

HONG LEONG CAPITAL BERHAD
Registration No: 199101002695 (213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	Note	The Group		The Company	
		As at 31/12/2021 RM'000	As at 30/06/2021 RM'000	As at 31/12/2021 RM'000	As at 30/06/2021 RM'000
ASSETS					
Cash and short term funds		293,491	170,033	2,743	1,160
Deposits and placements with banks and other financial institutions		-	31,139	-	-
Financial assets at fair value through profit or loss ("FVTPL")	11	640,668	791,818	363,853	269,034
Financial investments at fair value through other comprehensive income ("FVOCI")	12	1,493,209	1,350,820	-	-
Financial investments at amortised cost	13	1,122,385	1,059,286	-	-
Derivative financial assets	19	27,055	34,494	-	-
Loans and advances	14	407,429	335,759	-	-
Clients' and brokers' balances	15	243,681	204,732	-	-
Other assets	16	59,883	58,260	520	219
Tax recoverable		35	28	-	-
Investment in subsidiary companies		-	-	246,574	246,574
Deferred tax assets		117,639	123,234	-	-
Property and equipment		9,575	9,800	-	-
Right-of-use assets ("ROU")		17,071	18,966	-	-
Goodwill		33,059	33,059	-	-
Other intangible assets		4,653	3,169	-	-
TOTAL ASSETS		4,469,833	4,224,597	613,690	516,987
LIABILITIES					
Deposits from customers	17	729,765	701,538	-	-
Deposits and placements of banks and other financial institutions	18	2,070,882	2,049,422	-	-
Obligations on securities sold under repurchase agreements		102,222	-	-	-
Derivative financial liabilities	19	26,936	41,056	-	-
Clients' and brokers' balances		379,012	207,183	-	-
Lease liabilities		16,381	18,069	-	-
Other liabilities	20	114,534	148,343	401	1,521
Current tax liabilities		2,444	1,803	404	225
Subordinated obligations	21	100,204	100,192	-	-
TOTAL LIABILITIES		3,542,380	3,267,606	805	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

HONG LEONG CAPITAL BERHAD
Registration No: 199101002695 (213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	Note	The Group		The Company	
		As at 31/12/2021 RM'000	As at 30/06/2021 RM'000	As at 31/12/2021 RM'000	As at 30/06/2021 RM'000
EQUITY					
Share capital		246,896	246,896	246,896	246,896
Reserves		711,714	741,252	397,033	299,389
Treasury shares for ESOS		(31,157)	(31,157)	(31,044)	(31,044)
TOTAL EQUITY		927,453	956,991	612,885	515,241
TOTAL LIABILITIES AND EQUITY		4,469,833	4,224,597	613,690	516,987
COMMITMENTS AND CONTINGENCIES	28	5,019,748	5,993,970	-	-
Net assets per share attributable to ordinary equity holder of the Company (RM)		3.93	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 31 DECEMBER 2021

	Current quarter ended 31/12/2021	Last year quarter ended 31/12/2020	Current year to date 31/12/2021	Last year to date 31/12/2020
Note	RM'000	RM'000	RM'000	RM'000
The Group				
Interest income	27,683	25,894	54,542	53,349
Interest income for financial assets at FVTPL	6,511	10,837	13,616	19,967
Interest expense	(22,067)	(24,561)	(44,483)	(48,333)
Net interest income	12,127	12,170	23,675	24,983
Non-interest income	42,807	79,307	98,656	153,743
Net income	54,934	91,477	122,331	178,726
Overhead expenses	(33,706)	(38,537)	(64,538)	(75,922)
Operating profit before allowances	21,228	52,940	57,793	102,804
Write-back of allowance for impairment losses on loans and advances	29	25	202	2,704
Write-back of allowance for impairment losses on financial investments and other financial assets	84	465	197	636
Profit before taxation	21,341	53,430	58,192	106,144
Taxation	(5,900)	(7,240)	(13,912)	(14,390)
Net profit for the period	15,441	46,190	44,280	91,754
Earnings per share (sen)				
- Basic	6.5	19.4	18.8	38.3
- Diluted	6.5	19.4	18.8	38.3

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 31 DECEMBER 2021

	Current quarter ended 31/12/2021 RM'000	Last year quarter ended 31/12/2020 RM'000	Current year to date 31/12/2021 RM'000	Last year to date 31/12/2020 RM'000
The Group				
Net profit for the period	15,441	46,190	44,280	91,754
Other comprehensive (expense)/income:				
Items that will be reclassified subsequently to income statements				
Debt instruments at FVOCI				
- Net fair value changes	(6,779)	(5,414)	(16,433)	(541)
- Net changes in expected credit losses	(7)	(38)	(24)	74
Income tax relating to net fair value changes on financial investments at FVOCI	1,627	1,299	3,944	130
Other comprehensive expense for the period, net of tax	(5,159)	(4,153)	(12,513)	(337)
Total comprehensive income for the period, net of tax	10,282	42,037	31,767	91,417

