

HONG LEONG CAPITAL BERHAD
Registration No: 199101002695 (213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2022

	Note	The Group		The Company	
		As at 30/09/2022 RM'000	As at 30/06/2022 RM'000	As at 30/09/2022 RM'000	As at 30/06/2022 RM'000
ASSETS					
Cash and short term funds		286,183	322,674	27,197	27,893
Deposits and placements with banks and other financial institutions		-	100,021	-	-
Financial assets at fair value through profit or loss ("FVTPL")	10	524,179	381,123	356,633	355,215
Financial investments at fair value through other comprehensive income ("FVOCI")	11	1,326,734	1,256,640	-	-
Financial investments at amortised cost	12	1,058,002	1,250,442	-	-
Derivative financial assets	18	61,876	38,393	-	-
Loans and advances	13	386,285	393,720	-	-
Clients' and brokers' balances	14	465,284	316,276	-	-
Other assets	15	57,400	41,077	261	333
Tax recoverable		26	28	-	-
Investment in subsidiary companies		-	-	246,574	246,574
Deferred tax assets		108,675	112,034	-	-
Property and equipment		8,387	9,271	-	-
Right-of-use assets ("ROU")		16,098	17,122	-	-
Goodwill		33,059	33,059	-	-
Other intangible assets		4,685	4,993	-	-
TOTAL ASSETS		4,336,873	4,276,873	630,665	630,015
LIABILITIES					
Deposits from customers	16	620,612	759,636	-	-
Deposits and placements of banks and other financial institutions	17	2,023,528	1,907,235	-	-
Derivative financial liabilities	18	43,023	26,705	-	-
Clients' and brokers' balances		473,133	306,901	-	-
Lease liabilities		15,660	16,548	-	-
Other liabilities	19	144,056	212,361	45,698	1,106
Current tax liabilities		958	2,301	45	220
Subordinated obligations	20	101,260	100,193	-	-
TOTAL LIABILITIES		3,422,230	3,331,880	45,743	1,326

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 2022

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UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2022

	Note	The Group		The Company	
		As at 30/09/2022 RM'000	As at 30/06/2022 RM'000	As at 30/09/2022 RM'000	As at 30/06/2022 RM'000
EQUITY					
Share capital		246,896	246,896	246,896	246,896
Reserves		698,904	729,254	369,070	412,837
Treasury shares for ESOS		(31,157)	(31,157)	(31,044)	(31,044)
TOTAL EQUITY		914,643	944,993	584,922	628,689
TOTAL LIABILITIES AND EQUITY		4,336,873	4,276,873	630,665	630,015
COMMITMENTS AND CONTINGENCIES	27	6,409,967	5,967,639	-	-
Net assets per share attributable to ordinary equity holder of the Company (RM)		3.88	4.01		

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 2022

HONG LEONG CAPITAL BERHAD
Registration No: 199101002695 (213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022

	Current quarter ended 30/09/2022	Last year quarter ended 30/09/2021	Current year to date 30/09/2022	Last year to date 30/09/2021
Note	RM'000	RM'000	RM'000	RM'000
The Group				
Interest income	21a	30,042	26,859	30,042
Interest income for financial assets at FVTPL	21b	5,146	7,105	5,146
Interest expense	22	(21,747)	(22,416)	(21,747)
Net interest income		13,441	11,548	13,441
Non-interest income	23	37,510	55,849	37,510
Net income		50,951	67,397	50,951
Overhead expenses	24	(30,271)	(30,832)	(30,271)
Operating profit before allowances		20,680	36,565	20,680
Write-back of allowance for impairment losses on loans and advances	25	18	173	18
Write-back of allowance for impairment losses on financial investments and other financial assets	26	105	113	105
Profit before taxation		20,803	36,851	20,803
Taxation		(4,767)	(8,012)	(4,767)
Net profit for the financial period		16,036	28,839	16,036
Earnings per share (sen)				
- Basic		6.8	12.2	6.8
- Diluted		6.8	12.2	6.8

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 2022

HONG LEONG CAPITAL BERHAD
Registration No: 199101002695 (213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022

	Current quarter ended 30/09/2022 RM'000	Last year quarter ended 30/09/2021 RM'000	Current year to date 30/09/2022 RM'000	Last year to date 30/09/2021 RM'000
The Group				
Net profit for the financial period	16,036	28,839	16,036	28,839
Other comprehensive (expense)/income:				
Items that will be reclassified subsequently to income statements				
Debt instruments at FVOCI				
- Net fair value changes	(2,083)	(9,654)	(2,083)	(9,654)
- Net changes in expected credit losses	(4)	(17)	(4)	(17)
Income tax relating to net fair value changes on financial investments at FVOCI	500	2,317	500	2,317
Other comprehensive expense for the financial period, net of tax	(1,587)	(7,354)	(1,587)	(7,354)
Total comprehensive income for the financial period, net of tax	14,449	21,485	14,449	21,485

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 2022

HONG LEONG CAPITAL BERHAD
Registration No: 199101002695 (213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022

	Current quarter ended 30/09/2022	Last year quarter ended 30/09/2021	Current year to date 30/09/2022	Last year to date 30/09/2021
Note	RM'000	RM'000	RM'000	RM'000
The Company				
Interest income	21a 123	2	123	2
Interest expense	22 -	-	-	-
Net interest income	123	2	123	2
Non-interest income	23 1,296	4,144	1,296	4,144
Net income	1,419	4,146	1,419	4,146
Overhead expenses	24 (344)	(329)	(344)	(329)
Profit before taxation	1,075	3,817	1,075	3,817
Taxation	(23)	(67)	(23)	(67)
Net profit/total comprehensive income for the financial period	1,052	3,750	1,052	3,750
Earnings per share (sen)				
- Basic	0.4	1.6	0.4	1.6
- Diluted	0.4	1.6	0.4	1.6

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 2022

HONG LEONG CAPITAL BERHAD
Registration No: 199101002695 (213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022

