

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

| | Note | The Group | | The Company | |
|---|------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | | As at 31/03/2021 RM'000 | As at 30/06/2020 RM'000 | As at 31/03/2021 RM'000 | As at 30/06/2020 RM'000 |
| ASSETS | | | | | |
| Cash and short term funds | | 546,277 | 358,162 | 2,398 | 713 |
| Securities purchased under resale agreement | | - | 50,172 | - | - |
| Financial assets at fair value through profit or loss ("FVTPL") | 11 | 764,774 | 907,477 | 248,841 | 255,892 |
| Financial investments at fair value through other comprehensive income ("FVOCI") | 12 | 1,119,220 | 1,266,529 | - | - |
| Financial investments at amortised cost | 13 | 1,053,211 | 868,134 | - | - |
| Derivative financial assets | 19 | 41,668 | 54,957 | - | - |
| Loans and advances | 14 | 315,123 | 316,023 | - | - |
| Clients' and brokers' balances | 15 | 337,047 | 262,893 | - | - |
| Other assets | 16 | 64,680 | 47,348 | 1,148 | 673 |
| Tax recoverable | | 49 | 167 | - | 154 |
| Investment in subsidiary companies | | - | - | 246,574 | 246,574 |
| Deferred tax assets | | 77,708 | 87,822 | - | - |
| Property and equipment | | 10,606 | 11,040 | - | - |
| Right-of-use assets ("ROU") | | 19,758 | 21,587 | - | - |
| Goodwill | | 33,059 | 33,059 | - | - |
| Other intangible assets | | 2,049 | 3,008 | - | - |
| TOTAL ASSETS | | 4,385,229 | 4,288,378 | 498,961 | 504,006 |
| LIABILITIES | | | | | |
| Deposits from customers | 17 | 832,208 | 737,747 | - | - |
| Deposits and placements of banks and other financial institutions | 18 | 1,864,464 | 2,073,211 | - | - |
| Derivative financial liabilities | 19 | 46,191 | 81,620 | - | - |
| Clients' and brokers' balances | | 476,435 | 305,385 | - | - |
| Lease liabilities | | 18,747 | 20,286 | - | - |
| Other liabilities | 20 | 163,198 | 128,595 | 1,089 | 698 |
| Current tax liabilities | | 4,557 | 1,046 | 1,112 | - |
| Subordinated obligations | 21 | 101,246 | 100,178 | - | - |
| TOTAL LIABILITIES | | 3,507,046 | 3,448,068 | 2,201 | 698 |

The unaudited condensed financial statements should be read in conjunction with the audited financial statements of the Group and the Company for the financial year ended 30 June 2020

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

| | Note | The Group | | The Company | |
|--|-----------|------------------|------------|-----------------|------------|
| | | As at | As at | As at | As at |
| | | 31/03/2021 | 30/06/2020 | 31/03/2021 | 30/06/2020 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| EQUITY | | | | | |
| Share capital | | 246,896 | 246,896 | 246,896 | 246,896 |
| Reserves | | 662,444 | 599,445 | 280,908 | 262,330 |
| Treasury shares for ESOS | | (31,157) | (6,031) | (31,044) | (5,918) |
| TOTAL EQUITY | | 878,183 | 840,310 | 496,760 | 503,308 |
| TOTAL LIABILITIES AND EQUITY | | 4,385,229 | 4,288,378 | 498,961 | 504,006 |
| COMMITMENTS AND CONTINGENCIES | 28 | 6,448,158 | 6,967,399 | - | - |
| Net assets per share attributable to ordinary equity holder of the Company (RM) | | 3.72 | 3.48 | | |

The unaudited condensed financial statements should be read in conjunction with the audited financial statements of the Group and the Company for the financial year ended 30 June 2020

HONG LEONG CAPITAL BERHAD
Registration No: 199101002695 (213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF INCOME
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2021

| | Current quarter ended 31/03/2021 RM'000 | Last year's quarter ended 31/03/2020 RM'000 | Current year ended 31/03/2021 RM'000 | Last year's ended 31/03/2020 RM'000 | |
|--|--|--|---|--|----------|
| Note | | | | | |
| The Group | | | | | |
| Interest income | 22a | 24,282 | 28,764 | 77,631 | 82,660 |
| Interest income for financial assets at FVTPL | 22b | 9,336 | 9,697 | 29,303 | 30,232 |
| Interest expense | 23 | (21,333) | (26,308) | (69,666) | (81,301) |
| Net interest income | | 12,285 | 12,153 | 37,268 | 31,591 |
| Non-interest income | 24 | 67,689 | 30,136 | 221,432 | 127,035 |
| Net income | | 79,974 | 42,289 | 258,700 | 158,626 |
| Overhead expenses | 25 | (32,948) | (28,358) | (108,870) | (96,885) |
| Operating profit before allowances | | 47,026 | 13,931 | 149,830 | 61,741 |
| Write-back of/(allowance for) impairment losses on loans and advances | 26 | 124 | (1,741) | 2,828 | (1,955) |
| (Allowance for)/write-back of impairment losses on financial investments and other financial assets | 27 | (294) | (1,662) | 342 | (1,721) |
| Profit before taxation | | 46,856 | 10,528 | 153,000 | 58,065 |
| Taxation | | (6,235) | 537 | (20,625) | (177) |
| Net profit for the period | | 40,621 | 11,065 | 132,375 | 57,888 |
| Earnings per share (sen) | | | | | |
| - Basic | | 17.2 | 4.6 | 55.5 | 24.0 |
| - Diluted | | 17.2 | 4.6 | 55.5 | 24.0 |

The unaudited condensed financial statements should be read in conjunction with the audited financial statements of the Group and the Company for the financial year ended 30 June 2020

HONG LEONG CAPITAL BERHAD
Registration No: 199101002695 (213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2021

| | Current quarter ended 31/03/2021 RM'000 | Last year's quarter ended 31/03/2020 RM'000 | Current year ended 31/03/2021 RM'000 | Last year's ended 31/03/2020 RM'000 |
|---|--|--|---|--|
| The Group | | | | |
| Net profit for the period | 40,621 | 11,065 | 132,375 | 57,888 |
| Other comprehensive (expense)/income: | | | | |
| Items that will not be reclassified subsequently to income statements | | | | |
| Equity instruments at FVOCI | | | | |
| - Net fair value changes | - | (37) | - | (37) |
| Items that will be reclassified subsequently to income statements | | | | |
| Debt instruments at FVOCI | | | | |
| - Net fair value changes | (17,184) | (5,771) | (13,091) | (3,172) |
| - Net loss on disposal | (629) | (226) | (5,263) | (6,831) |
| - Net changes in expected credit losses | (6) | 33 | 68 | 23 |
| Income tax relating to net fair value changes on financial investments at FVOCI | 4,275 | 1,439 | 4,405 | 2,401 |
| Other comprehensive expense for the period, net of tax | (13,544) | (4,562) | (13,881) | (7,616) |
| Total comprehensive income for the period, net of tax | 27,077 | 6,503 | 118,494 | 50,272 |

The unaudited condensed financial statements should be read in conjunction with the audited financial statements of the Group and the Company for the financial year ended 30 June 2020

HONG LEONG CAPITAL BERHAD
Registration No: 199101002695 (213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2021

| | Current quarter ended 31/03/2021 RM'000 | Last year's quarter ended 31/03/2020 RM'000 | Current year ended 31/03/2021 RM'000 | Last year's ended 31/03/2020 RM'000 |
|--|--|--|---|--|
| Note | | | | |
| The Company | | | | |
| Interest income | 22a | - | 1 | 9 |
| Interest expense | 23 | - | - | - |
| Net interest income | | - | 1 | 9 |
| Non-interest income | 24 | 2,019 | (7,964) | 76,629 |
| Net income | | 2,019 | (7,963) | 23,693 |
| Overhead expenses | 25 | (265) | (330) | (1,160) |
| Profit/(Loss) before taxation | | 1,754 | (8,293) | 75,478 |
| Taxation | | (470) | 139 | (1,381) |
| Net profit/(loss)/total comprehensive income/(expense) for the period | | 1,284 | (8,154) | 74,097 |
| Earnings/(Loss) per share (sen) | | | | |
| - Basic | | 0.5 | (3.4) | 31.1 |
| - Diluted | | 0.5 | (3.4) | 31.1 |

