

HONG LEONG CAPITAL BERHAD
Registration No: 199101002695 (213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

	Note	The Group		The Company	
		As at 31.12.2023 RM'000	As at 30.06.2023 RM'000	As at 31.12.2023 RM'000	As at 30.06.2023 RM'000
ASSETS					
Cash and short term funds		131,989	352,914	24,044	34,892
Deposits and placements with banks and other financial institutions		110,028	140,012	-	-
Financial assets at fair value through profit or loss ("FVTPL")	10	569,303	633,386	370,211	358,334
Financial investments at fair value through other comprehensive income ("FVOCI")	11	1,814,268	1,838,115	-	-
Financial investments at amortised cost	12	1,176,402	1,138,237	-	-
Derivative financial assets	18	42,439	67,036	-	-
Loans and advances	13	312,768	409,817	-	-
Clients' and brokers' balances	14	318,619	140,476	-	-
Other assets	15	85,088	47,745	252	187
Statutory deposits with Bank Negara Malaysia		56,623	52,350	-	-
Tax recoverable		21	155	-	125
Investment in subsidiary companies		-	-	246,574	246,574
Deferred tax assets		90,217	97,574	-	-
Property and equipment		3,587	5,398	-	-
Right-of-use ("ROU") assets		11,821	13,799	-	-
Goodwill		33,059	33,059	-	-
Other intangible assets		5,902	5,688	-	-
TOTAL ASSETS		4,762,134	4,975,761	641,081	640,112
LIABILITIES					
Deposits from customers	16	701,306	703,676	-	-
Deposits and placements of banks and other financial institutions	17	2,586,791	2,858,234	-	-
Derivative financial liabilities	18	38,401	54,074	-	-
Clients' and brokers' balances		294,632	145,393	-	-
Lease liabilities		11,467	13,432	-	-
Other liabilities	19	62,691	135,271	724	1,139
Current tax liabilities		696	110	44	-
Subordinated obligations	20	100,208	100,195	-	-
TOTAL LIABILITIES		3,796,192	4,010,385	768	1,139

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 2023

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Registration No: 199101002695 (213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

	The Group		The Company	
	As at	As at	As at	As at
	31.12.2023	30.06.2023	31.12.2023	30.06.2023
Note	RM'000	RM'000	RM'000	RM'000
EQUITY				
Share capital	246,896	246,896	246,896	246,896
Reserves	750,203	749,637	424,461	423,121
Treasury shares for ESOS Scheme	(31,157)	(31,157)	(31,044)	(31,044)
TOTAL EQUITY	965,942	965,376	640,313	638,973
TOTAL EQUITY AND LIABILITIES	4,762,134	4,975,761	641,081	640,112
COMMITMENTS AND CONTINGENCIES				
27	8,480,656	8,278,632	-	-
Net assets per share attributable to ordinary equity holder of the Company (RM)				
	4.10	4.09		

The unaudited condensed financial statements should be read in conjunction with the audited financial statements of the Group and the Company for the financial year ended 30 June 2023

HONG LEONG CAPITAL BERHAD
Registration No: 199101002695 (213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF INCOME
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2023

	Current quarter ended 31.12.2023	Last year quarter ended 31.12.2022	Current year to date 31.12.2023	Last year to date 31.12.2022
Note	RM'000	RM'000	RM'000	RM'000
The Group				
Interest income	21a	40,622	32,617	79,995
Interest income for financial assets at FVTPL	21b	4,474	5,160	9,346
Interest expense	22	(32,359)	(24,390)	(64,271)
Net interest income		12,737	13,387	25,070
Non-interest income	23	37,915	36,193	88,871
Net income		50,652	49,580	113,941
Overhead expenses	24	(31,085)	(33,951)	(66,938)
Operating profit before allowances (Allowance for)/write-back of impairment losses on loans and advances	25	19,567	15,629	47,003
(Allowance for) impairment losses on financial investments and other financial assets	26	(103)	32	(50)
Profit before taxation		(18)	(352)	(94)
Taxation		19,446	15,309	46,859
Net profit for the financial period		(3,498)	(2,703)	(8,174)
		15,948	12,606	38,685
Earnings per share (sen)				
- Basic		6.8	5.3	16.4
- Diluted		6.8	5.3	16.4

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 2023

HONG LEONG CAPITAL BERHAD
Registration No: 199101002695 (213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2023

	Current quarter ended 31.12.2023 RM'000	Last year quarter ended 31.12.2022 RM'000	Current year to date 31.12.2023 RM'000	Last year to date 31.12.2022 RM'000
The Group				
Net profit for the financial period	15,948	12,606	38,685	28,642
Other comprehensive income:				
Items that will be reclassified subsequently to income statements:				
Debt instruments at FVOCI				
- Net fair value changes	11,372	9,082	2,476	6,999
- Net changes in expected credit losses	64	(7)	83	(11)
Income tax relating to net fair value changes on financial investments at FVOCI	(2,729)	(2,180)	(594)	(1,680)
Other comprehensive income for the financial period, net of tax	8,707	6,895	1,965	5,308
Total comprehensive income for the financial period	24,655	19,501	40,650	33,950

