

HONG LEONG CAPITAL BERHAD
Registration No: 199101002695 (213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Note	The Group		The Company	
		As at 30/06/2021 RM'000	As at 30/06/2020 RM'000	As at 30/06/2021 RM'000	As at 30/06/2020 RM'000
ASSETS					
Cash and short term funds		170,033	358,162	1,160	713
Securities purchased under resale agreement		-	50,172	-	-
Deposits and placements with banks and other financial institutions		31,139	-	-	-
Financial assets at fair value through profit or loss ("FVTPL")	11	791,818	907,477	269,034	255,892
Financial investments at fair value through other comprehensive income ("FVOCI")	12	1,350,820	1,266,529	-	-
Financial investments at amortised cost	13	1,059,286	868,134	-	-
Derivative financial assets	19	34,494	54,957	-	-
Loans and advances	14	335,759	316,023	-	-
Clients' and brokers' balances	15	204,732	262,893	-	-
Other assets	16	58,260	47,348	219	673
Tax recoverable		28	167	-	154
Investment in subsidiary companies		-	-	246,574	246,574
Deferred tax assets		123,234	87,822	-	-
Property and equipment		9,800	11,040	-	-
Right-of-use assets ("ROU")		18,966	21,587	-	-
Goodwill		33,059	33,059	-	-
Other intangible assets		3,169	3,008	-	-
TOTAL ASSETS		4,224,597	4,288,378	516,987	504,006
LIABILITIES					
Deposits from customers	17	701,538	737,747	-	-
Deposits and placements of banks and other financial institutions	18	2,049,422	2,073,211	-	-
Derivative financial liabilities	19	41,056	81,620	-	-
Clients' and brokers' balances		207,183	305,385	-	-
Lease liabilities		18,069	20,286	-	-
Other liabilities	20	148,343	128,595	1,521	698
Current tax liabilities		1,803	1,046	225	-
Subordinated obligations	21	100,192	100,178	-	-
TOTAL LIABILITIES		3,267,606	3,448,068	1,746	698

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 2020

HONG LEONG CAPITAL BERHAD
Registration No: 199101002695 (213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Note	The Group		The Company	
		As at 30/06/2021 RM'000	As at 30/06/2020 RM'000	As at 30/06/2021 RM'000	As at 30/06/2020 RM'000
EQUITY					
Share capital		246,896	246,896	246,896	246,896
Reserves		741,252	599,445	299,389	262,330
Treasury shares for ESOS		(31,157)	(6,031)	(31,044)	(5,918)
TOTAL EQUITY		956,991	840,310	515,241	503,308
TOTAL LIABILITIES AND EQUITY		4,224,597	4,288,378	516,987	504,006
COMMITMENTS AND CONTINGENCIES	28	5,993,970	6,967,399	-	-
Net assets per share attributable to ordinary equity holder of the Company (RM)		4.06	3.48		

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 2020

HONG LEONG CAPITAL BERHAD
Registration No: 199101002695 (213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

	Current quarter ended 30/06/2021 RM'000	Last year's quarter ended 30/06/2020 RM'000	Current year ended 30/06/2021 RM'000	Last year's ended 30/06/2020 RM'000
Note				
The Group				
Interest income	22a	25,436	29,007	103,067
Interest income for financial assets at FVTPL	22b	8,120	8,956	37,423
Interest expense	23	(21,183)	(23,056)	(90,849)
Net interest income		12,373	14,907	49,641
Non-interest income	24	44,552	59,192	265,984
Net income		56,925	74,099	315,625
Overhead expenses	25	(32,727)	(37,879)	(141,597)
Operating profit before allowances		24,198	36,220	174,028
Write-back of/(allowance for) impairment losses on loans and advances	26	198	1,675	3,026
(Allowance for)/write-back of impairment losses on financial investments and other financial assets	27	(46)	(210)	296
Profit before taxation		24,350	37,685	177,350
Taxation		46,562	(1,386)	25,937
Net profit for the year		70,912	36,299	203,287
Earnings per share (sen)				
- Basic		30.1	15.0	85.5
- Diluted		30.1	15.0	85.5

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 2020

HONG LEONG CAPITAL BERHAD
Registration No: 199101002695 (213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

	Current quarter ended 30/06/2021 RM'000	Last year's quarter ended 30/06/2020 RM'000	Current year ended 30/06/2021 RM'000	Last year's ended 30/06/2020 RM'000
The Group				
Net profit for the year	70,912	36,299	203,287	94,187
Other comprehensive income/(expense):				
Items that will not be reclassified subsequently to income statements				
Equity instruments at FVOCI				
- Net fair value changes	-	37	-	-
- Net gain on disposal	-	43	-	43
Items that will be reclassified subsequently to income statements				
Debt instruments at FVOCI				
- Net fair value changes	10,437	11,789	(7,917)	1,786
- Net changes in expected credit losses	(37)	175	31	198
Income tax relating to net fair value changes on financial investments at FVOCI	(2,504)	(2,830)	1,901	(429)
Other comprehensive income/(expense) for the year, net of tax	7,896	9,214	(5,985)	1,598
Total comprehensive income for the year, net of tax	78,808	45,513	197,302	95,785

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 2020

HONG LEONG CAPITAL BERHAD
Registration No: 199101002695 (213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

	Current quarter ended 30/06/2021 RM'000	Last year's quarter ended 30/06/2020 RM'000	Current year ended 30/06/2021 RM'000	Last year's ended 30/06/2020 RM'000
The Company				
Interest income	22a 4	2	13	11
Interest expense	23 -	-	-	-
Net interest income	4	2	13	11
Non-interest income	24 18,700	27,237	95,329	50,921
Net income	18,704	27,239	95,342	50,932
Overhead expenses	25 (343)	(418)	(1,503)	(1,573)
Profit before taxation	18,361	26,821	93,839	49,359
Taxation	120	(122)	(1,261)	(108)
Net profit/total comprehensive income for the year	18,481	26,699	92,578	49,251
Earnings per share (sen)				
- Basic	7.8	11.1	38.9	20.4
- Diluted	7.8	11.1	38.9	20.4

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 2020

HONG LEONG CAPITAL BERHAD
Registration No: 199101002695 (213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

	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 2020	246,896	(6,031)	12,076	9,349	578,020	840,310
Net profit for the financial year	-	-	-	-	203,287	203,287
Other comprehensive expense, net of tax	-	-	-	(5,985)	-	(5,985)
Total comprehensive (expense)/income	-	-	-	(5,985)	203,287	197,302
Purchase of treasury shares	-	(25,126)	-	-	-	(25,126)
Transfer to regulatory reserve	-	-	1,073	-	(1,073)	-
Dividend paid	-	-	-	-	(55,495)	(55,495)
At 30 June 2021	246,896	(31,157)	13,149	3,364	724,739	956,991
At 1 July 2019	246,896	(6,031)	11,606	7,794	537,342	797,607
Net profit for the financial year	-	-	-	-	94,187	94,187
Other comprehensive income, net of tax	-	-	-	1,555	43	1,598
Total comprehensive income	-	-	-	1,555	94,230	95,785
Transfer to regulatory reserve	-	-	470	-	(470)	-
Dividend paid	-	-	-	-	(53,082)	(53,082)
At 30 June 2020	246,896	(6,031)	12,076	9,349	578,020	840,310

