

HONG LEONG CAPITAL BERHAD
(Company Number: 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2020

	Note	The Group		The Company	
		As at 31/03/2020 RM'000	As at 30/06/2019 RM'000	As at 31/03/2020 RM'000	As at 30/06/2019 RM'000
ASSETS					
Cash and short term funds		760,080	520,657	2,876	513
Financial assets at fair value through profit or loss ("FVTPL")	11	1,082,177	1,506,205	227,156	259,746
Financial investments at fair value through other comprehensive income ("FVOCI")	12	1,235,650	1,110,915	-	-
Financial investments at amortised cost	13	849,276	735,665	-	-
Derivative financial assets	19	63,003	28,310	-	-
Loans and advances	14	234,868	205,290	-	-
Clients' and brokers' balances	15	244,260	247,532	-	-
Other assets	16	74,405	55,409	346	940
Statutory deposits with Bank Negara Malaysia		26,385	37,259	-	-
Tax recoverable		188	53	129	1
Investment in subsidiary companies		-	-	246,574	246,574
Deferred tax assets		90,188	82,556	-	-
Property and equipment		13,156	15,182	-	-
Right-of-use assets ("ROU")		24,186	-	-	-
Goodwill		33,059	33,059	-	-
Other intangible assets		2,493	3,102	-	-
TOTAL ASSETS		4,733,374	4,581,194	477,081	507,774
LIABILITIES					
Deposits from customers	17	937,586	748,004	-	-
Deposits and placements of banks and other financial institutions	18	2,313,773	2,422,120	-	-
Derivative financial liabilities	19	92,668	34,310	-	-
Clients' and brokers' balances		252,036	282,521	-	-
Lease liabilities		24,263	-	-	-
Other liabilities	20	215,176	144,635	472	612
Current tax liabilities		1,842	1,492	-	-
Subordinated obligations	21	101,233	150,505	-	-
TOTAL LIABILITIES		3,938,577	3,783,587	472	612

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 2019

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(Company Number: 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2020

	Note	The Group		The Company	
		As at 31/03/2020 RM'000	As at 30/06/2019 RM'000	As at 31/03/2020 RM'000	As at 30/06/2019 RM'000
EQUITY					
Share capital		246,896	246,896	246,896	246,896
Reserves		553,932	556,742	235,631	266,184
Treasury shares for ESOS scheme		(6,031)	(6,031)	(5,918)	(5,918)
TOTAL EQUITY		<u>794,797</u>	<u>797,607</u>	<u>476,609</u>	<u>507,162</u>
TOTAL LIABILITIES AND EQUITY		<u>4,733,374</u>	<u>4,581,194</u>	<u>477,081</u>	<u>507,774</u>
COMMITMENTS AND CONTINGENCIES					
	27	<u>7,739,265</u>	11,469,676	-	-
Net assets per share attributable to ordinary equity holder of the Company (RM)		<u>3.29</u>	<u>3.31</u>		

The unaudited condensed financial statements should be read in conjunction with the audited financial statements of the Group and the Company for the financial year ended 30 June 2019

HONG LEONG CAPITAL BERHAD
 (Company Number: 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF INCOME
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020

	Current quarter ended 31/03/2020 RM'000	Last year's quarter ended 31/03/2019 RM'000	Current year ended 31/03/2020 RM'000	Last year's ended 31/03/2019 RM'000
The Group				
Interest income	22a	28,764	26,933	82,660
Interest income for financial assets at FVTPL	22b	9,697	11,934	30,232
Interest expense	23	(26,308)	(28,404)	(81,301)
Net interest income		12,153	10,463	31,591
Non-interest income	24	30,136	39,403	127,035
Net income		42,289	49,866	158,626
Overhead expenses	25	(28,358)	(31,869)	(96,885)
Operating profit before allowances (Allowance for)/write-back of credit impairment losses	26	13,931	17,997	61,741
		(3,403)	426	(3,676)
Profit before taxation		10,528	18,423	58,065
Taxation		537	2,010	(177)
Net profit for the period		11,065	20,433	57,888
Earnings per share (sen)				
- Basic		4.6	8.5	24.0
- Diluted		4.6	8.5	24.0

The unaudited condensed financial statements should be read in conjunction with the audited financial statements of the Group and the Company for the financial year ended 30 June 2019

HONG LEONG CAPITAL BERHAD
(Company Number: 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020

	Current quarter ended 31/03/2020 RM'000	Last year's quarter ended 31/03/2019 RM'000	Current year ended 31/03/2020 RM'000	Last year's ended 31/03/2019 RM'000
The Group				
Net profit for the period	11,065	20,433	57,888	62,487
Other comprehensive (expense)/income:				
Items that will not be reclassified subsequently to income statements				
Equity instruments at FVOCI				
- Net fair value changes	(37)	-	(37)	-
Items that will be reclassified subsequently to income statements				
Debt instruments at FVOCI				
- Net fair value changes	(5,771)	3,068	(3,172)	8,697
- Net transfer to income statements on disposal	(226)	632	(6,831)	(372)
- Net changes in expected credit losses	33	(340)	23	(3)
Income tax relating to net fair value changes on financial investments at FVOCI	1,439	(887)	2,401	(1,998)
Other comprehensive (expense)/income for the period, net of tax	(4,562)	2,473	(7,616)	6,324
Total comprehensive income for the period, net of tax	6,503	22,906	50,272	68,811

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 2019

HONG LEONG CAPITAL BERHAD*(Company Number: 213006-U)***CONDENSED FINANCIAL STATEMENTS****UNAUDITED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020**

		Current quarter ended 31/03/2020 RM'000	Last year's quarter ended 31/03/2019 RM'000	Current year ended 31/03/2020 RM'000	Last year's ended 31/03/2019 RM'000
The Company	Note				
Interest income	22a	1	1	9	3
Interest expense	23	-	-	-	-
Net interest income		1	1	9	3
Non-interest (expense)/income	24	(7,964)	2,902	23,684	61,291
Net (expense)/income		(7,963)	2,903	23,693	61,294
Overhead expenses	25	(330)	(726)	(1,155)	(1,542)
(Loss)/Profit before taxation		(8,293)	2,177	22,538	59,752
Taxation		139	(95)	14	(219)
Net (loss)/profit/total comprehensive (expense)/income for the period		(8,154)	2,082	22,552	59,533
(Loss)/Earnings per share (sen)					
- Basic		(3.4)	0.9	9.3	24.7
- Diluted		(3.4)	0.9	9.3	24.7

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 2019

HONG LEONG CAPITAL BERHAD
 (Company Number: 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020