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 2023

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 2023

	Current quarter ended 31.12.2023	Last year quarter ended 31.12.2022	Current year to date 31.12.2023	Last year to date 31.12.2022
Note	RM'000	RM'000	RM'000	RM'000
The Company				
Interest income	21a 248	146	493	269
Interest expense	22 -	-	-	-
Net interest income	248	146	493	269
Non-interest income	23 34,611	43,791	42,337	45,087
Net income	34,859	43,937	42,830	45,356
Overhead expenses	24 (605)	(528)	(1,144)	(872)
Profit before taxation	34,254	43,409	41,686	44,484
Taxation	(233)	(109)	(245)	(132)
Net profit/total comprehensive income for the financial period	34,021	43,300	41,441	44,352
Earnings per share (sen)				
- Basic	14.4	18.4	17.6	18.8
- Diluted	14.4	18.4	17.6	18.8

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 2023

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 2023

	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 2023	246,896	(31,157)	14,429	(4,486)	739,694	965,376
Net profit for the financial period	-	-	-	-	38,685	38,685
Other comprehensive income, net of tax	-	-	-	1,965	-	1,965
Total comprehensive income	-	-	-	1,965	38,685	40,650
Transfer to regulatory reserve	-	-	1,646	-	(1,646)	-
Dividend paid	-	-	-	-	(40,084)	(40,084)
At 31 December 2023	246,896	(31,157)	16,075	(2,521)	736,649	965,942
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 from 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

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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 2023

	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 2023	246,896	(31,044)	423,121	638,973
Net profit for the financial period	-	-	41,441	41,441
Total comprehensive income	-	-	41,441	41,441
Dividend paid	-	-	(40,101)	(40,101)
At 31 December 2023	246,896	(31,044)	424,461	640,313
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

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 2023

HONG LEONG CAPITAL BERHAD
Registration No: 199101002695 (213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2023

	The Group	
	31.12.2023	31.12.2022
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
Profit before taxation	46,859	36,112
Adjustments for:		
- Depreciation of property and equipment	2,009	2,282
- Amortisation of intangible assets	1,206	1,078
- Depreciation of ROU assets	1,987	1,983
- Gain on disposal of property and equipment	-	(3)
- Write-back/(Allowance for) for impairment losses on loans and advances	50	(50)
- Allowance for impairment losses on financial investments and other financial assets	94	247
- Net unrealised (gain)/loss on revaluation of:		
- Financial assets at FVTPL	(7,223)	(2,837)
- Derivative financial instruments	14,538	8,565
- Net unrealised (gain)/loss on fair value changes arising from fair value hedges	(3,447)	358
- Net realised (gain) arising from sale of financial investment at FVOCI	(7,920)	(450)
- Interest income from:		
- Financial assets at FVTPL	(9,346)	(10,306)
- Financial investments at FVOCI	(32,132)	(22,220)
- Financial investments at amortised cost	(18,475)	(16,635)
- Interest expense from:		
- Derivative financial instruments	3,434	5,627
- Subordinated obligations	2,133	2,134
- Lease liabilities	294	371
- Dividend income from:		
- Financial assets at FVTPL	(6,566)	(5,953)
	(59,364)	(35,809)
Operating (loss)/profit before changes in working capital	(12,505)	303
Changes in working capital:		
- Deposits and placements with banks and other financial institutions with original maturity of more than three months	-	(10,000)
- Financial assets at FVTPL	69,878	(229,891)
- Derivative financial instruments	(5,997)	3
- Loans and advances	97,000	23,110
- Clients' and brokers' balances	(178,080)	121,307
- Other assets	(37,292)	5,602
- Statutory deposits with Bank Negara Malaysia	(4,273)	(40,000)
Net changes in operating assets	(58,764)	(129,869)
- Deposits from customers	(2,370)	(121,514)
- Deposits and placements of banks and other financial institutions	(271,443)	228,404
- Clients' and brokers' balances	149,239	(72,166)
- Other liabilities	(72,580)	(114,050)
Net changes in operating liabilities	(197,154)	(79,326)
Net cash used in operating activities	(268,423)	(208,892)

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 2023

HONG LEONG CAPITAL BERHAD
Registration No: 199101002695 (213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2023

	The Group	
	31.12.2023	31.12.2022
	RM'000	RM'000
Net cash used in operating activities	(268,423)	(208,892)
Net income tax paid	(691)	(3,411)
Net cash used in operating activities	(269,114)	(212,303)
<u>Cash flows from investing activities</u>		
Net proceeds/(purchases) of financial investments at FVOCI	31,179	(221,772)
Net (purchases)/proceeds of financial investments at amortised cost	(41,338)	162,017
Dividend received from:		
- Financial assets at FVTPL	6,440	5,953
Interest received from financial assets at FVTPL, financial investments at FVOCI, financial investments at amortised cost and derivatives	71,496	56,613
Interest expenses paid on derivative financial instruments	(3,482)	(6,968)
Proceeds from disposal of property and equipment	-	3
Purchase of property and equipment	(198)	(402)
Purchase of intangible assets	(1,420)	(1,860)
Net cash generated from/(used in) investing activities	62,677	(6,416)
<u>Cash flows from financing activities</u>		
Interest paid on subordinated obligations	(2,120)	(2,121)
Lease payment	(2,268)	(2,280)
Dividend paid	(40,084)	(44,799)
Net cash used in financing activities	(44,472)	(49,200)
Net changes in cash and cash equivalents during the financial period	(250,909)	(267,919)
Cash and cash equivalents at beginning of the financial period	492,926	422,695
Cash and cash equivalents at end of the financial period	242,017	154,776
Cash and cash equivalents comprise:		
Cash and short term funds	131,989	154,776
Deposits and placements with banks and other financial institutions	110,028	10,000
	242,017	164,776
Less:		
Cash and short-term funds with original maturity of more than three months		
Deposits and placements with banks and other financial institutions with original maturity of more than three months	-	(10,000)
	242,017	154,776