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 31 DECEMBER 2021

	Current quarter ended 31/12/2021	Last year quarter ended 31/12/2020	Current year to date 31/12/2021	Last year to date 31/12/2020
Note	RM'000	RM'000	RM'000	RM'000
The Company				
Interest income	22a 15	8	17	9
Interest expense	23 -	-	-	-
Net interest income	15	8	17	9
Non-interest income	24 156,097	70,615	160,241	74,610
Net income	156,112	70,623	160,258	74,619
Overhead expenses	25 (338)	(426)	(667)	(895)
Profit before taxation	155,774	70,197	159,591	73,724
Taxation	(548)	(482)	(615)	(911)
Net profit/total comprehensive income for the period	155,226	69,715	158,976	72,813
Earnings per share (sen)				
- Basic	65.8	29.3	67.4	30.4
- Diluted	65.8	29.3	67.4	30.4

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 2021

HONG LEONG CAPITAL BERHAD
Registration No: 199101002695 (213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 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	-	-	-	-	44,280	44,280
Other comprehensive expense, net of tax	-	-	-	(12,513)	-	(12,513)
Total comprehensive (expense)/income	-	-	-	(12,513)	44,280	31,767
Transfer to regulatory reserve	-	-	1,073	-	(1,073)	-
Dividend paid	-	-	-	-	(61,305)	(61,305)
At 31 December 2021	246,896	(31,157)	14,222	(9,149)	706,641	927,453
At 1 July 2020	246,896	(6,031)	12,076	9,349	578,020	840,310
Net profit for the financial period	-	-	-	-	91,754	91,754
Other comprehensive expense, net of tax	-	-	-	(337)	-	(337)
Total comprehensive (expense)/income	-	-	-	(337)	91,754	91,417
Purchase of treasury shares	-	(25,126)	-	-	-	(25,126)
Transfer to regulatory reserve	-	-	813	-	(813)	-
Dividend paid	-	-	-	-	(55,495)	(55,495)
At 31 December 2020	246,896	(31,157)	12,889	9,012	613,466	851,106

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 31 DECEMBER 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	-	-	158,976	158,976
Total comprehensive income	-	-	158,976	158,976
Dividend paid	-	-	(61,332)	(61,332)
At 31 December 2021	246,896	(31,044)	397,033	612,885
At 1 July 2020	246,896	(5,918)	262,330	503,308
Net profit for the financial period	-	-	72,813	72,813
Total comprehensive income	-	-	72,813	72,813
Purchase of treasury shares	-	(25,126)	-	(25,126)
Dividend paid	-	-	(55,519)	(55,519)
At 31 December 2020	246,896	(31,044)	279,624	495,476

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 31 DECEMBER 2021

	The Group	
	31/12/2021	31/12/2020
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
Profit before taxation	58,192	106,144
<u>Adjustments for non-cash items:</u>		
- Depreciation of property and equipment	1,863	1,750
- Amortisation of intangible assets	869	794
- Depreciation of ROU assets	1,987	1,994
- Property and equipment written off	-	22
- Write-back of allowance for impairment losses on loans and advances	(202)	(2,730)
- Write-back of allowance for impairment losses on financial investments and other financial assets	(197)	(636)
- Impaired loans and advances written-off	-	26
- Net unrealised loss/(gain) on revaluation of:		
- Financial assets at FVTPL	2,649	3,695
- Derivative financial instruments	(4,706)	(2,151)
- Net unrealised loss on fair value changes arising from fair value hedges	1,150	1,034
- Interest income from:		
- Financial assets at FVTPL	(13,616)	(19,967)
- Financial investments at FVOCI	(20,757)	(18,802)
- Financial investments at amortised cost	(16,850)	(15,231)
- Interest expense from:		
- Derivative financial instruments	17,553	21,608
- Subordinated obligations	2,133	2,134
- Lease liabilities	416	554
- Dividend income from:		
- Financial assets at FVTPL	(3,704)	(3,426)
	(31,412)	(29,332)
Operating profit before changes in working capital	26,780	76,812
<u>Changes in working capital:</u>		
- Securities purchased under resale agreements	-	50,172
- Financial assets at FVTPL	148,358	(522,472)
- Derivative financial instruments	-	(1)
- Loans and advances	(71,468)	(25,646)
- Clients' and brokers' balances	(38,811)	(244,090)
- Other assets	(1,600)	(8,485)
Net changes in operating assets	36,479	(750,522)
- Deposits from customers	28,227	22,011
- Deposits and placements of banks and other financial institutions	21,460	392,830
- Obligations on securities sold under repurchase agreements	102,222	-
- Clients' and brokers' balances	171,829	221,204
- Other liabilities	(32,651)	(6,246)
Net changes in operating liabilities	291,087	629,799
Cash generated from/(used in) operating activities	354,346	(43,911)