	Attributable to owners of the parent					Total RM'000
	Share Capital RM'000	Treasury Shares for ESOS Scheme RM'000	Regulatory Reserves RM'000	Fair Value Reserve RM'000	Retained Profits RM'000	
The Group						
At 1 July 2019	246,896	(6,031)	11,606	7,794	537,342	797,607
Net profit for the financial period	-	-	-	-	57,888	57,888
Other comprehensive expense, net of tax	-	-	-	(7,616)	-	(7,616)
Total comprehensive (expense)/income	-	-	-	(7,616)	57,888	50,272
Transfer to regulatory reserve	-	-	1,230	-	(1,230)	-
Dividend paid	-	-	-	-	(53,082)	(53,082)
At 31 March 2020	246,896	(6,031)	12,836	178	540,918	794,797
At 1 July 2018	246,896	(6,031)	12,743	(1,391)	514,337	766,554
Net profit for the financial period	-	-	-	-	62,487	62,487
Other comprehensive income, net of tax	-	-	-	6,324	-	6,324
Total comprehensive income	-	-	-	6,324	62,487	68,811
Transfer from regulatory reserve	-	-	(1,035)	-	1,035	-
Dividend paid	-	-	-	-	(45,844)	(45,844)
At 31 March 2019	246,896	(6,031)	11,708	4,933	532,015	789,521

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 2019

HONG LEONG CAPITAL BERHAD
 (Company Number: 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020

	Non-Distributable		Distributable	
	Share Capital RM'000	Treasury Shares for ESOS Scheme RM'000	Retained Profits RM'000	Total RM'000
The Company				
At 1 July 2019	246,896	(5,918)	266,184	507,162
Net profit for the financial period	-	-	22,552	22,552
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	-	-	22,552	22,552
Dividend paid	-	-	(53,105)	(53,105)
At 31 March 2020	246,896	(5,918)	235,631	476,609
At 1 July 2018	246,896	(5,918)	238,437	479,415
Net profit for the financial period	-	-	59,533	59,533
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	-	-	59,533	59,533
Dividend paid	-	-	(45,864)	(45,864)
At 31 March 2019	246,896	(5,918)	252,106	493,084

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 2019

HONG LEONG CAPITAL BERHAD
(Company Number 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020

	The Group	
	31/03/2020	31/03/2019
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
Profit before taxation	58,065	55,954
<u>Adjustments for non-cash items:</u>		
- Depreciation of property and equipment	2,585	2,535
- Amortisation of intangible assets	1,299	2,286
- Depreciation of ROU assets	3,050	-
- Gain on disposal of property and equipment	-	(65)
- Property and equipment written off	-	113
- Allowance for/(write-back of) impairment losses on loans and advances	1,955	(6)
- Allowance for/(write-back of) impairment losses on financial investments and other financial assets	1,784	(149)
- Net unrealised loss/(gain) on revaluation of:		
- Financial assets at FVTPL	22,418	(9,447)
- Derivative financial instruments	23,821	(12,039)
- Interest income from:		
- Financial assets at FVTPL	(30,232)	(34,558)
- Financial investments at FVOCI	(30,848)	(46,673)
- Financial investments at amortised cost	(21,317)	(20,073)
- Interest expense from:		
- Derivative financial instruments	11,601	5,736
- Subordinated obligations	4,208	2,004
- Lease liabilities	925	-
- Dividend income from:		
- Financial assets at FVTPL	(6,813)	(8,223)
	(15,564)	(118,559)
Operating profit/(loss) before changes in working capital	42,501	(62,605)
Changes in working capital:		
- Securities purchased under resale agreements	-	35,126
- Deposits and placements with banks and other financial institutions with original maturity of more than three months	-	40,645
- Financial assets at FVTPL	399,038	13,982
- Derivative financial instruments	(1,437)	11
- Loans and advances	(31,152)	(20,788)
- Clients' and brokers' balances	1,548	112,140
- Other assets	(19,054)	(38,681)
- Statutory deposits with Bank Negara Malaysia	10,874	21,390
Net changes in operating assets	359,817	163,825
- Deposits from customers	189,582	(331,866)
- Deposits and placements of banks and other financial institutions	(108,347)	(7,180)
- Obligations on securities sold under repurchase agreements	-	224
- Clients' and brokers' balances	(30,485)	(72,178)
- Other liabilities	69,633	(2,818)
Net changes in operating liabilities	120,383	(413,818)
Cash generated from/(used in) operating activities	522,701	(312,598)

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 2019

HONG LEONG CAPITAL BERHAD
(Company Number 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020

	The Group	
	31/03/2020	31/03/2019
	RM'000	RM'000
Cash generated from/(used in) operating activities	522,701	(312,598)
Net income tax paid	(5,193)	(2,553)
Net cash generated from/(used in) operating activities	517,508	(315,151)
<u>Cash flows from investing activities</u>		
Net (purchase)/disposal of financial investments at FVOCI	(134,684)	401,994
Net purchase of financial investments at amortised cost	(117,832)	(81,501)
Dividend received from:		
- Financial assets at FVTPL	6,813	8,223
Interest received from financial assets at FVTPL, financial investments at FVOCI, financial investments at amortised cost and derivatives	89,738	104,882
Interest expenses paid on derivative financial instruments	(10,938)	(5,569)
Proceeds from disposal of property and equipment	-	65
Purchase of property and equipment	(559)	(2,689)
Purchase of intangible assets	(690)	(1,575)
Net cash (used in)/generated from investing activities	(168,152)	423,830
<u>Cash flows from financing activities</u>		
Interest paid on subordinated obligations	(3,480)	(1,336)
Repayment of lease liabilities	(3,371)	-
Redemption of subordinated obligations	(50,000)	-
Dividend paid	(53,082)	(45,844)
Net cash used in financing activities	(109,933)	(47,180)
Net changes in cash and cash equivalents during the financial period	239,423	61,499
Cash and cash equivalents at beginning of the financial period	520,657	127,647
Cash and cash equivalents at end of the financial period	760,080	189,146
Cash and cash equivalents comprise:		
Cash and short term funds	760,080	189,146
Deposits and placements with banks and other financial institutions	-	-
	760,080	189,146

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 2019

HONG LEONG CAPITAL BERHAD
(Company Number 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020

