

HONG LEONG CAPITAL BERHAD
Registration No: 199101002695 (213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	Note	The Group		The Company	
		As at 31/12/2022 RM'000	As at 30/06/2022 RM'000	As at 31/12/2022 RM'000	As at 30/06/2022 RM'000
ASSETS					
Cash and short term funds		154,776	322,674	22,485	27,893
Deposits and placements with banks and other financial institutions		10,000	100,021	-	-
Financial assets at fair value through profit or loss ("FVTPL")	10	617,288	381,123	359,458	355,215
Financial investments at fair value through other comprehensive income ("FVOCI")	11	1,489,780	1,256,640	-	-
Financial investments at amortised cost	12	1,073,392	1,250,442	-	-
Derivative financial assets	18	44,471	38,393	-	-
Loans and advances	13	370,662	393,720	-	-
Clients' and brokers' balances	14	195,159	316,276	-	-
Other assets	15	35,026	41,077	177	333
Statutory deposits with Bank Negara Malaysia		40,000	-	-	-
Tax recoverable		31	28	-	-
Investment in subsidiary companies		-	-	246,574	246,574
Deferred tax assets		104,558	112,034	-	-
Property and equipment		7,391	9,271	-	-
Right-of-use assets ("ROU")		15,113	17,122	-	-
Goodwill		33,059	33,059	-	-
Other intangible assets		5,775	4,993	-	-
TOTAL ASSETS		4,196,481	4,276,873	628,694	630,015
LIABILITIES					
Deposits from customers	16	638,122	759,636	-	-
Deposits and placements of banks and other financial institutions	17	2,135,639	1,907,235	-	-
Derivative financial liabilities	18	40,143	26,705	-	-
Clients' and brokers' balances		234,735	306,901	-	-
Lease liabilities		14,665	16,548	-	-
Other liabilities	19	98,261	212,361	448	1,106
Current tax liabilities		566	2,301	24	220
Subordinated obligations	20	100,206	100,193	-	-
TOTAL LIABILITIES		3,262,337	3,331,880	472	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

HONG LEONG CAPITAL BERHAD
Registration No: 199101002695 (213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	Note	The Group		The Company	
		As at	As at	As at	As at
		31/12/2022	30/06/2022	31/12/2022	30/06/2022
		RM'000	RM'000	RM'000	RM'000
EQUITY					
Share capital		246,896	246,896	246,896	246,896
Reserves		718,405	729,254	412,370	412,837
Treasury shares for ESOS		(31,157)	(31,157)	(31,044)	(31,044)
TOTAL EQUITY		934,144	944,993	628,222	628,689
TOTAL LIABILITIES AND EQUITY		4,196,481	4,276,873	628,694	630,015
COMMITMENTS AND CONTINGENCIES					
	27	6,534,681	5,967,639	-	-
Net assets per share attributable to ordinary equity holder of the Company (RM)					
		3.96	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 31 DECEMBER 2022

	Current quarter ended 31/12/2022	Last year quarter ended 31/12/2021	Current year to date 31/12/2022	Last year to date 31/12/2021
Note	RM'000	RM'000	RM'000	RM'000
The Group				
Interest income	21a	32,617	27,683	62,659
Interest income for financial assets at FVTPL	21b	5,160	6,511	10,306
Interest expense	22	(24,390)	(22,067)	(46,137)
Net interest income		13,387	12,127	26,828
Non-interest income	23	36,193	42,807	73,703
Net income		49,580	54,934	100,531
Overhead expenses	24	(33,951)	(33,706)	(64,222)
Operating profit before allowances		15,629	21,228	36,309
Write-back of allowance for impairment losses on loans and advances	25	32	29	50
(Allowance for)/write-back of impairment losses on financial investments and other financial assets	26	(352)	84	(247)
Profit before taxation		15,309	21,341	36,112
Taxation		(2,703)	(5,900)	(7,470)
Net profit for the financial period		12,606	15,441	28,642
Earnings per share (sen)				
- Basic		5.3	6.5	12.1
- Diluted		5.3	6.5	12.1

The unaudited condensed financial statements should be read in conjunction with the audited financial statements of the Group and the Company for the financial year ended 30 June 2022

HONG LEONG CAPITAL BERHAD
Registration No: 199101002695 (213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022

	Current quarter ended 31/12/2022 RM'000	Last year quarter ended 31/12/2021 RM'000	Current year to date 31/12/2022 RM'000	Last year to date 31/12/2021 RM'000
The Group				
Net profit for the financial period	12,606	15,441	28,642	44,280
Other comprehensive income/(expense):				
Items that will be reclassified subsequently to income statements				
Debt instruments at FVOCI				
- Net fair value changes	9,082	(6,779)	6,999	(16,433)
- Net changes in expected credit losses	(7)	(7)	(11)	(24)
Income tax relating to net fair value changes on financial investments at FVOCI	(2,180)	1,627	(1,680)	3,944
Other comprehensive income/(expense) for the financial period, net of tax	6,895	(5,159)	5,308	(12,513)
Total comprehensive income for the financial period, net of tax	19,501	10,282	33,950	31,767

