

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

	Note	The Group		The Company	
		As at 30/09/2021 RM'000	As at 30/06/2021 RM'000	As at 30/09/2021 RM'000	As at 30/06/2021 RM'000
ASSETS					
Cash and short term funds		258,343	170,033	1,093	1,160
Deposits and placements with banks and other financial institutions		-	31,139	-	-
Financial assets at fair value through profit or loss ("FVTPL")	11	646,815	791,818	271,581	269,034
Financial investments at fair value through other comprehensive income ("FVOCI")	12	1,527,514	1,350,820	-	-
Financial investments at amortised cost	13	1,096,659	1,059,286	-	-
Derivative financial assets	19	30,226	34,494	-	-
Loans and advances	14	370,170	335,759	-	-
Clients' and brokers' balances	15	248,520	204,732	-	-
Other assets	16	64,560	58,260	723	219
Tax recoverable		31	28	-	-
Investment in subsidiary companies		-	-	246,574	246,574
Deferred tax assets		119,560	123,234	-	-
Property and equipment		8,995	9,800	-	-
Right-of-use assets ("ROU")		18,066	18,966	-	-
Goodwill		33,059	33,059	-	-
Other intangible assets		4,923	3,169	-	-
TOTAL ASSETS		4,427,441	4,224,597	519,971	516,987
LIABILITIES					
Deposits from customers	17	773,680	701,538	-	-
Deposits and placements of banks and other financial institutions	18	2,112,097	2,049,422	-	-
Derivative financial liabilities	19	34,775	41,056	-	-
Clients' and brokers' balances		253,825	207,183	-	-
Lease liabilities		17,265	18,069	-	-
Other liabilities	20	215,775	148,343	62,223	1,521
Current tax liabilities		1,595	1,803	89	225
Subordinated obligations	21	101,258	100,192	-	-
TOTAL LIABILITIES		3,510,270	3,267,606	62,312	1,746

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 2021

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Registration No: 199101002695 (213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2021

	Note	The Group		The Company	
		As at 30/09/2021 RM'000	As at 30/06/2021 RM'000	As at 30/09/2021 RM'000	As at 30/06/2021 RM'000
EQUITY					
Share capital		246,896	246,896	246,896	246,896
Reserves		701,432	741,252	241,807	299,389
Treasury shares for ESOS		(31,157)	(31,157)	(31,044)	(31,044)
TOTAL EQUITY		917,171	956,991	457,659	515,241
TOTAL LIABILITIES AND EQUITY		4,427,441	4,224,597	519,971	516,987
COMMITMENTS AND CONTINGENCIES	28	5,789,641	5,993,970	-	-
Net assets per share attributable to ordinary equity holder of the Company (RM)		3.89	4.06		

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 2021

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

	Current quarter ended 30/09/2021	Last year's quarter ended 30/09/2020	Current year ended 30/09/2021	Last year's ended 30/09/2020
Note	RM'000	RM'000	RM'000	RM'000
The Group				
Interest income	22a	26,859	27,455	26,859
Interest income for financial assets at FVTPL	22b	7,105	9,130	7,105
Interest expense	23	(22,416)	(23,772)	(22,416)
Net interest income		11,548	12,813	11,548
Non-interest income	24	55,849	74,436	55,849
Net income		67,397	87,249	67,397
Overhead expenses	25	(30,832)	(37,385)	(30,832)
Operating profit before allowances		36,565	49,864	36,565
Write-back of allowance for impairment losses on loans and advances	26	173	2,679	173
Write-back of allowance for impairment losses on financial investments and other financial assets	27	113	171	113
Profit before taxation		36,851	52,714	36,851
Taxation		(8,012)	(7,150)	(8,012)
Net profit for the period		28,839	45,564	28,839
Earnings per share (sen)				
- Basic		12.2	18.9	12.2
- Diluted		12.2	18.9	12.2

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 2021

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

	Current quarter ended 30/09/2021 RM'000	Last year's quarter ended 30/09/2020 RM'000	Current year ended 30/09/2021 RM'000	Last year's ended 30/09/2020 RM'000
The Group				
Net profit for the period	28,839	45,564	28,839	45,564
Other comprehensive (expense)/income:				
Items that will be reclassified subsequently to income statements				
Debt instruments at FVOCI				
- Net fair value changes	(9,654)	4,873	(9,654)	4,873
- Net changes in expected credit losses	(17)	112	(17)	112
Income tax relating to net fair value changes on financial investments at FVOCI	2,317	(1,169)	2,317	(1,169)
Other comprehensive (expense)/income for the period, net of tax	(7,354)	3,816	(7,354)	3,816
Total comprehensive income for the period, net of tax	21,485	49,380	21,485	49,380

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 2021

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

	Current quarter ended 30/09/2021 RM'000	Last year's quarter ended 30/09/2020 RM'000	Current year ended 30/09/2021 RM'000	Last year's ended 30/09/2020 RM'000	
Note					
The Company					
Interest income	22a	2	1	2	1
Interest expense	23	-	-	-	-
Net interest income		2	1	2	1
Non-interest income	24	4,144	3,995	4,144	3,995
Net income		4,146	3,996	4,146	3,996
Overhead expenses	25	(329)	(469)	(329)	(469)
Profit before taxation		3,817	3,527	3,817	3,527
Taxation		(67)	(429)	(67)	(429)
Net profit/total comprehensive income for the period		3,750	3,098	3,750	3,098
Earnings per share (sen)					
- Basic		1.6	1.3	1.6	1.3
- Diluted		1.6	1.3	1.6	1.3