	The Company	
	31/03/2020	31/03/2019
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
Profit before taxation	22,538	59,752
Adjustments for non-cash items:		
- Net unrealised loss/(gain) on revaluation of financial assets at FVTPL	10,115	(472)
- Gain on liquidation of a subsidiary	-	(200)
- Dividend income from:		
- Financial assets at FVTPL	(5,831)	(5,843)
- Subsidiary companies	(28,000)	(54,830)
	(23,716)	(61,345)
Operating loss before changes in working capital	(1,178)	(1,593)
Decrease/(Increase) in financial assets at FVTPL	22,475	(83,251)
Decrease in other assets	594	15,782
Decrease in other liabilities	(140)	(15,912)
Cash generated from/(used in) operating activities	21,751	(84,974)
Net income tax paid	(114)	(17)
Net cash generated from/(used in) operating activities	21,637	(84,991)
<u>Cash flows from investing activities</u>		
Dividend received from:		
- Financial assets at FVTPL	5,831	5,843
- Subsidiary companies	28,000	54,830
Proceed from liquidation of a subsidiary	-	70,200
Net cash generated from investing activities	33,831	130,873
<u>Cash flows from financing activities</u>		
Dividend paid	(53,105)	(45,864)
Net cash used in financing activities	(53,105)	(45,864)
Net changes in cash and cash equivalents during the financial period	2,363	18
Cash and cash equivalents at beginning of the financial period	513	44
Cash and cash equivalents at end of the financial period	2,876	62
Cash and cash equivalents comprise:		
Cash and short term funds	2,876	62

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 2019

HONG LEONG CAPITAL BERHAD ("HLCB" or "Company")
(formerly known as HLG Capital Berhad)
(Company Number 213006-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020

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

1. Basis of preparation

The unaudited condensed financial statements for the financial period ended 31 March 2020 have been prepared under the historical cost convention, as modified by the revaluation of financial investments at fair value through other comprehensive income ("FVOCI") and financial assets/financial liabilities (including derivative financial instruments) at fair value through profit or loss ("FVTPL").

The unaudited condensed financial statements have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standard Board ("MASB") and paragraph 9.22 of Bursa Malaysia Securities Berhad's Listing Requirements and should be read in conjunction with the audited annual financial statements for the Group and the Company for the financial year ended 30 June 2019. 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 2019.

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 2019 and modified for the adoption of the following Amendments to MFRSs applicable for financial year beginning on or after 1 July 2019:

- MFRS 16 'Leases'
- Amendments to MFRS 9 'Prepayment Features with Negative Compensation'
- IC Interpretation 23 'Uncertainty over Income Tax Treatments'
- Annual Improvements to MFRSs 2015 – 2017 Cycle
 - Amendments to MFRS 112 'Income Taxes'
 - Amendments to MFRS 123 'Borrowings Costs'

The adoption of these MFRSs, amendments to MFRSs and IC Interpretations did not have any significant financial impact on the results of the Group and the Company other than the effects and change in accounting policies arising from the adoption of MFRS 16 as disclosed in Note 36.

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 2019 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 31 March 2020.

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

There were no unusual items affecting the assets, liabilities, equities, net income or cash flows of the Group and the Company during the financial quarter ended 31 March 2020.

5. Change in estimate

There were no material changes in estimate of amount reported in prior financial year that have a material effect in the financial quarter ended 31 March 2020.

6. Debt and Equity Securities

There were no new issuance and repayment of debt and equity securities, share-buy-back, share cancellations, shares held as treasury shares and resale of treasury shares during the financial period ended 31 March 2020, other than as mentioned below.

(a) Purchase of shares pursuant to ESOS

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

Total shares held by ESOS Trust comprise 5,612,700 (30.06.2019: 5,612,700) shares in the Group costing RM6,031,241 (30.06.2019: RM6,031,241) inclusive of transaction costs, as at 31 March 2020.

(b) Repayment of debt securities

On 6 November 2019, Hong Leong Investment Bank Berhad ("HLIB") had fully redeemed 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, bearing coupon rate of 5.30% per annum.

7. Dividends paid

A final single-tier dividend of 22.0 sen per share amounting to RM53.1 million in respect of the financial year ended 30 June 2019, was paid on 21 November 2019.

8. Valuations of property, plant and equipment

No valuations of property, plant and equipment were carried out for the financial quarter ended 31 March 2020.

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 31 March 2020 was 18.67%.

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

As announced previously, the Company is in active discussions with its majority shareholder, Hong Leong Financial Group Berhad, on possible options to comply with the shareholding spread requirement. However, in view of prevailing soft market conditions, these options may take more time to pursue. We will engage the relevant regulators to facilitate the upliftment of trading suspension once the 25% public shareholding spread requirement is achieved.

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 Q3 (31.03.2020)

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

	The Group		The Company	
	As at 31/03/2020 RM'000	As at 30/06/2019 RM'000	As at 31/03/2020 RM'000	As at 30/06/2019 RM'000
Money market instruments				
Malaysian Government Securities	-	20,806	-	-
Negotiable instruments of deposits	688,583	991,171	-	-
Cagamas bonds	10,002	5,017	-	-
	<u>698,585</u>	<u>1,016,994</u>	<u>-</u>	<u>-</u>
Quoted securities				
In Malaysia:				
Shares	31,679	62,490	21,087	26,263
Unit trust investment	206,116	233,847	206,069	233,483
	<u>237,795</u>	<u>296,337</u>	<u>227,156</u>	<u>259,746</u>
Unquoted securities				
Shares	1,365	1,365	-	-
Foreign currency bonds	8,935	-	-	-
Corporate bond and/or sukuk	135,497	191,509	-	-
	<u>145,797</u>	<u>192,874</u>	<u>-</u>	<u>-</u>
	<u>1,082,177</u>	<u>1,506,205</u>	<u>227,156</u>	<u>259,746</u>

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

	The Group	
	As at 31/03/2020 RM'000	As at 30/06/2019 RM'000
Debt instruments	1,235,613	1,110,915
Equity instruments	37	-
	<u>1,235,650</u>	<u>1,110,915</u>

(a) Debt instruments

Money market instruments

Malaysian Government Securities	103,886	235,724
Malaysian Government Investment Issues	20,194	31,073
Cagamas bonds	72,984	56,022
	<u>197,064</u>	<u>322,819</u>

Unquoted securities

Foreign currency bonds	88,472	111,351
Corporate bond and/or sukuk	950,077	676,745
	<u>1,038,549</u>	<u>788,096</u>
	<u>1,235,613</u>	<u>1,110,915</u>

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

(a) Debt instruments (continued)

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

The Group	12 Months ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total ECL RM'000
At 1 July 2019	143	-	-	143
Allowances made	5	-	-	5
Amount written back	(19)	-	-	(19)
New financial assets originated or purchased	148	-	-	148
Financial assets derecognised	(92)	-	-	(92)
Exchange differences	(19)	-	-	(19)
At 31 March 2020	<u>166</u>	<u>-</u>	<u>-</u>	<u>166</u>
At 1 July 2018	205	-	-	205
Allowances made	44	-	-	44
Amount written back	(20)	-	-	(20)
New financial assets originated or purchased	524	-	-	524
Financial assets derecognised	(607)	-	-	(607)
Exchange differences	(3)	-	-	(3)
At 30 June 2019	<u>143</u>	<u>-</u>	<u>-</u>	<u>143</u>