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 31 DECEMBER 2022

	Current quarter ended 31/12/2022	Last year quarter ended 31/12/2021	Current year to date 31/12/2022	Last year to date 31/12/2021
Note	RM'000	RM'000	RM'000	RM'000
The Company				
Interest income	21a 146	15	269	17
Interest expense	22 -	-	-	-
Net interest income	146	15	269	17
Non-interest income	23 43,791	156,097	45,087	160,241
Net income	43,937	156,112	45,356	160,258
Overhead expenses	24 (528)	(338)	(872)	(667)
Profit before taxation	43,409	155,774	44,484	159,591
Taxation	(109)	(548)	(132)	(615)
Net profit/total comprehensive income for the financial period	43,300	155,226	44,352	158,976
Earnings per share (sen)				
- Basic	18.4	65.8	18.8	67.4
- Diluted	18.4	65.8	18.8	67.4

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 31 DECEMBER 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	-	-	-	-	28,642	28,642
Other comprehensive income, net of tax	-	-	-	5,308	-	5,308
Total comprehensive income	-	-	-	5,308	28,642	33,950
Transfer to regulatory reserve	-	-	1,662	-	(1,662)	-
Dividend paid	-	-	-	-	(44,799)	(44,799)
At 31 December 2022	246,896	(31,157)	13,810	(14,484)	719,079	934,144
At 1 July 2021	246,896	(31,157)	13,149	3,364	724,739	956,991
Net profit for the financial period	-	-	-	-	44,280	44,280
Other comprehensive expense, net of tax	-	-	-	(12,513)	-	(12,513)
Total comprehensive (expense)/income	-	-	-	(12,513)	44,280	31,767
Transfer to regulatory reserve	-	-	1,073	-	(1,073)	-
Dividend paid	-	-	-	-	(61,305)	(61,305)
At 31 December 2021	246,896	(31,157)	14,222	(9,149)	706,641	927,453

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 31 DECEMBER 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	-	-	44,352	44,352
Total comprehensive income	-	-	44,352	44,352
Dividend paid	-	-	(44,819)	(44,819)
At 31 December 2022	246,896	(31,044)	412,370	628,222
At 1 July 2021	246,896	(31,044)	299,389	515,241
Net profit for the financial period	-	-	158,976	158,976
Total comprehensive income	-	-	158,976	158,976
Dividend payable	-	-	(61,332)	(61,332)
At 31 December 2021	246,896	(31,044)	397,033	612,885

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 31 DECEMBER 2022

	The Group	
	31/12/2022	31/12/2021
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
Profit before taxation	36,112	58,192
<u>Adjustments for non-cash items:</u>		
- Depreciation of property and equipment	2,282	1,863
- Amortisation of intangible assets	1,078	869
- Depreciation of ROU assets	1,983	1,987
- Gain on disposal of property and equipment	(3)	-
- Write-back of allowance for impairment losses on loans and advances	(50)	(202)
- Allowance for/(write-back of) allowance for impairment losses on financial investments and other financial assets	279	(197)
- Net unrealised (gain)/loss on revaluation of:		
- Financial assets at FVTPL	(2,837)	2,649
- Derivative financial instruments	8,565	(4,706)
- Net unrealised loss on fair value changes arising from fair value hedges	358	1,150
- Interest income from:		
- Financial assets at FVTPL	(10,306)	(13,616)
- Financial investments at FVOCI	(22,220)	(20,757)
- Financial investments at amortised cost	(16,635)	(16,850)
- Interest expense from:		
- Derivative financial instruments	5,627	17,553
- Subordinated obligations	2,134	2,133
- Lease liabilities	371	416
- Dividend income from:		
- Financial assets at FVTPL	(5,953)	(3,704)
	(35,327)	(31,412)
Operating profit before changes in working capital	785	26,780
Changes in working capital:		
with original maturity of more than three months	(10,000)	-
- Financial assets at FVTPL	(229,891)	148,358
- Derivative financial instruments	3	-
- Loans and advances	23,110	(71,468)
- Clients' and brokers' balances	121,275	(38,811)
- Other assets	5,602	(1,600)
- Statutory deposits with Bank Negara Malaysia	(40,000)	-
Net changes in operating assets	(129,901)	36,479
- Deposits from customers	(121,514)	28,227
- Deposits and placements of banks and other financial institutions	228,404	21,460
- Clients' and brokers' balances	(72,166)	171,829
- Other liabilities	(114,050)	(32,651)
Net changes in operating liabilities	(79,326)	291,087
Cash (used in)/generated from operating activities	(208,442)	354,346