The unaudited condensed financial statements should be read in conjunction with the audited financial statements of the Group and the Company for the financial year ended 30 June 2020

HONG LEONG CAPITAL BERHAD
Registration No: 199101002695 (213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2021

| | Attributable to owners of the parent | | | | | Total RM'000 |
|---|--------------------------------------|--|----------------------------------|------------------------------------|-------------------------------|-----------------|
| | Share Capital RM'000 | Treasury Shares for ESOS RM'000 | Regulatory Reserves RM'000 | Fair Value Reserve RM'000 | Retained Profits RM'000 | |
| The Group | | | | | | |
| At 1 July 2020 | 246,896 | (6,031) | 12,076 | 9,349 | 578,020 | 840,310 |
| Net profit for the financial period | - | - | - | - | 132,375 | 132,375 |
| Other comprehensive expense, net of tax | - | - | - | (13,881) | - | (13,881) |
| Total comprehensive (expense)/income | - | - | - | (13,881) | 132,375 | 118,494 |
| Purchase of treasury shares | - | (25,126) | - | - | - | (25,126) |
| Transfer to regulatory reserve | - | - | 1,889 | - | (1,889) | - |
| Dividend paid | - | - | - | - | (55,495) | (55,495) |
| At 31 March 2021 | 246,896 | (31,157) | 13,965 | (4,532) | 653,011 | 878,183 |
| At 1 July 2019 | 246,896 | (6,031) | 11,606 | 7,794 | 537,342 | 797,607 |
| Net profit for the financial period | - | - | - | - | 57,888 | 57,888 |
| Other comprehensive expense, net of tax | - | - | - | (7,616) | - | (7,616) |
| Total comprehensive (expense)/income | - | - | - | (7,616) | 57,888 | 50,272 |
| Transfer to regulatory reserve | - | - | 1,230 | - | (1,230) | - |
| Dividend paid | - | - | - | - | (53,082) | (53,082) |
| At 31 March 2020 | 246,896 | (6,031) | 12,836 | 178 | 540,918 | 794,797 |

The unaudited condensed financial statements should be read in conjunction with the audited financial statements of the Group and the Company for the financial year ended 30 June 2020

HONG LEONG CAPITAL BERHAD
Registration No: 199101002695 (213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2021

| | Non-Distributable | | Distributable | |
|-------------------------------------|----------------------------|--|-------------------------------|-----------------|
| | Share Capital RM'000 | Treasury Shares for ESOS RM'000 | Retained Profits RM'000 | Total RM'000 |
| The Company | | | | |
| At 1 July 2020 | 246,896 | (5,918) | 262,330 | 503,308 |
| Net profit for the financial period | - | - | 74,097 | 74,097 |
| Total comprehensive income | - | - | 74,097 | 74,097 |
| Purchase of treasury shares | - | (25,126) | - | (25,126) |
| Dividend paid | - | - | (55,519) | (55,519) |
| At 31 March 2021 | 246,896 | (31,044) | 280,908 | 496,760 |
| At 1 July 2019 | 246,896 | (5,918) | 266,184 | 507,162 |
| Net profit for the financial period | - | - | 22,552 | 22,552 |
| Total comprehensive income | - | - | 22,552 | 22,552 |
| Dividend paid | - | - | (53,105) | (53,105) |
| At 31 March 2020 | 246,896 | (5,918) | 235,631 | 476,609 |

The unaudited condensed financial statements should be read in conjunction with the audited financial statements of the Group and the Company for the financial year ended 30 June 2020

HONG LEONG CAPITAL BERHAD
Registration No: 199101002695 (213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2021

| | The Group | |
|---|-------------------|-------------------|
| | 31/03/2021 | 31/03/2020 |
| | RM'000 | RM'000 |
| <u>Cash flows from operating activities</u> | | |
| Profit before taxation | 153,000 | 58,065 |
| <u>Adjustments for non-cash items:</u> | | |
| - Depreciation of property and equipment | 2,691 | 2,585 |
| - Amortisation of intangible assets | 1,164 | 1,299 |
| - Depreciation of ROU assets | 2,993 | 3,050 |
| - Property and equipment written off | 22 | - |
| - (Write-back of)/allowance for impairment losses on loans and advances | (2,854) | 1,955 |
| - (Write-back of)/allowance for impairment losses on financial investments and other financial assets | (342) | 1,784 |
| - Impaired loans and advances written-off | 26 | - |
| - Net unrealised loss/(gain) on revaluation of: | | |
| - Financial assets at FVTPL | 5,843 | 22,418 |
| - Derivative financial instruments | (20,973) | 23,821 |
| - Net unrealised loss on fair value changes arising from fair value hedges | 1,637 | - |
| - Interest income from: | | |
| - Financial assets at FVTPL | (29,303) | (30,232) |
| - Financial investments at FVOCI | (26,728) | (30,848) |
| - Financial investments at amortised cost | (22,902) | (21,317) |
| - Interest expense from: | | |
| - Derivative financial instruments | 31,591 | 11,601 |
| - Subordinated obligations | 3,177 | 4,208 |
| - Lease liabilities | 785 | 925 |
| - Dividend income from: | | |
| - Financial assets at FVTPL | (4,853) | (6,813) |
| | (58,026) | (15,564) |
| Operating profit before changes in working capital | 94,974 | 42,501 |
| Changes in working capital: | | |
| - Securities purchased under resale agreements | 50,172 | - |
| - Financial assets at FVTPL | 136,508 | 399,038 |
| - Derivative financial instruments | (2) | (1,437) |
| - Loans and advances | 3,728 | (31,152) |
| - Clients' and brokers' balances | (73,224) | 1,548 |
| - Other assets | (17,852) | (19,054) |
| - Statutory deposits with Bank Negara Malaysia | - | 10,874 |
| Net changes in operating assets | 99,330 | 359,817 |
| - Deposits from customers | 94,461 | 189,582 |
| - Deposits and placements of banks and other financial institutions | (208,747) | (108,347) |
| - Clients' and brokers' balances | 168,050 | (30,485) |
| - Other liabilities | 37,603 | 69,633 |
| Net changes in operating liabilities | 91,367 | 120,383 |
| Cash generated from operating activities | 285,671 | 522,701 |

The unaudited condensed financial statements should be read in conjunction with the audited financial statements of the Group and the Company for the financial year ended 30 June 2020

HONG LEONG CAPITAL BERHAD
Registration No: 199101002695 (213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2021

| | The Group | |
|---|-------------------|-------------------|
| | 31/03/2021 | 31/03/2020 |
| | RM'000 | RM'000 |
| Cash generated from operating activities | 285,671 | 522,701 |
| Net income tax paid | (2,477) | (5,193) |
| Net cash generated from operating activities | 283,194 | 517,508 |
| | | |
| <u>Cash flows from investing activities</u> | | |
| Net disposal/(purchase) of financial investments at FVOCI | 116,678 | (134,684) |
| Net purchase of financial investments at amortised cost | (194,185) | (117,832) |
| Dividend received from: | | |
| - Financial assets at FVTPL | 4,853 | 6,813 |
| Interest received from financial assets at FVTPL, financial investments at FVOCI, financial investments at amortised cost and derivatives | 97,295 | 89,738 |
| Interest expenses paid on derivative financial instruments | (31,018) | (10,938) |
| Purchase of property and equipment | (2,279) | (559) |
| Purchase of intangible assets | (205) | (690) |
| Net cash used in investing activities | (8,861) | (168,152) |
| | | |
| <u>Cash flows from financing activities</u> | | |
| Interest paid on subordinated obligations | (2,109) | (3,480) |
| Lease payment | (3,488) | (3,371) |
| Redemption of subordinated obligations | - | (50,000) |
| Dividend paid | (55,495) | (53,082) |
| Purchase of treasury shares | (25,126) | - |
| Net cash used in financing activities | (86,218) | (109,933) |
| | | |
| Net changes in cash and cash equivalents during the financial period | 188,115 | 239,423 |
| Cash and cash equivalents at beginning of the financial period | 358,162 | 520,657 |
| Cash and cash equivalents at end of the financial period | 546,277 | 760,080 |
| | | |
| Cash and cash equivalents comprise: | | |
| Cash and short term funds | 546,277 | 760,080 |

The unaudited condensed financial statements should be read in conjunction with the audited financial statements of the Group and the Company for the financial year ended 30 June 2020