The Group	
As at 31/03/2020 RM'000	As at 30/06/2019 RM'000

(b) Equity instruments

Quoted securities:

In Malaysia:

Shares and warrants

37-

13. Financial investments at amortised cost

The Group	
As at 31/03/2020 RM'000	As at 30/06/2019 RM'000

Money market instruments

Malaysian Government Securities

289,509 157,905

Malaysian Government Investment Issues

517,491 478,451807,000 636,356**Unquoted securities**

Foreign currency bonds

17,137 53,810

Corporate bond and/or sukuk

25,154 45,53542,291 99,345

Less: Expected credit losses

(15) (36)849,276 735,665

13. Financial investments at amortised cost (continued)

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

The Group	12 Months ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total ECL RM'000
At 1 July 2019	36	-	-	36
Financial assets derecognised	(22)	-	-	(22)
Exchange differences	1	-	-	1
At 31 March 2020	<u>15</u>	<u>-</u>	<u>-</u>	<u>15</u>
At 1 July 2018	24	-	-	24
New financial assets originated or purchased	15	-	-	15
Exchange differences	(3)	-	-	(3)
At 30 June 2019	<u>36</u>	<u>-</u>	<u>-</u>	<u>36</u>

14. Loans and advances

	The Group	
	As at 31/03/2020 RM'000	As at 30/06/2019 RM'000
Term loan financing	65,082	19,862
Share margin financing	174,388	188,217
Staff loans	46	51
Other loans	281	515
Gross loans and advances	<u>239,797</u>	<u>208,645</u>
Allowance for impairment losses:		
- expected credit losses	(4,929)	(3,355)
Net loans and advances	<u>234,868</u>	<u>205,290</u>
a. <u>By type of customer</u>		
Domestic business enterprises		
- Small and medium enterprises	49,952	509
- Others	95,905	71,282
Individuals	91,002	128,253
Foreign entities	2,938	8,601
Gross loans and advances	<u>239,797</u>	<u>208,645</u>
b. <u>By interest rate sensitivity</u>		
Fixed rate		
- Staff housing loans	46	51
- Other fixed rate loan	281	515
Variable rate		
- Cost plus	239,470	208,079
Gross loans and advances	<u>239,797</u>	<u>208,645</u>
c. <u>By residual contractual maturity</u>		
Maturity within one year	223,437	202,210
More than one year to three years	10,002	6,384
More than five years	6,358	51
Gross loans and advances	<u>239,797</u>	<u>208,645</u>

14. Loans and advances (continued)

	The Group	
	As at 31/03/2020 RM'000	As at 30/06/2019 RM'000
d. <u>By geographical distribution</u>		
Malaysia	239,797	208,645
e. <u>By economic purpose</u>		
Purchase of securities	223,156	201,696
Working capital	16,314	6,384
Purchase of transport vehicles	126	126
Purchase of landed properties	201	439
Gross loans and advances	239,797	208,645
f. Impaired loans and advances		
(i) Movements in impaired loans and advances ("impaired loans") are as follows:		
At 1 July	6,898	6,873
Impaired during the financial period/year	1,825	25
Amount written-back during the financial period/year	(316)	-
At 31 March/30 June	8,407	6,898
(ii) <u>By geographical distribution</u>		
Malaysia	8,407	6,898
(iii) <u>By economic purpose</u>		
Purchase of transport vehicles	126	126
Purchase of landed properties	154	388
Purchase of securities	1,814	-
Working capital	6,313	6,384
Gross impaired loans and advances	8,407	6,898
g. Movements in allowance for impairment losses are as follows:		

Expected credit losses

The Group	12 Months	Lifetime ECL	Lifetime ECL	Total ECL RM'000
	ECL (Stage 1) RM'000	not credit impaired (Stage 2) RM'000	credit impaired (Stage 3) RM'000	
At 1 July 2019	140	1	3,214	3,355
Transferred to Stage 1	3	(3)	-	-
Transferred to Stage 2	(6)	6	-	-
Transferred to Stage 3	(11)	-	11	-
New financial assets originated	237	-	2,657	2,894
Financial assets derecognised	(2)	-	(3,088)	(3,090)
Allowance made	117	1	1,837	1,955
Allowance written-back	(150)	(1)	(34)	(185)
At 31 March 2020	328	4	4,597	4,929

14. Loans and advances (continued)

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

Expected credit losses (continued)

The Group	12 Months ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total ECL RM'000
At 1 July 2018	223	3	2,959	3,185
Transferred to Stage 1	18	(18)	-	-
Transferred to Stage 2	(16)	16	-	-
New financial assets originated	21	1	-	22
Financial assets derecognised	(4)	-	-	(4)
Allowance made	29	1	287	317
Allowance written-back	(131)	(2)	(32)	(165)
At 30 June 2019	140	1	3,214	3,355

15. Clients' and brokers' balances

	The Group	
	As at 31/03/2020 RM'000	As at 30/06/2019 RM'000
Performing accounts	241,773	247,150
Impaired accounts	4,431	602
	246,204	247,752
Allowance for impairment losses:		
- expected credit losses	(1,944)	(220)
	244,260	247,532

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16. Other assets

	The Group		The Company	
	As at 31/03/2020 RM'000	As at 30/06/2019 RM'000	As at 31/03/2020 RM'000	As at 30/06/2019 RM'000
Amount due from holding company	84	-	84	-
Amount due from subsidiary companies	-	-	127	130
Deposits and prepayments	18,410	8,583	48	35
Fee income receivable	6,255	8,883	-	-
Cash collaterals pledged for derivative transactions	13,048	7,417	-	-
Treasury related receivables	20,893	19,185	-	-
Equity related receivables	6,603	-	-	-
Other receivables	10,207	12,665	87	775
Manager's stocks and consumables	334	46	-	-
	75,834	56,779	346	940
Allowance for impairment losses:				
- Expected credit losses	(1,429)	(1,370)	-	-
	74,405	55,409	346	940

17. Deposits from customers

	The Group	
	As at 31/03/2020 RM'000	As at 30/06/2019 RM'000
a. <u>By type of deposits</u>		
Fixed deposits	937,586	748,004
b. <u>By type of customer</u>		
Government and statutory bodies	706,729	525,319
Business enterprises	213,399	180,092
Individuals	17,458	42,593
	937,586	748,004
c. The maturity structure of fixed deposits are as follows:		
Due within:		
- six months	936,408	748,004
- six months to one year	1,178	-
	937,586	748,004

18. Deposits and placements of banks and other financial institutions

	The Group	
	As at 31/03/2020 RM'000	As at 30/06/2019 RM'000
Licensed banks	365,398	319,492
Licensed investment banks	100,158	130,032
Other financial institutions	1,848,217	1,972,596
	2,313,773	2,422,120

