Hong Leong Capital Berhad

Annual Report **2021**

Corporate

Financials

Additional Information

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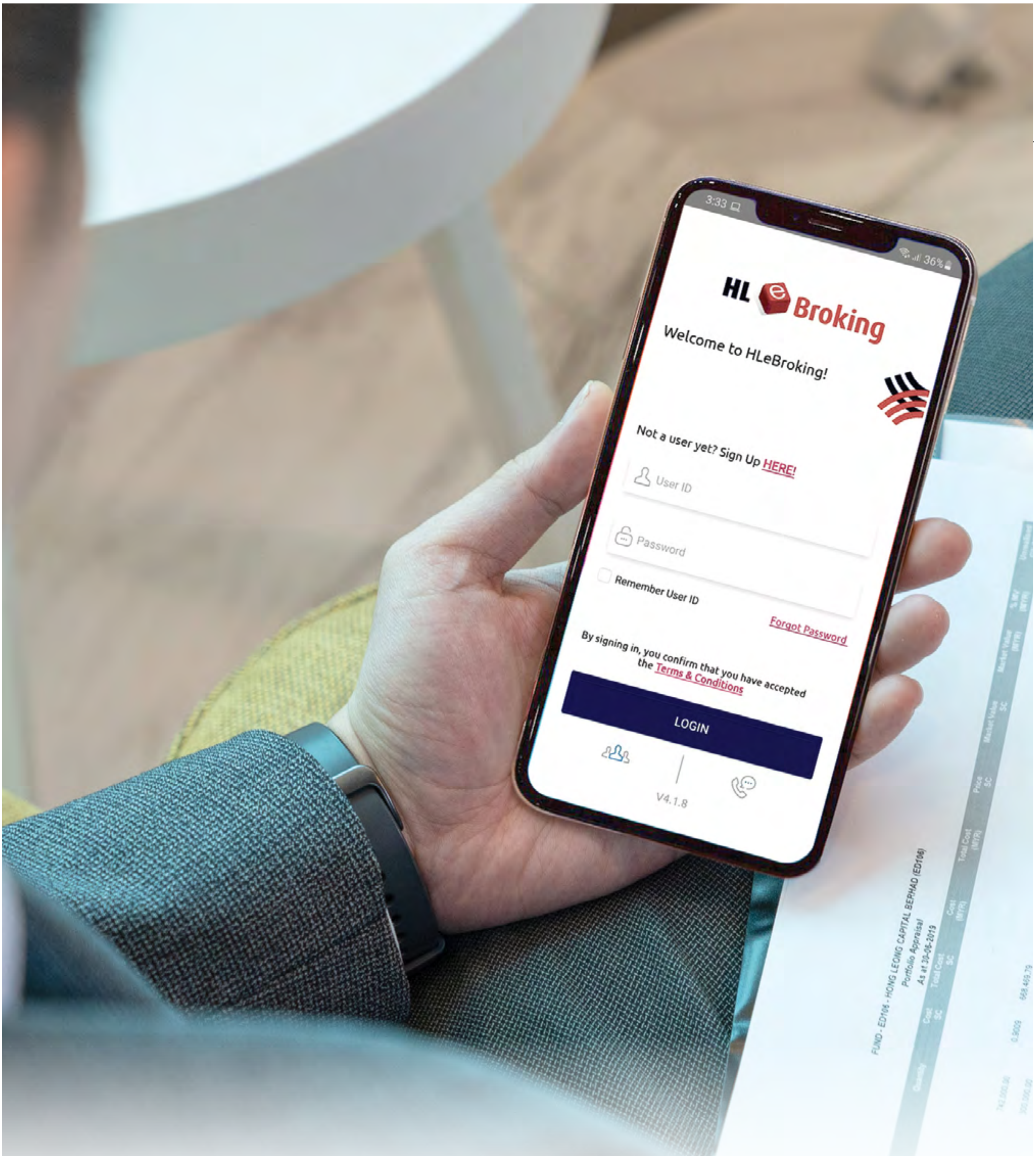


To be the foremost Integrated Financial Services Group providing unrivalled value to our clients

Introduction

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

HLIB has two main divisions, namely the Investment Banking division and the Stockbroking division. The core activities of the Investment Banking division include arranging and structuring of debt financing, equity fund raising and other corporate-related advisory work. The Investment Banking division also offers debt and equity underwriting, deposit-taking, treasury related solutions as well as trading and distribution services.