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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 30 SEPTEMBER 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 2021	246,896	(31,157)	13,149	3,364	724,739	956,991
Net profit for the financial period	-	-	-	-	28,839	28,839
Other comprehensive expense, net of tax	-	-	-	(7,354)	-	(7,354)
Total comprehensive (expense)/income	-	-	-	(7,354)	28,839	21,485
Transfer to regulatory reserve	-	-	553	-	(553)	-
Dividend payable	-	-	-	-	(61,305)	(61,305)
At 30 September 2021	246,896	(31,157)	13,702	(3,990)	691,720	917,171
At 1 July 2020	246,896	(6,031)	12,076	9,349	578,020	840,310
Net profit for the financial period	-	-	-	-	45,564	45,564
Other comprehensive income, net of tax	-	-	-	3,816	-	3,816
Total comprehensive income	-	-	-	3,816	45,564	49,380
Transfer to regulatory reserve	-	-	1,383	-	(1,383)	-
At 30 September 2020	246,896	(6,031)	13,459	13,165	622,201	889,690

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 2021

HONG LEONG CAPITAL BERHAD
Registration No: 199101002695 (213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 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 2021	246,896	(31,044)	299,389	515,241
Net profit for the financial period	-	-	3,750	3,750
Total comprehensive income	-	-	3,750	3,750
Dividend payable	-	-	(61,332)	(61,332)
At 30 September 2021	246,896	(31,044)	241,807	457,659
At 1 July 2020	246,896	(5,918)	262,330	503,308
Net profit for the financial period	-	-	3,098	3,098
Total comprehensive income	-	-	3,098	3,098
At 30 September 2020	246,896	(5,918)	265,428	506,406

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 2021

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

	The Group	
	30/09/2021	30/09/2020
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
Profit before taxation	36,851	52,714
<u>Adjustments for non-cash items:</u>		
- Depreciation of property and equipment	913	854
- Amortisation of intangible assets	414	403
- Depreciation of ROU assets	994	1,003
- Property and equipment written off	-	22
- Write-back of allowance for impairment losses on loans and advances	(173)	(2,705)
- Write-back of allowance for impairment losses on financial investments and other financial assets	(113)	(171)
- Impaired loans and advances written-off	-	26
- Net unrealised gain on revaluation of:		
- Financial assets at FVTPL	(938)	(2,636)
- Derivative financial instruments	(2,242)	(737)
- Net unrealised loss on fair value changes arising from fair value hedges	463	530
- Interest income from:		
- Financial assets at FVTPL	(7,105)	(9,130)
- Financial investments at FVOCI	(10,105)	(10,272)
- Financial investments at amortised cost	(8,284)	(7,480)
- Interest expense from:		
- Derivative financial instruments	9,649	10,469
- Subordinated obligations	1,066	1,067
- Lease liabilities	213	312
- Dividend income from:		
- Financial assets at FVTPL	(2,361)	(1,727)
	(17,609)	(20,172)
Operating profit before changes in working capital	19,242	32,542
<u>Changes in working capital:</u>		
- Securities purchased under resale agreements	-	(352)
- Financial assets at FVTPL	146,351	(150,185)
- Derivative financial instruments	5	(4,956)
- Loans and advances	(34,238)	(16,597)
- Clients' and brokers' balances	(43,689)	(643,932)
- Other assets	(6,302)	(29,938)
Net changes in operating assets	62,127	(845,960)
- Deposits from customers	72,142	126,056
- Deposits and placements of banks and other financial institutions	62,675	16,312
- Clients' and brokers' balances	46,642	697,113
- Other liabilities	7,281	90,240
Net changes in operating liabilities	188,740	929,721
Cash generated from operating activities	270,109	116,303

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 2021

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

	The Group	
	30/09/2021	30/09/2020
	RM'000	RM'000
Cash generated from operating activities	270,109	116,303
Net income tax paid	<u>(2,231)</u>	<u>(1,391)</u>
Net cash generated from operating activities	<u>267,878</u>	<u>114,912</u>
<u>Cash flows from investing activities</u>		
Net purchase of financial investments at FVOCI	(190,276)	(78,161)
Net purchase of financial investments at amortised cost	(46,179)	(15,669)
Dividend received from:		
- Financial assets at FVTPL	2,361	1,727
Interest received from financial assets at FVTPL, financial investments at FVOCI, financial investments at amortised cost and derivatives	37,306	40,179
Interest expenses paid on derivative financial instruments	(9,377)	(9,492)
Purchase of property and equipment	(108)	(48)
Purchase of intangible assets	(2,168)	(789)
Net cash used in investing activities	(208,441)	(62,253)
<u>Cash flows from financing activities</u>		
Lease payment	(2,266)	(1,235)
Net cash used in financing activities	(2,266)	(1,235)
Net changes in cash and cash equivalents during the financial period	57,171	51,424
Cash and cash equivalents at beginning of the financial period	201,172	358,162
Cash and cash equivalents at end of the financial period	<u>258,343</u>	<u>409,586</u>
Cash and cash equivalents comprise:		
Cash and short term funds	258,343	309,373
Deposits and placements with banks and other financial institutions	-	100,213
	<u>258,343</u>	<u>409,586</u>