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 31 DECEMBER 2022

	The Group	
	31/12/2022	31/12/2021
	RM'000	RM'000
Cash (used in)/generated from operating activities	(208,442)	354,346
Net income tax paid	(3,411)	(3,740)
Net cash (used in)/generated from operating activities	(211,853)	350,606
<u>Cash flows from investing activities</u>		
Net purchases of financial investments at FVOCI	(222,222)	(165,977)
Net proceeds/(purchases) of financial investments at amortised cost	162,017	(65,978)
Dividend received from:		
- Financial assets at FVTPL	5,953	3,704
Interest received from financial assets at FVTPL, financial investments at FVOCI, financial investments at amortised cost and derivatives	56,613	59,674
Interest expenses paid on derivative financial instruments	(6,968)	(18,940)
Proceeds from disposal of property and equipment	3	-
Purchase of property and equipment	(402)	(1,638)
Purchase of intangible assets	(1,860)	(2,353)
Net cash used in investing activities	(6,866)	(191,508)
<u>Cash flows from financing activities</u>		
Interest paid on subordinated obligations	(2,121)	(2,121)
Lease payment	(2,280)	(3,353)
Dividend paid	(44,799)	(61,305)
Net cash used in financing activities	(49,200)	(66,779)
Net changes in cash and cash equivalents during the financial period	(267,919)	92,319
Cash and cash equivalents at beginning of the financial period	422,695	201,172
Cash and cash equivalents at end of the financial period	154,776	293,491
Cash and cash equivalents comprise:		
Cash and short term funds	154,776	293,491
Deposits and placements with banks and other financial institutions	10,000	-
	164,776	293,491
Less:		
Deposits and placements with banks and other financial institutions with original maturity of more than three months	(10,000)	-
	154,776	293,491

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 31 DECEMBER 2022

	The Company	
	31/12/2022	31/12/2021
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
Profit before taxation	44,484	159,591
<u>Adjustments for non-cash items:</u>		
- Net unrealised (gain)/loss on revaluation of financial assets at FVTPL	(1,184)	2,066
- Dividend income from:		
- Financial assets at FVTPL	(4,668)	(2,993)
- Subsidiary companies	(38,940)	(156,750)
	(44,792)	(157,677)
Operating (loss)/gain before changes in working capital	(308)	1,914
Increase in financial assets at FVTPL	(3,059)	(96,885)
Decrease/(Increase) in other assets	156	(301)
Decrease in other liabilities	(658)	(1,120)
Cash used in operating activities	(3,869)	(96,392)
Net income tax paid	(328)	(436)
Net cash used in operating activities	(4,197)	(96,828)
<u>Cash flows from investing activities</u>		
Dividend received from:		
- Financial assets at FVTPL	4,668	2,993
- Subsidiary companies	38,940	156,750
Net cash generated from investing activities	43,608	159,743
<u>Cash flows from financing activities</u>		
Dividend paid	(44,819)	(61,332)
Net cash used in financing activities	(44,819)	(61,332)
Net changes in cash and cash equivalents during the financial period	(5,408)	1,583
Cash and cash equivalents at beginning of the financial period	27,893	1,160
Cash and cash equivalents at end of the financial period	22,485	2,743
Cash and cash equivalents comprise:		
Cash and short term funds	22,485	2,743

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 31 DECEMBER 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 31 December 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 31 December 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 31 December 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 31 December 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 31 December 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 31 December 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 31 December 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.

HLCB Q2 (31.12.2022)

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

	The Group		The Company	
	As at 31/12/2022 RM'000	As at 30/06/2022 RM'000	As at 31/12/2022 RM'000	As at 30/06/2022 RM'000
Money market instruments				
Malaysian Government Investment Issues	203,005	-	-	-
Quoted securities				
In Malaysia:				
Shares	96,111	54,104	51,574	48,139
Unit trust investment	308,085	307,276	307,884	307,076
	<u>404,196</u>	<u>361,380</u>	<u>359,458</u>	<u>355,215</u>
Unquoted securities				
Corporate bond and/or sukuk	10,087	19,743	-	-
	<u>617,288</u>	<u>381,123</u>	<u>359,458</u>	<u>355,215</u>

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

	The Group	
	As at 31/12/2022 RM'000	As at 30/06/2022 RM'000
Money market instruments		
Malaysian Government Securities	212,703	120,972
Malaysian Government Investment Issues	242,116	242,625
Cagamas bonds	84,848	69,603
	<u>539,667</u>	<u>433,200</u>
Unquoted securities		
Foreign currency bonds	68,371	70,227
Corporate bond and/or sukuk	881,742	753,213
	<u>950,113</u>	<u>823,440</u>
	<u>1,489,780</u>	<u>1,256,640</u>

HLCB Q2 (31.12.2022)

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	2	-	-	2
Amount written back	(13)	-	-	(13)
New financial assets originated or purchased	6	-	-	6
Financial assets derecognised	(6)	-	-	(6)
At 31 December 2022	<u>147</u>	<u>-</u>	<u>-</u>	<u>147</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 31/12/2022 RM'000	As at 30/06/2022 RM'000
Money market instruments		
Malaysian Government Securities	634,561	626,305
Malaysian Government Investment Issues	399,562	585,104
	<u>1,034,123</u>	<u>1,211,409</u>
Unquoted securities		
Corporate bond and/or sukuk	39,269	39,033
Less: Expected credit losses	-	-
	<u>1,073,392</u>	<u>1,250,442</u>

HLCB Q2 (31.12.2022)