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 2023

HONG LEONG CAPITAL BERHAD
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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2023

	The Company	
	31.12.2023	31.12.2022
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
Profit before taxation	41,686	44,484
Adjustments for:		
- Net unrealised (gain) on revaluation of financial assets at FVTPL	(7,460)	(1,184)
- Dividend income from:		
- Financial assets at FVTPL	(5,631)	(4,668)
- Subsidiary companies	(28,710)	(38,940)
	(41,801)	(44,792)
Operating (loss) before changes in working capital	(115)	(308)
(Increase) in financial assets at FVTPL	(4,417)	(3,059)
Decrease in other assets	61	156
(Decrease) in other liabilities	(415)	(658)
Cash used in operating activities	(4,886)	(3,869)
Net income tax paid	(76)	(328)
Net cash used in operating activities	(4,962)	(4,197)
<u>Cash flows from investing activities</u>		
Dividend received from:		
- Financial assets at FVTPL	5,505	4,668
- Subsidiary companies	28,710	38,940
Net cash generated from investing activities	34,215	43,608
<u>Cash flows from financing activities</u>		
Dividend paid	(40,101)	(44,819)
Net cash used in financing activities	(40,101)	(44,819)
Net changes in cash and cash equivalents during the financial period	(10,848)	(5,408)
Cash and cash equivalents at beginning of the financial period	34,892	27,893
Cash and cash equivalents at end of the financial period	24,044	22,485
Cash and cash equivalents comprise:		
Cash and short term funds	24,044	22,485

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 2023

HONG LEONG CAPITAL BERHAD ("HLCB" or "Company")
Registration No: 199101002695 (213006-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2023

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 2023 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 2023. 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 2023.

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 2023 and modified for the adoption of the following Amendments to MFRSs applicable for financial year beginning on or after 1 July 2023:

- Amendments to MFRS 112 'Deferred Tax related to Assets and Liabilities'

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 2023 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 2023.

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 2023.

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 2023.

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 2023, 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 (30.06.2023: 11,110,700) shares in the Group costing RM31,157,101 (30.06.2023: RM31,157,101) inclusive of transaction costs, as at 31 December 2023.

7. Dividends payable/paid

On 30 August 2023, the Board of Directors declared a final single-tier dividend of 17.0 sen per share in respect of the financial year ended 30 June 2023. The final single-tier dividend of 17.0 sen amounting to RM42.0 million was paid on 21 November 2023.

8. Valuations of property, plant and equipment

No valuations of property, plant and equipment were carried out for the financial quarter ended 31 December 2023.

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	As at	As at	As at
	31.12.2023	30.06.2023	31.12.2023	30.06.2023
	RM'000	RM'000	RM'000	RM'000
Money market instruments				
Malaysian Government Securities	52,243	61,789	-	-
Malaysian Government Investment Issues	41,336	122,507	-	-
Negotiable instruments of deposits	-	49,885	-	-
	<u>93,579</u>	<u>234,181</u>	<u>-</u>	<u>-</u>
Quoted securities				
In Malaysia:				
Shares	75,896	55,593	60,425	49,699
Unit trust investment	309,993	308,839	309,786	308,635
	<u>385,889</u>	<u>364,432</u>	<u>370,211</u>	<u>358,334</u>
Unquoted securities				
Corporate bond and/or sukuk	89,835	34,773	-	-
	<u>89,835</u>	<u>34,773</u>	<u>-</u>	<u>-</u>
	<u>569,303</u>	<u>633,386</u>	<u>370,211</u>	<u>358,334</u>

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

	The Group	
	As at	As at
	31.12.2023	30.06.2023
	RM'000	RM'000
Money market instruments		
Malaysian Government Securities	214,451	214,625
Malaysian Government Investment Issues	398,364	449,106
Cagamas bonds	90,591	85,085
	<u>703,406</u>	<u>748,816</u>
Unquoted securities		
Foreign currency bonds	91,281	72,512
Corporate bond and/or sukuk	1,019,581	1,016,787
	<u>1,110,862</u>	<u>1,089,299</u>
	<u>1,814,268</u>	<u>1,838,115</u>

HLCB Q2 (31.12.2023)

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 2023	167	-	-	167
Allowances made	27	-	-	27
Amount written back	(1)	-	-	(1)
New financial assets originated or purchased	145	-	-	145
Financial assets derecognised	(87)	-	-	(87)
Exchange differences	(1)	-	-	(1)
At 31 December 2023	<u>250</u>	<u>-</u>	<u>-</u>	<u>250</u>
At 1 July 2022	158	-	-	158
Allowances made	8	-	-	8
Amount written back	(14)	-	-	(14)
New financial assets originated or purchased	40	-	-	40
Financial assets derecognised	(24)	-	-	(24)
Exchange differences	(1)	-	-	(1)
At 30 June 2023	<u>167</u>	<u>-</u>	<u>-</u>	<u>167</u>

12. Financial investments at amortised cost

	The Group	
	As at 31.12.2023 RM'000	As at 30.06.2023 RM'000
Money market instruments		
Malaysian Government Securities	554,533	597,232
Malaysian Government Investment Issues	582,119	501,501
	<u>1,136,652</u>	<u>1,098,733</u>
Unquoted securities		
Corporate bond and/or sukuk	39,750	39,504
Less: Expected credit losses	-	-
	<u>1,176,402</u>	<u>1,138,237</u>