The Stockbroking division of HLIB provides the complete range of retail and institutional stockbroking services for both local and foreign stock markets, equity research, margin financing, nominees and custody services as well as futures and option broking services. Supported by a dedicated client centric sales team committed to providing timely advice and good trade execution, as well as a research team of professional industry specialists, HLIB strives to deliver groundbreaking insights and fresh perspectives on investing ideas.

HLAM, is an established fund management and unit trust company offering and managing a broad spectrum of investment solutions through equities, fixed income, money market and multi-assets for segregated customised portfolios, unit trust funds and wholesale funds for, amongst others, state governments, insurance companies, endowments, family offices, charitable organisations, corporations, retail and high net worth individuals.

HLISAM is a wholly owned subsidiary of HLAM. HLISAM was issued with its Islamic fund management license in November 2019 by the Securities Commission Malaysia to undertake the regulated activity of Islamic fund management business. Similar to the parent company, HLISAM offers a broad spectrum of investment solutions through equities, fixed income, money market and multi-assets.

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

Our Core Values

HLCB strongly believes that its core values form its foundation and framework. Its values build its character; they are the binding cord that holds its people together, the driving force towards the successful accomplishment of the Group's vision. Our long term goal has always been creating sustainable value towards the Group and focus on improving the well-being of our stakeholders in all aspects.

QUALITY

To provide products and services that consistently exceed customers' expectations

HUMAN RESOURCE

To enhance the quality of human resources as the essence of management excellence

ENTREPRENEURSHIP

To pursue management vision and foster entrepreneurship

UNITY

To ensure oneness in purpose, harmony and friendship in the pursuit of prosperity for all

INNOVATION

To nurture and be committed to innovation

PROGRESS

To continuously improve existing operations and to position for expansion and new business opportunities