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 31/12/2022 RM'000	As at 30/06/2022 RM'000
Term loan financing	62,500	64,536
Share margin financing	308,306	329,373
Staff loans	26	30
Other loans	125	128
Gross loans and advances	370,957	394,067
Less: Expected credit losses	(295)	(347)
Net loans and advances	370,662	393,720
a. <u>By type of customer</u>		
Domestic non-bank financial institutions		
- Others	29,031	30,060
Domestic business enterprises		
- Small and medium enterprises	53,984	60,626
- Others	78,984	77,956
Individuals	205,872	222,711
Foreign entities	3,086	2,714
Gross loans and advances	370,957	394,067
b. <u>By interest rate sensitivity</u>		
Fixed rate		
- Staff housing loans	26	30
- Other fixed rate loan	125	128
Variable rate		
- Cost plus	370,806	393,909
Gross loans and advances	370,957	394,067

13. Loans and advances (continued)

	The Group	
	As at 31/12/2022 RM'000	As at 30/06/2022 RM'000
c. <u>By residual contractual maturity</u>		
Maturity within one year	331,453	303,766
More than one year to three years	34,134	36,289
More than three years to five years	5,071	-
More than five years	299	54,012
Gross loans and advances	370,957	394,067
d. <u>By geographical distribution</u>		
Malaysia	370,957	394,067
e. <u>By economic purpose</u>		
Purchase of securities	313,518	335,572
Working capital	28,258	28,277
Purchase of landed properties	150	158
Others	29,031	30,060
Gross loans and advances	370,957	394,067
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	3	12
Amount written-back during the financial period/year	(6)	(87)
Amount written-off during the financial period/year	-	(62)
At 31 December/30 June	125	128
(ii) <u>By geographical distribution</u>		
Malaysia	125	128
(iii) <u>By economic purpose</u>		
Purchase of landed properties	125	128

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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	17	(17)	-	-
Transferred to Stage 2	(13)	13	-	-
New financial assets originated	4	-	-	4
Financial assets derecognised	(3)	-	-	(3)
Allowance made	22	3	-	25
Allowance written-back	(67)	(11)	-	(78)
At 31 December 2022	270	25	-	295
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	310	37	-	347

14. Clients' and brokers' balances

	The Group	
	As at 31/12/2022 RM'000	As at 30/06/2022 RM'000
Performing accounts	194,788	314,413
Impaired accounts	1,210	2,861
	195,998	317,274
Less: Expected credit losses	(839)	(998)
	195,159	316,276

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15. Other assets

	The Group		The Company	
	As at 31/12/2022 RM'000	As at 30/06/2022 RM'000	As at 31/12/2022 RM'000	As at 30/06/2022 RM'000
Amount due from related companies	-	117	-	114
Deposits and prepayments	9,086	9,560	5	27
Fee income receivable	6,276	10,930	-	-
Cash collaterals pledged for derivative transactions	9,734	10,120	-	-
Other receivables	12,196	12,045	172	192
Manager's stocks and consumables	151	275	-	-
	37,443	43,047	177	333
Less: Expected credit losses	(2,417)	(1,970)	-	-
	35,026	41,077	177	333

16. Deposits from customers

	The Group	
	As at 31/12/2022 RM'000	As at 30/06/2022 RM'000
a. <u>By type of deposits</u>		
Fixed deposits	638,122	759,636
b. <u>By type of customer</u>		
Government and statutory bodies	508,225	553,869
Business enterprises	114,165	192,248
Individuals	15,732	13,519
	638,122	759,636
c. The maturity structure of fixed deposits are as follows:		
Due within:		
- six months	636,884	758,405
- six months to one year	1,238	1,231
	638,122	759,636

17. Deposits and placements of banks and other financial institutions

	The Group	
	As at 31/12/2022 RM'000	As at 30/06/2022 RM'000
Licensed banks	484,343	264,951
Licensed investment banks	22,042	22,067
Other financial institutions	1,629,254	1,620,217
	2,135,639	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
31/12/2022			
Derivatives at FVTPL:			
(i) Interest rate related contracts:			
- Interest rate swaps	3,872,000	30,456	(15,508)
- Futures	132,030	57	-
(ii) Foreign exchange related contracts:			
- Foreign currency swaps	1,550,755	13,575	(23,026)
- Foreign currency forwards	30,064	32	(1,608)
- Foreign currency spot	107	-	(1)
(iii) Equity related contracts:			
- Futures	37,978	305	-
- Call option	200	46	-
	5,623,134	44,471	(40,143)
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)
	5,039,752	38,393	(26,705)

19. Other liabilities

	The Group		The Company	
	As at 31/12/2022 RM'000	As at 30/06/2022 RM'000	As at 31/12/2022 RM'000	As at 30/06/2022 RM'000
Amount due to holding company	119	122	11	13
Amount due to related companies	1,028	660	52	-
Remisiers' trust deposits	14,191	14,605	-	-
Treasury related payables	10,251	20,317	-	-
Advance payments received for corporate exercise	7,964	65,383	-	-
Other payables and accrued liabilities	64,485	111,053	385	1,093
Post employment benefits obligation				
- defined contribution plan	221	221	-	-
Expected credit losses - loans & advances commitments	2	-	-	-
	98,261	212,361	448	1,106