HLCB Q2 (31.12.2023)

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 2023/31 December 2023	-	-	-	-
At 1 July 2022/30 June 2023	-	-	-	-

13. Loans and advances

	The Group	
	As at 31.12.2023 RM'000	As at 30.06.2023 RM'000
Term loan financing	30,074	106,109
Share margin financing	283,064	303,898
Staff loans	18	22
Other loans	-	126
Gross loans and advances	<u>313,156</u>	410,155
Less: Expected credit losses	(388)	(338)
Net loans and advances	<u>312,768</u>	<u>409,817</u>
 (i) <u>By type of customer</u>		
Domestic non-bank financial institutions		
- Others	30,074	30,082
Domestic business enterprises		
- Small and medium enterprises	52,400	53,024
- Others	45,380	121,410
Individuals	181,047	200,679
Foreign entities	4,255	4,960
Gross loans and advances	<u>313,156</u>	410,155
 (ii) <u>By interest rate sensitivity</u>		
Fixed rate		
- Staff housing loans	18	22
- Other fixed rate loans	-	126
Variable rate		
- Cost plus	313,138	410,007
Gross loans and advances	<u>313,156</u>	<u>410,155</u>

13. Loans and advances (continued)

	The Group	
	As at	As at
	31.12.2023	30.06.2023
	RM'000	RM'000
(iii) <u>By residual contractual maturity</u>		
Maturity within one year	313,138	374,785
One year to three years	18	30,022
Three years to five years	-	5,222
Over five years	-	126
Gross loans and advances	313,156	410,155
(iv) <u>By geographical distribution</u>		
Malaysia	313,156	410,155
(v) <u>By economic purpose</u>		
Purchase of securities	283,064	374,699
Working capital	-	5,226
Purchase of landed properties	18	148
Others	30,074	30,082
Gross loans and advances	313,156	410,155
(vi) Impaired loans and advances		
(a) Movements in the impaired loans and advances are as follows:		
At 1 July	126	128
Impaired during the financial period/year	2	6
Amount written-back during the financial period/year	(128)	(8)
At 31 December/30 June	-	126
(b) <u>By geographical distribution</u>		
Malaysia	-	126
(c) <u>By economic purpose</u>		
Purchase of landed properties	-	126

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13. Loans and advances (continued)

(vii) 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 2023	315	23	-	338
Transferred to Stage 1	3	(3)	-	-
Transferred to Stage 2	(2)	2	-	-
New financial assets originated	2	-	-	2
Financial assets derecognised	(45)	(19)	-	(64)
Allowance made	157	-	-	157
Allowance written-back	(42)	(3)	-	(45)
At 31 December 2023	388	-	-	388
At 1 July 2022	310	37	-	347
Transferred to Stage 1	20	(20)	-	-
Transferred to Stage 2	(17)	17	-	-
New financial assets originated	5	-	-	5
Financial assets derecognised	(4)	-	-	(4)
Allowance made	105	14	-	119
Allowance written-back	(104)	(25)	-	(129)
At 30 June 2023	315	23	-	338

14. Clients' and brokers' balances

	The Group	
	As at 31.12.2023 RM'000	As at 30.06.2023 RM'000
Performing accounts	317,934	139,919
Impaired accounts	1,539	1,423
	319,473	141,342
Less: Expected credit losses	(854)	(866)
	318,619	140,476

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15. Other assets

	The Group		The Company	
	As at	As at	As at	As at
	31.12.2023	30.06.2023	31.12.2023	30.06.2023
	RM'000	RM'000	RM'000	RM'000
Amount due from subsidiaries	-	-	85	-
Deposits and prepayments	10,900	10,540	5	24
Fee income receivable	4,947	9,100	-	-
Collaterals pledged for derivative transactions	10,940	9,651	-	-
Treasury related receivables	40,872	-	-	-
Amount due from unit trust funds	8,158	8,212	-	-
Other receivables	9,037	5,890	162	163
Manager's stocks and consumables	1,693	5,737	-	-
	86,547	49,130	252	187
Less: Expected credit losses	(1,459)	(1,385)	-	-
	85,088	47,745	252	187

16. Deposits from customers

	The Group	
	As at	As at
	31.12.2023	30.06.2023
	RM'000	RM'000
Fixed deposits	701,306	703,676
(i) The deposits are sourced from the following customers:		
Government and statutory bodies	451,621	440,357
Business enterprises	237,580	250,563
Individuals	12,105	12,756
	701,306	703,676
(ii) The maturity structure of fixed deposits is as follows:		
Due within:		
- six months	690,090	703,676
- six months to one year	11,216	-
	701,306	703,676

17. Deposits and placements of banks and other financial institutions

	The Group	
	As at	As at
	31.12.2023	30.06.2023
	RM'000	RM'000
Licensed banks	440,213	449,219
Licensed investment banks	67,026	132,865
Other financial institutions	2,079,552	2,276,150
	2,586,791	2,858,234

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18. Derivative financial assets/(liabilities)