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Registration No: 199101002695 (213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2021

	The Company	
	30/09/2021	30/09/2020
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
Profit before taxation	3,817	3,527
<u>Adjustments for non-cash items:</u>		
- Net unrealised gain on revaluation of financial assets at FVTPL	(2,146)	(448)
- Dividend income from:		
- Financial assets at FVTPL	(1,692)	(1,509)
	(3,838)	(1,957)
Operating (loss)/profit before changes in working capital	(21)	1,570
Increase in financial assets at FVTPL	(401)	(2,851)
(Increase)/Decrease in other assets	(504)	493
(Decrease)/Increase in other liabilities	(630)	891
Cash (used in)/generated from operating activities	(1,556)	103
Net income tax paid	(203)	(95)
Net cash (used in)/generated from operating activities	(1,759)	8
<u>Cash flows from investing activities</u>		
Dividend received from:		
- Financial assets at FVTPL	1,692	1,509
Net cash generated from investing activities	1,692	1,509
Net changes in cash and cash equivalents during the financial period	(67)	1,517
Cash and cash equivalents at beginning of the financial period	1,160	713
Cash and cash equivalents at end of the financial period	1,093	2,230
Cash and cash equivalents comprise:		
Cash and short term funds	1,093	2,230

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 2021

HONG LEONG CAPITAL BERHAD ("HLCB" or "Company")
Registration No: 199101002695 (213006-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 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 period ended 30 September 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 2021. 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 2021.

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 2021 and modified for the adoption of the following Amendments to MFRSs applicable for financial year beginning on or after 1 July 2021:

- Interest Rate Benchmark Reform - Phase 2 (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)

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 2021 was not qualified.

3. Comments about seasonal or cyclical factors

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

Total shares held by ESOS Trust comprise 11,110,700 (30.06.2021: 11,110,700) shares in the Group costing RM31,157,101 (30.06.2021: RM31,157,101) inclusive of transaction costs, as at 30 September 2021.

7. Dividends payable/paid

On 30 August 2021, the Board of Directors declared a final single-tier dividend of 26.0 sen per share in respect of the financial year ended 30 June 2021. The final single-tier dividend of 26.0 sen amounting to RM61.3 million was paid on 16 November 2021.

8. Valuations of property, plant and equipment

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

9. Significant events

COVID-19 pandemic

The Malaysian economy is on the road to recovery from COVID-19, although risks remain from the ongoing crisis.

The Group will continue monitoring the situation closely and continue to assess impact on the Group's earnings as the situation evolves.

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.

HLCB Q1 (30.09.2021)

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

	The Group		The Company	
	As at 30/09/2021 RM'000	As at 30/06/2021 RM'000	As at 30/09/2021 RM'000	As at 30/06/2021 RM'000
Money market instruments				
Malaysian Government Securities	50,189	20,953	-	-
Malaysian Government Investment Issues	122,975	31,180	-	-
Negotiable instruments of deposits	149,556	398,979	-	-
Cagamas bonds	15,011	15,015	-	-
	337,731	466,127	-	-
Quoted securities				
In Malaysia:				
Shares	67,422	63,281	59,989	56,533
Unit trust investment	211,789	212,698	211,592	212,501
	279,211	275,979	271,581	269,034
Unquoted securities				
Corporate bond and/or sukuk	29,873	49,712	-	-
	646,815	791,818	271,581	269,034

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

	The Group	
	As at 30/09/2021 RM'000	As at 30/06/2021 RM'000
Money market instruments		
Malaysian Government Securities	136,048	32,232
Malaysian Government Investment Issues	281,971	283,907
Cagamas bonds	65,599	75,488
	483,618	391,627
Unquoted securities		
Foreign currency bonds	127,663	105,169
Corporate bond and/or sukuk	916,233	854,024
	1,043,896	959,193
	1,527,514	1,350,820

HLCB Q1 (30.09.2021)

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	Lifetime ECL	Lifetime ECL	Total ECL
	ECL (Stage 1)	not credit impaired (Stage 2)	credit impaired (Stage 3)	
	RM'000	RM'000	RM'000	RM'000
At 1 July 2021	372	-	-	372
Allowances made	4	-	-	4
Amount written back	(3)	-	-	(3)
New financial assets originated or purchased	17	-	-	17
Financial assets derecognised	(32)	-	-	(32)
Exchange differences	(3)	-	-	(3)
At 30 September 2021	<u>355</u>	<u>-</u>	<u>-</u>	<u>355</u>
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>