19. Derivative financial assets/(liabilities)

The Group	Contract or underlying principal amount	Positive fair value	Negative fair value
31/03/2020	RM'000	RM'000	RM'000
Interest rate related contracts:			
- Interest rate swaps	4,827,575	43,616	(70,914)
- Futures	56,095	-	(505)
- Cross currency swaps	86,300	472	-
Foreign exchange related contracts:			
- Foreign currency swaps	1,584,102	18,363	(19,448)
- Foreign currency forwards	224,250	552	(1,801)
	6,778,322	63,003	(92,668)
30/06/2019			
Interest rate related contracts:			
- Interest rate swaps	8,005,000	16,732	(29,429)
- Futures	91,819	-	(134)
- Cross currency swaps	82,720	2,745	-
Foreign exchange related contracts:			
- Foreign currency swaps	2,313,381	8,731	(4,228)
- Foreign currency forwards	170,641	48	(519)
Equity related contracts:			
- Futures	29,152	39	-
- Call option	7,000	15	-
	10,699,713	28,310	(34,310)

20. Other liabilities

	The Group		The Company	
	As at 31/03/2020 RM'000	As at 30/06/2019 RM'000	As at 31/03/2020 RM'000	As at 30/06/2019 RM'000
Amount due to holding company	79	169	-	-
Amount due to related companies	15	14	-	-
Remisiers' trust deposits	12,593	13,011	-	-
Treasury related payables	5,296	20,624	-	-
Advance payments received for corporate exercise	247	66,015	-	-
Other payables and accrued liabilities	196,351	44,590	472	612
Post employment benefits obligation				
- defined contribution plan	214	212	-	-
Expected credit losses - loans & advances commitments	381	-	-	-
	215,176	144,635	472	612

21. Subordinated obligations

	The Group	
	As at 31/03/2020 RM'000	As at 30/06/2019 RM'000
RM100.0 million Tier 2 subordinated notes, at par	100,000	150,000
Add: Interest payable	1,240	603
	101,240	150,603
Less: Unamortised discounts	(7)	(98)
	101,233	150,505

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.

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

On 14 June 2019, HLIB issued a second tranche of RM100.0 million nominal value of 10-year non-callable 5 years Sub Notes callable on 14 June 2024 (and thereafter) and due on 14 June 2029 out of its RM1.0 billion Multi-Currency Sub Notes Programme. The coupon rate for this second tranche of the Sub Notes is 4.23% per annum, which is payable semi-annually in arrears from the date of the issue.

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22a. Interest income

	Current quarter ended 31/03/2020 RM'000	Last year's quarter ended 31/03/2019 RM'000	Current year ended 31/03/2020 RM'000	Last year's ended 31/03/2019 RM'000
The Group				
Loan and advances	3,917	3,645	10,947	10,406
Money at call and deposits placements with banks and other financial institutions	2,821	1,316	7,565	2,572
Financial investments at FVOCI	10,590	11,710	30,848	46,673
Financial investments at amortised cost	7,210	6,902	21,317	20,073
Others	4,226	3,360	11,983	10,914
Total interest income	28,764	26,933	82,660	90,638
The Company				
Money at call and deposits placements with banks and other financial institutions	1	1	9	3

22b. Interest income for financial assets at FVTPL

	Current quarter ended 31/03/2020 RM'000	Last year's quarter ended 31/03/2019 RM'000	Current year ended 31/03/2020 RM'000	Last year's ended 31/03/2019 RM'000
The Group				
Financial assets at FVTPL	9,697	11,934	30,232	34,558

23. Interest expense

	Current quarter ended 31/03/2020 RM'000	Last year's quarter ended 31/03/2019 RM'000	Current year ended 31/03/2020 RM'000	Last year's ended 31/03/2019 RM'000
The Group				
Deposits and placements of banks and other financial institutions	4,724	8,231	15,605	27,263
Deposits from customers	16,211	17,585	48,881	58,404
Derivative financial instruments	4,010	1,901	11,601	5,736
Subordinated obligations	1,055	658	4,208	2,004
Others	308	29	1,006	278
Total interest expense	26,308	28,404	81,301	93,685

24. Non-interest income

	Current quarter ended 31/03/2020 RM'000	Last year's quarter ended 31/03/2019 RM'000	Current year ended 31/03/2020 RM'000	Last year's ended 31/03/2019 RM'000
The Group				
(a) Fee income:				
Fee on loans and advances	795	19	886	100
Arranger fees	798	877	2,852	2,585
Placement fees	6,078	1,036	8,281	2,949
Corporate advisory fees	948	630	2,791	3,544
Underwriting Commission	188	-	188	1,623
Brokerage commissions	22,047	12,722	48,132	39,626
Commission from futures contracts	736	188	1,309	571
Unit trust fee income	11,049	11,786	45,733	37,313
Other fee income	2,649	843	7,810	3,074
	45,288	28,101	117,982	91,385
(b) Net income from securities:				
Net realised gain/(loss) arising from sale of:				
- Financial assets at FVTPL	5,789	1,771	11,612	896
- Financial investments at FVOCI	10,353	4,915	22,749	8,953
- Derivative financial instruments	35,355	(12,798)	48,045	(29,482)
Net unrealised (loss)/gain on revaluation of:				
- Financial assets at FVTPL	(18,406)	6,761	(22,418)	9,447
- Derivative financial instruments	(12,650)	4,848	(23,821)	12,039
Dividend income from:				
- Financial assets at FVTPL	1,910	2,439	6,813	8,223
	22,351	7,936	42,980	10,076
(c) Other income				
Gain on disposal of property and equipment	-	-	-	65
Foreign exchange (loss)/gain	(37,577)	3,297	(34,125)	10,801
Other non-operating income	74	69	198	191
	(37,503)	3,366	(33,927)	11,057
Total non-interest income	30,136	39,403	127,035	112,518
The Company				
(a) Net income from securities:				
Net realised loss arising from sale of:				
- Financial assets at FVTPL	(590)	(13)	(179)	(196)
Net unrealised (loss)/gain on revaluation of:				
- Financial assets at FVTPL	(9,105)	644	(10,115)	472
Dividend income from:				
- Financial assets at FVTPL	1,685	2,221	5,831	5,843
- Subsidiary companies	-	-	28,000	54,830
	(8,010)	2,852	23,537	60,949
(b) Other income				
Gain on liquidation of a subsidiary	-	-	-	200
Other income	46	50	147	142
	46	50	147	342
Total non-interest (expense)/income	(7,964)	2,902	23,684	61,291