HONG LEONG CAPITAL BERHAD
Registration No: 199101002695 (213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2021

| | The Company | |
|---|-----------------|-----------------|
| | 31/03/2021 | 31/03/2020 |
| | RM'000 | RM'000 |
| <u>Cash flows from operating activities</u> | | |
| Profit before taxation | 75,478 | 22,538 |
| <u>Adjustments for non-cash items:</u> | | |
| - Net unrealised (gain)/loss on revaluation of financial assets at FVTPL | (720) | 10,115 |
| - Dividend income from: | | |
| - Financial assets at FVTPL | (4,109) | (5,831) |
| - Subsidiary companies | (66,000) | (28,000) |
| | <u>(70,829)</u> | <u>(23,716)</u> |
| Operating profit/(loss) before changes in working capital | 4,649 | (1,178) |
| Decrease in financial assets at FVTPL | 7,771 | 22,475 |
| (Increase)/Decrease in other assets | (475) | 594 |
| Increase/(Decrease) in other liabilities | 391 | (140) |
| Cash generated from operating activities | 12,336 | 21,751 |
| Net income tax paid | (115) | (114) |
| Net cash generated from operating activities | 12,221 | 21,637 |
| <u>Cash flows from investing activities</u> | | |
| Dividend received from: | | |
| - Financial assets at FVTPL | 4,109 | 5,831 |
| - Subsidiary companies | 66,000 | 28,000 |
| Net cash generated from investing activities | 70,109 | 33,831 |
| <u>Cash flows from financing activities</u> | | |
| Purchase of treasury shares | (25,126) | - |
| Dividend paid | (55,519) | (53,105) |
| Net cash used in financing activities | (80,645) | (53,105) |
| Net changes in cash and cash equivalents during the financial period | 1,685 | 2,363 |
| Cash and cash equivalents at beginning of the financial period | 713 | 513 |
| Cash and cash equivalents at end of the financial period | 2,398 | 2,876 |
| Cash and cash equivalents comprise: | | |
| Cash and short term funds | 2,398 | 2,876 |

The unaudited condensed financial statements should be read in conjunction with the audited financial statements of the Group and the Company for the financial year ended 30 June 2020

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

Registration No: 199101002695 (213006-U)

**NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 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 March 2021 have been prepared under the historical cost convention, as modified by the revaluation of financial investments at fair value through other comprehensive income ("FVOCI") and financial assets/financial liabilities (including derivative financial instruments) at fair value through profit or loss ("FVTPL").

The unaudited condensed financial statements have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standard Board ("MASB") and paragraph 9.22 of Bursa Malaysia Securities Berhad's Listing Requirements and should be read in conjunction with the audited annual financial statements for the Group and the Company for the financial year ended 30 June 2020. The explanatory notes attached to the unaudited condensed financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and the Company since the financial year ended 30 June 2020.

The significant accounting policies and methods of computation applied in the unaudited condensed financial statements are consistent with those adopted in the annual audited financial statements for the financial year ended 30 June 2020 and modified for the adoption of the following Amendments to MFRSs applicable for financial year beginning on or after 1 July 2020:

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

The adoption of the above amendments to published standards are not expected to have significant impact on the financial results of the Group and the Company.

The preparation of unaudited condensed financial statements in conformity with the MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited condensed financial statements, and the reported amounts of income and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group and the Company's accounting policies. Although these estimates and assumptions are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates.

2. Auditors' report on preceding annual financial statements

The auditors' report on the audited financial statements for the financial year ended 30 June 2020 was not qualified.

3. Comments about seasonal or cyclical factors

The operations of the Group and the Company were not materially affected by any seasonal or cyclical factors during the financial quarter ended 31 March 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 March 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 March 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 March 2021, other than as mentioned below.

Purchase of shares pursuant to ESOS

In accordance with MFRS 132 "Financial instruments: Presentation and Disclosure", the shares purchased for the benefit of the ESOS holdings are recorded as "Treasury Shares for ESOS" in equity on the statements of financial position.

During the financial period ended 31 March 2021, the Company bought 5,498,000 units treasury shares via a private placement.

Total shares held by ESOS Trust comprise 11,110,700 (30.06.2020: 5,612,700) shares in the Group costing RM31,157,101 (30.06.2020: RM6,031,241) inclusive of transaction costs, as at 31 March 2021.

7. Dividends paid

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

8. Valuations of property, plant and equipment

No valuations of property, plant and equipment were carried out for the financial quarter ended 31 March 2021.

9. Significant events

(a) COVID-19 pandemic

As the current situation is unprecedented, and it is difficult to predict the economic impact, the Group will continue monitoring the situation closely and continue to assess the impact on the Group's earnings as the situation develops.

9. Significant events (continued)

(b) Executive share scheme

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

Details of the ESS

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

The ESS comprise the following:

a) ESOS

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

a) ESGS

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

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

Salient features of the ESS

(A) Quantum

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

(B) Eligibility

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

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

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

(C) Rights attaching to the HLCB Shares

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

9. Significant events (continued)

(b) Executive share scheme (continued)

Salient features of the ESS (continued)

(D) Duration

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

Utilisation of Proceeds

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

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

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

Rationale for the ESS

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

(c) Public shareholding spread

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

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

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

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

The trading in HLCB's shares has resumed accordingly.

10. Subsequent events

There were no material events subsequent to the end of the reporting quarter that require disclosure or adjustment to the unaudited interim financial statements.

HLCB Q3 (31.03.2021)
11. Financial assets at fair value through profit or loss ("FVTPL")

| | The Group | | The Company | |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | As at 31/03/2021 RM'000 | As at 30/06/2020 RM'000 | As at 31/03/2021 RM'000 | As at 30/06/2020 RM'000 |
| Money market instruments | | | | |
| Malaysian Government Securities | 42,283 | - | - | - |
| Malaysian Government Investment Issues | 20,486 | - | - | - |
| Negotiable instruments of deposits | 399,122 | 588,325 | - | - |
| | 461,891 | 588,325 | - | - |
| Quoted securities | | | | |
| In Malaysia: | | | | |
| Shares | 52,887 | 45,642 | 48,806 | 27,696 |
| Unit trust investment | 200,230 | 228,284 | 200,035 | 228,196 |
| | 253,117 | 273,926 | 248,841 | 255,892 |
| Unquoted securities | | | | |
| Shares | - | 1,432 | - | - |
| Corporate bond and/or sukuk | 49,766 | 43,794 | - | - |
| | 49,766 | 45,226 | - | - |
| | 764,774 | 907,477 | 248,841 | 255,892 |

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

| | The Group | |
|--|-------------------------------|-------------------------------|
| | As at 31/03/2021 RM'000 | As at 30/06/2020 RM'000 |
| Money market instruments | | |
| Malaysian Government Securities | 31,875 | 41,229 |
| Malaysian Government Investment Issues | 161,382 | 52,982 |
| Cagamas bonds | 85,727 | 30,358 |
| | 278,984 | 124,569 |
| Unquoted securities | | |
| Foreign currency bonds | 81,192 | 72,260 |
| Corporate bond and/or sukuk | 759,044 | 1,069,700 |
| | 840,236 | 1,141,960 |
| | 1,119,220 | 1,266,529 |

HLCB Q3 (31.03.2021)
12. Financial investments at fair value through other comprehensive income ("FVOCI") (continued)

Movements in expected credit losses of debt instruments at FVOCI are as follows:-

| The Group | 12 Months ECL (Stage 1) RM'000 | Lifetime ECL not credit impaired (Stage 2) RM'000 | Lifetime ECL credit impaired (Stage 3) RM'000 | Total ECL RM'000 |
|--|---|--|--|-----------------------------|
| At 1 July 2020 | 341 | - | - | 341 |
| Allowances made | 34 | - | - | 34 |
| Amount written back | (16) | - | - | (16) |
| New financial assets originated or purchased | 121 | - | - | 121 |
| Financial assets derecognised | (60) | - | - | (60) |
| Exchange differences | (11) | - | - | (11) |
| At 31 March 2021 | <u>409</u> | <u>-</u> | <u>-</u> | <u>409</u> |
| At 1 July 2019 | 143 | - | - | 143 |
| Allowances made | 7 | - | - | 7 |
| Amount written back | (25) | - | - | (25) |
| New financial assets originated or purchased | 347 | - | - | 347 |
| Financial assets derecognised | (98) | - | - | (98) |
| Exchange differences | (33) | - | - | (33) |
| At 30 June 2020 | <u>341</u> | <u>-</u> | <u>-</u> | <u>341</u> |