13. Financial investments at amortised cost

	The Group	
	As at 30/09/2021 RM'000	As at 30/06/2021 RM'000
Money market instruments		
Malaysian Government Securities	461,118	462,996
Malaysian Government Investment Issues	574,736	515,821
	<u>1,035,854</u>	<u>978,817</u>
Unquoted securities		
Foreign currency bonds	16,946	16,639
Corporate bond and/or sukuk	43,872	63,842
	<u>60,818</u>	<u>80,481</u>
Less: Expected credit losses	(13)	(12)
	<u>1,096,659</u>	<u>1,059,286</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 2021	12	-	-	12
Exchange differences	1	-	-	1
At 30 September 2021	13	-	-	13
At 1 July 2020	15	-	-	15
Amount written back	(1)	-	-	(1)
Exchange differences	(2)	-	-	(2)
At 30 June 2021	12	-	-	12

14. Loans and advances

	The Group	
	As at 30/09/2021 RM'000	As at 30/06/2021 RM'000
Term loan financing	40,375	41,986
Share margin financing	329,904	294,054
Staff loans	35	37
Other loans	266	265
Gross loans and advances	370,580	336,342
Less: Expected credit losses	(410)	(583)
Net loans and advances	370,170	335,759
a. <u>By type of customer</u>		
Domestic business enterprises		
- Small and medium enterprises	56,281	60,590
- Others	88,807	90,417
Individuals	221,181	181,065
Foreign entities	4,311	4,270
Gross loans and advances	370,580	336,342
b. <u>By interest rate sensitivity</u>		
Fixed rate		
- Staff housing loans	35	37
- Other fixed rate loan	266	265
Variable rate		
- Cost plus	370,279	336,040
Gross loans and advances	370,580	336,342

14. Loans and advances (continued)

	The Group	
	As at 30/09/2021 RM'000	As at 30/06/2021 RM'000
c. <u>By residual contractual maturity</u>		
Maturity within one year	358,050	322,201
More than one year to three years	-	-
More than three years to five years	7,107	8,163
More than five years	5,423	5,978
Gross loans and advances	<u>370,580</u>	<u>336,342</u>
d. <u>By geographical distribution</u>		
Malaysia	<u>370,580</u>	<u>336,342</u>
e. <u>By economic purpose</u>		
Purchase of securities	336,976	302,180
Working capital	33,303	33,860
Purchase of transport vehicles	126	126
Purchase of landed properties	175	176
Gross loans and advances	<u>370,580</u>	<u>336,342</u>
f. Impaired loans and advances		
(i) Movements in impaired loans and advances ("impaired loans") are as follows:		
At 1 July	265	6,522
Amount written-back during the financial period/year	-	(6,257)
At 30 June	<u>265</u>	<u>265</u>
(ii) <u>By geographical distribution</u>		
Malaysia	<u>265</u>	<u>265</u>
(iii) <u>By economic purpose</u>		
Purchase of transport vehicles	126	126
Purchase of landed properties	139	139
Gross impaired loans and advances	<u>265</u>	<u>265</u>

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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 2021	263	194	126	583
Transferred to Stage 1	1	(1)	-	-
New financial assets originated	3	10	-	13
Allowance made	13	-	-	13
Allowance written-back	(52)	(147)	-	(199)
At 30 September 2021	<u>228</u>	<u>56</u>	<u>126</u>	<u>410</u>
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>

15. Clients' and brokers' balances

	The Group	
	As at 30/09/2021 RM'000	As at 30/06/2021 RM'000
Performing accounts	247,220	200,673
Impaired accounts	2,389	5,247
	<u>249,609</u>	<u>205,920</u>
Less: Expected credit losses	(1,089)	(1,188)
	<u>248,520</u>	<u>204,732</u>

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16. Other assets

	The Group		The Company	
	As at 30/09/2021 RM'000	As at 30/06/2021 RM'000	As at 30/09/2021 RM'000	As at 30/06/2021 RM'000
Amount due from related companies	2	3	-	-
Deposits and prepayments	14,188	13,228	14	24
Fee income receivable	8,413	5,202	-	-
Cash collaterals pledged for derivative transactions	7,482	7,227	-	-
Treasury related receivables	20,493	20,624	-	-
Other receivables	15,618	13,554	709	195
Manager's stocks and consumables	307	364	-	-
	66,503	60,202	723	219
Less: Expected credit losses	(1,943)	(1,942)	-	-
	64,560	58,260	723	219

17. Deposits from customers

	The Group	
	As at 30/09/2021 RM'000	As at 30/06/2021 RM'000
a. <u>By type of deposits</u>		
Fixed deposits	773,680	701,538
b. <u>By type of customer</u>		
Government and statutory bodies	595,972	530,754
Business enterprises	164,417	157,569
Individuals	13,291	13,215
	773,680	701,538
c. The maturity structure of fixed deposits are as follows:		
Due within:		
- six months	773,680	701,538

18. Deposits and placements of banks and other financial institutions

	The Group	
	As at 30/09/2021 RM'000	As at 30/06/2021 RM'000
Licensed banks	84,867	209,916
Licensed investment banks	20,937	101,016
Other financial institutions	2,006,293	1,738,490
	2,112,097	2,049,422