25. Overhead expenses

	Current quarter ended 31/03/2020 RM'000	Last year's quarter ended 31/03/2019 RM'000	Current year ended 31/03/2020 RM'000	Last year's ended 31/03/2019 RM'000
The Group				
Personnel costs				
- Salaries, bonuses and allowances	14,460	17,283	54,392	45,067
- Others	3,565	3,491	10,837	10,632
	18,025	20,774	65,229	55,699
Establishment costs				
- Depreciation of property and equipment	836	873	2,585	2,535
- Amortisation of intangible assets	443	728	1,299	2,286
- Depreciation of ROU assets	1,017	-	3,050	-
- Rental of premises	25	1,124	70	3,515
- Information technology expenses	1,484	1,516	4,532	4,288
- Others	526	691	1,750	2,116
	4,331	4,932	13,286	14,740
Marketing expenses				
- Advertisement and publicity	275	436	750	682
- Entertainment and business improvement	455	581	1,096	1,573
- Others	117	38	397	500
	847	1,055	2,243	2,755
Administration and general expenses				
- Management fees	1,001	940	3,508	2,943
- Communication expenses	213	487	979	1,394
- Property and equipment written off	-	113	-	113
- Auditors' remuneration				
- Statutory audit	137	90	332	314
- Regulatory related fee	3	3	8	15
- Legal and professional fees	965	1,196	3,067	3,125
- Others	2,836	2,279	8,233	7,179
	5,155	5,108	16,127	15,083
	28,358	31,869	96,885	88,277
The Company				
Personnel costs				
- Salaries, bonuses and allowances	-	-	-	-
- Others	132	93	320	185
	132	93	320	185
Establishment costs				
- Information technology expenses	-	16	2	17
- Others	19	18	47	36
	19	34	49	53

25. Overhead expenses (continued)

	Current quarter ended 31/03/2020 RM'000	Last year's quarter ended 31/03/2019 RM'000	Current year ended 31/03/2020 RM'000	Last year's ended 31/03/2019 RM'000
The Company (continued)				
Marketing expenses				
- Others	37	1	38	2
	37	1	38	2
Administration and general expenses				
- Management fees	1	36	259	327
- Communication expenses	-	1	6	4
- Auditors' remuneration				
- Statutory audit	20	22	55	66
- Regulatory related fee	3	3	8	15
- Legal and professional fees	1	379	20	411
- Others	117	157	400	479
	142	598	748	1,302
	330	726	1,155	1,542

26. (Allowance for)/write-back of credit impairment losses

	Current quarter ended 31/03/2020 RM'000	Last year's quarter ended 31/03/2019 RM'000	Current year ended 31/03/2020 RM'000	Last year's ended 31/03/2019 RM'000
The Group				
Expected credit losses				
(a) Loans and advances	(1,360)	24	(1,574)	6
Loans and advances commitments	(381)	-	(381)	-
	(1,741)	24	(1,955)	6
(b) Financial investments				
(i) Financial investments at FVOCI	(33)	340	(23)	3
(ii) Financial investments at amortised cost	(1)	3	21	(14)
	(34)	343	(2)	(11)
(c) Other financial assets:				
(i) Clients' and brokers' balances:				
- Expected credit losses	(1,635)	29	(1,724)	51
- Impaired clients' and brokers' balances recovered	9	-	63	47
(ii) Deposits and placements with banks and other financial institutions	-	-	-	22
(iii) Securities purchased under resale agreements	-	-	-	2
(iv) Other assets	(2)	30	(58)	85
	(1,628)	59	(1,719)	207
	(3,403)	426	(3,676)	202

27. Commitments and contingencies

	As at 31/03/2020 Principal Amount RM'000	As at 30/06/2019 Principal Amount RM'000
The Group		
Commitments and contingent liabilities		
Direct Credit Substitutes	1,000	1,000
Obligations under underwriting agreement	-	18,860
Other commitments, such as formal standby facilities and credit lines, with an original maturity:		
- Over one year	68,000	-
Any commitments that are unconditionally cancelled at any time by the bank without prior notice		
- Maturity less than one year	891,943	750,103
	<u>960,943</u>	<u>769,963</u>
Derivative financial instruments		
Interest rate related contracts:		
- One year or less	1,343,670	4,566,819
- Over one year to five years	3,516,300	3,367,720
- Over five years	110,000	245,000
Foreign exchange related contracts		
- One year or less	1,808,352	2,484,022
Equity related contracts		
- One year or less	-	36,152
	<u>6,778,322</u>	<u>10,699,713</u>
	<u>7,739,265</u>	<u>11,469,676</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 31.03.2020	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Financial assets at FVTPL	237,795	843,017	1,365	1,082,177
- Money market instruments	-	698,585	-	698,585
- Quoted securities	237,795	-	-	237,795
- Unquoted securities	-	144,432	1,365	145,797
Financial investments at FVOCI	37	1,235,613	-	1,235,650
- Money market instruments	-	197,064	-	197,064
- Quoted securities	37	-	-	37
- Unquoted securities	-	1,038,549	-	1,038,549
Derivative financial assets	-	63,003	-	63,003
	237,832	2,141,633	1,365	2,380,830

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28. Fair value of financial instruments (continued)

Determination of fair value and fair value hierarchy (continued)

The Group 31.03.2020	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial liability				
Derivative financial liabilities	-	92,668	-	92,668
30.06.2019				
Financial assets				
Financial assets at FVTPL	296,337	1,208,503	1,365	1,506,205
- Money market instruments	-	1,016,994	-	1,016,994
- Quoted securities	296,337	-	-	296,337
- Unquoted securities	-	191,509	1,365	192,874
Financial investments at FVOCI	-	1,110,915	-	1,110,915
- Money market instruments	-	322,819	-	322,819
- Unquoted securities	-	788,096	-	788,096
Derivative financial assets	-	28,310	-	28,310
	296,337	2,347,728	1,365	2,645,430
Financial liability				
Derivative financial liabilities	-	34,310	-	34,310
The Company 31.03.2020				
Financial asset				
Financial assets at FVTPL				
- Quoted securities	227,156	-	-	227,156
30.06.2019				
Financial asset				
Financial assets at FVTPL				
- Quoted securities	259,746	-	-	259,746

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

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

	The Group	
	31.03.2020	30.06.2019
	RM'000	RM'000
Financial assets at FVTPL		
At 1 July	1,365	1,380
Fair value changes recognised in income statement	-	(15)
At 31 March/30 June	1,365	1,365

29. Capital adequacy

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

	HLIB 31/03/2020	HLIB 30/06/2019
Before deducting proposed dividends:		
Common equity tier 1 ("CET1") capital ratio	29.278%	30.907%
Tier 1 capital ratio	29.278%	30.907%
Total capital ratio	38.432%	43.489%
After deducting proposed dividends: ⁽¹⁾		
CET1 capital ratio	29.278%	28.642%
Tier 1 capital ratio	29.278%	28.642%
Total capital ratio	38.432%	41.224%

Note:

⁽¹⁾ Proposed dividends of RM Nil (30.06.2019: RM28,000,005).