20. Subordinated obligations

	The Group	
	As at 31/12/2022 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	209	197
	100,209	100,197
Less: Unamortised discounts	(3)	(4)
	100,206	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 31/12/2022 RM'000	Last year quarter ended 31/12/2021 RM'000	Current year to date 31/12/2022 RM'000	Last year to date 31/12/2021 RM'000
The Group				
Loan and advances	4,727	4,203	9,347	8,010
Money at call and deposits placements with banks and other financial institutions	650	314	2,156	685
Financial investments at FVOCI	12,005	10,652	22,220	20,757
Financial investments at amortised cost	8,176	8,566	16,635	16,850
Others	7,059	3,948	12,301	8,240
Total interest income	<u>32,617</u>	<u>27,683</u>	<u>62,659</u>	<u>54,542</u>
The Company				
Money at call and deposits placements with banks and other financial institutions	<u>146</u>	<u>15</u>	<u>269</u>	<u>17</u>

21b. Interest income for financial assets at FVTPL

	Current quarter ended 31/12/2022 RM'000	Last year quarter ended 31/12/2021 RM'000	Current year to date 31/12/2022 RM'000	Last year to date 31/12/2021 RM'000
The Group				
Financial assets at FVTPL	<u>5,160</u>	<u>6,511</u>	<u>10,306</u>	<u>13,616</u>

22. Interest expense

	Current quarter ended 31/12/2022 RM'000	Last year quarter ended 31/12/2021 RM'000	Current year to date 31/12/2022 RM'000	Last year to date 31/12/2021 RM'000
The Group				
Deposits and placements of banks and other financial institutions	4,894	1,108	8,198	2,454
Deposits from customers	16,073	11,712	29,579	21,839
Derivative financial instruments	2,040	7,904	5,627	17,553
Subordinated obligations	1,067	1,067	2,134	2,133
Lease liabilities	180	203	371	416
Others	136	73	228	88
Total interest expense	<u>24,390</u>	<u>22,067</u>	<u>46,137</u>	<u>44,483</u>

23. Non-interest income

	Current quarter ended 31/12/2022 RM'000	Last year quarter ended 31/12/2021 RM'000	Current year to date 31/12/2022 RM'000	Last year to date 31/12/2021 RM'000
The Group				
(a) Fee income:				
Fee on loans and advances	9	43	10	82
Arranger fees	351	230	366	763
Placement fees	3,589	(701)	7,151	3,484
Corporate advisory fees	2,010	1,625	3,460	3,075
Underwriting Commission	-	-	366	-
Brokerage commissions	11,215	17,395	20,787	38,549
Commission from futures contracts	203	165	436	351
Unit trust fee income	11,333	16,173	23,025	32,717
Other fee income	705	2,036	3,836	2,697
	<u>29,415</u>	<u>36,966</u>	<u>59,437</u>	<u>81,718</u>
(b) Net income from securities:				
Net realised (loss)/gain arising from sale of:				
- Financial assets at FVTPL	(1,339)	(402)	(4,146)	(2,438)
- Financial investments at FVOCI	844	249	450	2,220
- Derivative financial instruments	9,986	4,235	20,572	14,391
Net unrealised gain/(loss) on revaluation of:				
- Financial assets at FVTPL	5,047	(3,587)	2,837	(2,649)
- Derivative financial instruments	(15,220)	2,464	(8,565)	4,706
Dividend income from:				
- Financial assets at FVTPL	2,550	1,343	5,953	3,704
Net unrealised gain/(loss) on fair value changes arising from fair value hedges	140	(687)	(358)	(1,150)
	<u>2,008</u>	<u>3,615</u>	<u>16,743</u>	<u>18,784</u>
(c) Other income				
Gain on disposal of property and equipment	-	-	3	-
Foreign exchange gain/(loss)	4,714	2,005	(2,583)	(2,260)
Other non-operating income	56	221	103	414
	<u>4,770</u>	<u>2,226</u>	<u>(2,477)</u>	<u>(1,846)</u>
Total non-interest income	<u>36,193</u>	<u>42,807</u>	<u>73,703</u>	<u>98,656</u>
The Company				
(a) Net income from securities:				
Net realised gain arising from sale of:				
- Financial assets at FVTPL	391	2,063	295	2,193
Net unrealised gain/(loss) on revaluation of:				
- Financial assets at FVTPL	2,072	(4,212)	1,184	(2,066)
Dividend income from:				
- Financial assets at FVTPL	2,388	1,301	4,668	2,993
- Subsidiary companies	38,940	156,750	38,940	156,750
	<u>43,791</u>	<u>155,902</u>	<u>45,087</u>	<u>159,870</u>
(b) Other income				
Other income	-	195	-	371
Total non-interest income	<u>43,791</u>	<u>156,097</u>	<u>45,087</u>	<u>160,241</u>