19. Derivative financial assets/(liabilities)

The Group	Contract or underlying principal amount	Positive fair value	Negative fair value
30/09/2021	RM'000	RM'000	RM'000
Derivatives at FVTPL:			
(i) Interest rate related contracts:			
- Interest rate swaps	3,810,000	24,406	(31,134)
- Futures	41,863	249	-
- Cross currency swaps	83,725	1,935	-
(ii) Foreign exchange related contracts:			
- Foreign currency swaps	588,804	3,493	(158)
- Foreign currency forwards	263,132	88	(2,056)
(iii) Equity related contracts:			
- Call option	200	55	-
Derivatives designated as fair value hedge:			
- Interest rate swap	70,000	-	(1,427)
	4,857,724	30,226	(34,775)
30/06/2021			
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)

20. Other liabilities

	The Group		The Company	
	As at 30/09/2021 RM'000	As at 30/06/2021 RM'000	As at 30/09/2021 RM'000	As at 30/06/2021 RM'000
Amount due to holding company	191	232	12	29
Amount due to related companies	1,844	734	126	11
Remisiers' trust deposits	15,587	16,392	-	-
Treasury related payables	31,605	42,465	-	-
Advance payments received for corporate exercise	1,708	-	-	-
Other payables and accrued liabilities	103,318	88,302	753	1,481
Dividend declared	61,304	-	61,332	-
Post employment benefits obligation - defined contribution plan	218	218	-	-
	215,775	148,343	62,223	1,521

21. Subordinated obligations

	The Group	
	As at 30/09/2021 RM'000	As at 30/06/2021 RM'000
RM100.0 million Tier 2 subordinated notes, at par	100,000	100,000
Add: Interest payable	1,263	197
	101,263	100,197
Less: Unamortised discounts	(5)	(5)
	101,258	100,192

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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22a. Interest income

	Current quarter ended 30/09/2021 RM'000	Last year's quarter ended 30/09/2020 RM'000	Current year ended 30/09/2021 RM'000	Last year's ended 30/09/2020 RM'000
The Group				
Loan and advances	3,807	3,644	3,807	3,644
Money at call and deposits placements with banks and other financial institutions	371	1,715	371	1,715
Financial investments at FVOCI	10,105	10,272	10,105	10,272
Financial investments at amortised cost	8,284	7,480	8,284	7,480
Others	4,292	4,344	4,292	4,344
Total interest income	<u>26,859</u>	<u>27,455</u>	<u>26,859</u>	<u>27,455</u>
The Company				
Money at call and deposits placements with banks and other financial institutions	<u>2</u>	<u>1</u>	<u>2</u>	<u>1</u>

22b. Interest income for financial assets at FVTPL

	Current quarter ended 30/09/2021 RM'000	Last year's quarter ended 30/09/2020 RM'000	Current year ended 30/09/2021 RM'000	Last year's ended 30/09/2020 RM'000
The Group				
Financial assets at FVTPL	<u>7,105</u>	<u>9,130</u>	<u>7,105</u>	<u>9,130</u>

23. Interest expense

	Current quarter ended 30/09/2021 RM'000	Last year's quarter ended 30/09/2020 RM'000	Current year ended 30/09/2021 RM'000	Last year's ended 30/09/2020 RM'000
The Group				
Deposits and placements of banks and other financial institutions	1,346	1,310	1,346	1,310
Deposits from customers	10,127	10,617	10,127	10,617
Derivative financial instruments	9,649	10,469	9,649	10,469
Subordinated obligations	1,066	1,067	1,066	1,067
Lease liabilities	213	312	213	312
Others	15	(3)	15	(3)
Total interest expense	<u>22,416</u>	<u>23,772</u>	<u>22,416</u>	<u>23,772</u>

24. Non-interest income

	Current quarter ended 30/09/2021 RM'000	Last year's quarter ended 30/09/2020 RM'000	Current year ended 30/09/2021 RM'000	Last year's ended 30/09/2020 RM'000
The Group				
(a) Fee income:				
Fee on loans and advances	39	38	39	38
Arranger fees	533	53	533	53
Placement fees	4,185	730	4,185	730
Corporate advisory fees	1,450	917	1,450	917
Underwriting Commission	-	129	-	129
Brokerage commissions	21,154	41,767	21,154	41,767
Commission from futures contracts	186	237	186	237
Unit trust fee income	16,544	12,374	16,544	12,374
Other fee income	661	1,302	661	1,302
	44,752	57,547	44,752	57,547
(b) Net income from securities:				
Net realised (loss)/gain arising from sale of:				
- Financial assets at FVTPL	(2,036)	(553)	(2,036)	(553)
- Financial investments at FVOCI	1,971	10,045	1,971	10,045
- Derivative financial instruments	10,156	(15,952)	10,156	(15,952)
Net unrealised gain on revaluation of:				
- Financial assets at FVTPL	938	2,636	938	2,636
- Derivative financial instruments	2,242	737	2,242	737
Dividend income from:				
- Financial assets at FVTPL	2,361	1,727	2,361	1,727
Net unrealised loss on fair value changes arising from fair value hedges	(463)	(530)	(463)	(530)
	15,169	(1,890)	15,169	(1,890)
(c) Other income				
Foreign exchange (loss)/gain	(4,265)	18,516	(4,265)	18,516
Other non-operating income	193	263	193	263
	(4,072)	18,779	(4,072)	18,779
Total non-interest income	55,849	74,436	55,849	74,436