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

	HLIB 31/03/2020 RM'000	HLIB 30/06/2019 RM'000
CET1 capital		
Paid-up ordinary share capital	252,950	252,950
Retained profits	209,920	237,920
Other reserves	178	7,794
Less: goodwill and intangibles	(30,805)	(31,129)
Less: deferred tax assets	(88,558)	(80,926)
Less: investment in subsidiary companies	(200)	(200)
Less: 55% of cumulative gains of financial investments at FVOCI	(98)	(4,287)
Total CET1 capital	343,387	382,122
Tier 1 capital	343,387	382,122
Tier 2 capital		
Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves ⁽²⁾	7,359	5,556
Subordinated obligations	100,000	150,000
Total Tier 2 capital	107,359	155,556
Total capital	450,746	537,678

Note:

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

29. Capital adequacy (continued)

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

	HLIB 31/03/2020 RM'000	HLIB 30/06/2019 RM'000
Credit risk	588,731	444,468
Market risk	327,533	519,266
Operational risk	256,586	272,622
	<u>1,172,850</u>	<u>1,236,356</u>

30. Segmental reporting

(a) Segment information by activities for the financial period ended 31 March 2020:

The Group	Investment banking and stockbroking RM'000	Fund management and unit trust management RM'000	Investment holding and others RM'000	Elimination RM'000	Consolidated RM'000
31 March 2020					
Net income					
Net interest income	30,792	734	65	-	31,591
Non interest income	85,767	45,764	23,827	(28,323)	127,035
Total net income	<u>116,559</u>	<u>18,161</u>	<u>23,892</u>	<u>(28,323)</u>	<u>158,626</u>
Results					
Profit from operations	41,556	22,251	22,581	(28,323)	58,065
Taxation					(177)
Profit after taxation					<u>57,888</u>
31 March 2019					
Net income					
Net interest income	30,951	510	50	-	31,511
Non interest income	67,866	37,363	62,339	(55,050)	112,518
Total net income	<u>98,817</u>	<u>37,873</u>	<u>62,389</u>	<u>(55,050)</u>	<u>144,029</u>
Results					
Profit from operations	34,817	15,583	60,604	(55,050)	55,954
Taxation					6,533
Profit after taxation					<u>62,487</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 2019.

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.

33. Capital commitments

Capital commitments for the purchase of property and equipment as at 31 March 2020 is RM4.2 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 (“Fund”). The Company provided a guarantee to Deutsche Trustees Malaysia Berhad, the trustee of the Fund, that if the Fund falls below the minimum fund size of RM1.0 million, the Company would invest cash, equivalent to the shortfall, into the relevant Fund.

The size of the Fund was above the minimum of RM1.0 million as at 31 March 2020.

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.

36. Changes in accounting policies

MFRS 16 'Leases' (effective from 1 January 2019) supersedes MFRS 117 'Leases' and the related interpretations.

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" ("ROU") of the underlying asset and a lease liability reflecting future lease payments for most leases.

The ROU asset is depreciated in accordance with the principle as set out in MFRS 116 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in statements of income.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

The Group has adopted this standard from its mandatory adoption date of 1 July 2019. As permitted by MFRS 16, the Group has applied the modified retrospective approach and will not restate comparative amounts for the financial year prior to the first adoption. ROU assets for property leases will be measured on transition as if the new rules had always been applied. All other ROU assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

On adoption of MFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of MFRS 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's borrowing rate as of 1 July 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 July 2019 for the Group was ranging from 4.11% and 4.94% per annum.

(a) The table below summarises the effects upon adoption of MFRS 16 as at 1 July 2019:

The Group	As at 30 June 2019 RM'000	Effect of adoption of MFRS 16 RM'000	As restated 1 July 2019 RM'000
ROU assets	-	27,358	27,358
Lease liabilities	-	26,831	26,831
Other liabilities	144,635	527	145,162

(b) Operating lease commitment reconciliation

The reconciliation on operating lease commitments under MFRS 117 to MFRS 16 are as follows:

	The Group RM'000
Operating lease commitments disclosed as at 30 June 2019	6,802
Less: Discounted using the incremental borrowing	(233)
Less: Short-term leases recognised on a straight-line basis as expense	(10)
Less: Low-value leases recognised on a straight line basis as expense	(72)
Add: Adjustments as a result of a different treatment of extension and termination option	20,344
Lease liabilities recognised as at 1 July 2019	<u>26,831</u>

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			
	Current	Last year's		
	quarter ended	quarter ended	Variance	%
	31/03/2020	31/03/2019	RM'000	%
	RM'000	RM'000	RM'000	%
Revenue	68,597	78,270	(9,673)	-12.4%
Profit before tax	10,528	18,423	(7,895)	-42.9%
Profit after tax	11,065	20,433	(9,368)	-45.8%
Profit attributable to equity holders of the Company	11,065	20,433	(9,368)	-45.8%

The group recorded a 42.9% lower profit before tax ("PBT") of RM10.5 million for the 3rd quarter ended 31 March 2020 as compared to RM18.4 million recorded in the previous year corresponding quarter.

Lower PBT mainly contributed by lower non-interest income earned (-23.5%).

The performance of the respective operating business segments for the 3rd quarter ended 31 March 2020 as compared to the previous year corresponding quarter is analysed as follows:-

	The Group			
	Current	Last year's		
	quarter ended	quarter ended	Variance	%
	31/03/2020	31/03/2019	RM'000	%
	RM'000	RM'000	RM'000	%
Profit before tax by segments:				
Investment banking and stockbroking	15,022	11,217	3,805	33.9%
Fund management and unit trust management	4,090	4,961	(871)	-17.6%
Investment holding and others	(8,584)	2,245	(10,829)	->100.0%
	10,528	18,423	(7,895)	-42.9%

Investment banking and stockbroking - higher PBT by RM3.8 million (33.9%) attributed to higher profit contribution from its stockbroking division in current quarter.

Fund management and unit trust management - PBT decreased by RM0.9 million (-17.6%) mainly due to lower net contribution from management fee income.

Investment holding and others - PBT decreased by RM10.8 million (->100.0%) mainly due to unrealised loss on revaluation of financial assets at FVTPL.

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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 31/03/2020 RM'000	Last year's ended 31/03/2019 RM'000		
Revenue	239,927	237,714	2,213	0.9%
Profit before tax	58,065	55,954	2,111	3.8%
Profit after tax	57,888	62,487	(4,599)	-7.4%
Profit attributable to equity holders of the Company	57,888	62,487	(4,599)	-7.4%

The group recorded a higher PBT of RM58.1 million for the financial period ended 31 March 2020 as compared to RM56.0 million recorded in the previous financial period.