	Attributable to owners of the parent					Total RM'000
	Share Capital RM'000	Treasury Shares for ESOS RM'000	Regulatory Reserves RM'000	Fair Value Reserve RM'000	Retained Profits RM'000	
The Group						
At 1 July 2022	246,896	(31,157)	12,148	(19,792)	736,898	944,993
Net profit for the financial period	-	-	-	-	16,036	16,036
Other comprehensive expense, net of tax	-	-	-	(1,587)	-	(1,587)
Total comprehensive (expense)/income	-	-	-	(1,587)	16,036	14,449
Transfer to regulatory reserve	-	-	3,786	-	(3,786)	-
Dividend payable	-	-	-	-	(44,799)	(44,799)
At 30 September 2022	246,896	(31,157)	15,934	(21,379)	704,349	914,643
At 1 July 2021	246,896	(31,157)	13,149	3,364	724,739	956,991
Net profit for the financial period	-	-	-	-	28,839	28,839
Other comprehensive expense, net of tax	-	-	-	(7,354)	-	(7,354)
Total comprehensive (expense)/income	-	-	-	(7,354)	28,839	21,485
Transfer to regulatory reserve	-	-	553	-	(553)	-
Dividend payable	-	-	-	-	(61,305)	(61,305)
At 30 September 2021	246,896	(31,157)	13,702	(3,990)	691,720	917,171

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 2022

HONG LEONG CAPITAL BERHAD
Registration No: 199101002695 (213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022

	Non-Distributable		Distributable	
	Share Capital RM'000	Treasury Shares for ESOS RM'000	Retained Profits RM'000	Total RM'000
The Company				
At 1 July 2022	246,896	(31,044)	412,837	628,689
Net profit for the financial period	-	-	1,052	1,052
Total comprehensive income	-	-	1,052	1,052
Dividend payable	-	-	(44,819)	(44,819)
At 30 September 2022	246,896	(31,044)	369,070	584,922
At 1 July 2021	246,896	(31,044)	299,389	515,241
Net profit for the financial period	-	-	3,750	3,750
Total comprehensive income	-	-	3,750	3,750
Dividend payable	-	-	(61,332)	(61,332)
At 30 September 2021	246,896	(31,044)	241,807	457,659

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 2022

HONG LEONG CAPITAL BERHAD
Registration No: 199101002695 (213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022

	The Group	
	30/09/2022	30/09/2021
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
Profit before taxation	20,803	36,851
<u>Adjustments for non-cash items:</u>		
- Depreciation of property and equipment	1,137	913
- Amortisation of intangible assets	514	414
- Depreciation of ROU assets	991	994
- Gain on disposal of property and equipment	(3)	-
- Write-back of allowance for impairment losses on loans and advances	(18)	(173)
- Write-back of allowance for impairment losses on financial investments and other financial assets	(100)	(113)
- Net unrealised loss/(gain) on revaluation of:		
- Financial assets at FVTPL	2,210	(938)
- Derivative financial instruments	(6,655)	(2,242)
- Net unrealised loss on fair value changes arising from fair value hedges	498	463
- Interest income from:		
- Financial assets at FVTPL	(5,146)	(7,105)
- Financial investments at FVOCI	(10,215)	(10,105)
- Financial investments at amortised cost	(8,459)	(8,284)
- Interest expense from:		
- Derivative financial instruments	3,587	9,649
- Subordinated obligations	1,067	1,066
- Lease liabilities	191	213
- Dividend income from:		
- Financial assets at FVTPL	(3,403)	(2,361)
	(23,804)	(17,609)
Operating (loss)/profit before changes in working capital	(3,001)	19,242
Changes in working capital:		
- Financial assets at FVTPL	(144,568)	146,351
- Derivative financial instruments	(26)	5
- Loans and advances	7,456	(34,238)
- Clients' and brokers' balances	(148,914)	(43,689)
- Other assets	(16,321)	(6,302)
Net changes in operating assets	(302,373)	62,127
- Deposits from customers	(139,024)	72,142
- Deposits and placements of banks and other financial institutions	116,293	62,675
- Clients' and brokers' balances	166,232	46,642
- Other liabilities	(113,057)	7,281
Net changes in operating liabilities	30,444	188,740
Cash (used in)/generated from operating activities	(274,930)	270,109

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 2022

HONG LEONG CAPITAL BERHAD
Registration No: 199101002695 (213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022

	The Group	
	30/09/2022	30/09/2021
	RM'000	RM'000
Cash (used in)/generated from operating activities	(274,930)	270,109
Net income tax paid	(2,248)	(2,231)
Net cash (used in)/generated from operating activities	(277,178)	267,878
<u>Cash flows from investing activities</u>		
Net purchases of financial investments at FVOCI	(78,394)	(190,276)
Net proceeds/(purchases) of financial investments at amortised cost	179,849	(46,179)
Dividend received from:		
- Financial assets at FVTPL	3,403	2,361
Interest received from financial assets at FVTPL, financial investments at FVOCI, financial investments at amortised cost and derivatives	41,591	37,306
Interest expenses paid on derivative financial instruments	(4,230)	(9,377)
Proceeds from disposal of property and equipment	3	-
Purchase of property and equipment	(253)	(108)
Purchase of intangible assets	(206)	(2,168)
Net cash generated from/(used in) investing activities	141,763	(208,441)
<u>Cash flows from financing activities</u>		
Lease payment	(1,097)	(2,266)
Net cash used in financing activities	(1,097)	(2,266)
Net changes in cash and cash equivalents during the financial period	(136,512)	57,171
Cash and cash equivalents at beginning of the financial period	422,695	201,172
Cash and cash equivalents at end of the financial period	286,183	258,343
Cash and cash equivalents comprise:		
Cash and short term funds	286,183	258,343