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 2020

HONG LEONG CAPITAL BERHAD
Registration No: 199101002695 (213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

	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 2020	246,896	(5,918)	262,330	503,308
Net profit for the financial year	-	-	92,578	92,578
Total comprehensive income	-	-	92,578	92,578
Purchase of treasury shares	-	(25,126)	-	(25,126)
Dividend paid	-	-	(55,519)	(55,519)
At 30 June 2021	246,896	(31,044)	299,389	515,241
At 1 July 2019	246,896	(5,918)	266,184	507,162
Net profit for the financial year	-	-	49,251	49,251
Total comprehensive income	-	-	49,251	49,251
Dividend paid	-	-	(53,105)	(53,105)
At 30 June 2020	246,896	(5,918)	262,330	503,308

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 2020

HONG LEONG CAPITAL BERHAD
Registration No: 199101002695 (213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

	The Group	
	30/06/2021	30/06/2020
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
Profit before taxation	177,350	95,750
<u>Adjustments for non-cash items:</u>		
- Depreciation of property and equipment	3,628	3,371
- Amortisation of intangible assets	1,528	1,702
- Depreciation of ROU assets	3,999	4,022
- Property and equipment written off	22	-
- (Write-back of)/allowance for impairment losses on loans and advances	(3,052)	280
- (Write-back of)/allowance for impairment losses on financial investments and other financial assets	(296)	2,041
- Impaired loans and advances written-off	26	-
- Net unrealised loss/(gain) on revaluation of:		
- Financial assets at FVTPL	4,451	3,027
- Derivative financial instruments	(19,532)	17,758
- Net unrealised loss on fair value changes arising from fair value hedges	2,068	558
- Interest income from:		
- Financial assets at FVTPL	(37,423)	(39,188)
- Financial investments at FVOCI	(35,464)	(40,309)
- Financial investments at amortised cost	(31,157)	(29,261)
- Interest expense from:		
- Derivative financial instruments	41,500	18,655
- Subordinated obligations	4,232	5,262
- Lease liabilities	1,009	1,051
- Dividend income from:		
- Financial assets at FVTPL	(6,314)	(8,820)
	(70,775)	(59,851)
Operating profit before changes in working capital	106,575	35,899
 Changes in working capital:		
- Securities purchased under resale agreements	50,172	(50,172)
- Financial assets at FVTPL	109,991	591,293
- Derivative financial instruments	(1)	209
- Loans and advances	(16,710)	(111,013)
- Clients' and brokers' balances	58,999	(17,167)
- Other assets	(11,424)	8,003
- Statutory deposits with Bank Negara Malaysia	-	37,259
Net changes in operating assets	191,027	458,412
 - Deposits from customers	(36,209)	(10,257)
- Deposits and placements of banks and other financial institutions	(23,789)	(348,909)
- Clients' and brokers' balances	(98,202)	22,864
- Other liabilities	19,619	(16,458)
Net changes in operating liabilities	(138,581)	(352,760)
Cash generated from operating activities	159,021	141,551

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 2020

HONG LEONG CAPITAL BERHAD
Registration No: 199101002695 (213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

	The Group	
	30/06/2021	30/06/2020
	RM'000	RM'000
Cash generated from operating activities	159,021	141,551
Net income tax paid	(6,680)	(7,815)
Net cash generated from operating activities	152,341	133,736
<u>Cash flows from investing activities</u>		
Net purchase of financial investments at FVOCI	(101,302)	(151,629)
Net purchase of financial investments at amortised cost	(194,207)	(131,090)
Dividend received from:		
- Financial assets at FVTPL	6,314	8,820
Interest received from financial assets at FVTPL, financial investments at FVOCI, financial investments at amortised cost and derivatives	114,238	109,732
Interest expenses paid on derivative financial instruments	(40,961)	(16,597)
Purchase of property and equipment	(2,410)	(650)
Purchase of intangible assets	(1,689)	(1,608)
Net cash used in investing activities	(220,017)	(183,022)
<u>Cash flows from financing activities</u>		
Interest paid on subordinated obligations	(4,218)	(5,589)
Lease payment	(4,475)	(4,538)
Redemption of subordinated obligations	-	(50,000)
Dividend paid	(55,495)	(53,082)
Purchase of treasury shares	(25,126)	-
Net cash used in financing activities	(89,314)	(113,209)
Net changes in cash and cash equivalents during the financial year	(156,990)	(162,495)
Cash and cash equivalents at beginning of the financial year	358,162	520,657
Cash and cash equivalents at end of the financial year	201,172	358,162
Cash and cash equivalents comprise:		
Cash and short term funds	170,033	358,162
Deposits and placements with banks and other financial institutions	31,139	-
	201,172	358,162

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 2020

HONG LEONG CAPITAL BERHAD
Registration No: 199101002695 (213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

	The Company	
	30/06/2021	30/06/2020
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
Profit before taxation	93,839	49,359
<u>Adjustments for non-cash items:</u>		
- Net unrealised (gain)/loss on revaluation of financial assets at FVTPL	(533)	2,921
- Dividend income from:		
- Financial assets at FVTPL	(5,453)	(7,320)
- Subsidiary companies	(84,000)	(46,000)
	(89,986)	(50,399)
Operating profit/(loss) before changes in working capital	3,853	(1,040)
(Increase)/Decrease in financial assets at FVTPL	(12,609)	933
Decrease in other assets	454	267
Increase in other liabilities	823	86
Cash (used in)/generated from operating activities	(7,479)	246
Net income tax paid	(882)	(261)
Net cash used in operating activities	(8,361)	(15)
<u>Cash flows from investing activities</u>		
Dividend received from:		
- Financial assets at FVTPL	5,453	7,320
- Subsidiary companies	84,000	46,000
Net cash generated from investing activities	89,453	53,320
<u>Cash flows from financing activities</u>		
Purchase of treasury shares	(25,126)	-
Dividend paid	(55,519)	(53,105)
Net cash used in financing activities	(80,645)	(53,105)
Net changes in cash and cash equivalents during the financial year	447	200
Cash and cash equivalents at beginning of the financial year	713	513
Cash and cash equivalents at end of the financial year	1,160	713
Cash and cash equivalents comprise:		
Cash and short term funds	1,160	713

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 2020

HONG LEONG CAPITAL BERHAD ("HLCB" or "Company")

Registration No: 199101002695 (213006-U)

**NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021**

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

1. Basis of preparation

The unaudited condensed financial statements for the financial year ended 30 June 2021 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 2020. 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 2020.