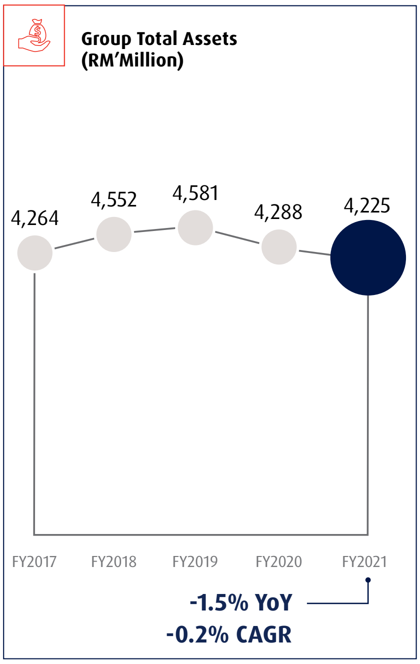
HONOUR

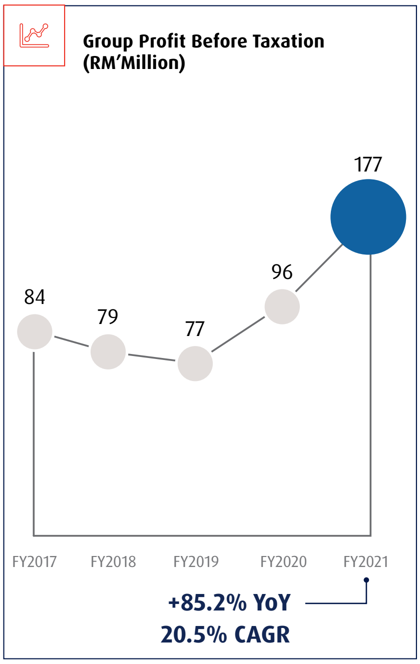
To conduct business with honour

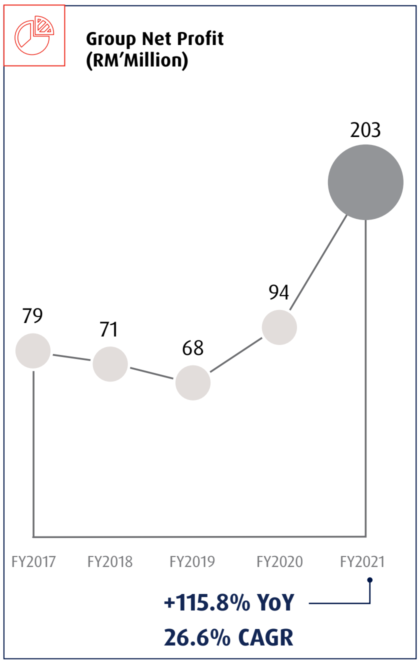
SOCIAL RESPONSIBILITY

To create wealth for the betterment of society

Five Year Group **Financial Highlights**

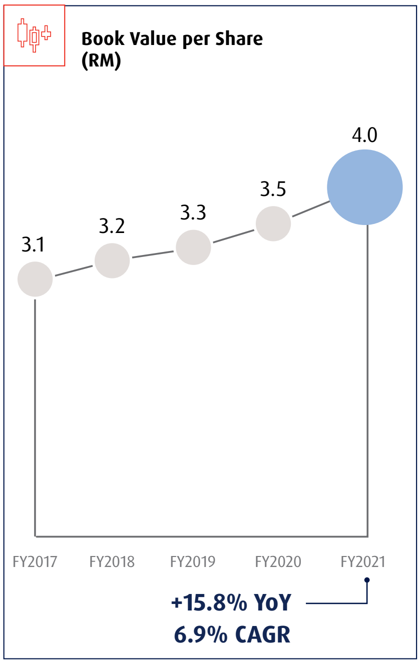


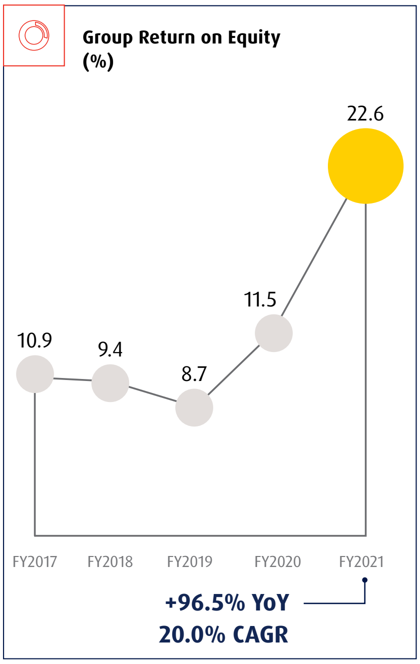


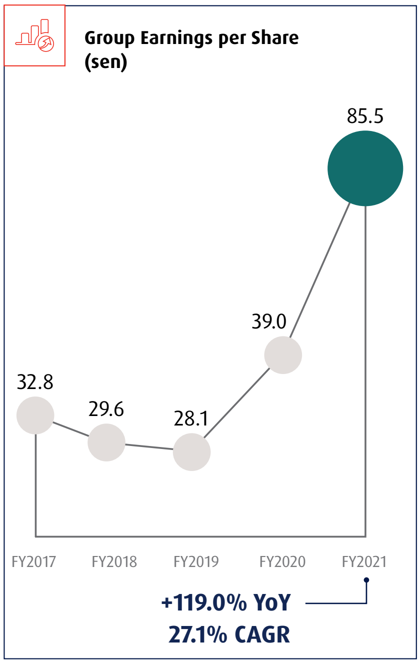


The Group	FY2017 RM'Million	FY2018 RM'Million	FY2019 RM'Million	FY2020 RM'Million	FY2021 RM'Million
Statements of Financial Position					
Total Assets	4,264	4,552	4,581	4,288	**4,225**
Net Loans	237	228	205	316	**336**
Total Liabilities	3,519	3,786	3,784	3,448	**3,268**
Deposits from Customers	649	1,083	748	738	**702**
Shareholders' Funds	745	766	798	840	**957**
Commitments and Contingencies	7,931	8,853	11,470	6,967	**5,994**
Statements of Income					
Revenue	202	196	199	233	**316**
Profit Before Taxation	84	79	77	96	**177**
Net Profit	79	71	68	94	**203**
Key Performance Indicators					
Book Value per Share (RM)	3.1	3.2	3.3	3.5	**4.0**
Basic Earnings per Share (sen)	32.8	29.6	28.1	39.0	**85.5**
Net Dividend per Share (sen)	19.0	19.0	22.0	23.0	**26.0**

Five Year Group Financial Highlights







The Group	FY2017 %	FY2018 %	FY2019 %	FY2020 %	FY2021 %
Financial Ratios					
Profitability Ratios					
Return on Equity	10.9%	9.4%	8.7%	11.5%	**22.6%**
Return on Average Assets	1.9%	1.6%	1.5%	2.1%	**4.8%**
Cost/Income Ratio	58.4%	59.5%	61.5%	57.9%	**44.9%**
Asset Quality/Loan Ratios					
Gross Loans to Deposits Ratio	36.5%	21.1%	27.9%	43.3%	**47.9%**
Gross Impaired Loans Ratio	4.9%	3.0%	3.3%	2.0%	**0.1%**

Chairman's Statement

"On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of Hong Leong Capital Berhad ("HLCB" or "the Group") for the financial year ended 30 June 2021 ("FY2021")."

OUR BUSINESS ENVIRONMENT

The first half of our FY2021 saw global economic activity gaining traction following the success of earlier containment measures in taming the spread of COVID-19 infections. However, the subsequent easing of social and mobility restrictions led to a resurgence of infection rates, made worse by the evolution of more transmissive coronavirus variants. Our domestic business environment continued to be fraught with uncertainty, as the nation experienced subsequent waves of infections which led some states to be placed under Conditional Movement Control Orders ("CMCO"). Nevertheless, positive breakthroughs in vaccine development fuelled optimism for a possible reopening of economic activity in the near-term.