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022

	The Company	
	30/09/2022	30/09/2021
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
Profit before taxation	1,075	3,817
<u>Adjustments for non-cash items:</u>		
- Net unrealised loss/(gain) on revaluation of financial assets at FVTPL	888	(2,146)
- Dividend income from:		
- Financial assets at FVTPL	(2,280)	(1,692)
	(1,392)	(3,838)
Operating loss before changes in working capital	(317)	(21)
Increase in financial assets at FVTPL	(2,306)	(401)
Decrease/(Increase) in other assets	72	(504)
Decrease in other liabilities	(227)	(630)
Cash used in operating activities	(2,778)	(1,556)
Net income tax paid	(198)	(203)
Net cash used in operating activities	(2,976)	(1,759)
<u>Cash flows from investing activities</u>		
Dividend received from:		
- Financial assets at FVTPL	2,280	1,692
Net cash generated from investing activities	2,280	1,692
Net changes in cash and cash equivalents during the financial period	(696)	(67)
Cash and cash equivalents at beginning of the financial period	27,893	1,160
Cash and cash equivalents at end of the financial period	27,197	1,093
Cash and cash equivalents comprise:		
Cash and short term funds	27,197	1,093

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 2022

HONG LEONG CAPITAL BERHAD ("HLCB" or "Company")
Registration No: 199101002695 (213006-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022

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

1. Basis of preparation

The unaudited condensed financial statements for the financial period ended 30 September 2022 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 2022. 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 2022.

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 2022 and modified for the adoption of the following Amendments to MFRSs applicable for financial year beginning on or after 1 July 2022:

- Annual improvements to MFRS 9 "Fees in the 10% test for derecognition of financial liabilities"
- Amendments to MFRS 3 "Business Combinations" Reference to the Conceptual Framework
- Amendments to MFRS 116 "Proceeds before Intended Use"
- Amendments to MFRS 137 "Onerous Contracts - Cost of Fulfilling a Contract"

The adoption of the above amendments to published standards are not expected to have significant impact on the financial results of the Group and the Company.

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

2. Auditors' report on preceding annual financial statements

The auditors' report on the audited financial statements for the financial year ended 30 June 2022 was not qualified.

3. Comments about seasonal or cyclical factors

The operations of the Group and the Company were not materially affected by any seasonal or cyclical factors during the financial quarter ended 30 September 2022.

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

There were no unusual items affecting the assets, liabilities, equities, net income or cash flows of the Group and the Company during the financial quarter ended 30 September 2022.

5. Change in estimate

There were no material changes in estimate of amount reported in prior financial year that have a material effect in the financial quarter ended 30 September 2022.

6. Debt and Equity Securities

There were no new issuance and repayment of debt and equity securities, share-buy-back, share cancellations, shares held as treasury shares and resale of treasury shares during the financial period ended 30 September 2022, other than as mentioned below.

Purchase of shares pursuant to ESOS

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

Total shares held by ESOS Trust comprise 11,110,700 (30.06.2022: 11,110,700) shares in the Group costing RM31,157,101 (30.06.2022: RM31,157,101) inclusive of transaction costs, as at 30 September 2022.

7. Dividends payable/paid

On 30 August 2022, the Board of Directors declared a final single-tier dividend of 19.0 sen per share in respect of the financial year ended 30 June 2022. The final single-tier dividend of 19.0 sen amounting to RM44.8 million was paid on 17 November 2022.

8. Valuations of property, plant and equipment

No valuations of property, plant and equipment were carried out for the financial quarter ended 30 September 2022.

9. Subsequent events

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

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

	The Group		The Company	
	As at 30/09/2022 RM'000	As at 30/06/2022 RM'000	As at 30/09/2022 RM'000	As at 30/06/2022 RM'000
Money market instruments				
Malaysian Government Investment Issues	20,039	-	-	-
Negotiable instruments of deposits	99,716	-	-	-
	<u>119,755</u>	<u>-</u>	<u>-</u>	<u>-</u>
Quoted securities				
In Malaysia:				
Shares	67,474	54,104	49,738	48,139
Unit trust investment	307,094	307,276	306,895	307,076
	<u>374,568</u>	<u>361,380</u>	<u>356,633</u>	<u>355,215</u>
Unquoted securities				
Corporate bond and/or sukuk	29,856	19,743	-	-
	<u>524,179</u>	<u>381,123</u>	<u>356,633</u>	<u>355,215</u>

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

	The Group	
	As at 30/09/2022 RM'000	As at 30/06/2022 RM'000
Money market instruments		
Malaysian Government Securities	120,860	120,972
Malaysian Government Investment Issues	243,164	242,625
Cagamas bonds	69,572	69,603
	<u>433,596</u>	<u>433,200</u>
Unquoted securities		
Foreign currency bonds	72,082	70,227
Corporate bond and/or sukuk	821,056	753,213
	<u>893,138</u>	<u>823,440</u>
	<u>1,326,734</u>	<u>1,256,640</u>

HLCB Q1 (30.09.2022)

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

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

The Group	12 Months 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 2022	158	-	-	158
Allowances made	1	-	-	1
Amount written back	(6)	-	-	(6)
New financial assets originated or purchased	2	-	-	2
Financial assets derecognised	(2)	-	-	(2)
Exchange differences	1	-	-	1
At 30 September 2022	<u>154</u>	<u>-</u>	<u>-</u>	<u>154</u>
At 1 July 2021	372	-	-	372
Allowances made	15	-	-	15
Amount written back	(18)	-	-	(18)
New financial assets originated or purchased	59	-	-	59
Financial assets derecognised	(261)	-	-	(261)
Exchange differences	(9)	-	-	(9)
At 30 June 2022	<u>158</u>	<u>-</u>	<u>-</u>	<u>158</u>

12. Financial investments at amortised cost

	The Group	
	As at 30/09/2022 RM'000	As at 30/06/2022 RM'000
Money market instruments		
Malaysian Government Securities	619,998	626,305
Malaysian Government Investment Issues	398,734	585,104
	<u>1,018,732</u>	<u>1,211,409</u>
Unquoted securities		
Corporate bond and/or sukuk	39,270	39,033
Less: Expected credit losses	-	-
	<u>1,058,002</u>	<u>1,250,442</u>