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 2020 and modified for the adoption of the following Amendments to MFRSs applicable for financial year beginning on or after 1 July 2020:

- The Conceptual Framework for Financial Reporting (Revised 2018)
- Amendments to MFRS 101 and MFRS 108 'Definition of Material'
- Amendments to MFRS 3 'Definition of a Business'
- Amendments to MFRS 9, MFRS 139 and MFRS 7 'Interest Rate Benchmark Reform'

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 2020 was not qualified.

3. Comments about seasonal or cyclical factors

The operations of the Group and the Company were not materially affected by any seasonal or cyclical factors during the financial quarter ended 30 June 2021.

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

There were no unusual items affecting the assets, liabilities, equities, net income or cash flows of the Group and the Company during the financial quarter ended 30 June 2021.

5. Change in estimate

There were no material changes in estimate of amount reported in prior financial year that have a material effect in the financial quarter ended 30 June 2021.

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 year ended 30 June 2021, 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.

During the financial year ended 30 June 2021, the Company bought 5,498,000 units treasury shares via a private placement.

Total shares held by ESOS Trust comprise 11,110,700 (30.06.2020: 5,612,700) shares in the Group costing RM31,157,101 (30.06.2020: RM6,031,241) inclusive of transaction costs, as at 30 June 2021.

7. Dividends paid

A final single-tier dividend of 23.0 sen per share amounting to RM55.5 million in respect of the financial year ended 30 June 2020, was paid on 18 November 2020.

8. Valuations of property, plant and equipment

No valuations of property, plant and equipment were carried out for the financial quarter ended 30 June 2021.

9. Significant events

(a) COVID-19 pandemic

The World Health Organisation declared the outbreak of Covid-19 as a global pandemic in March 2020. The direct and indirect effects of the Covid-19 outbreak have impacted the global economy, markets and the Group's counterparties and clients.

On 12 May 2021, the Government of Malaysia re-imposed the third movement control order ("MCO 3.0") to curb the soaring number of Covid-19 cases. Subsequently, the Government of Malaysia announced a RM40 billion PERMERKASA Plus stimulus package followed by RM150 billion PEMULIH package to mitigate the potential impact of total lockdowns. The Group is unable to predict the Covid-19's potential future direct or indirect effects. However, the Group is taking actions to mitigate the impacts, and will continue to closely monitor the impact and the related risks as they evolve.

9. Significant events (continued)

(b) Executive share scheme

HLCB had on 14 October 2020 announced the establishment of an executive share scheme comprising an executive share option scheme (“ESOS”) and an executive share grant scheme (“ESGS”) (collectively referred to as the “ESS” or the “Scheme”) in relation to ordinary shares in HLCB (“HLCB Shares”) for the eligible executives and/or directors of HLCB and its subsidiaries (“HLCB Group”) (such executives and directors, “Eligible Executives”).

Details of the ESS

The ESS is to be administered by the Board of Directors of the Company or Board of Directors of the relevant subsidiary of the Company (as applicable) (in each case, the “Board”) or a duly authorised committee of the relevant Board or an individual authorised by the relevant Board in accordance with the bye-laws governing the ESS (“Bye-Laws”).

The ESS comprise the following:

a) ESOS

The ESOS is intended to allow the Company to offer options to acquire HLCB Shares (“Options”) to the Eligible Executives at an exercise price to be determined by the Board at its discretion (“Option Price”).

a) ESGS

The ESGS is intended to allow the Company to reward the Eligible Executives with awards of HLCB Shares without any consideration payable by the Eligible Executives (“Grants”).

The Board may at its discretion impose such conditions (including financial and performance targets and the period within which such targets are to be achieved) as it deems fit with the offer of the Grants or Options. In implementing the ESS, the exercise of Options and/or vesting of HLCB Shares pursuant to Grants are to be satisfied by transfer of HLCB Shares.

Salient features of the ESS

(A) Quantum

At any point of time during the existence of the ESS, the aggregate number of HLCB Shares comprised in the Options and/or Grants shall not exceed an amount equivalent to 10% of the issued ordinary share capital (excluding treasury shares) of the Company at any one time.

(B) Eligibility

The participants in the ESS must be at least 18 years of age and:

- i. be an executive of HLCB or any of its subsidiaries (“Member of the Group”) and has been confirmed in service; or
- ii. be a director of a Member of the Group,

as at the date of an offer of Option and/or Grant (“Offer”).

(C) Rights attaching to the HLCB Shares

In the event that any HLCB Shares are to be transferred upon the exercise of Options and/or vesting of HLCB Shares pursuant to the Grants, the HLCB Shares shall be transferred together with all dividends, rights, entitlements and distributions, in respect of which the record date is on or after the transfer date.

9. Significant events (continued)

(b) Executive share scheme (continued)

Salient features of the ESS (continued)

(D) Duration

The ESS shall be in force for a period of 10 years from the effective date for the implementation of the ESS and may be extended by the Board of the Company for such periods as it may decide in its absolute discretion.

Utilisation of Proceeds

The proceeds to be received pursuant to the exercise of Options under the ESOS will depend on the actual number of HLCB Shares underlying the Options granted and exercised, and the Option Price payable upon the exercise of Options. Therefore, the amount of proceeds to be raised from the exercise of Options is not determinable at this juncture.

The proceeds from the exercise of Options shall be utilised to pay for the cost of purchasing the said HLCB Shares and/or to purchase additional HLCB Shares for the purpose of the Scheme.

HLCB will not receive any proceeds pursuant to the ESGS as the Eligible Executives will not be required to pay for the HLCB Shares to be transferred to them under the ESGS.

Rationale for the ESS

The purpose of the ESS is to align the long term interests of Eligible Executives with those of the shareholders of the Company as well as to motivate and reward them.

(c) Public shareholding spread

HLCB's shares were suspended from trading since 26 March 2015. The suspension will only be uplifted upon full compliance of the public shareholding spread in accordance with Paragraph 8.02(1) of the Listing Requirements, which states that a listed issuer must ensure that at least 25% of its total listed shares (excluding treasury shares) are in the hands of public shareholders.

On 9 November 2020, the Company announced that its majority shareholder, Hong Leong Financial Group Berhad has completed a private placement of 27,000,000 existing ordinary shares in HLCB to increase the public shareholding spread of HLCB.

Following the completion of the said private placement, the public shareholding spread of the Company as at 9 November 2020 is 29.60% and the Company has met the requirements as set out in Paragraph 8.02(1) of the Listing Requirements.

On 11 November 2020, the Company announced that Bursa Malaysia Securities Berhad has, via its letter dated 10 November 2020, resolved to approve the upliftment of suspension in the trading of the ordinary shares in HLCB effective from 9.00 a.m., Friday, 13 November 2020.

The trading in HLCB's shares has resumed accordingly.

10. 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.