13. Financial investments at amortised cost

| | The Group | |
|--|--|--|
| | As at 31/03/2021 RM'000 | As at 30/06/2020 RM'000 |
| Money market instruments | | |
| Malaysian Government Securities | 459,648 | 291,869 |
| Malaysian Government Investment Issues | <u>513,211</u> | <u>534,018</u> |
| | <u>972,859</u> | <u>825,887</u> |
| Unquoted securities | | |
| Foreign currency bonds | 16,669 | 16,964 |
| Corporate bond and/or sukuk | <u>63,698</u> | <u>25,298</u> |
| | <u>80,367</u> | <u>42,262</u> |
| Less: Expected credit losses | (15) | (15) |
| | <u>1,053,211</u> | <u>868,134</u> |

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13. Financial investments at amortised cost (continued)

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

| The Group | 12 Months ECL (Stage 1) RM'000 | Lifetime ECL not credit impaired (Stage 2) RM'000 | Lifetime ECL credit impaired (Stage 3) RM'000 | Total ECL RM'000 |
|-------------------------------|---|---|---|---------------------|
| At 1 July 2020 | 15 | - | - | 15 |
| Exchange differences | - | - | - | - |
| At 31 March 2021 | <u>15</u> | <u>-</u> | <u>-</u> | <u>15</u> |
| At 1 July 2019 | 36 | - | - | 36 |
| Financial assets derecognised | (22) | - | - | (22) |
| Exchange differences | 1 | - | - | 1 |
| At 30 June 2020 | <u>15</u> | <u>-</u> | <u>-</u> | <u>15</u> |

14. Loans and advances

| | The Group | |
|---|-------------------------------|-------------------------------|
| | As at 31/03/2021 RM'000 | As at 30/06/2020 RM'000 |
| Term loan financing | 41,899 | 93,935 |
| Share margin financing | 273,702 | 225,398 |
| Staff loans | 39 | 44 |
| Other loans | 264 | 281 |
| Gross loans and advances | <u>315,904</u> | 319,658 |
| Less: Expected credit losses | (781) | (3,635) |
| Net loans and advances | <u>315,123</u> | <u>316,023</u> |
| a. <u>By type of customer</u> | | |
| Domestic business enterprises | | |
| - Small and medium enterprises | 57,944 | 57,941 |
| - Others | 72,561 | 124,759 |
| Individuals | 180,215 | 133,221 |
| Foreign entities | 5,184 | 3,737 |
| Gross loans and advances | <u>315,904</u> | 319,658 |
| b. <u>By interest rate sensitivity</u> | | |
| Fixed rate | | |
| - Staff housing loans | 39 | 44 |
| - Other fixed rate loan | 264 | 281 |
| Variable rate | | |
| - Cost plus | 315,601 | 319,333 |
| Gross loans and advances | <u>315,904</u> | 319,658 |

14. Loans and advances (continued)

| | The Group | |
|--|-------------------------------|-------------------------------|
| | As at 31/03/2021 RM'000 | As at 30/06/2020 RM'000 |
| c. <u>By residual contractual maturity</u> | | |
| Maturity within one year | 301,849 | 265,733 |
| More than one year to three years | - | 48,006 |
| More than three years to five years | 8,073 | 44 |
| More than five years | 5,982 | 5,875 |
| Gross loans and advances | <u>315,904</u> | <u>319,658</u> |
| d. <u>By geographical distribution</u> | | |
| Malaysia | <u>315,904</u> | <u>319,658</u> |
| e. <u>By economic purpose</u> | | |
| Purchase of securities | 281,737 | 265,451 |
| Working capital | 33,865 | 53,882 |
| Purchase of transport vehicles | 126 | 126 |
| Purchase of landed properties | 176 | 199 |
| Gross loans and advances | <u>315,904</u> | <u>319,658</u> |
| f. Impaired loans and advances | | |
| (i) Movements in impaired loans and advances ("impaired loans") are as follows: | | |
| At 1 July | 6,522 | 6,898 |
| Impaired during the financial period/year | 22 | 34,066 |
| Amount written-back during the financial period/year | (6,281) | (34,442) |
| At 31 March/30 June | <u>263</u> | <u>6,522</u> |
| (ii) <u>By geographical distribution</u> | | |
| Malaysia | <u>263</u> | <u>6,522</u> |
| (iii) <u>By economic purpose</u> | | |
| Purchase of transport vehicles | 126 | 126 |
| Purchase of landed properties | 137 | 155 |
| Purchase of securities | - | 366 |
| Working capital | - | 5,875 |
| Gross impaired loans and advances | <u>263</u> | <u>6,522</u> |

HLCB Q3 (31.03.2021)

14. Loans and advances (continued)

g. Movements in expected credit losses 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 2020 | 656 | 1 | 2,978 | 3,635 |
| Transferred to Stage 1 | 220 | (10) | (210) | - |
| Transferred to Stage 2 | (10) | 2,339 | (2,329) | - |
| New financial assets originated | 11 | 1 | - | 12 |
| Financial assets derecognised | (2) | - | - | (2) |
| Allowance made | 82 | 79 | 2 | 163 |
| Allowance written-back | (505) | (2,207) | (315) | (3,027) |
| At 31 March 2021 | 452 | 203 | 126 | 781 |
| At 1 July 2019 | 140 | 1 | 3,214 | 3,355 |
| Transferred to Stage 1 | 6 | (6) | - | - |
| Transferred to Stage 2 | (6) | 6 | - | - |
| Transferred to Stage 3 | (11) | - | 11 | - |
| New financial assets originated | 602 | - | 2,657 | 3,259 |
| Financial assets derecognised | (2) | - | (3,088) | (3,090) |
| Allowance made | 137 | 1 | 1,839 | 1,977 |
| Allowance written-back | (210) | (1) | (1,655) | (1,866) |
| At 30 June 2020 | 656 | 1 | 2,978 | 3,635 |

15. Clients' and brokers' balances

| | The Group | |
|------------------------------|-------------------------------|-------------------------------|
| | As at 31/03/2021 RM'000 | As at 30/06/2020 RM'000 |
| Performing accounts | 330,979 | 261,268 |
| Impaired accounts | 7,164 | 3,651 |
| | 338,143 | 264,919 |
| Less: Expected credit losses | (1,096) | (2,026) |
| | 337,047 | 262,893 |

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16. Other assets

| | The Group | | The Company | |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | As at 31/03/2021 RM'000 | As at 30/06/2020 RM'000 | As at 31/03/2021 RM'000 | As at 30/06/2020 RM'000 |
| Amount due from subsidiary companies | - | - | 155 | - |
| Amount due from related companies | 3 | - | - | - |
| Deposits and prepayments | 14,116 | 13,037 | 33 | 34 |
| Fee income receivable | 14,818 | 6,175 | - | - |
| Cash collaterals pledged for derivative transactions | 10,451 | 17,673 | - | - |
| Treasury related receivables | 10,252 | - | - | - |
| Other receivables | 16,245 | 10,884 | 960 | 639 |
| Manager's stocks and consumables | 743 | 1,007 | - | - |
| | 66,628 | 48,776 | 1,148 | 673 |
| Less: Expected credit losses | (1,948) | (1,428) | - | - |
| | 64,680 | 47,348 | 1,148 | 673 |

17. Deposits from customers

| | The Group | |
|--|-------------------------------|-------------------------------|
| | As at 31/03/2021 RM'000 | As at 30/06/2020 RM'000 |
| a. <u>By type of deposits</u> | | |
| Fixed deposits | 832,208 | 737,747 |
| b. <u>By type of customer</u> | | |
| Government and statutory bodies | 627,368 | 515,109 |
| Business enterprises | 186,185 | 207,466 |
| Individuals | 18,655 | 15,172 |
| | 832,208 | 737,747 |
| c. The maturity structure of fixed deposits are as follows: | | |
| Due within: | | |
| - six months | 832,208 | 720,239 |
| - six months to one year | - | 17,508 |
| | 832,208 | 737,747 |

18. Deposits and placements of banks and other financial institutions

| | The Group | |
|------------------------------|-------------------------------|-------------------------------|
| | As at 31/03/2021 RM'000 | As at 30/06/2020 RM'000 |
| Licensed banks | 91,314 | 228,601 |
| Licensed investment banks | 51,630 | 75,304 |
| Other financial institutions | 1,721,520 | 1,769,306 |
| | 1,864,464 | 2,073,211 |