HLCB Q1 (30.09.2022)

12. 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 2021	12	-	-	12
Financial assets derecognised	(12)	-	-	(12)
At 30 June 2022	-	-	-	-

13. Loans and advances

	The Group	
	As at 30/09/2022 RM'000	As at 30/06/2022 RM'000
Term loan financing	62,414	64,536
Share margin financing	324,042	329,373
Staff loans	28	30
Other loans	127	128
Gross loans and advances	<u>386,611</u>	<u>394,067</u>
Less: Expected credit losses	(326)	(347)
Net loans and advances	<u>386,285</u>	<u>393,720</u>
a. <u>By type of customer</u>		
Domestic non-bank financial institutions		
- Others	29,003	30,060
Domestic business enterprises		
- Small and medium enterprises	57,732	60,626
- Others	76,633	77,956
Individuals	220,432	222,711
Foreign entities	2,811	2,714
Gross loans and advances	<u>386,611</u>	<u>394,067</u>
b. <u>By interest rate sensitivity</u>		
Fixed rate		
- Staff housing loans	28	30
- Other fixed rate loan	127	128
Variable rate		
- Cost plus	386,456	393,909
Gross loans and advances	<u>386,611</u>	<u>394,067</u>

13. Loans and advances (continued)

	The Group	
	As at 30/09/2022 RM'000	As at 30/06/2022 RM'000
c. <u>By residual contractual maturity</u>		
Maturity within one year	347,090	303,766
More than one year to three years	34,136	36,289
More than three years to five years	5,083	-
More than five years	302	54,012
Gross loans and advances	<u>386,611</u>	<u>394,067</u>
d. <u>By geographical distribution</u>		
Malaysia	<u>386,611</u>	<u>394,067</u>
e. <u>By economic purpose</u>		
Purchase of securities	329,187	335,572
Working capital	28,265	28,277
Purchase of landed properties	155	158
Others	29,004	30,060
Gross loans and advances	<u>386,611</u>	<u>394,067</u>
f. Impaired loans and advances		
(i) Movements in impaired loans and advances ("impaired loans") are as follows:		
At 1 July	128	265
Impaired during the financial period/year	-	12
Amount written-back during the financial period/year	(1)	(87)
Amount written-off during the financial period/year	-	(62)
At 30 September/30 June	<u>127</u>	<u>128</u>
(ii) <u>By geographical distribution</u>		
Malaysia	<u>127</u>	<u>128</u>
(iii) <u>By economic purpose</u>		
Purchase of landed properties	<u>127</u>	<u>128</u>

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13. Loans and advances (continued)

g. Movements in expected credit losses 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 2022	310	37	-	347
Transferred to Stage 1	5	(5)	-	-
Transferred to Stage 2	(13)	13	-	-
New financial assets originated	1	-	-	1
Financial assets derecognised	(2)	-	-	(2)
Allowance made	11	2	-	13
Allowance written-back	(30)	(3)	-	(33)
At 30 September 2022	<u>282</u>	<u>44</u>	<u>-</u>	<u>326</u>
At 1 July 2021	263	194	126	583
Transferred to Stage 1	144	(29)	(115)	-
Transferred to Stage 2	(22)	22	-	-
New financial assets originated	11	10	-	21
Financial assets derecognised	(4)	-	(80)	(84)
Allowance made	188	-	115	303
Allowance written-back	(270)	(160)	-	(430)
Allowance written-off	-	-	(46)	(46)
At 30 June 2022	<u>310</u>	<u>37</u>	<u>-</u>	<u>347</u>

14. Clients' and brokers' balances

	The Group	
	As at 30/09/2022 RM'000	As at 30/06/2022 RM'000
Performing accounts	462,294	314,413
Impaired accounts	3,893	2,861
	<u>466,187</u>	<u>317,274</u>
Less: Expected credit losses	(903)	(998)
	<u>465,284</u>	<u>316,276</u>

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15. Other assets

	The Group		The Company	
	As at 30/09/2022 RM'000	As at 30/06/2022 RM'000	As at 30/09/2022 RM'000	As at 30/06/2022 RM'000
Amount due from related companies	82	117	82	114
Deposits and prepayments	9,664	9,560	16	27
Fee income receivable	9,563	10,930	-	-
Cash collaterals pledged for derivative transactions	17,179	10,120	-	-
Treasury related receivables	9,952	-	-	-
Other receivables	12,259	12,045	163	192
Manager's stocks and consumables	669	275	-	-
	59,368	43,047	261	333
Less: Expected credit losses	(1,968)	(1,970)	-	-
	57,400	41,077	261	333

16. Deposits from customers

	The Group	
	As at 30/09/2022 RM'000	As at 30/06/2022 RM'000
a. <u>By type of deposits</u>		
Fixed deposits	620,612	759,636
b. <u>By type of customer</u>		
Government and statutory bodies	500,860	553,869
Business enterprises	105,136	192,248
Individuals	14,616	13,519
	620,612	759,636
c. The maturity structure of fixed deposits are as follows:		
Due within:		
- six months	620,612	758,405
- six months to one year	-	1,231
	620,612	759,636

17. Deposits and placements of banks and other financial institutions

	The Group	
	As at 30/09/2022 RM'000	As at 30/06/2022 RM'000
Licensed banks	253,437	264,951
Licensed investment banks	-	22,067
Other financial institutions	1,770,091	1,620,217
	2,023,528	1,907,235