The Group	Contract or underlying principal amount RM'000	Positive fair value RM'000	Negative fair value RM'000
31.12.2023			
Derivatives at FVTPL:			
(i) Interest rate related contracts:			
- Interest rate swaps	4,897,000	20,359	(16,895)
- Futures	22,986	232	-
(ii) Foreign exchange related contracts:			
- Foreign currency swaps	2,500,071	14,852	(20,490)
- Foreign currency forwards	72,445	489	(1,016)
- Foreign currency spot	539	2	-
(iii) Equity related contracts:			
- Futures	12,699	67	-
- Call option	100,000	6,438	-
	7,605,740	42,439	(38,401)
30.06.2023			
Derivatives at FVTPL:			
(i) Interest rate related contracts:			
- Interest rate swaps	4,270,000	23,444	(13,793)
(ii) Foreign exchange related contracts:			
- Foreign currency swaps	2,914,410	42,691	(40,058)
- Foreign currency forwards	175,559	879	(223)
(iii) Equity related contracts:			
- Call option	200	22	-
	7,360,169	67,036	(54,074)

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19. Other liabilities

	The Group		The Company	
	As at 31.12.2023 RM'000	As at 30.06.2023 RM'000	As at 31.12.2023 RM'000	As at 30.06.2023 RM'000
Amount due to holding company	175	156	40	13
Amount due to related companies	673	621	167	263
Remisiers' trust deposits	13,820	13,893	-	-
Treasury related payables	-	14,782	-	-
Advance payments received for corporate exercise	4,963	8,108	-	-
Other payables and accrued liabilities	42,838	97,489	517	863
Post employment benefits obligation - defined contribution plan	222	222	-	-
	62,691	135,271	724	1,139

20. Subordinated obligations

	The Group	
	As at 31.12.2023 RM'000	As at 30.06.2023 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	(1)	(2)
	100,208	100,195

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 31.12.2023 RM'000	Last year quarter ended 31.12.2022 RM'000	Current year to date 31.12.2023 RM'000	Last year to date 31.12.2022 RM'000
The Group				
Loan and advances	4,426	4,727	10,060	9,347
Money at call and deposits placements with financial institutions	1,315	650	2,436	2,156
Financial investments at FVOCI	16,731	12,005	32,132	22,220
Financial investments at amortised cost	9,391	8,176	18,475	16,635
Others	8,759	7,059	16,892	12,301
Total interest income	<u>40,622</u>	<u>32,617</u>	<u>79,995</u>	<u>62,659</u>
The Company				
Money at call and deposits placements with financial institutions	<u>248</u>	<u>146</u>	<u>493</u>	<u>269</u>

21b. Interest income for financial assets at FVTPL

	Current quarter ended 31.12.2023 RM'000	Last year quarter ended 31.12.2022 RM'000	Current year to date 31.12.2023 RM'000	Last year to date 31.12.2022 RM'000
The Group				
Financial assets at FVTPL	<u>4,474</u>	<u>5,160</u>	<u>9,346</u>	<u>10,306</u>

22. Interest expense

	Current quarter ended 31.12.2023 RM'000	Last year quarter ended 31.12.2022 RM'000	Current year to date 31.12.2023 RM'000	Last year to date 31.12.2022 RM'000
The Group				
Deposits and placements of banks and other financial institutions	6,215	4,894	12,416	8,198
Deposits from customers	23,152	16,073	45,725	29,579
Derivative financial instruments	1,651	2,040	3,434	5,627
Subordinated obligations	1,066	1,067	2,133	2,134
Lease liabilities	141	180	294	371
Others	134	136	269	228
Total interest expense	<u>32,359</u>	<u>24,390</u>	<u>64,271</u>	<u>46,137</u>

23. Non-interest income

	Current quarter ended 31.12.2023 RM'000	Last year quarter ended 31.12.2022 RM'000	Current year to date 31.12.2023 RM'000	Last year to date 31.12.2022 RM'000
The Group				
(a) Fee and commission income:				
Fee on loans and advances	8	9	9	10
Arranger fees	1,236	351	2,376	366
Placement fees	934	3,589	3,778	7,151
Corporate advisory fees	1,525	2,010	2,486	3,460
Underwriting commission	333	-	333	366
Brokerage commissions	13,950	11,215	27,453	20,787
Commission from futures contracts	234	203	451	436
Unit trust fee income	11,500	11,333	23,561	23,025
Other fee income	1,780	705	2,872	3,836
	31,500	29,415	63,319	59,437
(b) Net income from securities:				
Net realised (loss)/gain arising from sale of:				
- Financial assets at FVTPL	(563)	(1,339)	753	(4,146)
- Financial investments at FVOCI	2,469	844	7,920	450
- Derivative financial instruments	4,278	9,986	11,178	20,572
Net unrealised gain/(loss) on revaluation of:				
- Financial assets at FVTPL	3,758	5,047	7,223	2,837
- Derivative financial instruments	(6,583)	(15,220)	(14,538)	(8,565)
Dividend income from:				
- Financial assets at FVTPL	3,045	2,550	6,566	5,953
Net unrealised gain/(loss) on fair value changes arising from fair value hedges	56	140	3,447	(358)
	6,460	2,008	22,549	16,743
(c) Other income:				
Gain on disposal of property and equipment	-	-	-	3
Foreign exchange (loss)/gain	(163)	4,714	2,792	(2,583)
Other non-operating income	118	56	211	103
	(45)	4,770	3,003	(2,477)
Total non-interest income	37,915	36,193	88,871	73,703
The Company				
(a) Net income from securities:				
Net realised (loss)/gain arising from sale of:				
- Financial assets at FVTPL	(500)	391	536	295
Net unrealised gain on revaluation of:				
- Financial assets at FVTPL	3,674	2,072	7,460	1,184
Dividend income from:				
- Financial assets at FVTPL	2,727	2,388	5,631	4,668
- Subsidiary companies	28,710	38,940	28,710	38,940
	34,611	43,791	42,337	45,087
Total non-interest income	34,611	43,791	42,337	45,087