24. Overhead expenses

	Current quarter ended 31/12/2022 RM'000	Last year quarter ended 31/12/2021 RM'000	Current year to date 31/12/2022 RM'000	Last year to date 31/12/2021 RM'000
The Group				
Personnel costs				
- Salaries, bonuses and allowances	17,951	19,309	34,053	35,874
- Others	4,229	3,312	7,491	6,590
	22,180	22,621	41,544	42,464
Establishment costs				
- Depreciation of property and equipment	1,145	950	2,282	1,863
- Amortisation of intangible assets	564	455	1,078	869
- Depreciation of ROU assets	992	993	1,983	1,987
- Rental of premises	17	55	37	101
- Information technology expenses	2,925	2,390	5,662	4,689
- Others	587	889	1,269	1,625
	6,230	5,732	12,311	11,134
Marketing expenses				
- Advertisement and publicity	151	212	346	220
- Entertainment and business improvement	323	147	457	472
- Others	163	24	256	32
	637	383	1,059	724
Administration and general expenses				
- Management fees	1,069	1,366	2,108	2,911
- Communication expenses	222	301	382	582
- Auditors' remuneration				
- Statutory audit	105	111	205	254
- Regulatory related fee	2	2	5	5
- Legal and professional fees	441	89	589	709
- Others	3,065	3,101	6,019	5,755
	4,904	4,970	9,308	10,216
Total overhead expenses	33,951	33,706	64,222	64,538
The Company				
Personnel costs				
- Salaries, bonuses and allowances	-	-	-	-
- Others	63	53	120	105
	63	53	120	105
Establishment costs				
- Information technology expenses	1	1	1	1
- Others	13	13	27	24
	14	14	28	25

24. Overhead expenses (continued)

	Current quarter ended 31/12/2022 RM'000	Last year quarter ended 31/12/2021 RM'000	Current year to date 31/12/2022 RM'000	Last year to date 31/12/2021 RM'000
The Company (continued)				
Administration and general expenses				
- Management fees	169	7	238	110
- Communication expenses	20	24	20	24
- Auditors' remuneration				
- Statutory audit	19	19	39	39
- Regulatory related fee	2	2	5	5
- Legal and professional fees	19	21	33	21
- Others	222	198	389	338
	<u>451</u>	<u>271</u>	<u>724</u>	<u>537</u>
Total overhead expenses	<u>528</u>	<u>338</u>	<u>872</u>	<u>667</u>

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

	Current quarter ended 31/12/2022 RM'000	Last year quarter ended 31/12/2021 RM'000	Current year to date 31/12/2022 RM'000	Last year to date 31/12/2021 RM'000
The Group				
Expected credit losses				
- Loans and advances	31	29	52	202
- Loans and advances commitments	1	-	(2)	-
	<u>32</u>	<u>29</u>	<u>50</u>	<u>202</u>

26. (Allowance for)/write-back of impairment losses on financial investments and other financial assets

	Current quarter ended 31/12/2022 RM'000	Last year quarter ended 31/12/2021 RM'000	Current year to date 31/12/2022 RM'000	Last year to date 31/12/2021 RM'000
The Group				
(a) Financial investments				
(i) Financial investments at FVOCI	7	7	11	24
(ii) Financial investments at amortised cost	-	13	-	12
	<u>7</u>	<u>20</u>	<u>11</u>	<u>36</u>
(b) Other financial assets:				
(i) Clients' and brokers' balances:				
- Expected credit losses	64	39	158	138
- Impaired clients' and brokers' balances recovered	27	-	32	-
(ii) Other assets	(450)	25	(448)	23
	<u>(359)</u>	<u>64</u>	<u>(258)</u>	<u>161</u>
	<u>(352)</u>	<u>84</u>	<u>(247)</u>	<u>197</u>

27. Commitments and contingencies

	As at 31/12/2022 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	909,547	919,747
	<u>911,547</u>	<u>927,887</u>
Derivative financial instruments		
Interest rate related contracts:		
- One year or less	1,110,030	1,019,897
- Over one year to five years	2,894,000	2,503,000
Foreign exchange related contracts		
- One year or less	1,580,926	1,516,655
Equity related contracts		
- One year or less	37,978	-
- Over one year to five years	200	200
	<u>5,623,134</u>	<u>5,039,752</u>
	<u>6,534,681</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
31.12.2022	RM'000	RM'000	RM'000	RM'000
Financial assets				
Financial assets at FVTPL	404,196	213,092	-	617,288
- Money market instruments	-	203,005	-	203,005
- Quoted securities	404,196	-	-	404,196
- Unquoted securities	-	10,087	-	10,087
Financial investments at FVOCI	-	1,489,780	-	1,489,780
- Money market instruments	-	539,667	-	539,667
- Unquoted securities	-	950,113	-	950,113
Derivative financial assets	-	44,471	-	44,471
	404,196	1,747,343	-	2,151,539

HLCB Q2 (31.12.2022)**28. Fair value of financial instruments (continued)**Determination of fair value and fair value hierarchy (continued)