18. Derivative financial assets/(liabilities)

The Group	Contract or underlying principal amount RM'000	Positive fair value RM'000	Negative fair value RM'000
30/09/2022			
Derivatives at FVTPL:			
(i) Interest rate related contracts:			
- Interest rate swaps	3,741,000	35,516	(18,323)
- Futures	97,393	1,137	-
(ii) Foreign exchange related contracts:			
- Foreign currency swaps	1,499,408	22,304	(24,609)
- Foreign currency forwards	48,186	1,646	(47)
- Foreign currency spot	59,412	104	-
(iii) Equity related contracts:			
- Futures	12,079	35	-
- Call option	200	32	-
Derivatives designated as fair value hedge:			
- Interest rate swap	70,000	1,102	(44)
	<u>5,527,678</u>	<u>61,876</u>	<u>(43,023)</u>
30/06/2022			
Derivatives at FVTPL:			
(i) Interest rate related contracts:			
- Interest rate swaps	3,303,000	31,048	(16,729)
- Futures	149,897	236	(1,061)
(ii) Foreign exchange related contracts:			
- Foreign currency swaps	1,340,695	5,249	(8,601)
- Foreign currency forwards	175,960	931	(194)
(iii) Equity related contracts:			
- Call option	200	50	-
Derivatives designated as fair value hedge:			
- Interest rate swap	70,000	879	(120)
	<u>5,039,752</u>	<u>38,393</u>	<u>(26,705)</u>

19. Other liabilities

	The Group		The Company	
	As at 30/09/2022 RM'000	As at 30/06/2022 RM'000	As at 30/09/2022 RM'000	As at 30/06/2022 RM'000
Amount due to holding company	120	122	11	13
Amount due to related companies	1,028	660	-	-
Remisiers' trust deposits	14,409	14,605	-	-
Treasury related payables	-	20,317	-	-
Advance payments received for corporate exercise	9,925	65,383	-	-
Other payables and accrued liabilities	73,552	111,053	868	1,093
Dividend payable	44,799	-	44,819	-
Post employment benefits obligation				
- defined contribution plan	221	221	-	-
Expected credit losses - loans & advances commitments	2	-	-	-
	144,056	212,361	45,698	1,106

20. Subordinated obligations

	The Group	
	As at 30/09/2022 RM'000	As at 30/06/2022 RM'000
RM100.0 million Tier 2 subordinated notes, at par	100,000	100,000
Add: Interest payable	1,263	197
	101,263	100,197
Less: Unamortised discounts	(3)	(4)
	101,260	100,193

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

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

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

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

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21a. Interest income

	Current quarter ended 30/09/2022 RM'000	Last year quarter ended 30/09/2021 RM'000	Current year to date 30/09/2022 RM'000	Last year to date 30/09/2021 RM'000
The Group				
Loan and advances	4,620	3,807	4,620	3,807
Money at call and deposits placements with banks and other financial institutions	1,506	371	1,506	371
Financial investments at FVOCI	10,215	10,105	10,215	10,105
Financial investments at amortised cost	8,459	8,284	8,459	8,284
Others	5,242	4,292	5,242	4,292
Total interest income	<u>30,042</u>	<u>26,859</u>	<u>30,042</u>	<u>26,859</u>
The Company				
Money at call and deposits placements with banks and other financial institutions	<u>123</u>	<u>2</u>	<u>123</u>	<u>2</u>

21b. Interest income for financial assets at FVTPL

	Current quarter ended 30/09/2022 RM'000	Last year quarter ended 30/09/2021 RM'000	Current year to date 30/09/2022 RM'000	Last year to date 30/09/2021 RM'000
The Group				
Financial assets at FVTPL	<u>5,146</u>	<u>7,105</u>	<u>5,146</u>	<u>7,105</u>

22. Interest expense

	Current quarter ended 30/09/2022 RM'000	Last year quarter ended 30/09/2021 RM'000	Current year to date 30/09/2022 RM'000	Last year to date 30/09/2021 RM'000
The Group				
Deposits and placements of banks and other financial institutions	3,304	1,346	3,304	1,346
Deposits from customers	13,506	10,127	13,506	10,127
Derivative financial instruments	3,587	9,649	3,587	9,649
Subordinated obligations	1,067	1,066	1,067	1,066
Lease liabilities	191	213	191	213
Others	92	15	92	15
Total interest expense	<u>21,747</u>	<u>22,416</u>	<u>21,747</u>	<u>22,416</u>

23. Non-interest income

	Current quarter ended 30/09/2022 RM'000	Last year quarter ended 30/09/2021 RM'000	Current year to date 30/09/2022 RM'000	Last year to date 30/09/2021 RM'000
The Group				
(a) Fee income:				
Fee on loans and advances	1	39	1	39
Arranger fees	15	533	15	533
Placement fees	3,562	4,185	3,562	4,185
Corporate advisory fees	1,450	1,450	1,450	1,450
Underwriting Commission	366	-	366	-
Brokerage commissions	9,572	21,154	9,572	21,154
Commission from futures contracts	233	186	233	186
Unit trust fee income	11,692	16,544	11,692	16,544
Other fee income	3,131	661	3,131	661
	<u>30,022</u>	<u>44,752</u>	<u>30,022</u>	<u>44,752</u>
(b) Net income from securities:				
Net realised (loss)/gain arising from sale of:				
- Financial assets at FVTPL	(2,807)	(2,036)	(2,807)	(2,036)
- Financial investments at FVOCI	(394)	1,971	(394)	1,971
- Derivative financial instruments	10,586	10,156	10,586	10,156
Net unrealised (loss)/gain on revaluation of:				
- Financial assets at FVTPL	(2,210)	938	(2,210)	938
- Derivative financial instruments	6,655	2,242	6,655	2,242
Dividend income from:				
- Financial assets at FVTPL	3,403	2,361	3,403	2,361
Net unrealised loss on fair value changes arising from fair value hedges	(498)	(463)	(498)	(463)
	<u>14,735</u>	<u>15,169</u>	<u>14,735</u>	<u>15,169</u>
(c) Other income				
Gain on disposal of property and equipment	3	-	3	-
Foreign exchange loss	(7,297)	(4,265)	(7,297)	(4,265)
Other non-operating income	47	193	47	193
	<u>(7,247)</u>	<u>(4,072)</u>	<u>(7,247)</u>	<u>(4,072)</u>
Total non-interest income	<u>37,510</u>	<u>55,849</u>	<u>37,510</u>	<u>55,849</u>
The Company				
(a) Net income from securities:				
Net realised (loss)/gain arising from sale of:				
- Financial assets at FVTPL	(96)	130	(96)	130
Net unrealised (loss)/gain on revaluation of:				
- Financial assets at FVTPL	(888)	2,146	(888)	2,146
Dividend income from:				
- Financial assets at FVTPL	2,280	1,692	2,280	1,692
	<u>1,296</u>	<u>3,968</u>	<u>1,296</u>	<u>3,968</u>
(b) Other income				
Other income	-	176	-	176
Total non-interest income	<u>1,296</u>	<u>4,144</u>	<u>1,296</u>	<u>4,144</u>