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 31 DECEMBER 2021

	The Group	
	31/12/2021	31/12/2020
	RM'000	RM'000
Cash generated from/(used in) operating activities	354,346	(43,911)
Net income tax paid	(3,740)	(1,418)
Net cash generated from/(used in) operating activities	350,606	(45,329)
<u>Cash flows from investing activities</u>		
Net (purchase)/disposal of financial investments at FVOCI	(165,977)	151,891
Net purchase of financial investments at amortised cost	(65,978)	(67,315)
Dividend received from:		
- Financial assets at FVTPL	3,704	3,426
Interest received from financial assets at FVTPL, financial investments at FVOCI, financial investments at amortised cost and derivatives	59,674	57,648
Interest expenses paid on derivative financial instruments	(18,940)	(20,616)
Purchase of property and equipment	(1,638)	(2,074)
Purchase of intangible assets	(2,353)	(126)
Net cash (used in)/generated from investing activities	(191,508)	122,834
<u>Cash flows from financing activities</u>		
Interest paid on subordinated obligations	(2,121)	(2,109)
Lease payment	(3,353)	(2,345)
Dividend paid	(61,305)	(55,495)
Purchase of treasury shares	-	(25,126)
Net cash used in financing activities	(66,779)	(85,075)
Net changes in cash and cash equivalents during the financial period	92,319	(7,570)
Cash and cash equivalents at beginning of the financial period	201,172	358,162
Cash and cash equivalents at end of the financial period	293,491	350,592
Cash and cash equivalents comprise:		
Cash and short term funds	293,491	350,592

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 31 DECEMBER 2021

	The Company	
	31/12/2021	31/12/2020
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
Profit before taxation	159,591	73,724
<u>Adjustments for non-cash items:</u>		
- Net unrealised loss/(gain) on revaluation of financial assets at FVTPL	2,066	(2,020)
- Dividend income from:		
- Financial assets at FVTPL	(2,993)	(2,790)
- Subsidiary companies	(156,750)	(66,000)
	(157,677)	(70,810)
Operating profit before changes in working capital	1,914	2,914
(Increase)/Decrease in financial assets at FVTPL	(96,885)	8,139
(Increase)/Decrease in other assets	(301)	545
Decrease in other liabilities	(1,120)	(240)
Cash (used in)/generated from operating activities	(96,392)	11,358
Net income tax paid	(436)	(115)
Net cash (used in)/generated from operating activities	(96,828)	11,243
<u>Cash flows from investing activities</u>		
Dividend received from:		
- Financial assets at FVTPL	2,993	2,790
- Subsidiary companies	156,750	66,000
Net cash generated from investing activities	159,743	68,790
<u>Cash flows from financing activities</u>		
Purchase of treasury shares	-	(25,126)
Dividend paid	(61,332)	(55,519)
Net cash used in financing activities	(61,332)	(80,645)
Net changes in cash and cash equivalents during the financial period	1,583	(612)
Cash and cash equivalents at beginning of the financial period	1,160	713
Cash and cash equivalents at end of the financial period	2,743	101
Cash and cash equivalents comprise:		
Cash and short term funds	2,743	101

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 31 DECEMBER 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 31 December 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:

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

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 31 December 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 31 December 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 31 December 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 31 December 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 31 December 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 31 December 2021.

9. Significant events

COVID-19 pandemic

The Malaysian economy is on the road to recovery from COVID-19 riding the positive momentum of the country's high vaccination coverage and ongoing vaccine booster rollout, although risks remain from the ongoing crisis.

The Group will continue to monitor the situation closely and assess the 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 Q2 (31.12.2021)

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

	The Group		The Company	
	As at 31/12/2021 RM'000	As at 30/06/2021 RM'000	As at 31/12/2021 RM'000	As at 30/06/2021 RM'000
Money market instruments				
Malaysian Government Securities	10,215	20,953	-	-
Malaysian Government Investment Issues	110,479	31,180	-	-
Negotiable instruments of deposits	99,947	398,979	-	-
Cagamas bonds	-	15,015	-	-
	220,641	466,127	-	-
Quoted securities				
In Malaysia:				
Shares	68,681	63,281	57,415	56,533
Unit trust investment	306,636	212,698	306,438	212,501
	375,317	275,979	363,853	269,034
Unquoted securities				
Corporate bond and/or sukuk	44,710	49,712	-	-
	640,668	791,818	363,853	269,034

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

	The Group	
	As at 31/12/2021 RM'000	As at 30/06/2021 RM'000
Money market instruments		
Malaysian Government Securities	134,398	32,232
Malaysian Government Investment Issues	277,604	283,907
Cagamas bonds	60,261	75,488
	472,263	391,627
Unquoted securities		
Foreign currency bonds	119,885	105,169
Corporate bond and/or sukuk	901,061	854,024
	1,020,946	959,193
	1,493,209	1,350,820

HLCB Q2 (31.12.2021)

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	not credit	credit	
	(Stage 1)	(Stage 2)	(Stage 3)	
	RM'000	RM'000	RM'000	RM'000
At 1 July 2021	372	-	-	372
Allowances made	8	-	-	8
Amount written back	(10)	-	-	(10)
New financial assets originated or purchased	41	-	-	41
Financial assets derecognised	(59)	-	-	(59)
Exchange differences	(4)	-	-	(4)
At 31 December 2021	<u>348</u>	<u>-</u>	<u>-</u>	<u>348</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	As at
	31/12/2021	30/06/2021
	RM'000	RM'000
Money market instruments		
Malaysian Government Securities	506,362	462,996
Malaysian Government Investment Issues	577,224	515,821
	<u>1,083,586</u>	<u>978,817</u>
Unquoted securities		
Foreign currency bonds	-	16,639
Corporate bond and/or sukuk	38,799	63,842
	<u>38,799</u>	<u>80,481</u>
Less: Expected credit losses	-	(12)
	<u>1,122,385</u>	<u>1,059,286</u>