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

	The Group		The Company	
	As at 30/06/2021 RM'000	As at 30/06/2020 RM'000	As at 30/06/2021 RM'000	As at 30/06/2020 RM'000
Money market instruments				
Malaysian Government Securities	20,953	-	-	-
Malaysian Government Investment Issues	31,180	-	-	-
Negotiable instruments of deposits	398,979	588,325	-	-
Cagamas bonds	15,015	-	-	-
	466,127	588,325	-	-
Quoted securities				
In Malaysia:				
Shares	63,281	45,642	56,533	27,696
Unit trust investment	212,698	228,284	212,501	228,196
	275,979	273,926	269,034	255,892
Unquoted securities				
Shares	-	1,432	-	-
Corporate bond and/or sukuk	49,712	43,794	-	-
	49,712	45,226	-	-
	791,818	907,477	269,034	255,892

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

	The Group	
	As at 30/06/2021 RM'000	As at 30/06/2020 RM'000
Money market instruments		
Malaysian Government Securities	32,232	41,229
Malaysian Government Investment Issues	283,907	52,982
Cagamas bonds	75,488	30,358
	391,627	124,569
Unquoted securities		
Foreign currency bonds	105,169	72,260
Corporate bond and/or sukuk	854,024	1,069,700
	959,193	1,141,960
	1,350,820	1,266,529

HLCB Q4 (30.06.2021)
12. 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 2020	341	-	-	341
Allowances made	37	-	-	37
Amount written back	(38)	-	-	(38)
New financial assets originated or purchased	148	-	-	148
Financial assets derecognised	(89)	-	-	(89)
Exchange differences	(27)	-	-	(27)
At 30 June 2021	<u>372</u>	<u>-</u>	<u>-</u>	<u>372</u>
At 1 July 2019	143	-	-	143
Allowances made	7	-	-	7
Amount written back	(25)	-	-	(25)
New financial assets originated or purchased	347	-	-	347
Financial assets derecognised	(98)	-	-	(98)
Exchange differences	(33)	-	-	(33)
At 30 June 2020	<u>341</u>	<u>-</u>	<u>-</u>	<u>341</u>

13. Financial investments at amortised cost

	The Group	
	As at 30/06/2021 RM'000	As at 30/06/2020 RM'000
Money market instruments		
Malaysian Government Securities	462,996	291,869
Malaysian Government Investment Issues	515,821	534,018
	<u>978,817</u>	<u>825,887</u>
Unquoted securities		
Foreign currency bonds	16,639	16,964
Corporate bond and/or sukuk	63,842	25,298
	<u>80,481</u>	<u>42,262</u>
Less: Expected credit losses	(12)	(15)
	<u>1,059,286</u>	<u>868,134</u>

13. Financial investments at amortised cost (continued)

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

The Group	12 Months ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total ECL RM'000
At 1 July 2020	15	-	-	15
Amount written back	(1)	-	-	(1)
Exchange differences	(2)	-	-	(2)
At 30 June 2021	<u>12</u>	<u>-</u>	<u>-</u>	<u>12</u>
At 1 July 2019	36	-	-	36
Financial assets derecognised	(22)	-	-	(22)
Exchange differences	1	-	-	1
At 30 June 2020	<u>15</u>	<u>-</u>	<u>-</u>	<u>15</u>

14. Loans and advances

	The Group	
	As at 30/06/2021 RM'000	As at 30/06/2020 RM'000
Term loan financing	41,986	93,935
Share margin financing	294,054	225,398
Staff loans	37	44
Other loans	265	281
Gross loans and advances	<u>336,342</u>	<u>319,658</u>
Less: Expected credit losses	(583)	(3,635)
Net loans and advances	<u>335,759</u>	<u>316,023</u>
a. <u>By type of customer</u>		
Domestic business enterprises		
- Small and medium enterprises	60,590	57,941
- Others	90,417	124,759
Individuals	181,065	133,221
Foreign entities	4,270	3,737
Gross loans and advances	<u>336,342</u>	<u>319,658</u>
b. <u>By interest rate sensitivity</u>		
Fixed rate		
- Staff housing loans	37	44
- Other fixed rate loan	265	281
Variable rate		
- Cost plus	336,040	319,333
Gross loans and advances	<u>336,342</u>	<u>319,658</u>

14. Loans and advances (continued)

	The Group	
	As at 30/06/2021 RM'000	As at 30/06/2020 RM'000
c. <u>By residual contractual maturity</u>		
Maturity within one year	322,201	265,733
More than one year to three years	-	48,006
More than three years to five years	8,163	44
More than five years	5,978	5,875
Gross loans and advances	<u>336,342</u>	<u>319,658</u>
d. <u>By geographical distribution</u>		
Malaysia	<u>336,342</u>	<u>319,658</u>
e. <u>By economic purpose</u>		
Purchase of securities	302,180	265,451
Working capital	33,860	53,882
Purchase of transport vehicles	126	126
Purchase of landed properties	176	199
Gross loans and advances	<u>336,342</u>	<u>319,658</u>
f. Impaired loans and advances		
(i) Movements in impaired loans and advances ("impaired loans") are as follows:		
At 1 July	6,522	6,898
Impaired during the financial year	-	34,066
Amount written-back during the financial year	(6,257)	(34,442)
At 30 June	<u>265</u>	<u>6,522</u>
(ii) <u>By geographical distribution</u>		
Malaysia	<u>265</u>	<u>6,522</u>
(iii) <u>By economic purpose</u>		
Purchase of transport vehicles	126	126
Purchase of landed properties	139	155
Purchase of securities	-	366
Working capital	-	5,875
Gross impaired loans and advances	<u>265</u>	<u>6,522</u>

HLCB Q4 (30.06.2021)

14. 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 2020	656	1	2,978	3,635
Transferred to Stage 1	223	(13)	(210)	-
Transferred to Stage 2	(13)	2,342	(2,329)	-
New financial assets originated	12	1	-	13
Financial assets derecognised	(3)	-	-	(3)
Allowance made	105	79	2	186
Allowance written-back	(717)	(2,216)	(315)	(3,248)
At 30 June 2021	<u>263</u>	<u>194</u>	<u>126</u>	<u>583</u>
At 1 July 2019	140	1	3,214	3,355
Transferred to Stage 1	6	(6)	-	-
Transferred to Stage 2	(6)	6	-	-
Transferred to Stage 3	(11)	-	11	-
New financial assets originated	602	-	2,657	3,259
Financial assets derecognised	(2)	-	(3,088)	(3,090)
Allowance made	137	1	1,839	1,977
Allowance written-back	(210)	(1)	(1,655)	(1,866)
At 30 June 2020	<u>656</u>	<u>1</u>	<u>2,978</u>	<u>3,635</u>

15. Clients' and brokers' balances

	The Group	
	As at 30/06/2021 RM'000	As at 30/06/2020 RM'000
Performing accounts	200,673	261,268
Impaired accounts	5,247	3,651
	<u>205,920</u>	<u>264,919</u>
Less: Expected credit losses	(1,188)	(2,026)
	<u>204,732</u>	<u>262,893</u>

HLCB Q4 (30.06.2021)