The global vaccination drive kicked off at an exponential rate in the second half of our FY2021. Uneven access to vaccines has led to a divergence in reopening timelines across the world, with most major economies ahead of the queue. The subsiding case count in these economies permitted a broader reopening of economic sectors which in turn has led to an improvement in global economic conditions. Consequently, the improvement in global trade and rebound in global commodity prices benefited Malaysia mainly through the trade channel. Domestically, despite reverting back to Movement Control Order ("MCO") 2.0 on 13 January 2021, Malaysia's Gross Domestic Product ("GDP") recorded a smaller-than-expected contraction of 0.5% in the first quarter of year 2021. Our nation began the vaccination drive in February 2021 aiming to inoculate 80% of the population by the end of year 2021. In order to contain the spread of a fresh wave of infections, the nation went into a Full-MCO ("FMCO") on 1 June 2021. The government unveiled the National Recovery Plan which outlined the necessary thresholds needed to move the economy forward in a safe manner, and introduced a slew of supportive fiscal packages to pump prime the economy; these included RM225.0 billion (15.9% of GDP) in the form of cash handouts extended to the low and middle income households, 6 months "opt-in" loan moratorium for individuals, micro-enterprises and affected small and medium enterprises ("SMEs") and an extension of the wage subsidy program.

Amidst the additional support measures and the already accommodative monetary policy stance, Bank Negara Malaysia kept the Overnight Policy Rate unchanged at the record low of 1.75%.

Chairman's Statement

The Malaysian bond market started on a strong note in the second half of 2020, registering net inflows of RM27.0 billion following improved global risk sentiment and accommodative monetary policy in advanced economies. The trend continued in the first half of 2021. Net inflows of RM25.6 billion surpassed total net inflows recorded for the whole of 2020, as foreign interest for Malaysian bonds returned following Malaysia retaining its membership in the FTSE Russell World Government Bond Index.