HLCB Q2 (31.12.2021)

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	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	12	-	-	12
Exchange differences	(12)	-	-	(12)
At 31 December 2021	-	-	-	-
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 31/12/2021 RM'000	As at 30/06/2021 RM'000
Term loan financing	70,473	41,986
Share margin financing	337,116	294,054
Staff loans	33	37
Other loans	188	265
Gross loans and advances	407,810	336,342
Less: Expected credit losses	(381)	(583)
Net loans and advances	407,429	335,759
a. <u>By type of customer</u>		
Domestic non-bank financial institutions		
- Others	30,022	-
Domestic business enterprises		
- Small and medium enterprises	59,548	60,590
- Others	86,442	90,417
Individuals	228,283	181,065
Foreign entities	3,515	4,270
Gross loans and advances	407,810	336,342
b. <u>By interest rate sensitivity</u>		
Fixed rate		
- Staff housing loans	33	37
- Other fixed rate loan	188	265
Variable rate		
- Cost plus	407,589	336,040
Gross loans and advances	407,810	336,342

14. Loans and advances (continued)

	The Group	
	As at 31/12/2021 RM'000	As at 30/06/2021 RM'000
c. <u>By residual contractual maturity</u>		
Maturity within one year	365,183	322,201
More than one year to three years	30,022	-
More than three years to five years	7,187	8,163
More than five years	5,418	5,978
Gross loans and advances	<u>407,810</u>	<u>336,342</u>
d. <u>By geographical distribution</u>		
Malaysia	<u>407,810</u>	<u>336,342</u>
e. <u>By economic purpose</u>		
Purchase of securities	344,270	302,180
Working capital	33,297	33,860
Purchase of transport vehicles	46	126
Purchase of landed properties	175	176
Others	30,022	-
Gross loans and advances	<u>407,810</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	(77)	(6,257)
At 31 December/30 June	<u>188</u>	<u>265</u>
(ii) <u>By geographical distribution</u>		
Malaysia	<u>188</u>	<u>265</u>
(iii) <u>By economic purpose</u>		
Purchase of transport vehicles	46	126
Purchase of landed properties	142	139
Gross impaired loans and advances	<u>188</u>	<u>265</u>

HLCB Q2 (31.12.2021)

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 2021	263	194	126	583
Transferred to Stage 1	138	(24)	(114)	-
Transferred to Stage 2	(12)	12	-	-
New financial assets originated	6	10	-	16
Financial assets derecognised	(2)	-	(80)	(82)
Allowance made	105	1	114	220
Allowance written-back	(203)	(153)	-	(356)
At 31 December 2021	<u>295</u>	<u>40</u>	<u>46</u>	<u>381</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 31/12/2021 RM'000	As at 30/06/2021 RM'000
Performing accounts	242,017	200,673
Impaired accounts	<u>2,714</u>	<u>5,247</u>
	244,731	205,920
Less: Expected credit losses	<u>(1,050)</u>	<u>(1,188)</u>
	243,681	204,732

HLCB Q2 (31.12.2021)

16. Other assets

	The Group		The Company	
	As at 31/12/2021 RM'000	As at 30/06/2021 RM'000	As at 31/12/2021 RM'000	As at 30/06/2021 RM'000
Amount due from related companies	31	3	29	-
Deposits and prepayments	8,878	13,228	5	24
Fee income receivable	7,227	5,202	-	-
Cash collaterals pledged for derivative transactions	6,076	7,227	-	-
Treasury related receivables	23,884	20,624	-	-
Other receivables	15,178	13,554	486	195
Manager's stocks and consumables	528	364	-	-
	61,802	60,202	520	219
Less: Expected credit losses	(1,919)	(1,942)	-	-
	59,883	58,260	520	219

17. Deposits from customers

	The Group	
	As at 31/12/2021 RM'000	As at 30/06/2021 RM'000
a. <u>By type of deposits</u>		
Fixed deposits	729,765	701,538
b. <u>By type of customer</u>		
Government and statutory bodies	582,890	530,754
Business enterprises	133,509	157,569
Individuals	13,366	13,215
	729,765	701,538
c. The maturity structure of fixed deposits are as follows:		
Due within:		
- six months	728,547	701,538
- six months to one year	1,218	-
	729,765	701,538

18. Deposits and placements of banks and other financial institutions

	The Group	
	As at 31/12/2021 RM'000	As at 30/06/2021 RM'000
Licensed banks	129,567	209,916
Licensed investment banks	50,005	101,016
Other financial institutions	1,891,310	1,738,490
	2,070,882	2,049,422

HLCB Q2 (31.12.2021)