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19. Derivative financial assets/(liabilities)

| The Group | Contract or underlying principal amount | Positive fair value | Negative fair value |
|---|--|------------------------------------|------------------------------------|
| 31/03/2021 | RM'000 | RM'000 | RM'000 |
| Derivatives at FVTPL: | | | |
| (i) Interest rate related contracts: | | | |
| - Interest rate swaps | 3,850,000 | 29,313 | (44,074) |
| - Futures | 41,445 | 544 | - |
| - Cross currency swaps | 82,890 | 2,877 | - |
| (ii) Foreign exchange related contracts: | | | |
| - Foreign currency swaps | 1,135,685 | 6,107 | (678) |
| - Foreign currency forwards | 302,112 | 2,733 | - |
| - Foreign currency spot | 5,388 | 13 | (2) |
| (iii) Equity related contracts: | | | |
| - Call option | 200 | 81 | - |
| Derivatives designated as fair value hedge: | | | |
| - Interest rate swap | 70,000 | - | (1,437) |
| | 5,487,720 | 41,668 | (46,191) |
| 30/06/2020 | | | |
| Derivatives at FVTPL: | | | |
| (i) Interest rate related contracts: | | | |
| - Interest rate swaps | 4,350,000 | 47,834 | (74,171) |
| - Cross currency swaps | 85,700 | 557 | - |
| (ii) Foreign exchange related contracts: | | | |
| - Foreign currency swaps | 1,225,578 | 6,086 | (4,567) |
| - Foreign currency forwards | 258,331 | 480 | (372) |
| Derivatives designated as fair value hedge: | | | |
| - Interest rate swap | 70,000 | - | (2,510) |
| | 5,989,609 | 54,957 | (81,620) |

20. Other liabilities

| | The Group | | The Company | |
|--|--|--|--|--|
| | As at 31/03/2021 RM'000 | As at 30/06/2020 RM'000 | As at 31/03/2021 RM'000 | As at 30/06/2020 RM'000 |
| Amount due to holding company | 118 | 109 | - | - |
| Amount due to related companies | - | 12 | - | - |
| Remisiers' trust deposits | 17,852 | 13,465 | - | - |
| Treasury related payables | 32,800 | 40,099 | - | - |
| Advance payments received for corporate exercise | - | 248 | - | - |
| Other payables and accrued liabilities | 112,211 | 74,447 | 1,089 | 698 |
| Post employment benefits obligation - defined contribution plan | 217 | 215 | - | - |
| | 163,198 | 128,595 | 1,089 | 698 |

21. Subordinated obligations

| | The Group | |
|---|--|--|
| | As at 31/03/2021 RM'000 | As at 30/06/2020 RM'000 |
| RM100.0 million Tier 2 subordinated notes, at par | 100,000 | 100,000 |
| Add: Interest payable | 1,252 | 185 |
| | 101,252 | 100,185 |
| Less: Unamortised discounts | (6) | (7) |
| | 101,246 | 100,178 |

On 6 November 2014, Hong Leong Investment Bank Berhad ("HLIB") had completed the first issuance of RM50.0 million nominal value of Tier 2 Subordinated Notes ("Sub-Notes") out of its RM1.0 billion Multi-Currency Sub-Notes Programme. The RM50.0 million Sub-Notes will mature in 2024 and is callable on any coupon payment date falling on or after the 5th anniversary of the issue date. The Sub-Notes which bears interest rate of 5.30% per annum is payable semi-annually in arrears. The exercise of the call option on the Sub-Notes shall be subject to the approval of BNM.

The Sub-Notes constitute unsecured liabilities of HLIB, and is subordinated in right of payment to the deposit liabilities and all other liabilities of HLIB in accordance with the terms and conditions of the issue, except to those liabilities, which by their terms, rank equally in right of payment with or are subordinated to the Sub-Notes. The Sub-Notes qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of HLIB.

Subsequently, on 14 June 2019, HLIB issued a second tranche of RM100.0 million nominal value of 10-year non-callable 5 years Sub Notes callable on 14 June 2024 (and thereafter) and due on 14 June 2029 out of its RM1.0 billion Multi-Currency Sub Notes Programme. The coupon rate for this second tranche of the Sub Notes is 4.23% per annum, which is payable semi-annually in arrears from the date of the issue.

On 6 November 2019, HLIB had fully redeemed the first issuance of RM50.0 million nominal value of this Sub Notes.

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22a. Interest income

| | Current quarter ended 31/03/2021 RM'000 | Last year's quarter ended 31/03/2020 RM'000 | Current year ended 31/03/2021 RM'000 | Last year's ended 31/03/2020 RM'000 |
|--|--|--|---|--|
| The Group | | | | |
| Loan and advances | 3,547 | 3,917 | 10,850 | 10,947 |
| Money at call and deposits placements with banks and other financial institutions | 1,036 | 2,821 | 4,475 | 7,565 |
| Financial investments at FVOCI | 7,926 | 10,590 | 26,728 | 30,848 |
| Financial investments at amortised cost | 7,671 | 7,210 | 22,902 | 21,317 |
| Others | 4,102 | 4,226 | 12,676 | 11,983 |
| Total interest income | <u>24,282</u> | <u>28,764</u> | <u>77,631</u> | <u>82,660</u> |
| The Company | | | | |
| Money at call and deposits placements with banks and other financial institutions | - | 1 | 9 | 9 |

22b. Interest income for financial assets at FVTPL

| | Current quarter ended 31/03/2021 RM'000 | Last year's quarter ended 31/03/2020 RM'000 | Current year ended 31/03/2021 RM'000 | Last year's ended 31/03/2020 RM'000 |
|---------------------------|--|--|---|--|
| The Group | | | | |
| Financial assets at FVTPL | <u>9,336</u> | <u>9,697</u> | <u>29,303</u> | <u>30,232</u> |

23. Interest expense

| | Current quarter ended 31/03/2021 RM'000 | Last year's quarter ended 31/03/2020 RM'000 | Current year ended 31/03/2021 RM'000 | Last year's ended 31/03/2020 RM'000 |
|--|--|--|---|--|
| The Group | | | | |
| Deposits and placements of banks and other financial institutions | 1,361 | 4,724 | 4,025 | 15,605 |
| Deposits from customers | 8,703 | 16,211 | 30,091 | 48,881 |
| Derivative financial instruments | 9,983 | 4,010 | 31,591 | 11,601 |
| Subordinated obligations | 1,043 | 1,055 | 3,177 | 4,208 |
| Lease liabilities | 231 | 298 | 785 | 925 |
| Others | 12 | 10 | (3) | 81 |
| Total interest expense | <u>21,333</u> | <u>26,308</u> | <u>69,666</u> | <u>81,301</u> |

24. Non-interest income

| | Current quarter ended 31/03/2021 RM'000 | Last year's quarter ended 31/03/2020 RM'000 | Current year ended 31/03/2021 RM'000 | Last year's ended 31/03/2020 RM'000 |
|---|--|--|---|--|
| The Group | | | | |
| (a) Fee income: | | | | |
| Fee on loans and advances | 157 | 795 | 241 | 886 |
| Arranger fees | 1,162 | 798 | 3,033 | 2,852 |
| Placement fees | 8,096 | 6,078 | 13,354 | 8,281 |
| Corporate advisory fees | 2,888 | 948 | 4,684 | 2,791 |
| Underwriting Commission | - | 188 | 129 | 188 |
| Brokerage commissions | 33,314 | 22,047 | 110,939 | 48,132 |
| Commission from futures contracts | 231 | 736 | 656 | 1,309 |
| Unit trust fee income | 14,571 | 11,049 | 41,528 | 45,733 |
| Other fee income | 1,175 | 2,649 | 6,721 | 7,810 |
| | 61,594 | 45,288 | 181,285 | 117,982 |
| (b) Net income from securities: | | | | |
| Net realised (loss)/gain arising from sale of: | | | | |
| - Financial assets at FVTPL | (435) | 5,789 | 11,109 | 11,612 |
| - Financial investments at FVOCI | 729 | 10,353 | 15,273 | 22,749 |
| - Derivative financial instruments | 7,627 | 35,355 | (29,053) | 48,045 |
| Net unrealised (loss)/gain on revaluation of: | | | | |
| - Financial assets at FVTPL | (2,148) | (18,406) | (5,843) | (22,418) |
| - Derivative financial instruments | 18,822 | (12,650) | 20,973 | (23,821) |
| Dividend income from: | | | | |
| - Financial assets at FVTPL | 1,427 | 1,910 | 4,853 | 6,813 |
| Net unrealised loss on fair value changes arising from fair value hedges | (603) | - | (1,637) | - |
| | 25,419 | 22,351 | 15,675 | 42,980 |
| (c) Other income | | | | |
| Foreign exchange (loss)/gain | (19,555) | (37,577) | 23,714 | (34,125) |
| Other non-operating income | 231 | 74 | 758 | 198 |
| | (19,324) | (37,503) | 24,472 | (33,927) |
| Total non-interest income | 67,689 | 30,136 | 221,432 | 127,035 |