16. Other assets

	The Group		The Company	
	As at 30/06/2021 RM'000	As at 30/06/2020 RM'000	As at 30/06/2021 RM'000	As at 30/06/2020 RM'000
Amount due from related companies	3	-	-	-
Deposits and prepayments	13,228	13,037	24	34
Fee income receivable	5,202	6,175	-	-
Cash collaterals pledged for derivative transactions	7,227	17,673	-	-
Treasury related receivables	20,624	-	-	-
Other receivables	13,554	10,884	195	639
Manager's stocks and consumables	364	1,007	-	-
	60,202	48,776	219	673
Less: Expected credit losses	(1,942)	(1,428)	-	-
	58,260	47,348	219	673

17. Deposits from customers

	The Group	
	As at 30/06/2021 RM'000	As at 30/06/2020 RM'000
a. <u>By type of deposits</u>		
Fixed deposits	701,538	737,747
b. <u>By type of customer</u>		
Government and statutory bodies	530,754	515,109
Business enterprises	157,569	207,466
Individuals	13,215	15,172
	701,538	737,747
c. The maturity structure of fixed deposits are as follows:		
Due within:		
- six months	701,538	720,239
- six months to one year	-	17,508
	701,538	737,747

18. Deposits and placements of banks and other financial institutions

	The Group	
	As at 30/06/2021 RM'000	As at 30/06/2020 RM'000
Licensed banks	209,916	228,601
Licensed investment banks	101,016	75,304
Other financial institutions	1,738,490	1,769,306
	2,049,422	2,073,211

19. Derivative financial assets/(liabilities)

The Group	Contract or underlying principal amount	Positive fair value	Negative fair value
30/06/2021	RM'000	RM'000	RM'000
Derivatives at FVTPL:			
(i) Interest rate related contracts:			
- Interest rate swaps	3,515,000	26,970	(38,673)
- Cross currency swaps	82,995	2,791	-
(ii) Foreign exchange related contracts:			
- Foreign currency swaps	1,048,158	2,814	(238)
- Foreign currency forwards	311,456	1,812	(501)
- Foreign currency spot	23,611	23	-
(iii) Equity related contracts:			
- Call option	200	84	-
Derivatives designated as fair value hedge:			
- Interest rate swap	70,000	-	(1,644)
	5,051,420	34,494	(41,056)
30/06/2020			
Derivatives at FVTPL:			
(i) Interest rate related contracts:			
- Interest rate swaps	4,350,000	47,834	(74,171)
- Cross currency swaps	85,700	557	-
(ii) Foreign exchange related contracts:			
- Foreign currency swaps	1,225,578	6,086	(4,567)
- Foreign currency forwards	258,331	480	(372)
Derivatives designated as fair value hedge:			
- Interest rate swap	70,000	-	(2,510)
	5,989,609	54,957	(81,620)

20. Other liabilities

	The Group		The Company	
	As at 30/06/2021 RM'000	As at 30/06/2020 RM'000	As at 30/06/2021 RM'000	As at 30/06/2020 RM'000
Amount due to holding company	232	109	29	-
Amount due to related companies	734	12	11	-
Remisiers' trust deposits	16,392	13,465	-	-
Treasury related payables	42,465	40,099	-	-
Advance payments received for corporate exercise	-	248	-	-
Other payables and accrued liabilities	88,302	74,447	1,481	698
Post employment benefits obligation - defined contribution plan	218	215	-	-
	148,343	128,595	1,521	698

21. Subordinated obligations

	The Group	
	As at 30/06/2021 RM'000	As at 30/06/2020 RM'000
RM100.0 million Tier 2 subordinated notes, at par	100,000	100,000
Add: Interest payable	197	185
	100,197	100,185
Less: Unamortised discounts	(5)	(7)
	100,192	100,178

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.

HLCB Q4 (30.06.2021)

22a. Interest income

	Current quarter ended 30/06/2021 RM'000	Last year's quarter ended 30/06/2020 RM'000	Current year ended 30/06/2021 RM'000	Last year's ended 30/06/2020 RM'000
The Group				
Loan and advances	3,452	3,065	14,302	14,012
Money at call and deposits placements with banks and other financial institutions	543	2,320	5,018	9,885
Financial investments at FVOCI	8,736	9,461	35,464	40,309
Financial investments at amortised cost	8,255	7,944	31,157	29,261
Others	4,450	6,217	17,126	18,200
Total interest income	<u>25,436</u>	<u>29,007</u>	<u>103,067</u>	<u>111,667</u>
The Company				
Money at call and deposits placements with banks and other financial institutions	<u>4</u>	<u>2</u>	<u>13</u>	<u>11</u>

22b. Interest income for financial assets at FVTPL

	Current quarter ended 30/06/2021 RM'000	Last year's quarter ended 30/06/2020 RM'000	Current year ended 30/06/2021 RM'000	Last year's ended 30/06/2020 RM'000
The Group				
Financial assets at FVTPL	<u>8,120</u>	<u>8,956</u>	<u>37,423</u>	<u>39,188</u>

23. Interest expense

	Current quarter ended 30/06/2021 RM'000	Last year's quarter ended 30/06/2020 RM'000	Current year ended 30/06/2021 RM'000	Last year's ended 30/06/2020 RM'000
The Group				
Deposits and placements of banks and other financial institutions	1,095	3,654	5,120	19,259
Deposits from customers	8,891	11,146	38,982	60,027
Derivative financial instruments	9,909	7,054	41,500	18,655
Subordinated obligations	1,055	1,054	4,232	5,262
Lease liabilities	224	126	1,009	1,051
Others	9	22	6	103
Total interest expense	<u>21,183</u>	<u>23,056</u>	<u>90,849</u>	<u>104,357</u>

24. Non-interest income

	Current quarter ended 30/06/2021 RM'000	Last year's quarter ended 30/06/2020 RM'000	Current year ended 30/06/2021 RM'000	Last year's ended 30/06/2020 RM'000
The Group				
(a) Fee income:				
Fee on loans and advances	253	39	494	925
Arranger fees	823	513	3,856	3,365
Placement fees	372	72	13,726	8,353
Corporate advisory fees	1,942	594	6,626	3,385
Underwriting Commission	-	-	129	188
Brokerage commissions	24,326	28,409	135,265	76,541
Commission from futures contracts	165	302	821	1,611
Unit trust fee income	15,741	11,166	57,269	56,899
Other fee income	1,341	1,055	8,062	8,865
	44,963	42,150	226,248	160,132
(b) Net income from securities:				
Net realised (loss)/gain arising from sale of:				
- Financial assets at FVTPL	(1,570)	(7,377)	9,539	4,235
- Financial investments at FVOCI	(2,342)	4,070	12,931	26,819
- Derivative financial instruments	1,866	(8,483)	(27,187)	39,562
Net unrealised gain/(loss) on revaluation of:				
- Financial assets at FVTPL	1,392	19,391	(4,451)	(3,027)
- Derivative financial instruments	(1,441)	6,063	19,532	(17,758)
Dividend income from:				
- Financial assets at FVTPL	1,461	2,007	6,314	8,820
Net unrealised loss on fair value changes arising from fair value hedges	(431)	(558)	(2,068)	(558)
	(1,065)	15,113	14,610	58,093
(c) Other income				
Foreign exchange gain/(loss)	116	1,880	23,830	(32,245)
Other non-operating income	538	49	1,296	247
	654	1,929	25,126	(31,998)
Total non-interest income	44,552	59,192	265,984	186,227