The Company

(a) Net income from securities:				
Net realised gain arising from sale of:				
- Financial assets at FVTPL	130	1,794	130	1,794
Net unrealised gain on revaluation of:				
- Financial assets at FVTPL	2,146	448	2,146	448
Dividend income from:				
- Financial assets at FVTPL	1,692	1,509	1,692	1,509
	3,968	3,751	3,968	3,751
(b) Other income				
Other income	176	244	176	244
Total non-interest income	4,144	3,995	4,144	3,995

25. Overhead expenses

	Current quarter ended 30/09/2021 RM'000	Last year's quarter ended 30/09/2020 RM'000	Current year ended 30/09/2021 RM'000	Last year's ended 30/09/2020 RM'000
The Group				
Personnel costs				
- Salaries, bonuses and allowances	16,565	23,020	16,565	23,020
- Others	3,278	2,886	3,278	2,886
	19,843	25,906	19,843	25,906
Establishment costs				
- Depreciation of property and equipment	913	854	913	854
- Amortisation of intangible assets	414	403	414	403
- Depreciation of ROU assets	994	1,003	994	1,003
- Rental of premises	-	24	-	24
- Information technology expenses	2,299	2,400	2,299	2,400
- Others	782	673	782	673
	5,402	5,357	5,402	5,357
Marketing expenses				
- Advertisement and publicity	8	84	8	84
- Entertainment and business improvement	325	113	325	113
- Others	8	88	8	88
	341	285	341	285
Administration and general expenses				
- Management fees	1,545	1,938	1,545	1,938
- Communication expenses	281	345	281	345
- Property and equipment written off	-	22	-	22
- Auditors' remuneration				
- Statutory audit	143	98	143	98
- Regulatory related fee	3	3	3	3
- Legal and professional fees	620	733	620	733
- Others	2,654	2,698	2,654	2,698
	5,246	5,837	5,246	5,837
Total overhead expenses	30,832	37,385	30,832	37,385
The Company				
Personnel costs				
- Salaries, bonuses and allowances	-	-	-	-
- Others	52	87	52	87
	52	87	52	87
Establishment costs				
- Information technology expenses	-	17	-	17
- Others	11	17	11	17
	11	34	11	34

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25. Overhead expenses (continued)

	Current quarter ended 30/09/2021 RM'000	Last year's quarter ended 30/09/2020 RM'000	Current year ended 30/09/2021 RM'000	Last year's ended 30/09/2020 RM'000
The Company (continued)				
Marketing expenses				
- Others	-	37	-	37
	-	37	-	37
Administration and general expenses				
- Management fees	103	179	103	179
- Communication expenses	-	1	-	1
- Auditors' remuneration				
- Statutory audit	20	20	20	20
- Regulatory related fee	3	3	3	3
- Legal and professional fees	-	20	-	20
- Others	140	88	140	88
	266	311	266	311
Total overhead expenses	329	469	329	469

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

	Current quarter ended 30/09/2021 RM'000	Last year's quarter ended 30/09/2020 RM'000	Current year ended 30/09/2021 RM'000	Last year's ended 30/09/2020 RM'000
The Group				
Expected credit losses				
- Loans and advances	173	2,705	173	2,705
Impaired loans and advances written-off	-	(26)	-	(26)
	173	2,679	173	2,679

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

	Current quarter ended 30/09/2021 RM'000	Last year's quarter ended 30/09/2020 RM'000	Current year ended 30/09/2021 RM'000	Last year's ended 30/09/2020 RM'000
The Group				
(a) Financial investments				
(i) Financial investments at FVOCI	17	(112)	17	(112)
(ii) Financial investments at amortised cost	(1)	-	(1)	-
	16	(112)	16	(112)
(b) Other financial assets:				
(i) Clients' and brokers' balances:	99	657	99	657
(ii) Other assets	(2)	(374)	(2)	(374)
	97	283	97	283
	113	171	113	171

28. Commitments and contingencies

	As at 30/09/2021 Principal Amount RM'000	As at 30/06/2021 Principal Amount RM'000
The Group		
Commitments and contingent liabilities		
Direct Credit Substitutes	1,000	1,000
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	900,917	911,550
	<u>931,917</u>	<u>942,550</u>
Derivative financial instruments		
Interest rate related contracts:		
- One year or less	1,535,588	1,592,995
- Over one year to five years	2,470,000	2,075,000
Foreign exchange related contracts		
- One year or less	851,936	1,383,225
Equity related contracts		
- Over one year to five years	200	200
	<u>4,857,724</u>	<u>5,051,420</u>
	<u>5,789,641</u>	<u>5,993,970</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 30.09.2021	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Financial assets at FVTPL	279,211	367,604	-	646,815
- Money market instruments	-	337,731	-	337,731
- Quoted securities	279,211	-	-	279,211
- Unquoted securities	-	29,873	-	29,873
Financial investments at FVOCI	-	1,527,514	-	1,527,514
- Money market instruments	-	483,618	-	483,618
- Unquoted securities	-	1,043,896	-	1,043,896
Derivative financial assets	-	30,226	-	30,226
	279,211	1,925,344	-	2,204,555