19. Derivative financial assets/(liabilities)

The Group	Contract or underlying principal amount	Positive fair value	Negative fair value
31/12/2021	RM'000	RM'000	RM'000
Derivatives at FVTPL:			
(i) Interest rate related contracts:			
- Interest rate swaps	3,208,000	23,384	(20,798)
- Futures	41,660	-	(68)
- Cross currency swaps	83,320	2,428	-
(ii) Foreign exchange related contracts:			
- Foreign currency swaps	490,587	1,105	(4,009)
- Foreign currency forwards	223,827	84	(1,178)
(iii) Equity related contracts:			
- Futures	5,177	-	(44)
- Call option	200	54	-
Derivatives designated as fair value hedge:			
- Interest rate swap	70,000	-	(839)
	4,122,771	27,055	(26,936)
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 31/12/2021 RM'000	As at 30/06/2021 RM'000	As at 31/12/2021 RM'000	As at 30/06/2021 RM'000
Amount due to holding company	240	232	38	29
Amount due to related companies	658	734	-	11
Remisiers' trust deposits	15,275	16,392	-	-
Treasury related payables	-	42,465	-	-
Advance payments received for corporate exercise	1,262	-	-	-
Other payables and accrued liabilities	96,880	88,302	363	1,481
Post employment benefits obligation - defined contribution plan	219	218	-	-
	114,534	148,343	401	1,521

21. Subordinated obligations

	The Group	
	As at 31/12/2021 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	209	197
	100,209	100,197
Less: Unamortised discounts	(5)	(5)
	100,204	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.

HLCB Q2 (31.12.2021)

22a. Interest income

	Current quarter ended 31/12/2021 RM'000	Last year quarter ended 31/12/2020 RM'000	Current year to date 31/12/2021 RM'000	Last year to date 31/12/2020 RM'000
The Group				
Loan and advances	4,203	3,659	8,010	7,303
Money at call and deposits placements with banks and other financial institutions	314	1,724	685	3,439
Financial investments at FVOCI	10,652	8,530	20,757	18,802
Financial investments at amortised cost	8,566	7,751	16,850	15,231
Others	3,948	4,230	8,240	8,574
Total interest income	<u>27,683</u>	<u>25,894</u>	<u>54,542</u>	<u>53,349</u>
The Company				
Money at call and deposits placements with banks and other financial institutions	<u>15</u>	<u>8</u>	<u>17</u>	<u>9</u>

22b. Interest income for financial assets at FVTPL

	Current quarter ended 31/12/2021 RM'000	Last year quarter ended 31/12/2020 RM'000	Current year to date 31/12/2021 RM'000	Last year to date 31/12/2020 RM'000
The Group				
Financial assets at FVTPL	<u>6,511</u>	<u>10,837</u>	<u>13,616</u>	<u>19,967</u>

23. Interest expense

	Current quarter ended 31/12/2021 RM'000	Last year quarter ended 31/12/2020 RM'000	Current year to date 31/12/2021 RM'000	Last year to date 31/12/2020 RM'000
The Group				
Deposits and placements of banks and other financial institutions	1,108	1,354	2,454	2,664
Deposits from customers	11,712	10,771	21,839	21,388
Derivative financial instruments	7,904	11,139	17,553	21,608
Subordinated obligations	1,067	1,067	2,133	2,134
Lease liabilities	203	242	416	554
Others	73	(12)	88	(15)
Total interest expense	<u>22,067</u>	<u>24,561</u>	<u>44,483</u>	<u>48,333</u>

24. Non-interest income

	Current quarter ended 31/12/2021 RM'000	Last year quarter ended 31/12/2020 RM'000	Current year to date 31/12/2021 RM'000	Last year to date 31/12/2020 RM'000
The Group				
(a) Fee income:				
Fee on loans and advances	43	46	82	84
Arranger fees	230	1,818	763	1,871
Placement fees	49	4,528	3,484	5,258
Corporate advisory fees	1,625	879	3,075	1,796
Underwriting Commission	-	-	-	129
Brokerage commissions	17,395	35,858	38,549	77,625
Commission from futures contracts	165	188	351	425
Unit trust fee income	16,173	14,583	32,717	26,957
Other fee income	1,286	4,244	2,697	5,546
	36,966	62,144	81,718	119,691
(b) Net income from securities:				
Net realised (loss)/gain arising from sale of:				
- Financial assets at FVTPL	(402)	12,097	(2,438)	11,544
- Financial investments at FVOCI	249	4,499	2,220	14,544
- Derivative financial instruments	4,235	(20,728)	14,391	(36,680)
Net unrealised (loss)/gain on revaluation of:				
- Financial assets at FVTPL	(3,587)	(6,331)	(2,649)	(3,695)
- Derivative financial instruments	2,464	1,414	4,706	2,151
Dividend income from:				
- Financial assets at FVTPL	1,343	1,699	3,704	3,426
Net unrealised loss on fair value changes arising from fair value hedges	(687)	(504)	(1,150)	(1,034)
	3,615	(7,854)	18,784	(9,744)
(c) Other income				
Foreign exchange gain/(loss)	2,005	24,753	(2,260)	43,269
Other non-operating income	221	264	414	527
	2,226	25,017	(1,846)	43,796
Total non-interest income	42,807	79,307	98,656	153,743

The Company

(a) Net income from securities:				
Net realised gain arising from sale of:				
- Financial assets at FVTPL	2,063	1,577	2,193	3,371
Net unrealised (loss)/gain on revaluation of:				
- Financial assets at FVTPL	(4,212)	1,572	(2,066)	2,020
Dividend income from:				
- Financial assets at FVTPL	1,301	1,281	2,993	2,790
- Subsidiary companies	156,750	66,000	156,750	66,000
	155,902	70,430	159,870	74,181
(b) Other income				
Foreign exchange loss	-	(46)	-	(46)
Other income	195	231	371	475
Total non-interest income	156,097	70,615	160,241	74,610