The Malaysian stock market, as referenced by the FTSE Bursa Malaysia Kuala Lumpur Composite Index ("KLCI"), ended 2020 at 1,627 points, an increase of 126 points or 8.4% from the end of first half of 2020. This was driven by recovery sentiment following positive vaccine developments, and a global immunisation drive against COVID-19. While foreign investors were net sellers to the tune of RM8.3 billion in the second half of 2020, this was well absorbed by rejuvenated domestic retail investors which saw its participation rate on the local bourse hitting a decade high. Unfortunately, the momentum did not sustain due to the rapid resurgence in domestic COVID-19 cases and the eventual stricter movement controls being enforced in the second quarter of 2021. The KLCI declined by 95 points in the first half of 2021 or 5.8% from the end of 2020.

REVIEW OF THE YEAR'S FINANCIAL PERFORMANCE

I would like to start by mentioning that HLCB shares have resumed trading on Bursa Malaysia Main Market from 13 November 2020.

In the midst of this economic environment, HLIB's Stockbroking business achieved revenue of RM162.2 million and a PBT of RM99.3 million in FY2021. Net brokerage income accounted for 83.4% of total revenue earned by the Stockbroking business vs 74.8% in the previous financial year. This is attributed to both the higher traded volumes recorded by Bursa Malaysia and better market share of 4.5%. We are pleased to highlight that our focus on harnessing HLIB's electronic broking presence in the digital space and improving our online trading platform have contributed to the commendable growth in our Stockbroking business with online orders surging by as much as 116.4% whilst the number of new accounts opened grew by 92.0% compared to the previous financial year.

Our Investment Banking business achieved revenue of RM84.6 million and a PBT of RM43.9 million in FY2021, representing a YoY increase of 25.3% and 123.1% respectively.

The Treasury & Markets division achieved a third consecutive record year for FY2021 by delivering its highest revenue growth of 24.2%. Notably, we turn in a much higher contribution from trading revenue owing largely to the team's ability to capitalise and take advantage of the opportunities created by market volatility.

The Debt Markets division maintained its performance with a marginal revenue growth of 5.4% amidst subdued corporate activities due to uncertain global supply chain and demand situation.

The Equity Markets division staged a healthy recovery with a strong revenue growth of 123.5%. While this is partly due to a relatively low revenue base in the previous financial year, the stock market's strong traded value and volume also led to customers' renewed interest in listing, mainly in the ACE and LEAP markets.

Our Asset Management subsidiary recorded a PBT of RM24.7 million for FY2021, a reduction of 10.7% YoY. The lower PBT was mainly due to our higher spending of 9.3% over previous year, on Information Technology as we further strengthen our digital distribution, operational processing and cyber security. Our average Assets Under Management ("AUM") size dropped marginally to RM18.2 billion in FY2021 from RM18.4 billion in FY2020 as low interest rate levels led to withdrawals from money market funds as customers took advantage of opportunities in the equities and bonds market. This impact was partly offset by the increase in our equity and fixed income AUM.

With so much uncertainly caused by the emergence of new Covid variants, we will remain vigilant in managing our key business risks such as liquidity, capital, credit, market, operational and cyber security. The Group's balance sheet and risk metrics remained strong and is supported by solid asset quality. Our capital is adequate and we have ample liquidity to support and execute the Group's business needs. The total capital ratio of our key operating subsidiary, HLIB, remained healthy at 45.25% as at 30 June 2021.

The Group earnings per share rose from 39.0 sen in FY2020 to 85.5 sen in FY2021 with our return on equity improving significantly from 11.5% to 22.6% in FY2021. With improved earnings and a healthy capital position, the Group is recommending a higher final dividend of 26.0 sen per share for FY2021 which is 13.0% higher than the dividend payout for the previous financial year.

