

Hong Leong Capital Records a Net Profit of RM16.0 Million for its First Quarter Financial Results Ended 30 September 2022

KUALA LUMPUR, 29 NOVEMBER 2022 - Hong Leong Capital Berhad (“HLCB” or the “Company”) today announced the first quarter results of the Company and its subsidiaries (“HLCB”) for the period ended 30 September 2022 (“1QFY23”).

- HLCB recorded a net profit after tax of RM16.0 million, a decrease of 44.4% year-on-year (“y-o-y”). The lower profit was mainly a result of a corresponding lower profit contribution from its key operating subsidiary; Hong Leong Investment Bank Berhad (“HLIB” or the “Bank”) in the current financial period.
- Book value per share decreased from RM4.01 as at 30 June 2022 to RM3.88 as at 30 September 2022 after declaration of a final single-tier dividend of 19 sen for financial year ended 30 June 2022.

Hong Leong Capital Berhad’s Chairman, Tan Kong Khoon commented, “The global economy continues to be weighed down by rising cost pressure, tighter global financial conditions and strict containment measures in China. These factors more than offset the support from positive labour market conditions and the full reopening of most economies and international borders. Inflationary pressures were more persistent than expected due to strong demand, tight labour markets and elevated commodity prices, despite improvements in global supply chain conditions. Consequently, many central banks are expected to continue raising interest rates to manage inflationary pressures.

Notwithstanding the bouts of heightened volatility in the global financial and foreign exchange markets, these developments are not expected to derail Malaysia’s growth. Downside risks to the domestic economy continue to stem from a weaker-than-expected global growth, higher risk aversion in the global financial markets amid more aggressive monetary policy tightening in major economies, further escalation of geopolitical conflicts and worsening supply chain disruptions.

We remain committed to deliver sustainability and long-term value of our business by continuously adjusting our business strategies to adapt to market conditions and maintain our course on prudent cost management.

Investment Banking

- Our investment banking subsidiary, HLIB's net profit after tax decreased 35.9% y-o-y to RM12.2 million, arising from lower profit contribution from the stockbroking division and investment banking division. HLIB contributed 76.1% of HLCB's profit after tax.
- Our stockbroking division's financial performance was affected by the significantly lower Bursa market activity in 1QFY23, with Bursa traded value decreasing by 41.2% y-o-y driven by worries of rate hikes, surging inflation and rising risks of recession in the US & Europe. The increase in foreign participation coupled with decreasing retail participation during the financial period has also led to HLIB recording a lower market share during this period.
- Our key focus on enhancing digitalization, product offerings and clients' trading experience continues to be our priority. Our Shariah trading platform was launched and made available to our retail clients in July 2022. A fully digital account opening experience is in the pipeline and the expansion of footprint will enable us to serve our customers better.
- Capital position remained robust with Common Equity Tier 1, Tier 1 and Total Capital Ratios at 35.8%, 35.8% and 46.8% respectively as at 30 September 2022.

Fund Management and Unit Trust Management

- The fund management business of HLCB, undertaken via our subsidiary, Hong Leong Asset Management Berhad ("HLAM") and its subsidiary, Hong Leong Islamic Asset Management ("HLISAM") recorded a profit after tax of RM2.8 million, a decrease of 53.4% y-o-y. The lower profit was mainly due to lower management fee income from higher Money Markets funds' redemptions arising from the removal of the money market tax exemption in January 2022.
- We shall continue to work closely with our distributors and clients to further build and diversify our AUM base via new products and engagement channels.

Sustainability Journey

- HLCB is focused in managing its Environmental, Social and Governance (“ESG”) footprint by setting out our vision, goals, targets and a roadmap. A Sustainability Framework (“Framework”) guided by four central pillars, namely Engaging on Sustainability, Addressing Climate Change, Strengthening Internal Capabilities and Impactful Digitalisation along with ambitions and strategic action plans that has been recently developed. This Framework will be used as a foundation and guide to embed sustainability into HLCB’s strategies with the objective of delivering sustainability-linked value to stakeholders.
- HLCB is continuously seeking for investment opportunities in ESG and/or green bonds such as solar and hydro plants and these will also be one of the key focus in the coming year. We are also pursuing collaborations with clients with the aim in partnering their transition towards sustainable practices in line with increased attention from investors and regulators.
- HLAM targets to launch a new ESG Islamic fund, which aims to provide medium- to long-term capital growth by investing in a globally diversified Shariah-compliant portfolio of securities with a focus on ESG criterias. The systematic inclusion of ESG risks and opportunities into the investment analysis will drive deeper insights on value creation going forward.
- HLCB is developing and will be implementing structured ESG training programmes to our employees in order to instill ESG knowledge, awareness and capabilities. This will be emphasized as part of the culture of our organization.

End

About Hong Leong Capital Group

Hong Leong Capital Berhad (“HLCB”) is an investment holding company of the investment banking and asset management business group under Hong Leong Financial Group. It aims to be a leading regional financial services institution providing diversified clients with a full range of value propositions and financial solutions in the areas of investment banking, stockbroking, futures broking, nominees and custodian services, unit trust and fund management and related financial services, and investment management services. These segments are serviced by HLCB’s key operating subsidiaries, namely Hong Leong Investment Bank Berhad (“HLIB”) and Hong Leong Asset Management Berhad (“HLAM”).

Supported by strong business acumen, its firm foundation of values, efficient customer support, and distribution and communications channels, HLCB, together with HLIB and HLAM, are focused on assisting its wide range of clients in achieving superior long term risk-adjusted returns.

For further details, visit www.hlcap.com.my or www.bursamalaysia.com, and for further clarification, please contact:

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