24. Overhead expenses

	Current quarter ended 31.12.2023 RM'000	Last year quarter ended 31.12.2022 RM'000	Current year to date 31.12.2023 RM'000	Last year to date 31.12.2022 RM'000
The Group				
Personnel costs				
- Salaries, bonuses and allowances	14,327	17,951	34,312	34,053
- Other employee benefits	4,089	4,229	8,065	7,491
	<u>18,416</u>	<u>22,180</u>	<u>42,377</u>	<u>41,544</u>
Establishment costs				
- Depreciation of property and equipment	979	1,145	2,009	2,282
- Amortisation of intangible assets	615	564	1,206	1,078
- Depreciation of ROU assets	991	992	1,987	1,983
- Rental of premises	12	17	25	37
- Information technology expenses	2,975	2,925	6,188	5,662
- Others	775	587	1,452	1,269
	<u>6,347</u>	<u>6,230</u>	<u>12,867</u>	<u>12,311</u>
Marketing expenses				
- Advertisement and publicity	141	151	272	346
- Entertainment and business improvement	170	323	361	457
- Others	101	163	230	256
	<u>412</u>	<u>637</u>	<u>863</u>	<u>1,059</u>
Administration and general expenses				
- Management fees	1,543	1,069	3,025	2,108
- Communication expenses	195	222	382	382
- Auditors' remuneration				
- Statutory audit	110	105	206	205
- Regulatory related fee	3	2	6	5
- Legal and professional fees	495	441	676	589
- Others	3,564	3,065	6,536	6,019
	<u>5,910</u>	<u>4,904</u>	<u>10,831</u>	<u>9,308</u>
Total overhead expenses	<u>31,085</u>	<u>33,951</u>	<u>66,938</u>	<u>64,222</u>
The Company				
Personnel costs				
- Other employee benefits	61	63	123	120
	<u>61</u>	<u>63</u>	<u>123</u>	<u>120</u>
Establishment costs				
- Information technology expenses	-	1	-	1
- Others	14	13	28	27
	<u>14</u>	<u>14</u>	<u>28</u>	<u>28</u>

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24. Overhead expenses (continued)

	Current quarter ended 31.12.2023 RM'000	Last year quarter ended 31.12.2022 RM'000	Current year to date 31.12.2023 RM'000	Last year to date 31.12.2022 RM'000
The Company (continued)				
Administration and general expenses				
- Management fees	207	169	477	238
- Communication expenses	11	20	12	20
- Auditors' remuneration				
- Statutory audit	22	19	44	39
- Regulatory related fee	3	2	6	5
- Legal and professional fees	36	19	36	33
- Others	251	222	418	389
	<u>530</u>	<u>451</u>	<u>993</u>	<u>724</u>
Total overhead expenses	<u>605</u>	<u>528</u>	<u>1,144</u>	<u>872</u>

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

	Current quarter ended 31.12.2023 RM'000	Last year quarter ended 31.12.2022 RM'000	Current year to date 31.12.2023 RM'000	Last year to date 31.12.2022 RM'000
The Group				
Expected credit losses				
- Loans and advances	(103)	31	(50)	52
- Loans and advances commitments	-	1	-	(2)
	<u>(103)</u>	<u>32</u>	<u>(50)</u>	<u>50</u>

26. (Allowance for) impairment losses on financial investments and other financial assets

	Current quarter ended 31.12.2023 RM'000	Last year quarter ended 31.12.2022 RM'000	Current year to date 31.12.2023 RM'000	Last year to date 31.12.2022 RM'000
The Group				
(a) Financial investments				
(i) Financial investments at FVOCI	(64)	7	(83)	11
(ii) Financial investments at amortised cost	-	-	-	-
	<u>(64)</u>	<u>7</u>	<u>(83)</u>	<u>11</u>
(b) Other financial assets:				
(i) Clients' and brokers' balances:				
- Expected credit losses	(22)	64	12	158
- Impaired clients' and brokers' balances recovered	-	27	51	32
(ii) Other assets	68	(450)	(74)	(448)
	<u>46</u>	<u>(359)</u>	<u>(11)</u>	<u>(258)</u>
	<u>(18)</u>	<u>(352)</u>	<u>(94)</u>	<u>(247)</u>

27. Commitments and contingencies

	As at 31.12.2023 Principal Amount RM'000	As at 30.06.2023 Principal Amount RM'000
The Group		
Commitments and contingent liabilities		
Direct Credit Substitutes	1,000	1,000
Obligations under underwriting agreement	13,338	-
Any commitments that are unconditionally cancelled at any time by the bank without prior notice		
- Maturity less than one year	<u>860,578</u>	<u>917,463</u>
	<u>874,916</u>	<u>918,463</u>
Derivative financial instruments		
Interest rate related contracts:		
- One year or less	867,986	768,000
- Over one year to five years	4,052,000	3,502,000
Foreign exchange related contracts		
- One year or less	2,573,055	3,089,969
Equity related contracts		
- One year or less	12,699	-
- Over one year to five years	<u>100,000</u>	<u>200</u>
	<u>7,605,740</u>	<u>7,360,169</u>
	<u>8,480,656</u>	<u>8,278,632</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
31.12.2023	RM'000	RM'000	RM'000	RM'000
Financial assets				
Financial assets at FVTPL	385,889	183,414	-	569,303
- Money market instruments	-	93,579	-	93,579
- Quoted securities	385,889	-	-	385,889
- Unquoted securities	-	89,835	-	89,835
Financial investments at FVOCI	-	1,814,268	-	1,814,268
- Money market instruments	-	703,406	-	703,406
- Unquoted securities	-	1,110,862	-	1,110,862
Derivative financial assets	-	42,439	-	42,439
	385,889	2,040,121	-	2,426,010