25. Overhead expenses

	Current quarter ended 31/12/2021 RM'000	Last year quarter ended 31/12/2020 RM'000	Current year to date 31/12/2021 RM'000	Last year to date 31/12/2020 RM'000
The Group				
Personnel costs				
- Salaries, bonuses and allowances	19,309	24,100	35,874	47,120
- Others	3,312	3,033	6,590	5,919
	22,621	27,133	42,464	53,039
Establishment costs				
- Depreciation of property and equipment	950	896	1,863	1,750
- Amortisation of intangible assets	455	391	869	794
- Depreciation of ROU assets	993	991	1,987	1,994
- Rental of premises	51	17	101	41
- Information technology expenses	2,390	2,173	4,689	4,573
- Others	893	662	1,625	1,335
	5,732	5,130	11,134	10,487
Marketing expenses				
- Advertisement and publicity	212	57	220	141
- Entertainment and business improvement	147	249	472	362
- Others	24	38	32	126
	383	344	724	629
Administration and general expenses				
- Management fees	1,366	2,090	2,911	4,028
- Communication expenses	301	303	582	648
- Property and equipment written off	-	-	-	22
- Auditors' remuneration				
- Statutory audit	111	73	254	171
- Regulatory related fee	2	2	5	5
- Legal and professional fees	89	854	709	1,587
- Others	3,101	2,608	5,755	5,306
	4,970	5,930	10,216	11,767
Total overhead expenses	33,706	38,537	64,538	75,922
The Company				
Personnel costs				
- Salaries, bonuses and allowances	-	-	-	-
- Others	53	79	105	166
	53	79	105	166
Establishment costs				
- Information technology expenses	1	1	1	18
- Others	13	16	24	33
	14	17	25	51

HLCB Q2 (31.12.2021)
25. Overhead expenses (continued)

	Current quarter ended 31/12/2021 RM'000	Last year quarter ended 31/12/2020 RM'000	Current year to date 31/12/2021 RM'000	Last year to date 31/12/2020 RM'000
The Company (continued)				
Marketing expenses				
- Others	-	-	-	37
	-	-	-	37
Administration and general expenses				
- Management fees	7	181	110	360
- Communication expenses	24	5	24	6
- Auditors' remuneration				
- Statutory audit	19	19	39	39
- Regulatory related fee	2	2	5	5
- Legal and professional fees	21	-	21	20
- Others	198	123	338	211
	271	330	537	641
Total overhead expenses	338	426	667	895

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

	Current quarter ended 31/12/2021 RM'000	Last year quarter ended 31/12/2020 RM'000	Current year to date 31/12/2021 RM'000	Last year to date 31/12/2020 RM'000
The Group				
Expected credit losses				
- Loans and advances	29	25	202	2,730
Impaired loans and advances written-off	-	-	-	(26)
	29	25	202	2,704

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

	Current quarter ended 31/12/2021 RM'000	Last year quarter ended 31/12/2020 RM'000	Current year to date 31/12/2021 RM'000	Last year to date 31/12/2020 RM'000
The Group				
(a) Financial investments				
(i) Financial investments at FVOCI	7	38	24	(74)
(ii) Financial investments at amortised cost	13	1	12	1
	20	39	36	(73)
(b) Other financial assets:				
(i) Clients' and brokers' balances:	39	231	138	888
(ii) Other assets	25	195	23	(179)
	64	426	161	709
	84	465	197	636

28. Commitments and contingencies

	As at 31/12/2021 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
Lending of banks' securities or the posting of securities as collateral by bank, including instances where these arise out of repo-style transactions	242	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity:		
- Over one year	-	30,000
Any commitments that are unconditionally cancelled at any time by the bank without prior notice		
- Maturity less than one year	895,735	911,550
	<u>896,977</u>	<u>942,550</u>
Derivative financial instruments		
Interest rate related contracts:		
- One year or less	754,980	1,592,995
- Over one year to five years	2,648,000	2,075,000
Foreign exchange related contracts		
- One year or less	714,414	1,383,225
Equity related contracts		
- One year or less	5,177	-
- Over one year to five years	200	200
	<u>4,122,771</u>	<u>5,051,420</u>
	<u>5,019,748</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 31.12.2021	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Financial assets at FVTPL	375,317	265,351	-	640,668
- Money market instruments	-	220,641	-	220,641
- Quoted securities	375,317	-	-	375,317
- Unquoted securities	-	44,710	-	44,710
Financial investments at FVOCI	-	1,493,209	-	1,493,209
- Money market instruments	-	472,263	-	472,263
- Unquoted securities	-	1,020,946	-	1,020,946
Derivative financial assets	-	27,055	-	27,055
	375,317	1,785,615	-	2,160,932

HLCB Q2 (31.12.2021)

29. Fair value of financial instruments (continued)

Determination of fair value and fair value hierarchy (continued)

The Group 31.12.2021	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial liability				
Derivative financial liabilities	-	26,936	-	26,936
30.06.2021				
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 31.12.2021				
Financial asset				
Financial assets at FVTPL				
- Quoted securities	363,853	-	-	363,853
30.06.2021				
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	
	31.12.2021	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 31 December/30 June	-	-