The Company

(a) Net income from securities:				
Net realised (loss)/gain arising from sale of:				
- Financial assets at FVTPL	(623)	506	4,534	327
Net unrealised (loss)/gain on revaluation of:				
- Financial assets at FVTPL	(187)	7,194	533	(2,921)
Dividend income from:				
- Financial assets at FVTPL	1,344	1,489	5,453	7,320
- Subsidiary companies	18,000	18,000	84,000	46,000
	18,534	27,189	94,520	50,726
(b) Other income				
Foreign exchange loss	-	-	(47)	-
Other income	166	48	856	195
Total non-interest income	18,700	27,237	95,329	50,921

25. Overhead expenses

	Current quarter ended 30/06/2021 RM'000	Last year's quarter ended 30/06/2020 RM'000	Current year ended 30/06/2021 RM'000	Last year's ended 30/06/2020 RM'000
The Group				
Personnel costs				
- Salaries, bonuses and allowances	17,919	25,121	83,212	79,513
- Others	3,234	2,523	12,466	13,360
	21,153	27,644	95,678	92,873
Establishment costs				
- Depreciation of property and equipment	937	786	3,628	3,371
- Amortisation of intangible assets	364	403	1,528	1,702
- Depreciation of ROU assets	1,006	972	3,999	4,022
- Rental of premises	26	8	97	78
- Information technology expenses	2,484	1,689	9,483	6,221
- Others	729	441	2,828	2,191
	5,546	4,299	21,563	17,585
Marketing expenses				
- Advertisement and publicity	486	277	653	1,027
- Entertainment and business improvement	92	30	531	1,126
- Others	19	22	158	419
	597	329	1,342	2,572
Administration and general expenses				
- Management fees	1,367	1,413	7,282	4,921
- Communication expenses	313	261	1,344	1,240
- Property and equipment written off	-	-	22	-
- Auditors' remuneration				
- Statutory audit	203	39	472	371
- Regulatory related fee	46	46	54	54
- Tax compliance fee	33	25	33	25
- Other fees	120	20	120	20
- Legal and professional fees	758	1,072	3,061	4,139
- Others	2,591	2,731	10,626	10,964
	5,431	5,607	23,014	21,734
Total overhead expenses	32,727	37,879	141,597	134,764
The Company				
Personnel costs				
- Salaries, bonuses and allowances	-	-	-	-
- Others	81	96	219	416
	81	96	219	416
Establishment costs				
- Information technology expenses	6	-	25	2
- Others	13	14	46	61
	19	14	71	63

25. Overhead expenses (continued)

	Current quarter ended 30/06/2021 RM'000	Last year's quarter ended 30/06/2020 RM'000	Current year ended 30/06/2021 RM'000	Last year's ended 30/06/2020 RM'000
The Company (continued)				
Marketing expenses				
- Others	-	-	-	38
	-	-	-	38
Administration and general expenses				
- Management fees	28	141	504	400
- Communication expenses	1	-	8	6
- Auditors' remuneration				
- Statutory audit	20	24	79	79
- Regulatory related fee	3	3	11	11
- Legal and professional fees	3	-	22	20
- Others	188	140	589	540
	243	308	1,213	1,056
Total overhead expenses	343	418	1,503	1,573

26. Write-back of/(allowance for) impairment losses on loans and advances

	Current quarter ended 30/06/2021 RM'000	Last year's quarter ended 30/06/2020 RM'000	Current year ended 30/06/2021 RM'000	Last year's ended 30/06/2020 RM'000
The Group				
Expected credit losses				
- Loans and advances	198	1,294	3,052	(280)
- Loans and advances commitments	-	381	-	-
Impaired loans and advances written-off	-	-	(26)	-
	198	1,675	3,026	(280)

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

	Current quarter ended 30/06/2021 RM'000	Last year's quarter ended 30/06/2020 RM'000	Current year ended 30/06/2021 RM'000	Last year's ended 30/06/2020 RM'000
The Group				
(a) Financial investments				
(i) Financial investments at FVOCI	37	(175)	(31)	(198)
(ii) Financial investments at amortised cost	3	-	3	21
	40	(175)	(28)	(177)
(b) Other financial assets:				
(i) Clients' and brokers' balances:				
- Expected credit losses	(92)	(82)	838	(1,806)
- Impaired clients' and brokers' balances recovered	-	47	-	110
(ii) Other assets	6	-	(514)	(58)
	(86)	(35)	324	(1,754)
	(46)	(210)	296	(1,931)

28. Commitments and contingencies

	As at 30/06/2021 Principal Amount RM'000	As at 30/06/2020 Principal Amount RM'000
The Group		
Commitments and contingent liabilities		
Direct Credit Substitutes	1,000	1,000
Lending of banks' securities or the posting of securities as collateral by bank, including instances where these arise out of repo-style transactions	-	52,352
Other commitments, such as formal standby facilities and credit lines, with an original maturity:		
- Over one year	30,000	30,000
Any commitments that are unconditionally cancelled at any time by the bank without prior notice		
- Maturity less than one year	911,550	894,438
	<u>942,550</u>	<u>977,790</u>
Derivative financial instruments		
Interest rate related contracts:		
- One year or less	1,592,995	1,365,000
- Over one year to five years	2,075,000	3,030,700
- Over five years	-	110,000
Foreign exchange related contracts		
- One year or less	1,383,225	1,483,909
Equity related contracts		
- Over one year to five years	200	-
	<u>5,051,420</u>	<u>5,989,609</u>
	<u>5,993,970</u>	<u>6,967,399</u>

29. Fair value of financial instruments

Determination of fair value and fair value hierarchy

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

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

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

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

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

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

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

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

The Group 30.06.2021	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Financial assets at FVTPL	275,979	515,839	-	791,818
- Money market instruments	-	466,127	-	466,127
- Quoted securities	275,979	-	-	275,979
- Unquoted securities	-	49,712	-	49,712
Financial investments at FVOCI	-	1,350,820	-	1,350,820
- Money market instruments	-	391,627	-	391,627
- Unquoted securities	-	959,193	-	959,193
Derivative financial assets	-	34,494	-	34,494
	275,979	1,901,153	-	2,177,132

HLCB Q4 (30.06.2021)

29. Fair value of financial instruments (continued)

Determination of fair value and fair value hierarchy (continued)