CORPORATE GOVERNANCE

HLCB is committed to maintain a high standard of governance, professionalism, ethics and integrity in the conduct of our business activities. We aim to create a strong culture of ethics and integrity in our business conduct in accordance with the Group's policies namely our Code of Conduct and Ethics, Gifts and Entertainment, Donation and Whistleblowing Policies.

Our Group takes a zero tolerance position on bribery and corruption. An Anti-Bribery and Corruption Policy for the prevention of corruption and bribery is firmly in place at HLCB and across all our operating businesses.

Chairman's Statement

SUSTAINABILITY

Building a sustainable financial services Group is about ensuring, at the core of everything we do, that we are guided by the right principles to make the decisions that will hold us in good stead today and in the future, affecting the well-being of our people, our communities and the environment in which we operate.

We approach this in a variety of ways. First, it is important to maintain focus on operational excellence and efficiency. We have continued to make progress on this whilst investing in new business initiatives and technologies.

Sustainability also includes having the right governance. We have a diverse and experienced Board of Directors who provides independent oversight. Our Board of Directors will provide guidance and direct our efforts to constantly strengthen our corporate governance standards and adopt international best practices to improve.

The Group has also taken big leaps to integrate sustainability issues into our business activities. Our Environmental and Social Risk Guidance Note will guide our business units to include Environmental, Social and Governance ("ESG") assessments into the way we conduct our business. Our Asset Managers have also embedded the principle of impact investing into our fund management and investment approach.

To remain as a sustainable Group, we value our people and give all our employees the care and support they need to build their careers and achieve their goals. We have a diverse and inclusive workplace that reflects the diversity of the community in which we serve. Through our recruitment programs and partnerships, we are investing in the future by bringing the best talents to work at HLCB.

As we think of all the ways we pursue sustainability, our focus is to use our size and scale in ways that will positively impact our community, create fair opportunities for our customers and employees and grow our company responsibly.

OUTLOOK

At the time of writing this report, Bank Negara Malaysia had just lowered our country's GDP growth forecast this year to 3%-4% down from an earlier forecast of 6%-7.5%. With the gradual easing of containment measures, the strength and pace of global and domestic recovery will continue to be driven by the progress of vaccine rollouts and success in containing the spread of COVID-19. Whilst there will always be resurgence risk associated with the gradual reopening of our economy towards normalcy, we believe that Malaysia will be better prepared to manage this risk, supported by the significantly higher vaccination rates expected in the second half of year 2021.

Aside from having to manage the headwinds from the general economy, the financial sector has been continually challenged by advances in technology; in particular the way businesses and operations are conducted. We view the COVID-19 outbreak and consequential MCO as a catalyst to further accelerate business innovation, especially via digital means. We will have digitalisation at the core of our strategy and drive towards managing our processes and businesses with minimal or no physical interface. This will in turn create an entirely new dimension in the way we manage client experience and satisfaction.

The guiding principle behind our ESG footprint will mean that we will continue to uphold the strictest governance and integrity in the way we conduct our business, maintain a diverse and inclusive workforce which is given the training and opportunity to succeed, and accelerate our efforts to assess and integrate environmental impact risks in executing our business and strategies. That, we believe will be a meaningful way to deliver long-term sustainable growth that our stakeholders will expect.

ACKNOWLEDGEMENTS

I would like to take this opportunity to express my appreciation and gratitude to the Board of Directors, management as well as our staff for their stewardship, dedication and commitment.

My sincere appreciation also goes to our regulators, shareholders, customers, business partners and all other stakeholders. We appreciate and look forward to their continued support.

TAN KONG KHOON
Chairman

22 September 2021

Management Discussion & Analysis

"

We are pleased to present the Management Discussion and Analysis for the financial year ended 30 June 2021 ("FY2021"). In this report, we would like to provide a review of Hong Leong Capital Berhad ("HLCB" or "the Group") business operations and financial performance during FY2021.

Despite the challenging market conditions, the Group achieved a commendable 85.2% year-on-year ("YoY") Profit Before Tax ("PBT") growth for FY2021. The higher PBT of RM177.4 million was attributed to the increased profit contributions from the Stockbroking and Investment Banking businesses of 119.7% and 123.1% YoY respectively in FY2021. We shall continue to increase our market share and presence with the objective of achieving long-term sustainable growth and to be the foremost integrated financial services group.