30. Capital adequacy

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

	HLIB 31/12/2021	HLIB 30/06/2021
Before deducting proposed dividends:		
Common equity tier 1 ("CET1") capital ratio	34.882%	50.575%
Tier 1 capital ratio	34.882%	50.575%
Total capital ratio	46.054%	61.409%
After deducting proposed dividends: ⁽¹⁾		
CET1 capital ratio	34.882%	34.419%
Tier 1 capital ratio	34.882%	34.419%
Total capital ratio	46.054%	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 31/12/2021 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	(9,149)	3,364
Less: goodwill and intangibles	(33,353)	(31,745)
Less: deferred tax assets	(115,604)	(121,199)
Less: investment in subsidiary companies	(200)	(200)
Less: 55% of cumulative gains of financial investments at FVOCI	-	(1,850)
Total CET1 capital	327,270	490,696
Tier 1 capital	327,270	490,696
Tier 2 capital		
Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves ⁽²⁾	4,818	5,115
Subordinated obligations	100,000	100,000
Total Tier 2 capital	104,818	105,115
Total capital	432,088	595,811

Note:

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

HLCB Q2 (31.12.2021)

30. Capital adequacy (continued)

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

	HLIB	HLIB
	31/12/2021	30/06/2021
	RM'000	RM'000
Credit risk	385,401	409,205
Market risk	225,094	248,108
Operational risk	327,728	312,925
	<u>938,223</u>	<u>970,238</u>

31. Segmental reporting

(a) Segment information by activities for the financial period ended 31 December 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
31 December 2021					
Net income					
Net interest income	23,350	266	59	-	23,675
Non interest income	62,482	32,743	160,337	(156,906)	98,656
Total net income	<u>85,832</u>	<u>33,009</u>	<u>160,396</u>	<u>(156,906)</u>	<u>122,331</u>
Results					
Profit from operations	39,866	15,586	159,646	(156,906)	58,192
Taxation					(13,912)
Profit after taxation					<u>44,280</u>
31 December 2020					
Net income					
Net interest income	24,790	154	39	-	24,983
Non interest income	118,683	26,955	74,692	(66,587)	153,743
Total net income	<u>143,473</u>	<u>27,109</u>	<u>74,731</u>	<u>(66,587)</u>	<u>178,726</u>
Results					
Profit from operations	85,744	13,230	73,757	(66,587)	106,144
Taxation					(14,390)
Profit after taxation					<u>91,754</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 31 December 2021 is RM3.1 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		
	quarter ended	quarter ended		
	31/12/2021	31/12/2020	RM'000	
	RM'000	RM'000		
Net income	54,934	91,477	(36,543)	-39.9%
Profit before tax	21,341	53,430	(32,089)	-60.1%
Profit after tax	15,441	46,190	(30,749)	-66.6%
Profit attributable to equity holders of the Company	15,441	46,190	(30,749)	-66.6%

The group recorded a 60.1% lower profit before tax ("PBT") of RM21.3 million for the 2nd quarter ended 31 December 2021 as compared to RM53.4 million recorded in the previous year corresponding quarter.

Lower PBT mainly contributed by lower non-interest income earned (-46.0%).

The performance of the respective operating business segments for the 2nd quarter ended 31 December 2021 as compared to the previous year corresponding quarter is analysed as follows:-

	The Group		Variance	%
	Current	Last year		
	quarter ended	quarter ended		
	31/12/2021	31/12/2020	RM'000	
	RM'000	RM'000		
Profit before tax by segments:				
Investment banking and stockbroking	14,842	42,307	(27,465)	-64.9%
Fund management and unit trust management	7,527	7,473	54	0.7%
Investment holding and others	(1,028)	3,650	(4,678)	>-100.0%
	21,341	53,430	(32,089)	-60.1%

Investment banking and stockbroking - lower PBT by RM27.5 million (-64.9%) 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 RM54 thousand (0.7%) mainly due to higher net contribution from management fee income.

Investment holding and others - PBT decreased by RM4.7 million (>-100.0%) mainly due to unrealised loss on revaluation of financial assets at FVTPL.

HLCB Q2 (31.12.2021)

1. Performance review (continued)

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

	The Group		Variance RM'000	%
	Current year to date 31/12/2021 RM'000	Last year to date 31/12/2020 RM'000		
Net income	122,331	178,726	(56,395)	-31.6%
Profit before tax	58,192	106,144	(47,952)	-45.2%
Profit after tax	44,280	91,754	(47,474)	-51.7%
Profit attributable to equity holders of the Company	44,280	91,754	(47,474)	-51.7%

The group recorded a lower PBT of RM58.2 million for the financial period ended 31 December 2021 as compared to RM106.1 million recorded in the previous financial period.

Lower PBT mainly due to lower non-interest income earned (-35.8%).

The performance of the respective operating business segments for the six months ended 31 December 2021 as compared to the previous financial period is analysed as follows:-

	The Group		Variance RM'000	%
	Current year to date 31/12/2021 RM'000	Last year to date 31/12/2020 RM'000		
Profit before tax by segments:				
Investment banking and stockbroking	39,866	85,744	(45,878)	-53.5%
Fund management and unit trust management	15,586	13,230	2,356	17.8%
Investment holding and others	2,740	7,170	(4,430)	-61.8%
	58,192	106,144	(47,952)	-45.2%

Investment banking and stockbroking - Lower PBT by RM45.9 million (-53.5%) mainly attributed to lower profit contribution from both its stockbroking division and investment banking division.