The Group 30.06.2021	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial liability				
Derivative financial liabilities	-	41,056	-	41,056
30.06.2020				
Financial assets				
Financial assets at FVTPL	273,926	632,119	1,432	907,477
- Money market instruments	-	588,325	-	588,325
- Quoted securities	273,926	-	-	273,926
- Unquoted securities	-	43,794	1,432	45,226
Financial investments at FVOCI	-	1,266,529	-	1,266,529
- Money market instruments	-	124,569	-	124,569
- Unquoted securities	-	1,141,960	-	1,141,960
Derivative financial assets	-	54,957	-	54,957
	273,926	1,953,605	1,432	2,228,963
Financial liability				
Derivative financial liabilities	-	81,620	-	81,620
The Company 30.06.2021				
Financial asset				
Financial assets at FVTPL				
- Quoted securities	269,034	-	-	269,034
30.06.2020				
Financial asset				
Financial assets at FVTPL				
- Quoted securities	255,892	-	-	255,892

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

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

	The Group	
	30.06.2021	30.06.2020
	RM'000	RM'000
Financial assets at FVTPL		
At 1 July	1,432	1,365
Fair value changes recognised in income statements	-	67
Disposed during the financial period	(1,432)	-
At 30 June	-	1,432

30. Capital adequacy

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

	HLIB 30/06/2021	HLIB 30/06/2020
Before deducting proposed dividends:		
Common equity tier 1 ("CET1") capital ratio	50.575%	42.128%
Tier 1 capital ratio	50.575%	42.128%
Total capital ratio	61.409%	52.768%
After deducting proposed dividends: ⁽¹⁾		
CET1 capital ratio	34.419%	35.500%
Tier 1 capital ratio	34.419%	35.500%
Total capital ratio	45.253%	46.139%

Note:

⁽¹⁾ Proposed dividends of RM156,750,000 (30.06.2020: RM66,000,000).

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

	HLIB 30/06/2021 RM'000	HLIB 30/06/2020 RM'000
CET1 capital		
Paid-up ordinary share capital	252,950	252,950
Retained profits	389,376	279,828
Other reserves	3,364	9,349
Less: goodwill and intangibles	(31,745)	(31,380)
Less: deferred tax assets	(121,199)	(85,925)
Less: investment in subsidiary companies	(200)	(200)
Less: 55% of cumulative gains of financial investments at FVOCI	(1,850)	(5,142)
Total CET1 capital	490,696	419,480
Tier 1 capital	490,696	419,480
Tier 2 capital		
Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves ⁽²⁾	5,115	5,940
Subordinated obligations	100,000	100,000
Total Tier 2 capital	105,115	105,940
Total capital	595,811	525,420

Note:

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

30. Capital adequacy (continued)

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

	HLIB 30/06/2021 RM'000	HLIB 30/06/2020 RM'000
Credit risk	409,205	476,122
Market risk	248,108	257,167
Operational risk	312,925	262,434
	<u>970,238</u>	<u>995,723</u>

31. Segmental reporting

(a) Segment information by activities for the financial period ended 30 June 2021:

The Group	Investment banking and stockbroking RM'000	Fund management and unit trust management RM'000	Investment holding and others RM'000	Elimination RM'000	Consolidated RM'000
30 June 2021					
Net income					
Net interest income	49,105	439	97	-	49,641
Non interest income	197,704	57,322	95,531	(84,573)	265,984
Total net income	<u>246,809</u>	<u>57,761</u>	<u>95,628</u>	<u>(84,573)</u>	<u>315,625</u>
Results					
Profit from operations	143,248	24,712	93,963	(84,573)	177,350
Taxation					25,937
Profit after taxation					<u>203,287</u>
30 June 2020					
Net income					
Net interest income	45,448	969	81	-	46,498
Non interest income	124,459	56,928	51,137	(46,297)	186,227
Total net income	<u>169,907</u>	<u>57,897</u>	<u>51,218</u>	<u>(46,297)</u>	<u>232,725</u>
Results					
Profit from operations	64,907	27,668	49,472	(46,297)	95,750
Taxation					(1,563)
Profit after taxation					<u>94,187</u>

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

32. 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 2020.

33. Changes in composition of the Group

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

34. Capital commitments

Capital commitments for the purchase of property and equipment as at 30 June 2021 is RM4.6 million.

35. Changes in contingent liabilities

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

Hong Leong Asset Management Bhd, a wholly owned subsidiary of the Company, is the Manager of Hong Leong Consumer Products Sector Fund (“Fund”). The Company provided a guarantee to Deutsche Trustees Malaysia Berhad, the trustee of the Fund, that if the Fund falls below the minimum fund size of RM1.0 million, the Company would invest cash, equivalent to the shortfall, into the relevant Fund.

With effect from 1 May 2021, the Company has ceased to provide guarantee for this arrangement.

36. Related party transactions

All related party transactions had been entered into in the ordinary course of business that had been undertaken at arms’ length basis on normal commercial terms. These transactions are within the ambit of the approval granted under the Shareholders’ Mandate for recurrent related party transactions obtained at a general meeting.

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

1. Performance review

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

	The Group		Variance	%
	Current	Last year's		
	quarter ended	quarter ended		
	30/06/2021	30/06/2020	RM'000	
	RM'000	RM'000		
Net income	56,925	74,099	(17,174)	-23.2%
Profit before tax	24,350	37,685	(13,335)	-35.4%
Profit after tax	70,912	36,299	34,613	95.4%
Profit attributable to equity holders of the Company	70,912	36,299	34,613	95.4%

The group recorded a 35.4% lower profit before tax ("PBT") of RM24.4 million for the 4th quarter ended 30 June 2021 as compared to RM37.7 million recorded in the previous year corresponding quarter.

Higher PBT mainly contributed by lower non-interest income earned (-24.7%).

The performance of the respective operating business segments for the 4th quarter ended 30 June 2021 as compared to the previous year corresponding quarter is analysed as follows:-

	The Group		Variance	%
	Current	Last year's		
	quarter ended	quarter ended		
	30/06/2021	30/06/2020	RM'000	
	RM'000	RM'000		
Profit before tax by segments:				
Investment banking and stockbroking	18,510	23,351	(4,841)	-20.7%
Fund management and unit trust management	5,421	5,417	4	0.1%
Investment holding and others	419	8,917	(8,498)	-95.3%
	24,350	37,685	(13,335)	-35.4%

Investment banking and stockbroking - lower PBT by RM4.8 million (-20.7%) due to lower profit contribution from its stockbroking division in current quarter.

Fund management and unit trust management - PBT increased by RM4 thousand (0.1%) mainly due to higher net contribution from management fee income.

Investment holding and others - PBT decreased by RM8.5 million (-95.3%) mainly due to unrealised loss on revaluation of financial assets at FVTPL of RM0.2 million (4th quarter ended 30 June 2020: unrealised gain of RM7.2 million).