The Company

| | | | | |
|--|--------------|----------------|---------------|---------------|
| (a) Net income from securities: | | | | |
| Net realised gain/(loss) arising from sale of: | | | | |
| - Financial assets at FVTPL | 1,786 | (590) | 5,157 | (179) |
| Net unrealised (loss)/gain on revaluation of: | | | | |
| - Financial assets at FVTPL | (1,300) | (9,105) | 720 | (10,115) |
| Dividend income from: | | | | |
| - Financial assets at FVTPL | 1,319 | 1,685 | 4,109 | 5,831 |
| - Subsidiary companies | - | - | 66,000 | 28,000 |
| | 1,805 | (8,010) | 75,986 | 23,537 |
| (b) Other income | | | | |
| Foreign exchange loss | - | - | (47) | - |
| Other income | 214 | 46 | 690 | 147 |
| Total non-interest income | 2,019 | (7,964) | 76,629 | 23,684 |

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25. Overhead expenses

| | Current quarter ended 31/03/2021 RM'000 | Last year's quarter ended 31/03/2020 RM'000 | Current year ended 31/03/2021 RM'000 | Last year's ended 31/03/2020 RM'000 |
|--|--|--|---|--|
| The Group | | | | |
| Personnel costs | | | | |
| - Salaries, bonuses and allowances | 18,173 | 14,460 | 65,293 | 54,392 |
| - Others | 3,313 | 3,565 | 9,232 | 10,837 |
| | 21,486 | 18,025 | 74,525 | 65,229 |
| Establishment costs | | | | |
| - Depreciation of property and equipment | 941 | 836 | 2,691 | 2,585 |
| - Amortisation of intangible assets | 370 | 443 | 1,164 | 1,299 |
| - Depreciation of ROU assets | 999 | 1,017 | 2,993 | 3,050 |
| - Rental of premises | 30 | 25 | 71 | 70 |
| - Information technology expenses | 2,426 | 1,484 | 6,999 | 4,532 |
| - Others | 764 | 526 | 2,099 | 1,750 |
| | 5,530 | 4,331 | 16,017 | 13,286 |
| Marketing expenses | | | | |
| - Advertisement and publicity | 26 | 275 | 167 | 750 |
| - Entertainment and business improvement | 77 | 455 | 439 | 1,096 |
| - Others | 13 | 117 | 139 | 397 |
| | 116 | 847 | 745 | 2,243 |
| Administration and general expenses | | | | |
| - Management fees | 1,887 | 1,001 | 5,915 | 3,508 |
| - Communication expenses | 383 | 213 | 1,031 | 979 |
| - Property and equipment written off | - | - | 22 | - |
| - Auditors' remuneration | | | | |
| - Statutory audit | 98 | 137 | 269 | 332 |
| - Regulatory related fee | 3 | 3 | 8 | 8 |
| - Legal and professional fees | 716 | 965 | 2,303 | 3,067 |
| - Others | 2,729 | 2,836 | 8,035 | 8,233 |
| | 5,816 | 5,155 | 17,583 | 16,127 |
| Total overhead expenses | 32,948 | 28,358 | 108,870 | 96,885 |
| The Company | | | | |
| Personnel costs | | | | |
| - Salaries, bonuses and allowances | - | - | - | - |
| - Others | (28) | 132 | 138 | 320 |
| | (28) | 132 | 138 | 320 |
| Establishment costs | | | | |
| - Information technology expenses | 1 | - | 19 | 2 |
| - Others | - | 19 | 33 | 47 |
| | 1 | 19 | 52 | 49 |

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25. Overhead expenses (continued)

| | Current quarter ended 31/03/2021 RM'000 | Last year's quarter ended 31/03/2020 RM'000 | Current year ended 31/03/2021 RM'000 | Last year's ended 31/03/2020 RM'000 |
|-------------------------------------|--|--|---|--|
| The Company (continued) | | | | |
| Marketing expenses | | | | |
| - Others | - | 37 | 37 | 38 |
| | - | 37 | 37 | 38 |
| Administration and general expenses | | | | |
| - Management fees | 116 | 1 | 476 | 259 |
| - Communication expenses | 1 | - | 7 | 6 |
| - Auditors' remuneration | | | | |
| - Statutory audit | 20 | 20 | 59 | 55 |
| - Regulatory related fee | 3 | 3 | 8 | 8 |
| - Legal and professional fees | (1) | 1 | 19 | 20 |
| - Others | 153 | 117 | 364 | 400 |
| | 292 | 142 | 933 | 748 |
| Total overhead expenses | 265 | 330 | 1,160 | 1,155 |

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

| | Current quarter ended 31/03/2021 RM'000 | Last year's quarter ended 31/03/2020 RM'000 | Current year ended 31/03/2021 RM'000 | Last year's ended 31/03/2020 RM'000 |
|---|--|--|---|--|
| The Group | | | | |
| Expected credit losses | | | | |
| - Loans and advances | 124 | (1,360) | 2,854 | (1,574) |
| - Loans and advances commitments | - | (381) | - | (381) |
| Impaired loans and advances written-off | - | - | (26) | - |
| | 124 | (1,741) | 2,828 | (1,955) |

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

| | Current quarter ended 31/03/2021 RM'000 | Last year's quarter ended 31/03/2020 RM'000 | Current year ended 31/03/2021 RM'000 | Last year's ended 31/03/2020 RM'000 |
|---|--|--|---|--|
| The Group | | | | |
| (a) Financial investments | | | | |
| (i) Financial investments at FVOCI | 6 | (33) | (68) | (23) |
| (ii) Financial investments at amortised cost | (1) | (1) | - | 21 |
| | 5 | (34) | (68) | (2) |
| (b) Other financial assets: | | | | |
| (i) Clients' and brokers' balances: | | | | |
| - Expected credit losses | 42 | (1,635) | 930 | (1,724) |
| - Impaired clients' and brokers' balances recovered | - | 9 | - | 63 |
| (ii) Other assets | (341) | (2) | (520) | (58) |
| | (299) | (1,628) | 410 | (1,719) |
| | (294) | (1,662) | 342 | (1,721) |

28. Commitments and contingencies

| | As at 31/03/2021 Principal Amount RM'000 | As at 30/06/2020 Principal Amount RM'000 |
|---|--|--|
| The Group | | |
| Commitments and contingent liabilities | | |
| Direct Credit Substitutes | 1,000 | 1,000 |
| Lending of banks' securities or the posting of securities as collateral by bank, including instances where these arise out of repo-style transactions | - | 52,352 |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity: | | |
| - Over one year | 30,000 | 30,000 |
| Any commitments that are unconditionally cancelled at any time by the bank without prior notice | | |
| - Maturity less than one year | 929,438 | 894,438 |
| | <u>960,438</u> | <u>977,790</u> |
| Derivative financial instruments | | |
| Interest rate related contracts: | | |
| - One year or less | 1,816,445 | 1,365,000 |
| - Over one year to five years | 2,227,890 | 3,030,700 |
| - Over five years | - | 110,000 |
| Foreign exchange related contracts | | |
| - One year or less | 1,443,185 | 1,483,909 |
| Equity related contracts | | |
| - Over one year to five years | 200 | - |
| | <u>5,487,720</u> | <u>5,989,609</u> |
| | <u>6,448,158</u> | <u>6,967,399</u> |