Fund management and unit trust management - PBT increased by RM2.4 million (17.8%) mainly due to higher net contribution from management fee income.

Investment holding and others - PBT decreased by RM4.4 million (-61.8%) mainly due to unrealised loss on revaluation of financial assets at FVTPL.

HLCB Q2 (31.12.2021)

1. Performance review (continued)

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

	The Group		Variance	
	Current	Preceding		
	quarter ended	quarter ended	RM'000	%
	31/12/2021	30/09/2021		
	RM'000	RM'000		
Net income	54,934	67,397	(12,463)	-18.5%
Profit before tax	21,341	36,851	(15,510)	-42.1%
Profit after tax	15,441	28,839	(13,398)	-46.5%
Profit attributable to equity holders of the Company	15,441	28,839	(13,398)	-46.5%

For the financial quarter ended 31 December 2021, the Group reported a lower PBT of RM21.3 million as compared to RM36.9 million in the preceding financial quarter ended 30 September 2021. The lower PBT was mainly due to lower non-interest income earned (-23.4%).

The performance of the respective operating business segments for the three months ended 31 December 2021 as compared to the preceding quarter is analysed as follows:-

	The Group		Variance	
	Current	Preceding		
	quarter ended	quarter ended	RM'000	%
	31/12/2021	30/09/2021		
	RM'000	RM'000		
Profit before tax by segments:				
Investment banking and stockbroking	14,842	25,024	(10,182)	-40.7%
Fund management and unit trust management	7,527	8,059	(532)	-6.6%
Investment holding and others	(1,028)	3,768	(4,796)	>-100.0%
	<u>21,341</u>	<u>36,851</u>	<u>(15,510)</u>	<u>-42.1%</u>

Investment banking and stockbroking - lower PBT by RM10.2 million (-40.7%) mainly due to lower profit contribution from both its stockbroking division and investment banking division.

Fund management and unit trust management - PBT decreased by RM0.5 million (-6.6%) mainly due to lower net contribution from management fee income in current quarter.

Investment holding and others - PBT decreased by RM4.8 million (>-100.0%) mainly due to unrealised loss on revaluation of financial assets at FVTPL.

HLCB Q2 (31.12.2021)

2. Prospects for 2022

The Malaysian economy is staging a rebound on most fronts, riding the positive momentum of the country's high vaccination coverage and ongoing vaccine booster rollout. The recent emergence of the Omicron variant, while posing a potential threat, could delay recovery but may not completely derail it.

Notwithstanding the improving economy conditions, the Group shall remain prudent in managing our key business risks amidst a macro-economic environment beset with global supply chain challenges and rising commodity prices. We remain cautious on the outlook of the Malaysian economy in 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

	Financial quarter ended		Financial period ended	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
The Group	RM'000	RM'000	RM'000	RM'000
Malaysian income tax:				
- Current	2,352	2,301	4,373	4,149
- Over provision in prior years	-	-	-	(18)
Deferred taxation	3,548	4,939	9,539	10,259
	<u>5,900</u>	<u>7,240</u>	<u>13,912</u>	<u>14,390</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 31 December 2021:

The Group	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Interest rate related contracts			
(i) Less than 1 year	754,980	3,243	(6,391)
(ii) 1 year to 3 years	1,823,000	13,760	(13,121)
(iii) More than 3 years	825,000	8,809	(2,193)
Foreign exchange related contracts			
(i) Less than 1 year	714,414	1,189	(5,187)
Equity related contracts			
(ii) 1 year to 3 years	5,177	-	(44)
(i) More than 3 years	200	54	-
	4,122,771	27,055	(26,936)

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 Q2 (31.12.2021)

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 31 December 2021							
RM100.0 million Tier 2 subordinated notes	-	99,995	-	209	-	100,204	100,204
As at 30 June 2021							
RM100.0 million Tier 2 subordinated notes	-	99,995	-	197	-	100,192	100,192
As at 31 December 2020							
RM100.0 million Tier 2 subordinated notes	-	99,994	-	209	-	100,203	100,203

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 Q2 (31.12.2021)

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

The Board of Directors does not recommend any dividend to be paid for the financial period ended 31 December 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 period ended	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
The Group				
Net profit attributable to equity holders of the Company (RM'000):	15,441	46,190	44,280	91,754
Weighted average number of ordinary shares in issue ('000):	235,785	237,877	235,785	239,589
Basic earnings per share (sen)	6.5	19.4	18.8	38.3
The Company				
Net profit attributable to equity holders of the Company (RM'000):	155,226	69,715	158,976	72,813
Weighted average number of ordinary shares in issue ('000):	235,890	237,982	235,890	239,694
Basic earnings per share (sen)	65.8	29.3	67.4	30.4

(b) Fully diluted earnings per share

There is no diluted earnings per share as the Group and the Company have no category of dilutive potential ordinary shares outstanding as at 31 December 2021 and 31 December 2020.

Dated this 28 February 2022.