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29. Fair value of financial instruments (continued)

Determination of fair value and fair value hierarchy (continued)

The Group 30.09.2021	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial liability				
Derivative financial liabilities	-	34,775	-	34,775
30.06.2020				
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
Financial liability				
Derivative financial liabilities	-	41,056	-	41,056
The Company 30.09.2021				
Financial asset				
Financial assets at FVTPL				
- Quoted securities	271,581	-	-	271,581
30.06.2020				
Financial asset				
Financial assets at FVTPL				
- Quoted securities	269,034	-	-	269,034

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

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

	The Group	
	30.09.2021	30.06.2021
	RM'000	RM'000
Financial assets at FVTPL		
At 1 July	-	1,432
Disposed during the financial period/year	-	(1,432)
At 30 September/30 June	-	-

30. Capital adequacy

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

	HLIB 30/09/2021	HLIB 30/06/2021
Before deducting proposed dividends:		
Common equity tier 1 ("CET1") capital ratio	32.442%	50.575%
Tier 1 capital ratio	32.442%	50.575%
Total capital ratio	42.781%	61.409%
After deducting proposed dividends: ⁽¹⁾		
CET1 capital ratio	32.442%	34.419%
Tier 1 capital ratio	32.442%	34.419%
Total capital ratio	42.781%	45.253%

Note:

⁽¹⁾ Proposed dividends of RM Nil (30.06.2021: RM156,750,000).

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

	HLIB 30/09/2021 RM'000	HLIB 30/06/2021 RM'000
CET1 capital		
Paid-up ordinary share capital	252,950	252,950
Retained profits	232,626	389,376
Other reserves	(3,990)	3,364
Less: goodwill and intangibles	(33,558)	(31,745)
Less: deferred tax assets	(117,525)	(121,199)
Less: investment in subsidiary companies	(200)	(200)
Less: 55% of cumulative gains of financial investments at FVOCI	-	(1,850)
Total CET1 capital	330,303	490,696
Tier 1 capital	330,303	490,696
Tier 2 capital		
Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves ⁽²⁾	5,263	5,115
Subordinated obligations	100,000	100,000
Total Tier 2 capital	105,263	105,115
Total capital	435,566	595,811

Note:

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

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30. Capital adequacy (continued)

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

	HLIB 30/09/2021 RM'000	HLIB 30/06/2021 RM'000
Credit risk	421,063	409,205
Market risk	277,371	248,108
Operational risk	319,707	312,925
	<u>1,018,141</u>	<u>970,238</u>

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31. Segmental reporting

(a) Segment information by activities for the financial period ended 30 September 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 September 2021					
Net income					
Net interest income	11,416	109	23	-	11,548
Non interest income	35,181	16,552	4,180	(64)	55,849
Total net income	<u>46,597</u>	<u>16,661</u>	<u>4,203</u>	<u>(64)</u>	<u>67,397</u>
Results					
Profit from operations	25,024	8,059	3,832	(64)	36,851
Taxation					<u>(8,012)</u>
Profit after taxation					<u>28,839</u>
30 September 2020					
Net income					
Net interest income	12,778	28	7	-	12,813
Non interest income	58,030	12,385	4,021	-	74,436
Total net income	<u>70,808</u>	<u>12,413</u>	<u>4,028</u>	<u>-</u>	<u>87,249</u>
Results					
Profit from operations	43,437	5,757	3,520	-	52,714
Taxation					<u>(7,150)</u>
Profit after taxation					<u>45,564</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 2021.

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 September 2021 is RM3.4 million.

35. Changes in contingent liabilities

There were no contingent liabilities since the last audited reporting period.

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		
	30/09/2021	30/09/2020	RM'000	
	RM'000	RM'000		
Net income	67,397	87,249	(19,852)	-22.8%
Profit before tax	36,851	52,714	(15,863)	-30.1%
Profit after tax	28,839	45,564	(16,725)	-36.7%
Profit attributable to equity holders of the Company	28,839	45,564	(16,725)	-36.7%

The group recorded a 30.1% lower profit before tax ("PBT") of RM36.9 million for the 1st quarter ended 30 September 2021 as compared to RM52.7 million recorded in the previous year corresponding quarter.

Lower PBT mainly contributed by lower non-interest income earned (-25.0%).

The performance of the respective operating business segments for the 1st quarter ended 30 September 2021 as compared to the previous year corresponding quarter is analysed as follows:-

	The Group		Variance	%
	Current	Last year's		
	quarter ended	quarter ended		
	30/09/2021	30/09/2020	RM'000	
	RM'000	RM'000		
Profit before tax by segments:				
Investment banking and stockbroking	25,024	43,437	(18,413)	-42.4%
Fund management and unit trust management	8,059	5,757	2,302	40.0%
Investment holding and others	3,768	3,520	248	7.0%
	36,851	52,714	(15,863)	-30.1%

Investment banking and stockbroking - lower PBT by RM18.4 million (-42.4%) due to lower profit contribution from both its stockbroking division and investment banking division in current quarter.