HLCB Q2 (31.12.2023)**28. Fair value of financial instruments (continued)**Determination of fair value and fair value hierarchy (continued)

The Group 31.12.2023	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial liability				
Derivative financial liabilities	-	38,401	-	38,401
30.06.2023				
Financial assets				
Financial assets at FVTPL	364,432	268,954	-	633,386
- Money market instruments	-	234,181	-	234,181
- Quoted securities	364,432	-	-	364,432
- Unquoted securities	-	34,773	-	34,773
Financial investments at FVOCI	-	1,838,115	-	1,838,115
- Money market instruments	-	748,816	-	748,816
- Unquoted securities	-	1,089,299	-	1,089,299
Derivative financial assets	-	67,036	-	67,036
	364,432	2,174,105	-	2,538,537
Financial liability				
Derivative financial liabilities	-	54,074	-	54,074
The Company				
31.12.2023				
Financial asset				
Financial assets at FVTPL				
- Quoted securities	370,211	-	-	370,211
30.06.2023				
Financial asset				
Financial assets at FVTPL				
- Quoted securities	358,334	-	-	358,334

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

HLCB Q2 (31.12.2023)**29. Capital adequacy**

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

	HLIB 31.12.2023	HLIB 30.06.2023
Before deducting proposed dividends:		
Common equity tier 1 ("CET1") capital ratio	36.506%	38.498%
Tier 1 capital ratio	36.506%	38.498%
Total capital ratio	46.683%	48.792%
After deducting proposed dividends: ⁽¹⁾		
CET1 capital ratio	36.506%	35.719%
Tier 1 capital ratio	36.506%	35.719%
Total capital ratio	46.683%	46.013%

Note:

⁽¹⁾ Proposed dividends of RM Nil (30.06.2023: RM28,710,000).

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

	HLIB 31.12.2023 RM'000	HLIB 30.06.2023 RM'000
CET1 capital		
Paid-up ordinary share capital	252,950	252,950
Retained profits	251,607	280,317
Other reserves	(2,521)	(4,486)
Less: goodwill and intangibles	(33,924)	(33,936)
Less: deferred tax assets	(89,521)	(96,878)
Less: investment in subsidiary companies	(200)	(200)
Total CET1 capital	378,391	397,767
Tier 1 capital		
	378,391	397,767
Tier 2 capital		
Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves ⁽²⁾	5,489	6,356
Subordinated obligations	100,000	100,000
Total Tier 2 capital	105,489	106,356
Total capital	483,880	504,123

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
	31.12.2023	30.06.2023
	RM'000	RM'000
Credit risk	439,115	508,514
Market risk	294,501	185,018
Operational risk	302,915	339,681
	<u>1,036,531</u>	<u>1,033,213</u>

30. Segmental reporting

(a) Segment information by activities for the financial period ended 31 December 2023:

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 2023					
Net income					
Net interest income	24,043	343	684	-	25,070
Non interest income	53,978	23,748	42,393	(31,248)	88,871
Total net income	<u>78,021</u>	<u>24,091</u>	<u>43,077</u>	<u>(31,248)</u>	<u>113,941</u>
Results					
Profit from operations	28,178	5,316	41,923	(28,558)	46,859
Taxation					(8,174)
Profit after taxation					<u>38,685</u>
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>

(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 2023.

32. Changes in composition of the Group

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

33. Capital commitments

Capital commitments for the purchase of property and equipment as at 31 December 2023 is RM1.0 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 31.12.2023 RM'000	Last year quarter ended 31.12.2022 RM'000	RM'000	%
Net income	50,652	49,580	1,072	2.2%
Profit before tax	19,446	15,309	4,137	27.0%
Profit after tax	15,948	12,606	3,342	26.5%
Profit attributable to equity holders of the Company	15,948	12,606	3,342	26.5%

The Group's profit before tax ("PBT") for the 2nd quarter ended 31 December 2023 was RM19.4 million, increase of RM4.1 million as compared to corresponding quarter of RM15.3 million.

The increase in PBT mainly attributable by higher non-interest income of RM1.7 million and lower overhead expenses of RM2.9 million.

The performance of the respective operating business segments for the 2nd quarter ended 31 December 2023 as compared to the previous year corresponding quarter is analysed as follows:

	The Group		Variance	
	Current quarter ended 31.12.2023 RM'000	Last year quarter ended 31.12.2022 RM'000	RM'000	%
Profit before tax by segments:				
Investment banking and stockbroking	11,336	8,075	3,261	40.4%
Fund management and unit trust management	2,330	2,750	(420)	-15.3%
Investment holding and others	5,780	4,484	1,296	28.9%
	<u>19,446</u>	<u>15,309</u>	<u>4,137</u>	<u>27.0%</u>

Investment banking and stockbroking - PBT was higher by RM3.3 million, 40.4% mainly arising from its stockbroking division in current quarter.

Fund management and unit trust management - Lower PBT by RM0.4 million mainly due to higher overheads incurred in the current quarter.