We would also like to mention that the shares of our company have resumed trading on the Bursa Malaysia Main Market on 13 November 2020.

"

A. INTRODUCTION

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

HLIB has two main business divisions, namely the Investment Banking Division and the Stockbroking Division. There are three business pillars within the Investment Banking Division namely Debt Markets, Equity Markets and Treasury & Markets that offer a wide range of activities which include arranging and structuring of debt financing, equity fund raising and other corporate-related advisory work. The Investment Banking Division also offers debt and equity underwriting, deposit-taking, treasury related solutions as well as trading and distribution services. These services are provided through our head office at Menara Hong Leong, Kuala Lumpur ("MHL").

The Stockbroking Division of HLIB provides the complete range of retail and institutional stockbroking services for both local and foreign stock markets, equity research, margin financing, nominees and custody services as well as futures and option broking services. These services are provided through the head office at MHL, and 3 branches situated at Menara HLX, Kuala Lumpur, Plaza Zurich, Kuala Lumpur and Persiaran Greenhill, Ipoh as well as 6 other locations based at Hong Leong Bank Berhad hubs across Malaysia.

Management Discussion & Analysis

HLIB Investment Banking

Debt Markets	**Equity Markets**	**Treasury and Markets**
Core Activities		
○ Arranging and structuring of debt financing in the form of: • Corporate bond and Sukuk issuance • Syndicated loans ○ Debt underwriting ○ Lending that complements the corporate exercises undertaken by HLIB and to offer comprehensive investment banking packages to clients ○ Agency services for corporate bonds, Sukuk and Syndicated loans	○ Arranging and managing equity fund raising: • Initial public offering • Rights issues • Restricted issues • Special issues • Private placements ○ Corporate-related advisory works: • Equity underwriting • Merger and acquisition	○ Deposits-taking ○ Trading and investment of: • Short-term money market investments • Fixed income • Interest rate instruments ○ Treasury related solutions: • Interest rate hedging • Foreign exchange hedging • Pricing and distribution of primary bonds

HLIB Stockbroking

Institutional Sales	**Retail Business**	**Equity Derivative**
Core Activities		
○ Research, advisory and trade executions for Government Linked and Non-Government Linked Corporation Funds	○ Provision of online trading platform for retail clients for the execution of equity, futures and option broking ○ Provision of margin financing to clients to trade or invest in listed equity ○ Provision of nominees and custody services	○ Index arbitrage activities capitalising on market inefficiencies between equity and futures market

Management Discussion & Analysis

Hong Leong Asset Management Bhd is an established fund management and unit trust company offering and managing a broad spectrum of investment solutions through equities, fixed income, money market and multi-assets for segregated customised portfolio, unit trust funds and wholesale funds. At HLAM, the pillars behind the success of the business are its talent pool of people, quality of services and the continuous incorporation of technology. HLAM also adopts the Group's values and guiding principles whilst leveraging on the Group's diversified regional businesses, resources and experience. Commitment and integrity are part of HLAM's principles in sustaining growth and we aim to provide focused investments to preserve assets, generate added value and deliver superior returns over time. Our clientele includes amongst others, state governments, insurance companies, endowments, family offices, charitable organisations, corporations, retail and high net worth individuals. These services are provided through its head office at Plaza Zurich, Kuala Lumpur, two branches located in Penang and Ipoh, and two Satellite offices in Malacca and Johor Bahru.

Hong Leong Islamic Asset Management Sdn Bhd is a wholly owned subsidiary of HLAM. HLISAM was issued with its Islamic fund management license in November 2019 by the Securities Commission Malaysia to undertake the regulated activity of Islamic fund management business.

In view of the growing demand for Islamic products and services, HLISAM endeavors to expand into the Islamic fund management business to meet the demand and capture growth opportunities by offering its products and services. This is in tandem with the liberalisation of the Islamic capital market industry in Malaysia that has encouraged the continuous rapid growth of Islamic fund management industry.