24. Overhead expenses

	Current quarter ended 30/09/2022 RM'000	Last year quarter ended 30/09/2021 RM'000	Current year to date 30/09/2022 RM'000	Last year to date 30/09/2021 RM'000
The Group				
Personnel costs				
- Salaries, bonuses and allowances	16,102	16,565	16,102	16,565
- Others	3,262	3,278	3,262	3,278
	19,364	19,843	19,364	19,843
Establishment costs				
- Depreciation of property and equipment	1,137	913	1,137	913
- Amortisation of intangible assets	514	414	514	414
- Depreciation of ROU assets	991	994	991	994
- Rental of premises	20	46	20	46
- Information technology expenses	2,737	2,299	2,737	2,299
- Others	682	736	682	736
	6,081	5,402	6,081	5,402
Marketing expenses				
- Advertisement and publicity	195	8	195	8
- Entertainment and business improvement	134	325	134	325
- Others	93	8	93	8
	422	341	422	341
Administration and general expenses				
- Management fees	1,039	1,545	1,039	1,545
- Communication expenses	160	281	160	281
- Auditors' remuneration				
- Statutory audit	100	143	100	143
- Regulatory related fee	3	3	3	3
- Legal and professional fees	148	620	148	620
- Others	2,954	2,654	2,954	2,654
	4,404	5,246	4,404	5,246
Total overhead expenses	30,271	30,832	30,271	30,832
The Company				
Personnel costs				
- Salaries, bonuses and allowances	-	-	-	-
- Others	57	52	57	52
	57	52	57	52
Establishment costs				
- Information technology expenses	-	-	-	-
- Others	14	11	14	11
	14	11	14	11

24. Overhead expenses (continued)

	Current quarter ended 30/09/2022 RM'000	Last year quarter ended 30/9/2021 RM'000	Current year to date 30/09/2022 RM'000	Last year to date 30/9/2021 RM'000
The Company (continued)				
Administration and general expenses				
- Management fees	69	103	69	103
- Auditors' remuneration				
- Statutory audit	20	20	20	20
- Regulatory related fee	3	3	3	3
- Legal and professional fees	14	-	14	-
- Others	167	140	167	140
	<u>273</u>	<u>266</u>	<u>273</u>	<u>266</u>
Total overhead expenses	<u>344</u>	<u>329</u>	<u>344</u>	<u>329</u>

25. Write-back of allowance for impairment losses on loans and advances

	Current quarter ended 30/09/2022 RM'000	Last year quarter ended 30/09/2021 RM'000	Current year to date 30/09/2022 RM'000	Last year to date 30/09/2021 RM'000
The Group				
Expected credit losses				
- Loans and advances	21	173	21	173
- Loans and advances commitments	(3)	-	(3)	-
	<u>18</u>	<u>173</u>	<u>18</u>	<u>173</u>

26. Write-back of allowance for impairment losses on financial investments and other financial assets

	Current quarter ended 30/09/2022 RM'000	Last year quarter ended 30/09/2021 RM'000	Current year to date 30/09/2022 RM'000	Last year to date 30/09/2021 RM'000
The Group				
(a) Financial investments				
(i) Financial investments at FVOCI	4	17	4	17
(ii) Financial investments at amortised cost	-	(1)	-	(1)
	4	16	4	16
(b) Other financial assets:				
(i) Clients' and brokers' balances:				
- Expected credit losses	94	99	94	99
- Impaired clients' and brokers' balances recovered	5	-	5	-
(ii) Other assets	2	(2)	2	(2)
	<u>101</u>	<u>97</u>	<u>101</u>	<u>97</u>
	<u>105</u>	<u>113</u>	<u>105</u>	<u>113</u>

27. Commitments and contingencies

	As at 30/09/2022 Principal Amount RM'000	As at 30/06/2022 Principal Amount RM'000
The Group		
Commitments and contingent liabilities		
Direct Credit Substitutes	1,000	1,000
Obligations under underwriting agreement	-	7,140
Other commitments, such as formal standby facilities and credit lines, with an original maturity:		
- Over one year	1,000	-
Any commitments that are unconditionally cancelled at any time by the bank without prior notice		
- Maturity less than one year	880,289	919,747
	<u>882,289</u>	<u>927,887</u>
Derivative financial instruments		
Interest rate related contracts:		
- One year or less	967,393	1,019,897
- Over one year to five years	2,941,000	2,503,000
Foreign exchange related contracts		
- One year or less	1,607,006	1,516,655
Equity related contracts		
- One year or less	12,079	-
- Over one year to five years	200	200
	<u>5,527,678</u>	<u>5,039,752</u>
	<u>6,409,967</u>	<u>5,967,639</u>

The Group does not have commitments and contingent liabilities other than as disclosed above.

