in the market.

For Stockbroking business, HLIB will continue with its efforts to drive and scale up our ranking with our Institutional clients. In addition, there are also initiatives to complement its client base, leveraging on its newly set up Islamic Trading platform. As for the Retail Business, HLIB aspires to retain our leadership position in Malaysia with eBroking being our main focus. HLIB will continue with its efforts to strengthen its brand image as a valued broker via tailored product offerings and build value research. Digital initiatives will be continuously refreshed to sustain customer experience for our online business. Overall, the Stockbroking business will remain challenging due to the volatile and cautious market sentiment and uncertain commodity price trend. The stiff competition in the retail broking segment with the introduction of new online foreign trading platform will put further pressure on brokerage rates.

Hong Leong Asset Management ("HLAM") will continue to work towards delivering consistent and strong fund performance. HLAM believes that superior investment performance is the driver of growth for existing and new business. HLAM will continue to launch products and services to meet investors' demand for retail and wholesale funds. HLAM will also be focusing on building AUM, tapping into Hong Leong Group's resources such as the bank and insurance distribution channels. To support the Group's initiatives on digitalization, on-going efforts will be put in place to improve digitalization of its business operations. HLAM is working towards increasing its digital offering by FY2018. The fund management business will continue to grow through continued sales and marketing efforts and focus on delivering strong fund performance in FY2018. HLAM is constantly monitoring market demand and investors' appetite, and will launch appropriate funds at opportune times. Sales and marketing efforts are ongoing to strengthen its branding and presence through customer events and roadshows.

3. Variance in profit forecast and shortfall in profit guarantee

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

4. Taxation

	Financial quarter ended		Financial year ended	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
The Group	RM'000	RM'000	RM'000	RM'000
Malaysian income tax:				
- Current	908	673	3,072	2,285
- Under/(over) provision in prior years	-	(33)	56	(88)
Deferred taxation	10,427	7,786	4,137	2,755
	11,335	8,426	7,265	4,952

5. Status of corporate proposals

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

6. Status of utilisation of proceeds raised from corporate proposals

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

7. Off-balance sheet financial instruments

Details of financial instruments with off-balance sheet risk as at 30 June 2018:

The Group	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Interest rate related contracts			
(i) Less than 1 year	1,472,531	1,115	(286)
(ii) 1 year to 3 years	2,040,000	6,093	(10,362)
(iii) More than 3 years	1,755,750	5,856	(2,268)
Foreign exchange related contracts			
(i) Less than 1 year	2,909,693	16,268	(31,512)
Equity related contracts			
(ii) 1 year to 3 years	7,000	19	-
	8,184,974	29,351	(44,428)

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

Credit risk

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

Market risk

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

Related accounting policies

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

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8. Group borrowings and debt securities

The Group	More than 1 year		Less than 1 year		Sub-total		Total
	Foreign currency RM'000	Local currency RM'000	Foreign currency RM'000	Local currency RM'000	Foreign currency RM'000	Local currency RM'000	
Unsecured							
As at 30 June 2018							
RM Tier 2 subordinated notes	-	49,891	-	399	-	50,290	50,290
As at 30 June 2017							
RM Tier 2 subordinated notes	-	49,870	-	392	-	50,262	50,262

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

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

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9. Material litigation

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

10. Dividends

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:	19.0 sen
Payment date:	To be announced later
Entitlement date:	To be announced later

11. Earnings per share

(a) Basic earnings per share

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

	Financial quarter ended		Financial period ended	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
The Group				
Net profit attributable to equity holders of the Company (RM'000):	9,232	9,942	71,322	79,085
Weighted average number of ordinary shares in issue ('000):	241,283	241,283	241,283	241,283
Basic earnings per share (sen)	3.8	4.1	29.6	32.8
The Company				
Net profit attributable to equity holders of the Company (RM'000):	6,754	5,788	64,307	59,615
Weighted average number of ordinary shares in issue ('000):	241,388	241,388	241,388	241,388
Basic earnings per share (sen)	2.8	2.4	26.6	24.7

(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 2018 and 30 June 2017.

Dated this 28 August 2018.