HLCB Q4 (30.06.2021)

1. Performance review (continued)

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

	The Group		Variance RM'000	%
	Current year ended 30/06/2021 RM'000	Last year's ended 30/06/2020 RM'000		
Net income	315,625	232,725	82,900	35.6%
Profit before tax	177,350	95,750	81,600	85.2%
Profit after tax	203,287	94,187	109,100	>100.0%
Profit attributable to equity holders of the Company	203,287	94,187	109,100	>100.0%

The group recorded a higher PBT of RM177.4 million for the financial year ended 30 June 2021 as compared to RM95.8 million recorded in the previous financial year.

Higher PBT mainly due to higher non-interest income earned (42.8%).

The performance of the respective operating business segments for the twelve months ended 30 June 2021 as compared to the previous financial year is analysed as follows:-

	The Group		Variance RM'000	%
	Current year ended 30/06/2021 RM'000	Last year's ended 30/06/2020 RM'000		
Profit before tax by segments:				
Investment banking and stockbroking	143,248	64,907	78,341	>100.0%
Fund management and unit trust management	24,712	27,668	(2,956)	-10.7%
Investment holding and others	9,390	3,175	6,215	>100.0%
	<u>177,350</u>	<u>95,750</u>	<u>81,600</u>	85.2%

Investment banking and stockbroking - Higher PBT by RM78.3 million (>100.0%) mainly attributed to higher profit contribution from both its stockbroking division and investment banking division.

Fund management and unit trust management - PBT decreased by RM3.0 million (-10.7%) mainly due to lower net contribution from management fee income.

Investment holding and others - PBT increased by RM6.3 million (>100.0%) mainly due to higher net realised gain from disposal of financial assets at FVTPL and unrealised gain on revaluation of financial assets at FVTPL.

HLCB Q4 (30.06.2021)

1. Performance review (continued)

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

	The Group			
	Current	Preceding		
	quarter ended	quarter ended		
	30/06/2021	31/03/2021	Variance	
	RM'000	RM'000	RM'000	%
Net income	56,925	79,974	(23,049)	-28.8%
Profit before tax	24,350	46,856	(22,506)	-48.0%
Profit after tax	70,912	40,621	30,291	74.6%
Profit attributable to equity holders of the Company	70,912	40,621	30,291	74.6%

For the financial quarter ended 30 June 2021, the Group reported a lower PBT of RM24.4 million as compared to RM46.9 million in the preceding financial quarter ended 31 March 2021. The lower PBT was mainly due to lower non-interest income earned (-34.2%).

The performance of the respective operating business segments for the three months ended 30 June 2021 as compared to the preceding quarter is analysed as follows:-

	The Group			
	Current	Preceding		
	quarter ended	quarter ended		
	30/06/2021	31/03/2021	Variance	
	RM'000	RM'000	RM'000	%
Profit before tax by segments:				
Investment banking and stockbroking	18,510	38,994	(20,484)	-52.5%
Fund management and unit trust management	5,421	6,061	(640)	-10.6%
Investment holding and others	419	1,801	(1,382)	-76.7%
	<u>24,350</u>	<u>46,856</u>	<u>(22,506)</u>	<u>-48.0%</u>

Investment banking and stockbroking - lower PBT by RM20.5 million (-52.5%) mainly due to lower profit contribution from both its stockbroking division and investment banking division.

Fund management and unit trust management - PBT decreased by RM0.6 million (-10.6%) mainly due to higher overheads incurred in current quarter.

Investment holding and others - PBT decreased by RM1.4 million (-76.7%) mainly due to net realised loss from disposal of financial assets at FVTPL (3rd quarter ended 31 March 2021: net disposal gain).

HLCB Q4 (30.06.2021)

2. Prospects for 2021

Whilst BNM has maintained the Overnight Policy Rate (“OPR”) at 1.75% on 8 July 2021 but the growth outlook is still subject to significant downside risks mainly from prolong imposition of tighter containment measures as well as a weaker than expected global growth recovery.

We expect the movement restrictions to continue to drive demand for our products and services via our digital platforms. The Group will remain proactive in harnessing our digital initiatives and technologies to extend our reach.

As we continue to execute our business strategies, we will also remain vigilant of our business continuity measures.

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

The Group	Financial quarter ended		Financial year ended	
	30/06/2021	30/06/2020	30/06/2021	30/06/2020
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax:				
- Current	1,554	1,857	7,653	7,243
- (Over)/Under provision in prior years	(73)	(7)	(79)	15
Deferred taxation	<u>(48,043)</u>	<u>(464)</u>	<u>(33,511)</u>	<u>(5,695)</u>
	<u>(46,562)</u>	<u>1,386</u>	<u>(25,937)</u>	<u>1,563</u>

5. Status of corporate proposals

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

6. Status of utilisation of proceeds raised from corporate proposals

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

7. Off-balance sheet financial instruments

Details of financial instruments with off-balance sheet risk as at 30 June 2021:

The Group	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Interest rate related contracts			
(i) Less than 1 year	1,592,995	5,562	(11,929)
(ii) 1 year to 3 years	1,230,000	16,204	(14,292)
(iii) More than 3 years	845,000	7,995	(14,096)
Foreign exchange related contracts			
(i) Less than 1 year	1,383,225	4,649	(739)
Equity related contracts			
(i) More than 3 years	200	84	-
	5,051,420	34,494	(41,056)

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

Credit risk

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

Market risk

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

Related accounting policies

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

HLCB Q4 (30.06.2021)

8. Group borrowings and debt securities

The Group Unsecured	More than 1 year		Less than 1 year		Sub-total		Total RM'000
	Foreign currency RM'000	Local currency RM'000	Foreign currency RM'000	Local currency RM'000	Foreign currency RM'000	Local currency RM'000	
As at 30 June 2021							
RM100.0 million Tier 2 subordinated notes	-	99,995	-	197	-	100,192	100,192
As at 30 June 2020							
RM100.0 million Tier 2 subordinated notes	-	99,993	-	185	-	100,178	100,178

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.

HLCB Q4 (30.06.2021)

9. Material litigation

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

10. Dividends

A final single-tier dividend of 26.0 sen per share has been declared for the current quarter.

Amount per share:	26.0 sen
Previous corresponding quarter:	23.0 sen
Payment date:	To be announced later
Entitlement date:	To be announced later

11. Earnings per share

(a) Basic earnings per share

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

	Financial quarter ended		Financial year ended	
	30/06/2021	30/06/2020	30/06/2021	30/06/2020
The Group				
Net profit attributable to equity holders of the Company (RM'000):	70,912	36,299	203,287	94,187
Weighted average number of ordinary shares in issue ('000):	235,785	241,283	237,698	241,283
Basic earnings per share (sen)	30.1	15.0	85.5	39.0
The Company				
Net profit attributable to equity holders of the Company (RM'000):	18,481	26,699	92,578	49,251
Weighted average number of ordinary shares in issue ('000):	235,890	241,388	237,803	241,388
Basic earnings per share (sen)	7.8	11.1	38.9	20.4

(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 30 June 2021 and 30 June 2020.

Dated this 30 August 2021.