Higher PBT mainly due to higher non-interest income earned (12.9%).

The performance of the respective operating business segments for the nine months ended 31 March 2020 as compared to the previous financial year is analysed as follows:-

	The Group		Variance RM'000	%
	Current year ended 31/03/2020 RM'000	Last year's ended 31/03/2019 RM'000		
Profit before tax by segments:				
Investment banking and stockbroking	41,556	34,817	6,739	19.4%
Fund management and unit trust management	22,251	15,583	6,668	42.8%
Investment holding and others	(5,742)	5,554	(11,296)	->100.0%
	<u>58,065</u>	<u>55,954</u>	<u>2,111</u>	3.8%

Investment banking and stockbroking - Higher PBT by RM6.7 million (19.4%) mainly attributed to higher profit contribution from both its Stockbroking and investment banking division.

Fund management and unit trust management - PBT increased by RM6.7 million (42.8%) mainly due to higher net contribution from management fee income.

Investment holding and others - PBT decreased by RM11.3 million (->100.0%) mainly due to unrealised loss on revaluation of financial assets at FVTPL.

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1. Performance review (continued)

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

	The Group		Variance	
	Current quarter ended 31/03/2020 RM'000	Preceding quarter ended 31/12/2019 RM'000	RM'000	%
Revenue	68,597	81,519	(12,922)	-15.9%
Profit before tax	10,528	23,044	(12,516)	-54.3%
Profit after tax	11,065	23,098	(12,033)	-52.1%
Profit attributable to equity holders of the Company	11,065	23,098	(12,033)	-52.1%

For the financial quarter ended 31 March 2020, the Group reported a lower PBT of RM10.5 million as compared to RM23.0 million in the preceding financial quarter ended 31 December 2019. The lower PBT was mainly due to lower non-interest income earned (-32.9%).

The performance of the respective operating business segments for the three months ended 31 March 2020 as compared to the preceding quarter is analysed as follows:-

	The Group		Variance	
	Current quarter ended 31/03/2020 RM'000	Preceding quarter ended 31/12/2019 RM'000	RM'000	%
Profit before tax by segments:				
Investment banking and stockbroking	15,022	12,527	2,495	19.9%
Fund management and unit trust management	4,090	8,018	(3,928)	-49.0%
Investment holding and others	(8,584)	2,499	(11,083)	->100.0%
	10,528	23,044	(12,516)	-54.3%

Investment banking and stockbroking - higher PBT by RM2.5 million (19.9%) mainly due to higher profit contribution from its stockbroking division; offset by lower profit contribution from its investment banking division.

Fund management and unit trust management - PBT decreased by RM3.9 million (-49.0%) mainly due to lower net contribution from management fee income in current quarter.

Investment holding and others - PBT decreased by RM11.1 million (->100.0%) mainly due to unrealised loss on revaluation of financial assets at FVTPL.

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2. Prospects for 2020

Entering into the last quarter of financial year ("FY") 2020, market outlook is still uncertain arising from the impact brought upon by Covid-19. As a result, there will still be volatility across asset prices including that of corporate and sovereign bonds.

With the current Movement Control Order ("MCO")'s situation, completing some of the mandates by June 2020 is getting challenging. In addition, there are some deferment of re-issuances under existing debt programmes to 2nd half of 2020 in view of the market uncertainties. Notwithstanding that, new deals are being actively pursued and to build the deal pipelines for FY 2021.

As most clients are unable to operate fully; their corporate exercises are suspended until there is more clarity of the market conditions. Some clients have decided to terminate their corporate exercise as the current market situation has adversely affected their profitability and fund raising will be challenging.

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	
	31/03/2020	31/03/2019	31/03/2020	31/03/2019
The Group	RM'000	RM'000	RM'000	RM'000
Malaysian income tax:				
- Current	899	1,287	5,386	3,965
- Under/(Over) provision in prior years	22	-	22	(12)
Deferred taxation	(1,458)	(3,297)	(5,231)	(10,486)
	<u>(537)</u>	<u>(2,010)</u>	<u>177</u>	<u>(6,533)</u>

5. Status of corporate proposals

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

6. Status of utilisation of proceeds raised from corporate proposals

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

7. Off-balance sheet financial instruments

Details of financial instruments with off-balance sheet risk as at 31 March 2020:

The Group	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Interest rate related contracts			
(i) Less than 1 year	1,343,670	2,407	(5,546)
(ii) 1 year to 3 years	2,571,300	18,135	(41,477)
(iii) More than 3 years	1,055,000	23,546	(24,396)
Foreign exchange related contracts			
(i) Less than 1 year	1,808,352	18,915	(21,249)
	6,778,322	63,003	(92,668)

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

Credit risk

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

Market risk

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

Related accounting policies

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

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8. Group borrowings and debt securities

The Group Unsecured	More than 1 year		Less than 1 year		Sub-total		Total RM'000
	Foreign currency RM'000	Local currency RM'000	Foreign currency RM'000	Local currency RM'000	Foreign currency RM'000	Local currency RM'000	
As at 31 March 2020							
RM100.0 million Tier 2 subordinated notes	-	99,993	-	1,240	-	101,233	101,233
As at 30 June 2019							
RM150.0 million Tier 2 subordinated notes	-	149,902	-	603	-	150,505	150,505
As at 31 March 2019							
RM50.0 million Tier 2 subordinated notes	-	49,905	-	1,053	-	50,958	50,958

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

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

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

On 14 June 2019, HLIB issued a second tranche of RM100.0 million nominal value of 10-year non-callable 5 years Sub Notes callable on 14 June 2024 (and thereafter) and due on 14 June 2029 out of its RM1.0 billion Multi-Currency Sub Notes Programme. The coupon rate for this second tranche of the Sub Notes is 4.23% per annum, which is payable semi-annually in arrears from the date of the issue.

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9. Material litigation

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

10. Dividends

The Board of Directors does not recommend any dividend to be paid for the financial period ended 31 March 2020.

11. Earnings per share

(a) Basic earnings per share

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

	Financial quarter ended		Financial period ended	
	31/03/2020	31/03/2019	31/03/2020	31/03/2019
The Group				
Net profit attributable to equity holders of the Company (RM'000):	11,065	20,433	57,888	62,487
Weighted average number of ordinary shares in issue ('000):	241,283	241,283	241,283	241,283
Basic earnings per share (sen)	4.6	8.5	24.0	25.9
The Company				
Net (loss)/profit attributable to equity holders of the Company (RM'000):	(8,154)	2,082	22,552	59,533
Weighted average number of ordinary shares in issue ('000):	241,388	241,388	241,388	241,388
Basic (loss)/earnings per share (sen)	(3.4)	0.9	9.3	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 31 March 2020 and 31 March 2019.

Dated this 29 May 2020.