Fund management and unit trust management - PBT increased by RM2.3 million (40.0%) mainly due to higher net contribution from management fee income.

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1. Performance review (continued)

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

	The Group			
	Current	Preceding		
	quarter ended	quarter ended		
	30/09/2021	30/06/2021	Variance	
	RM'000	RM'000	RM'000	%
Net income	67,397	56,925	10,472	18.4%
Profit before tax	36,851	24,350	12,501	51.3%
Profit after tax	28,839	70,912	(42,073)	-59.3%
Profit attributable to equity holders of the Company	28,839	70,912	(42,073)	-59.3%

For the financial quarter ended 30 September 2021, the Group reported a higher PBT of RM36.9 million as compared to RM24.4 million in the preceding financial quarter ended 30 June 2021. The higher PBT was mainly due to higher non-interest income earned (25.4%).

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

	The Group			
	Current	Preceding		
	quarter ended	quarter ended		
	30/09/2021	30/06/2021	Variance	
	RM'000	RM'000	RM'000	%
Profit before tax by segments:				
Investment banking and stockbroking	25,024	18,510	6,514	35.2%
Fund management and unit trust management	8,059	5,421	2,638	48.7%
Investment holding and others	3,768	419	3,349	>100.0%
	<u>36,851</u>	<u>24,350</u>	<u>12,501</u>	51.3%

Investment banking and stockbroking - higher PBT by RM6.5 million (35.2%) mainly due to higher profit contribution from its investment banking division.

Fund management and unit trust management - PBT increased by RM2.6 million (48.7%) mainly due to higher net contribution from management fee income in current quarter.

Investment holding and others - PBT increased by RM3.3 million (>100.0%) mainly due to higher unrealised gain on revaluation of financial assets at FVTPL.

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2. Prospects for 2022

Looking forward, we anticipate the Malaysia economy to recover progressively underpinned by high percentage of fully-vaccinated adult population, lifting of interstate travel restrictions and more States transitioning to Phase 3 and Phase 4 of the National Recovery Plan. With the current market sentiment that there will be a recovery, Bursa Malaysia trading volume, which has slowed down compared to previous year, is expected to gain momentum again. Notwithstanding the easing and improving public health conditions, we shall remain prudent in managing our key business risks amidst a macro-economic environment besets with global supply chain challenges and rising commodity prices. We remain cautious on the outlook of the Malaysian economy and hopeful that it will progressively recover into 2022.

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	
	30/09/2021	30/09/2020	30/09/2021	30/09/2020
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax:				
- Current	2,021	1,848	2,021	1,848
- Over provision in prior years	-	(18)	-	(18)
Deferred taxation	5,991	5,320	5,991	5,320
	<u>8,012</u>	<u>7,150</u>	<u>8,012</u>	<u>7,150</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 September 2021:

The Group	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Interest rate related contracts			
(i) Less than 1 year	1,535,588	3,445	(9,595)
(ii) 1 year to 3 years	1,460,000	15,748	(9,991)
(iii) More than 3 years	1,010,000	7,397	(12,975)
Foreign exchange related contracts			
(i) Less than 1 year	851,936	3,581	(2,214)
Equity related contracts			
(i) More than 3 years	200	55	-
	4,857,724	30,226	(34,775)

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

Credit risk

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

Market risk

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

Related accounting policies

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

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8. Group borrowings and debt securities

The Group Unsecured	More than 1 year		Less than 1 year		Sub-total		Total RM'000
	Foreign currency RM'000	Local currency RM'000	Foreign currency RM'000	Local currency RM'000	Foreign currency RM'000	Local currency RM'000	
As at 30 September 2021							
RM100.0 million Tier 2 subordinated notes	-	99,995	-	1,263	-	101,258	101,258
As at 30 June 2021							
RM100.0 million Tier 2 subordinated notes	-	99,995	-	197	-	100,192	100,192
As at 30 September 2020							
RM100.0 million Tier 2 subordinated notes	-	99,993	-	1,252	-	101,245	101,245

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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9. Material litigation

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

10. Dividends

The Board of Directors does not recommend any dividend to be paid for the financial period ended 30 September 2021.

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	
	30/09/2021	30/09/2020	30/09/2021	30/09/2020
The Group				
Net profit attributable to equity holders of the Company (RM'000):	28,839	45,564	28,839	45,564
Weighted average number of ordinary shares in issue ('000):	235,785	241,283	235,785	241,283
Basic earnings per share (sen)	12.2	18.9	12.2	18.9
The Company				
Net profit attributable to equity holders of the Company (RM'000):	3,750	3,098	3,750	3,098
Weighted average number of ordinary shares in issue ('000):	235,890	241,388	235,890	241,388
Basic earnings per share (sen)	1.6	1.3	1.6	1.3

(b) Fully diluted earnings per share

There is no diluted earnings per share as the Group and the Company have no category of dilutive potential ordinary shares outstanding as at 30 September 2021 and 30 September 2020.

Dated this 29 November 2021.