29. Fair value of financial instruments

Determination of fair value and fair value hierarchy

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

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

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

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

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

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

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

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

| The Group 31.03.2021 | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 |
|---------------------------------|---------------------------|---------------------------|---------------------------|-------------------------|
| Financial assets | | | | |
| Financial assets at FVTPL | 253,117 | 511,657 | - | 764,774 |
| - Money market instruments | - | 461,891 | - | 461,891 |
| - Quoted securities | 253,117 | - | - | 253,117 |
| - Unquoted securities | - | 49,766 | - | 49,766 |
| Financial investments at FVOCI | - | 1,119,220 | - | 1,119,220 |
| - Money market instruments | - | 278,984 | - | 278,984 |
| - Unquoted securities | - | 840,236 | - | 840,236 |
| Derivative financial assets | - | 41,668 | - | 41,668 |
| | 253,117 | 1,672,545 | - | 1,925,662 |

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29. Fair value of financial instruments (continued)

Determination of fair value and fair value hierarchy (continued)

| The Group 31.03.2021 | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 |
|---------------------------------------|---------------------------------|---------------------------------|---------------------------------|-------------------------------|
| Financial liability | | | | |
| Derivative financial liabilities | - | 46,191 | - | 46,191 |
| 30.06.2020 | | | | |
| Financial assets | | | | |
| Financial assets at FVTPL | 273,926 | 632,119 | 1,432 | 907,477 |
| - Money market instruments | - | 588,325 | - | 588,325 |
| - Quoted securities | 273,926 | - | - | 273,926 |
| - Unquoted securities | - | 43,794 | 1,432 | 45,226 |
| Financial investments at FVOCI | - | 1,266,529 | - | 1,266,529 |
| - Money market instruments | - | 124,569 | - | 124,569 |
| - Unquoted securities | - | 1,141,960 | - | 1,141,960 |
| Derivative financial assets | - | 54,957 | - | 54,957 |
| | 273,926 | 1,953,605 | 1,432 | 2,228,963 |
| Financial liability | | | | |
| Derivative financial liabilities | - | 81,620 | - | 81,620 |
| The Company | | | | |
| 31.03.2021 | | | | |
| Financial asset | | | | |
| Financial assets at FVTPL | | | | |
| - Quoted securities | 248,841 | - | - | 248,841 |
| 30.06.2020 | | | | |
| Financial asset | | | | |
| Financial assets at FVTPL | | | | |
| - Quoted securities | 255,892 | - | - | 255,892 |

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

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

| | The Group | |
|--|-------------------|-------------------|
| | 31.03.2021 | 30.06.2020 |
| | RM'000 | RM'000 |
| Financial assets at FVTPL | | |
| At 1 July | 1,432 | 1,365 |
| Fair value changes recognised in income statements | - | 67 |
| Disposed during the financial period | (1,432) | - |
| At 31 March/30 June | - | 1,432 |

30. Capital adequacy

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

| | HLIB 31/03/2021 | HLIB 30/06/2020 |
|---|----------------------------------|----------------------------------|
| Before deducting proposed dividends: | | |
| Common equity tier 1 ("CET1") capital ratio | 36.013% | 42.128% |
| Tier 1 capital ratio | 36.013% | 42.128% |
| Total capital ratio | 46.706% | 52.768% |
| After deducting proposed dividends: ⁽¹⁾ | | |
| CET1 capital ratio | 36.013% | 35.500% |
| Tier 1 capital ratio | 36.013% | 35.500% |
| Total capital ratio | 46.706% | 46.139% |

Note:

⁽¹⁾ Proposed dividends of RM Nil (30.06.2020: RM66,000,000).

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

| | HLIB 31/03/2021 RM'000 | HLIB 30/06/2020 RM'000 |
|--|---|---|
| CET1 capital | | |
| Paid-up ordinary share capital | 252,950 | 252,950 |
| Retained profits | 213,828 | 279,828 |
| Other reserves | (4,532) | 9,349 |
| Less: goodwill and intangibles | (30,569) | (31,380) |
| Less: deferred tax assets | (75,798) | (85,925) |
| Less: investment in subsidiary companies | (200) | (200) |
| Less: 55% of cumulative gains of financial investments at FVOCI | - | (5,142) |
| Total CET1 capital | 355,679 | 419,480 |
| Tier 1 capital | 355,679 | 419,480 |
| Tier 2 capital | | |
| Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves ⁽²⁾ | 5,611 | 5,940 |
| Subordinated obligations | 100,000 | 100,000 |
| Total Tier 2 capital | 105,611 | 105,940 |
| Total capital | 461,290 | 525,420 |

Note:

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

30. Capital adequacy (continued)

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

| | HLIB | HLIB |
|------------------|-----------------------|-----------------------|
| | 31/03/2021 | 30/06/2020 |
| | RM'000 | RM'000 |
| Credit risk | 448,853 | 476,122 |
| Market risk | 227,084 | 257,167 |
| Operational risk | 311,716 | 262,434 |
| | <u>987,653</u> | <u>995,723</u> |

31. Segmental reporting

(a) Segment information by activities for the financial period ended 31 March 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 March 2021 | | | | | |
| Net income | | | | | |
| Net interest income | 36,922 | 287 | 59 | - | 37,268 |
| Non interest income | 169,707 | 41,527 | 76,758 | (66,560) | 221,432 |
| Total net income | <u>206,629</u> | <u>41,814</u> | <u>76,817</u> | <u>(66,560)</u> | <u>258,700</u> |
| Results | | | | | |
| Profit from operations | 124,738 | 19,291 | 75,531 | (66,560) | 153,000 |
| Taxation | | | | | (20,625) |
| Profit after taxation | | | | | <u>132,375</u> |
| 31 March 2020 | | | | | |
| Net income | | | | | |
| Net interest income | 30,792 | 734 | 65 | - | 31,591 |
| Non interest income | 85,767 | 45,764 | 23,827 | (28,323) | 127,035 |
| Total net income | <u>116,559</u> | <u>46,498</u> | <u>23,892</u> | <u>(28,323)</u> | <u>158,626</u> |
| Results | | | | | |
| Profit from operations | 41,556 | 22,251 | 22,581 | (28,323) | 58,065 |
| Taxation | | | | | (177) |
| Profit after taxation | | | | | <u>57,888</u> |

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

32. Property and equipment

The valuations of property and equipment have been brought forward without amendment from the financial statements for the financial year ended 30 June 2020.

33. Changes in composition of the Group

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

34. Capital commitments

Capital commitments for the purchase of property and equipment as at 31 March 2021 is RM2.1 million.

35. Changes in contingent liabilities

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

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

The size of the Fund was above the minimum of RM1.0 million as at 31 March 2021.

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 | | |
| | 31/03/2021 | 31/03/2020 | RM'000 | |
| | RM'000 | RM'000 | | |
| Net income | 79,974 | 42,289 | 37,685 | 89.1% |
| Profit before tax | 46,856 | 10,528 | 36,328 | >100.0% |
| Profit after tax | 40,621 | 11,065 | 29,556 | >100.0% |
| Profit attributable to equity holders of the Company | 40,621 | 11,065 | 29,556 | >100.0% |

The group recorded a >100.0% higher profit before tax ("PBT") of RM46.9 million for the 3rd quarter ended 31 March 2021 as compared to RM10.5 million recorded in the previous year corresponding quarter.

Higher PBT mainly contributed by higher non-interest income earned (124.6%).

The performance of the respective operating business segments for the 3rd quarter ended 31 March 2021 as compared to the previous year corresponding quarter is analysed as follows:-

| | The Group | | Variance | % |
|---|----------------------|----------------------|-----------------|----------|
| | Current | Last year's | | |
| | quarter ended | quarter ended | | |
| | 31/03/2021 | 31/03/2020 | RM'000 | |
| | RM'000 | RM'000 | | |
| Profit before tax by segments: | | | | |
| Investment banking and stockbroking | 38,994 | 15,022 | 23,972 | >100.0% |
| Fund management and unit trust management | 6,061 | 4,090 | 1,971 | 48.2% |
| Investment holding and others | 1,801 | (8,584) | 10,385 | >100.0% |
| | 46,856 | 10,528 | 36,328 | >100.0% |

Investment banking and stockbroking - higher PBT by RM24.0 million (>100.0%) attributed to higher profit contribution from both its stockbroking division and investment banking division in current quarter.

Fund management and unit trust management - PBT increased by RM2.0 million (48.2%) mainly due to higher net contribution from management fee income.