The Group 31.12.2022	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial liability				
Derivative financial liabilities	-	40,143	-	40,143
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				
31.12.2022				
Financial asset				
Financial assets at FVTPL				
- Quoted securities	359,458	-	-	359,458
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 31/12/2022	HLIB 30/06/2022
Before deducting proposed dividends:		
Common equity tier 1 ("CET1") capital ratio	39.346%	39.445%
Tier 1 capital ratio	39.346%	39.445%
Total capital ratio	51.105%	50.437%
After deducting proposed dividends: ⁽¹⁾		
CET1 capital ratio	39.346%	35.367%
Tier 1 capital ratio	39.346%	35.367%
Total capital ratio	51.105%	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 31/12/2022 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	(14,484)	(19,792)
Less: goodwill and intangibles	(34,565)	(33,638)
Less: deferred tax assets	(103,083)	(110,559)
Less: investment in subsidiary companies	(200)	(200)
Total CET1 capital	349,559	376,642
Tier 1 capital		
	349,559	376,642
Tier 2 capital		
Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves ⁽²⁾	4,461	4,952
Subordinated obligations	100,000	100,000
Total Tier 2 capital	104,461	104,952
Total capital	454,020	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
	31/12/2022	30/06/2022
	RM'000	RM'000
Credit risk	356,875	396,120
Market risk	185,155	217,123
Operational risk	346,384	341,603
	<u>888,414</u>	<u>954,846</u>

30. Segmental reporting

(a) Segment information by activities for the financial period ended 31 December 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
31 December 2022					
Net income					
Net interest income	26,231	276	321	-	26,828
Non interest income	46,896	23,423	45,148	(41,764)	73,703
Total net income	<u>73,127</u>	<u>23,699</u>	<u>45,469</u>	<u>(41,764)</u>	<u>100,531</u>
Results					
Profit from operations	24,151	6,465	44,527	(39,031)	36,112
Taxation					(7,470)
Profit after taxation					<u>28,642</u>
31 December 2021					
Net income					
Net interest income	23,350	266	59	-	23,675
Non interest income	62,482	32,743	160,337	(156,906)	98,656
Total net income	<u>85,832</u>	<u>33,009</u>	<u>160,396</u>	<u>(156,906)</u>	<u>122,331</u>
Results					
Profit from operations	39,866	15,586	159,646	(156,906)	58,192
Taxation					(13,912)
Profit after taxation					<u>44,280</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.

HLGCM was dissolved on 10 February 2023.

33. Capital commitments

Capital commitments for the purchase of property and equipment as at 31 December 2022 is RM1.9 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 31/12/2022 RM'000	Last year quarter ended 31/12/2021 RM'000	RM'000	%
Net income	49,580	54,934	(5,354)	-9.7%
Profit before tax	15,309	21,341	(6,032)	-28.3%
Profit after tax	12,606	15,441	(2,835)	-18.4%
Profit attributable to equity holders of the Company	12,606	15,441	(2,835)	-18.4%

The group recorded a 28.3% lower profit before tax ("PBT") of RM15.3 million for the 2nd quarter ended 31 December 2022 as compared to RM21.3 million recorded in the previous year's corresponding quarter.

Lower PBT mainly contributed by lower non-interest income earned (-15.5%).

The performance of the respective operating business segments for the 2nd quarter ended 31 December 2022 as compared to the previous year corresponding quarter is analysed as follows:-

	The Group		Variance	
	Current quarter ended 31/12/2022 RM'000	Last year quarter ended 31/12/2021 RM'000	RM'000	%
Profit before tax by segments:				
Investment banking and stockbroking	8,075	14,842	(6,767)	-45.6%
Fund management and unit trust management	2,750	7,527	(4,777)	-63.5%
Investment holding and others	4,484	(1,028)	5,512	>100.0%
	<u>15,309</u>	<u>21,341</u>	<u>(6,032)</u>	<u>-28.3%</u>

Investment banking and stockbroking - lower PBT by RM6.8 million (-45.6%) mainly due to lower profit contribution from both its investment banking division and stockbroking division in current quarter.

Fund management and unit trust management - PBT decreased by RM4.8 million (-63.5%) mainly due to lower net contribution from management fee income.

Investment holding and others - PBT increased by RM5.5 million (>100.0%) mainly due to higher unrealised gain 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	
	Current year to date 31/12/2022 RM'000	Last year to date 31/12/2021 RM'000	RM'000	%
Net income	100,531	122,331	(21,800)	-17.8%
Profit before tax	36,112	58,192	(22,080)	-37.9%
Profit after tax	28,642	44,280	(15,638)	-35.3%
Profit attributable to equity holders of the Company	28,642	44,280	(15,638)	-35.3%

The group recorded a lower PBT of RM36.1 million for the financial period ended 31 December 2022 as compared to RM58.2 million recorded in the previous financial period.

Lower PBT mainly due to lower non-interest income earned (-25.3%).