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	Level 1	Level 2	Level 3	Total
30.09.2022	RM'000	RM'000	RM'000	RM'000
Financial assets				
Financial assets at FVTPL	374,568	149,611	-	524,179
- Money market instruments	-	119,755	-	119,755
- Quoted securities	374,568	-	-	374,568
- Unquoted securities	-	29,856	-	29,856
Financial investments at FVOCI	-	1,326,734	-	1,326,734
- Money market instruments	-	433,596	-	433,596
- Unquoted securities	-	893,138	-	893,138
Derivative financial assets	-	61,876	-	61,876
	374,568	1,538,221	-	1,912,789

HLCB Q1 (30.09.2022)**28. Fair value of financial instruments (continued)**Determination of fair value and fair value hierarchy (continued)

The Group 30.09.2022	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial liability				
Derivative financial liabilities	-	43,023	-	43,023
30.06.2022				
Financial assets				
Financial assets at FVTPL	361,380	19,743	-	381,123
- Quoted securities	361,380	-	-	361,380
- Unquoted securities	-	19,743	-	19,743
Financial investments at FVOCI	-	1,256,640	-	1,256,640
- Money market instruments	-	433,200	-	433,200
- Unquoted securities	-	823,440	-	823,440
Derivative financial assets	-	38,393	-	38,393
	361,380	1,314,776	-	1,676,156
Financial liability				
Derivative financial liabilities	-	26,705	-	26,705
The Company				
30.09.2022				
Financial asset				
Financial assets at FVTPL				
- Quoted securities	356,633	-	-	356,633
30.06.2022				
Financial asset				
Financial assets at FVTPL				
- Quoted securities	355,215	-	-	355,215

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

29. Capital adequacy

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

	HLIB 30/09/2022	HLIB 30/06/2022
Before deducting proposed dividends:		
Common equity tier 1 ("CET1") capital ratio	35.801%	39.445%
Tier 1 capital ratio	35.801%	39.445%
Total capital ratio	46.841%	50.437%
After deducting proposed dividends: ⁽¹⁾		
CET1 capital ratio	35.801%	35.367%
Tier 1 capital ratio	35.801%	35.367%
Total capital ratio	46.841%	46.359%

Note:

⁽¹⁾ Proposed dividends of RM Nil (30.06.2022: RM38,940,000).

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

	HLIB 30/09/2022 RM'000	HLIB 30/06/2022 RM'000
CET1 capital		
Paid-up ordinary share capital	252,950	252,950
Retained profits	248,941	287,881
Other reserves	(21,379)	(19,792)
Less: goodwill and intangibles	(33,403)	(33,638)
Less: deferred tax assets	(107,200)	(110,559)
Less: investment in subsidiary companies	(200)	(200)
Total CET1 capital	339,709	376,642
Tier 1 capital		
	339,709	376,642
Tier 2 capital		
Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves ⁽²⁾	4,760	4,952
Subordinated obligations	100,000	100,000
Total Tier 2 capital	104,760	104,952
Total capital	444,469	481,594

Note:

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

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29. Capital adequacy (continued)

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

	HLIB	HLIB
	30/09/2022	30/06/2022
	RM'000	RM'000
Credit risk	380,782	396,120
Market risk	221,958	217,123
Operational risk	346,146	341,603
	<u>948,886</u>	<u>954,846</u>

30. Segmental reporting

(a) Segment information by activities for the financial period ended 30 September 2022:

The Group	Investment banking and stockbroking RM'000	Fund management and unit trust management RM'000	Investment holding and others RM'000	Elimination RM'000	Consolidated RM'000
30 September 2022					
Net income					
Net interest income	13,165	134	142	-	13,441
Non interest income	25,690	11,891	1,308	(1,379)	37,510
Total net income	<u>38,855</u>	<u>12,025</u>	<u>1,450</u>	<u>(1,379)</u>	<u>50,951</u>
Results					
Profit from operations	16,076	3,715	1,074	(62)	20,803
Taxation					(4,767)
Profit after taxation					<u>16,036</u>
30 September 2021					
Net income					
Net interest income	11,416	109	23	-	11,548
Non interest income	35,181	16,552	4,180	(64)	55,849
Total net income	<u>46,597</u>	<u>16,661</u>	<u>4,203</u>	<u>(64)</u>	<u>67,397</u>
Results					
Profit from operations	25,024	8,059	3,832	(64)	36,851
Taxation					(8,012)
Profit after taxation					<u>28,839</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 2022.

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:

On 10 November 2022, HLCB announced that the liquidator of HLG Capital Markets Sdn Bhd ("HLGCM"), a wholly-owned subsidiary of HLCB, had convened the final meeting to conclude the member's voluntary winding-up of HLGCM. The Returns by Liquidator Relating to Final Meeting of HLGCM were lodged with the Companies Commission of Malaysia and the Official Receiver on 10 November 2022 ("Lodgement Date"), and on the expiration of 3 months after the Lodgement Date, HLGCM will be dissolved.

33. Capital commitments

Capital commitments for the purchase of property and equipment as at 30 September 2022 is RM3.1 million.

34. 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.

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

1. Performance review

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

	The Group		Variance	
	Current quarter ended 30/09/2022 RM'000	Last year quarter ended 30/09/2021 RM'000	RM'000	%
Net income	50,951	67,397	(16,446)	-24.4%
Profit before tax	20,803	36,851	(16,048)	-43.5%
Profit after tax	16,036	28,839	(12,803)	-44.4%
Profit attributable to equity holders of the Company	16,036	28,839	(12,803)	-44.4%

The group recorded a 43.5% lower profit before tax ("PBT") of RM20.8 million for the 1st quarter ended 30 September 2022 as compared to RM36.9 million recorded in the previous year's corresponding quarter.

Lower PBT mainly contributed by lower non-interest income earned (-32.8%).

The performance of the respective operating business segments for the 1st quarter ended 30 September 2022 as compared to the previous year corresponding quarter is analysed as follows:-

	The Group		Variance	
	Current quarter ended 30/09/2022 RM'000	Last year quarter ended 30/09/2021 RM'000	RM'000	%
Profit before tax by segments:				
Investment banking and stockbroking	16,076	25,024	(8,948)	-35.8%
Fund management and unit trust management	3,715	8,059	(4,344)	-53.9%
Investment holding and others	1,012	3,768	(2,756)	-73.1%
	<u>20,803</u>	<u>36,851</u>	<u>(16,048)</u>	<u>-43.5%</u>

Investment banking and stockbroking - lower PBT by RM8.9 million (-35.8%) mainly due to lower profit contribution from its stockbroking division in current quarter.