Investment holding and others - Higher PBT by RM1.3 million mainly due to 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	Last		
	year to date	year to date		%
	31.12.2023	30.12.2022	RM'000	
Net income	113,941	100,531	13,410	13.3%
Profit before tax	46,859	36,112	10,747	29.8%
Profit after tax	38,685	28,642	10,043	35.1%
Profit attributable to equity holders of the Company	38,685	28,642	10,043	35.1%

The Group recorded a higher PBT of RM46.9 million for the financial period 31 December 2023 as compared to previous financial quarter of RM36.1 million. This was mainly attributable by higher non-interest income by 20.6%.

The performance of the respective operating business segments for the six months ended 31 December 2023 as compared to the previous financial period is analysed as follows:

Profit before tax by segments:	The Group		Variance	
	Current	Last		
	year to date	year to date		%
	31.12.2023	30.12.2022	RM'000	
Investment banking and stockbroking	28,178	24,151	4,027	16.7%
Fund management and unit trust management	5,316	6,465	(1,149)	-17.8%
Investment holding and others	13,365	5,496	7,869	>100.0%
	46,859	36,112	10,747	29.8%

Investment banking and stockbroking - PBT was increased in the financial period by 16.7% mainly due to profit contribution from its stockbroking division.

Fund management and unit trust management - Lower PBT by RM1.1 million mainly due to higher overheads incurred.

Investment holding and others - PBT increased by RM7.9 million mainly due to 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		
	quarter ended	quarter ended	RM'000	%
	31.12.2023	30.09.2023		
	RM'000	RM'000		
Net income	50,652	63,289	(12,637)	-20.0%
Profit before tax	19,446	27,413	(7,967)	-29.1%
Profit after tax	15,948	22,737	(6,789)	-29.9%
Profit attributable to equity holders of the Company	15,948	22,737	(6,789)	-29.9%

For the financial quarter ended 31 December 2023, the Group posted a lower PBT of RM19.4 million as compared to RM27.4 million in the preceding financial quarter ended 30 September 2023. The decrease was mainly due to lower non-interest income by RM13.0 million.

The performance of the respective operating business segments for the three months ended 31 December 2023 as compared to the preceding quarter is analysed as follows:

	The Group		Variance	
	Current	Preceding		
	quarter ended	quarter ended	RM'000	%
	31.12.2023	30.09.2023		
	RM'000	RM'000		
Profit before tax by segments:				
Investment banking and stockbroking	11,336	16,842	(5,506)	-32.7%
Fund management and unit trust management	2,330	2,986	(656)	-22.0%
Investment holding and others	5,780	7,585	(1,805)	-23.8%
	<u>19,446</u>	<u>27,413</u>	<u>(7,967)</u>	<u>-29.1%</u>

Investment banking and stockbroking - PBT was lower by RM5.5 million mainly due to lower profit contribution from its investment banking division.

Fund management and unit trust management - PBT was lower by RM0.7 million mainly due to lower net contribution from management fee income.

Investment holding and others - PBT was lower by RM1.8 million mainly due to realised loss from sale of financial assets at FVTPL.

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2. Prospects for 2024

While headline inflation has shown signs of easing, the global economy is expected to be modest in 2024 amid macro risks such as the ongoing conflict in Ukraine and outbreak of war in the Middle East. On the local front, Malaysian economy is expected to maintain a positive trajectory as recovery in tourism and the semiconductor and electronics up cycle offer robust support acting as a stabiliser amid these global economic uncertainties.

We remain cautious on the susceptibility of these external risks and evolving landscape on our business environment and will remain vigilant by constantly exercising discipline in managing our capital, liquidity and costs efficiencies to deliver sustainable outcomes to our stakeholders.

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	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
The Group	RM'000	RM'000	RM'000	RM'000
Malaysian income tax:				
- Current	777	766	1,411	1,668
- Under provision in prior years	-	-	-	6
Deferred taxation	2,721	1,937	6,763	5,796
	<u>3,498</u>	<u>2,703</u>	<u>8,174</u>	<u>7,470</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.

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6. Off-balance sheet financial instruments

Details of financial instruments with off-balance sheet risk as at 31 December 2023:

The Group	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Interest rate related contracts			
(i) Less than 1 year	867,986	3,551	(777)
(ii) 1 year to 3 years	2,208,000	10,405	(4,333)
(iii) More than 3 years	1,844,000	6,635	(11,785)
Foreign exchange related contracts			
(i) Less than 1 year	2,573,055	15,343	(21,506)
Equity related contracts			
(i) Less than 1 year	12,699	67	-
(ii) 1 year to 3 years	100,000	6,438	-
	7,605,740	42,439	(38,401)

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 2023							
RM100.0 million Tier 2 subordinated notes	-	99,999	-	209	-	100,208	100,208
As at 30 June 2023							
RM100.0 million Tier 2 subordinated notes	-	99,998	-	197	-	100,195	100,195
As at 31 December 2022							
RM100.0 million Tier 2 subordinated notes	-	99,997	-	209	-	100,206	100,206

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 2023.

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	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
The Group				
Net profit attributable to equity holders of the Company (RM'000):	15,948	12,606	38,685	28,642
Weighted average number of ordinary shares in issue ('000):	235,785	235,785	235,785	235,785
Basic earnings per share (sen)	6.8	5.3	16.4	12.1
The Company				
Net profit attributable to equity holders of the Company (RM'000):	34,021	43,300	41,441	44,352
Weighted average number of ordinary shares in issue ('000):	235,890	235,890	235,890	235,890
Basic earnings per share (sen)	14.4	18.4	17.6	18.8

(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 2023 and 31 December 2022.

Dated this 28 February 2024.