The performance of the respective operating business segments for the six months ended 31 December 2022 as compared to the previous financial period is analysed as follows:-

	The Group		Variance	
	Current year to date 31/12/2022 RM'000	Last year to date 31/12/2021 RM'000	RM'000	%
Profit before tax by segments:				
Investment banking and stockbroking	24,151	39,866	(15,715)	-39.4%
Fund management and unit trust management	6,465	15,586	(9,121)	-58.5%
Investment holding and others	5,496	2,740	2,756	>100.0%
	<u>36,112</u>	<u>58,192</u>	<u>(22,080)</u>	<u>-37.9%</u>

Investment banking and stockbroking - Lower PBT by RM15.7 million (-39.4%) mainly attributed to lower profit contribution from both its stockbroking division and investment banking division.

Fund management and unit trust management - PBT decreased by RM9.1 million (-58.5%) mainly due to lower net contribution from management fee income.

Investment holding and others - PBT increased by RM2.8 million (>100.0%) mainly due to unrealised gain 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	Preceding	RM'000	%
	quarter ended	quarter ended		
	31/12/2022	30/09/2022		
	RM'000	RM'000		
Net income	49,580	50,951	(1,371)	-2.7%
Profit before tax	15,309	20,803	(5,494)	-26.4%
Profit after tax	12,606	16,036	(3,430)	-21.4%
Profit attributable to equity holders of the Company	12,606	16,036	(3,430)	-21.4%

For the financial quarter ended 31 December 2022, the Group reported a lower PBT of RM15.3 million as compared to RM20.8 million in the preceding financial quarter ended 30 September 2022. The lower PBT was mainly due to higher overhead expenses incurred (12.2%).

The performance of the respective operating business segments for the three months ended 31 December 2022 as compared to the preceding quarter is analysed as follows:-

Profit before tax by segments:	The Group		Variance	
	Current	Preceding	RM'000	%
	quarter ended	quarter ended		
	31/12/2022	30/09/2022		
	RM'000	RM'000		
Investment banking and stockbroking	8,075	16,076	(8,001)	-49.8%
Fund management and unit trust management	2,750	3,715	(965)	-26.0%
Investment holding and others	4,484	1,012	3,472	>100.0%
	<u>15,309</u>	<u>20,803</u>	<u>(5,494)</u>	<u>-26.4%</u>

Investment banking and stockbroking - lower PBT by RM8.0 million (-49.8%) mainly due to lower profit contribution from its investment banking division.

Fund management and unit trust management - PBT decreased by RM1.0 million (-26.0%) mainly due to higher overhead expenses incurred in current quarter.

Investment holding and others - PBT increased by RM3.5 million (>100.0%) mainly due to unrealised gain on revaluation of financial assets at FVTPL.

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2. Prospects for 2023

Moving into 2023, the outlook for global economy remains challenging with an increased concern on global recession attributable to the aggressive rates hike led by the US in year 2022 and followed by other nations worldwide to curb inflation. The reopening of China's border is expected to cushion some of these impact with the actual outcome remains to be seen.

Notwithstanding this backdrop, the Malaysian economy is still expected to show growth which is supported by the strong domestic demand boosted by the various recovery plans and measures implemented by the Government post the Covid pandemic.

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	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
The Group	RM'000	RM'000	RM'000	RM'000
Malaysian income tax:				
- Current	766	2,352	1,668	4,373
- Under provision in prior years	-	-	6	-
Deferred taxation	1,937	3,548	5,796	9,539
	<u>2,703</u>	<u>5,900</u>	<u>7,470</u>	<u>13,912</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 31 December 2022:

The Group	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Interest rate related contracts			
(i) Less than 1 year	1,110,030	4,073	(2,024)
(ii) 1 year to 3 years	1,490,000	15,060	(5,162)
(iii) More than 3 years	1,404,000	11,380	(8,322)
Foreign exchange related contracts			
(i) Less than 1 year	1,580,926	13,607	(24,635)
Equity related contracts			
(i) Less than 1 year	37,978	305	-
(ii) 1 year to 3 years	200	46	-
	5,623,134	44,471	(40,143)

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 31 December 2022							
RM100.0 million Tier 2 subordinated notes	-	99,997	-	209	-	100,206	100,206
As at 30 June 2022							
RM100.0 million Tier 2 subordinated notes	-	99,996	-	197	-	100,193	100,193
As at 31 December 2021							
RM100.0 million Tier 2 subordinated notes	-	99,995	-	209	-	100,204	100,204

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 31 December 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	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
The Group				
Net profit attributable to equity holders of the Company (RM'000):	12,606	15,441	28,642	44,280
Weighted average number of ordinary shares in issue ('000):	235,785	235,785	235,785	235,785
Basic earnings per share (sen)	5.3	6.5	12.1	18.8
The Company				
Net profit attributable to equity holders of the Company (RM'000):	43,300	155,226	44,352	158,976
Weighted average number of ordinary shares in issue ('000):	235,890	235,890	235,890	235,890
Basic earnings per share (sen)	18.4	65.8	18.8	67.4

(b) Fully diluted earnings per share

There is no diluted earnings per share as the Group and the Company have no category of dilutive potential ordinary shares outstanding as at 31 December 2022 and 31 December 2021.

Dated this 28 February 2023.