Fund management and unit trust management - PBT decreased by RM4.3 million (-53.9%) mainly due to lower net contribution from management fee income.

Investment holding and others - PBT decreased by RM2.8 million (-73.1%) mainly due to higher unrealised loss on revaluation of financial assets at FVTPL.

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1. Performance review (continued)

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

	The Group		Variance	
	Current	Preceding		
	quarter ended 30/09/2022 RM'000	quarter ended 30/06/2022 RM'000	RM'000	%
Net income	50,951	46,632	4,319	9.3%
Profit before tax	20,803	12,444	8,359	67.2%
Profit after tax	16,036	8,199	7,837	95.6%
Profit attributable to equity holders of the Company	16,036	8,199	7,837	95.6%

For the financial quarter ended 30 September 2022, the Group reported a higher PBT of RM20.8 million as compared to RM12.4 million in the preceding financial quarter ended 30 June 2022. The higher PBT was mainly due to lower overhead expenses incurred (-11.8%) and higher non-interest income earned (12.1%).

The performance of the respective operating business segments for the three months ended 30 September 2022 as compared to the preceding quarter is analysed as follows:-

Profit before tax by segments:	The Group		Variance	
	Current	Preceding		
	quarter ended 30/09/2022 RM'000	quarter ended 30/06/2022 RM'000	RM'000	%
Investment banking and stockbroking	16,076	12,078	3,998	33.1%
Fund management and unit trust management	3,715	3,399	316	9.3%
Investment holding and others	1,012	(3,033)	4,045	>100.0%
	<u>20,803</u>	<u>12,444</u>	<u>8,359</u>	<u>67.2%</u>

Investment banking and stockbroking - higher PBT by RM4.0 million (33.1%) mainly due to higher profit contribution from its investment banking division.

Fund management and unit trust management - PBT increased by RM0.3 million (9.3%) mainly due to lower overhead expenses incurred in current quarter.

Investment holding and others - PBT increased by RM4.0 million (>100.0%) mainly due to lower unrealised loss on revaluation of financial assets at FVTPL.

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2. Prospects for 2023

Overall, we are cautiously optimistic for the outlook of bond market for 2H FY2023; as we expect worldwide central banks to slow down the pace of rate hike. However, we are cautious about the economic and inflationary outlook for Euro Zone due to the prevailing energy crisis. While supply chain bottleneck, one of the primary contributors of inflationary pressures, has showed sign of easing; there is no clear resolution for the Russia-Ukraine war.

After the third consecutive 25bps hike in our Overnight Policy Rate (“OPR”) (current OPR: 2.50%), BNM now has some policy flexibility for the last Monetary Policy Meeting (“MPC”) of the year scheduled in November. We expect the OPR to normalise to 3.00-3.25% by next year.

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 period ended	
	30/09/2022	30/09/2021	30/09/2022	30/09/2021
The Group	RM'000	RM'000	RM'000	RM'000
Malaysian income tax:				
- Current	271	2,021	271	2,021
- Under provision in prior years	6	-	6	-
Deferred taxation	3,859	5,991	3,859	5,991
	<u>4,136</u>	<u>8,012</u>	<u>4,136</u>	<u>8,012</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. Off-balance sheet financial instruments

Details of financial instruments with off-balance sheet risk as at 30 September 2022:

The Group	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Interest rate related contracts			
(i) Less than 1 year	967,393	4,699	(715)
(ii) 1 year to 3 years	1,768,000	18,928	(8,273)
(iii) More than 3 years	1,173,000	14,128	(9,379)
Foreign exchange related contracts			
(i) Less than 1 year	1,607,006	24,054	(24,656)
Equity related contracts			
(i) Less than 1 year	12,079	35	-
(i) More than 3 years	200	32	-
	5,527,678	61,876	(43,023)

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

Derivative financial instruments are measured at fair value and are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gain or loss arising from a change in the fair value of the derivatives is recognised in the statements of income unless they are part of a hedging relationship which qualifies for hedge accounting where the gain or loss is recognised as follows:

Fair value hedge

Where a derivative financial instrument hedges the changes in fair value of a recognised asset or liability, any gain or loss on the hedging instrument is recognised in the statements of income. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in the statements of income.

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7. Group borrowings and debt securities

The Group Unsecured	More than 1 year		Less than 1 year		Sub-total		Total RM'000
	Foreign currency RM'000	Local currency RM'000	Foreign currency RM'000	Local currency RM'000	Foreign currency RM'000	Local currency RM'000	
As at 30 September 2022							
RM100.0 million Tier 2 subordinated notes	-	99,997	-	1,263	-	101,260	101,260
As at 30 June 2022							
RM100.0 million Tier 2 subordinated notes	-	99,996	-	197	-	100,193	100,193
As at 30 September 2021							
RM100.0 million Tier 2 subordinated notes	-	99,995	-	1,263	-	101,258	101,258

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

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

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

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

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8. 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.

9. Dividends

The Board of Directors does not recommend any dividend to be paid for the financial period ended 30 September 2022.

10. Earnings per share

(a) Basic earnings per share

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

	Financial quarter ended		Financial period ended	
	30/09/2022	30/09/2021	30/09/2022	30/09/2021
The Group				
Net profit attributable to equity holders of the Company (RM'000):	16,036	28,839	16,036	28,839
Weighted average number of ordinary shares in issue ('000):	235,785	235,785	235,785	235,785
Basic earnings per share (sen)	6.8	12.2	6.8	12.2
The Company				
Net profit attributable to equity holders of the Company (RM'000):	1,052	3,750	1,052	3,750
Weighted average number of ordinary shares in issue ('000):	235,890	235,890	235,890	235,890
Basic earnings per share (sen)	0.4	1.6	0.4	1.6

(b) Fully diluted earnings per share

There is no diluted earnings per share as the Group and the Company have no category of dilutive potential ordinary shares outstanding as at 30 September 2022 and 30 September 2021.

Dated this 29 November 2022.