Investment holding and others - PBT increased by RM10.4 million (>100.0%) mainly due to lower unrealised loss on revaluation of financial assets at FVTPL and higher realised gain from disposal of financial assets at FVTPL.

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1. Performance review (continued)

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

| | The Group | | Variance RM'000 | % |
|---|---|--|--------------------|---------|
| | Current year ended 31/03/2021 RM'000 | Last year's ended 31/03/2020 RM'000 | | |
| Revenue | 258,700 | 158,626 | 100,074 | 63.1% |
| Profit before tax | 153,000 | 58,065 | 94,935 | >100.0% |
| Profit after tax | 132,375 | 57,888 | 74,487 | >100.0% |
| Profit attributable to equity holders of the Company | 132,375 | 57,888 | 74,487 | >100.0% |

The group recorded a higher PBT of RM153.0 million for the financial period ended 31 March 2021 as compared to RM58.1 million recorded in the previous financial period.

Higher PBT mainly due to higher non-interest income earned (74.3%).

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

| | The Group | | Variance RM'000 | % |
|--|---|--|--------------------|-------------------|
| | Current year ended 31/03/2021 RM'000 | Last year's ended 31/03/2020 RM'000 | | |
| Profit before tax by segments: | | | | |
| Investment banking and stockbroking | 124,738 | 41,556 | 83,182 | >100.0% |
| Fund management and unit trust management | 19,291 | 22,251 | (2,960) | -13.3% |
| Investment holding and others | 8,971 | (5,742) | 14,713 | >100.0% |
| | 153,000 | 58,065 | 94,935 | >100.0% |

Investment banking and stockbroking - Higher PBT by RM83.2 million (>100.0%) mainly attributed to higher profit contribution from both its stockbroking division and investment banking division.

Fund management and unit trust management - PBT decreased by RM3.0 million (-13.3%) mainly due to lower net contribution from management fee income.

Investment holding and others - PBT increased by RM14.7 million (>100.0%) mainly due to higher unrealised gain on revaluation of financial assets at FVTPL and realised gain from disposal of financial assets at FVTPL.

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1. Performance review (continued)

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

| | The Group | | | |
|--|---------------|---------------|----------|--------|
| | Current | Preceding | | |
| | quarter ended | quarter ended | | |
| | 31/03/2021 | 31/12/2020 | Variance | % |
| | RM'000 | RM'000 | RM'000 | |
| Net income | 79,974 | 91,477 | (11,503) | -12.6% |
| Profit before tax | 46,856 | 53,430 | (6,574) | -12.3% |
| Profit after tax | 40,621 | 46,190 | (5,569) | -12.1% |
| Profit attributable to equity holders of the Company | 40,621 | 46,190 | (5,569) | -12.1% |

For the financial quarter ended 31 March 2021, the Group reported a lower PBT of RM46.9 million as compared to RM53.4 million in the preceding financial quarter ended 31 December 2020. The lower PBT was mainly due to lower non-interest income earned (-14.6%).

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

| | The Group | | | |
|---|---------------|---------------|----------------|---------------|
| | Current | Preceding | | |
| | quarter ended | quarter ended | | |
| | 31/03/2021 | 31/12/2020 | Variance | % |
| | RM'000 | RM'000 | RM'000 | |
| Profit before tax by segments: | | | | |
| Investment banking and stockbroking | 38,994 | 42,307 | (3,313) | -7.8% |
| Fund management and unit trust management | 6,061 | 7,473 | (1,412) | -18.9% |
| Investment holding and others | 1,801 | 3,650 | (1,849) | -50.7% |
| | <u>46,856</u> | <u>53,430</u> | <u>(6,574)</u> | <u>-12.3%</u> |

Investment banking and stockbroking - lower PBT by RM3.3 million (-7.8%) mainly due to lower profit contribution from both its and investment banking division and stockbroking division.

Fund management and unit trust management - PBT decreased by RM1.4 million (-18.9%) mainly due to lower net contribution from management fee income in current quarter.

Investment holding and others - PBT decreased by RM1.8 million (-50.7%) mainly due to unrealised loss on revaluation of financial assets at FVTPL.

2. Prospects for 2021

Looking ahead, we are anticipating a general uptrend in both the US and Malaysia's interest rates riding on the back of expected continuous recovery globally. While the debates continued over the Covid-19 vaccination and its efficacy, the benefits of the vaccination will likely outweigh its potential side effects, by restoring confidence and gradually leading to the reopening of the global economy albeit unevenly around the world.

The COVID-19 outbreak and consequential Movement Control Order ("MCO") had served as an important reminder for us to sharpen our business continuity measures and to further accelerate innovation in the way we conduct our business. The movement restrictions had also led to a surge in demand for digital capabilities, products and services. The Group will continue to be proactive in harnessing our digital initiatives and technologies to extend our reach and build an operating environment that our stakeholders will expect. To achieve this, we will continue to use technology, both, on the frontline and backroom processes to strengthen our resiliency and improve our efficiency and productivity after the new normal.

Enhancing and tightening cybersecurity will also be one of our focus moving forward. As the Group is progressively changing its way of doing business to cope with the new normal, we will continue to put our focus on serving our clients through digital channels. With digitalisation, there will be heightened risks that our cybersecurity team will need to manage in order to support business continuity while protecting our business and clients.

Going forward, the Group will continue to execute our business strategies, sharpen our business continuity measures and drive our digital solutions to manage cost efficiency and productivity with the objective of delivering long-term sustainable growth as well as increase our shareholder value.

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 year ended | |
|---|-------------------------|--------------|----------------------|------------|
| | 31/03/2021 | 31/03/2020 | 31/03/2021 | 31/03/2020 |
| The Group | RM'000 | RM'000 | RM'000 | RM'000 |
| Malaysian income tax: | | | | |
| - Current | 1,950 | 899 | 6,099 | 5,386 |
| - Under/(Over) provision in prior years | 12 | 22 | (6) | 22 |
| Deferred taxation | 4,273 | (1,458) | 14,532 | (5,231) |
| | <u>6,235</u> | <u>(537)</u> | <u>20,625</u> | <u>177</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 March 2021:

| The Group | Principal amount RM'000 | Fair Value | |
|------------------------------------|----------------------------|------------------|-----------------------|
| | | Assets RM'000 | Liabilities RM'000 |
| Interest rate related contracts | | | |
| (i) Less than 1 year | 1,816,445 | 5,724 | (12,449) |
| (ii) 1 year to 3 years | 1,332,890 | 11,730 | (19,169) |
| (iii) More than 3 years | 895,000 | 15,280 | (13,893) |
| Foreign exchange related contracts | | | |
| (i) Less than 1 year | 1,443,185 | 8,853 | (680) |
| Equity related contracts | | | |
| (i) More than 3 years | 200 | 81 | - |
| | 5,487,720 | 41,668 | (46,191) |

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 31 March 2021 | | | | | | | |
| RM100.0 million Tier 2 subordinated notes | - | 99,994 | - | 1,252 | - | 101,246 | 101,246 |
| As at 30 June 2020 | | | | | | | |
| RM100.0 million Tier 2 subordinated notes | - | 99,993 | - | 185 | - | 100,178 | 100,178 |
| As at 31 March 2020 | | | | | | | |
| RM100.0 million Tier 2 subordinated notes | - | 99,993 | - | 1,240 | - | 101,233 | 101,233 |

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 31 March 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 period.

| | Financial quarter ended | | Financial period ended | |
|---|-------------------------|------------|------------------------|------------|
| | 31/03/2021 | 31/03/2020 | 31/03/2021 | 31/03/2020 |
| The Group | | | | |
| Net profit attributable to equity holders of the Company (RM'000): | 40,621 | 11,065 | 132,375 | 57,888 |
| Weighted average number of ordinary shares in issue ('000): | 235,785 | 241,283 | 238,334 | 241,283 |
| Basic earnings per share (sen) | 17.2 | 4.6 | 55.5 | 24.0 |
| The Company | | | | |
| Net profit/(loss) attributable to equity holders of the Company (RM'000): | 1,284 | (8,154) | 74,097 | 22,552 |
| Weighted average number of ordinary shares in issue ('000): | 235,890 | 241,388 | 238,439 | 241,388 |
| Basic earnings/(loss) per share (sen) | 0.5 | (3.4) | 31.1 | 9.3 |

(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 31 March 2021 and 31 March 2020.

Dated this 27 May 2021.