Similar to the parent company, HLISAM offers a broad spectrum of investment solutions through equities, fixed income, money market and multi-assets. As a member of Hong Leong Group, HLISAM has the advantage of leveraging on the Group's diverse businesses, resources and regional experience. Through a disciplined and systematic investment process, we aim to identify and invest in companies with sustainable competitiveness that seek to deliver consistent portfolio performance and generate superior value for our investors.

HLAM AND HLISAM Fund Management and Unit Trust Management

Investment	Product	Distribution
Core Activities		
○ Managing broad spectrum of investment portfolios comprising equities, fixed income, money market and multi-assets.	○ Design innovative product solutions for its private mandate, institutional and retail clientele. ○ Tailor made investment portfolios based on the risk scale ranging from cautious to dynamic.	○ Distribute and promote range of products and investment portfolios for its private mandate, institutional and retail clientele. ○ Distribute and focus to build principled relationships by introducing investment solutions to preserve clients' assets, generate added value and deliver returns.

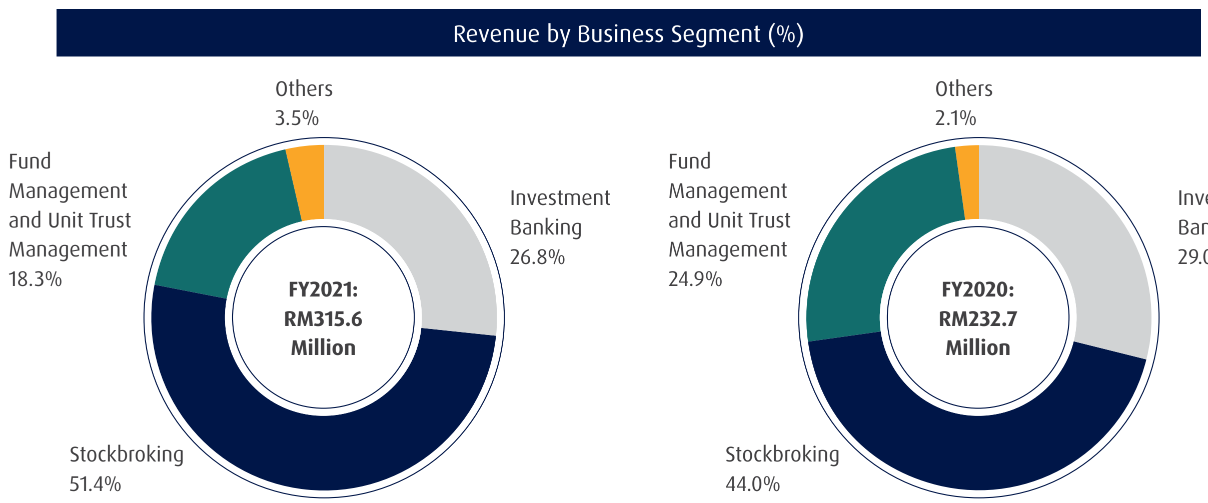
Note: For HLISAM, investments and products mentioned above are in compliance with Shariah requirements.

B. GROUP PERFORMANCE REVIEW

Despite the challenging market conditions, the Group achieved a commendable 85.2% YoY PBT growth for FY2021. The higher PBT of RM177.4 million is contributed by increased profit contributions from the Stockbroking and Investment Banking businesses of 119.7% and 123.1% YoY respectively in FY2021.

FY2021	Investment Banking RM'000	Stockbroking RM'000	Fund Management and Unit Trust Management RM'000	Others RM'000	Total RM'000
Revenue	**84,624**	**162,185**	**57,761**	**11,055**	**315,625**
Overheads	**(42,874)**	**(64,009)**	**(33,049)**	**(1,665)**	**(141,597)**
Write back of allowance for impairment losses on loans and advances and other losses	**2,175**	**1,147**	**-**	**-**	**3,322**
PBT	**43,925**	**99,323**	**24,712**	**9,390**	**177,350**

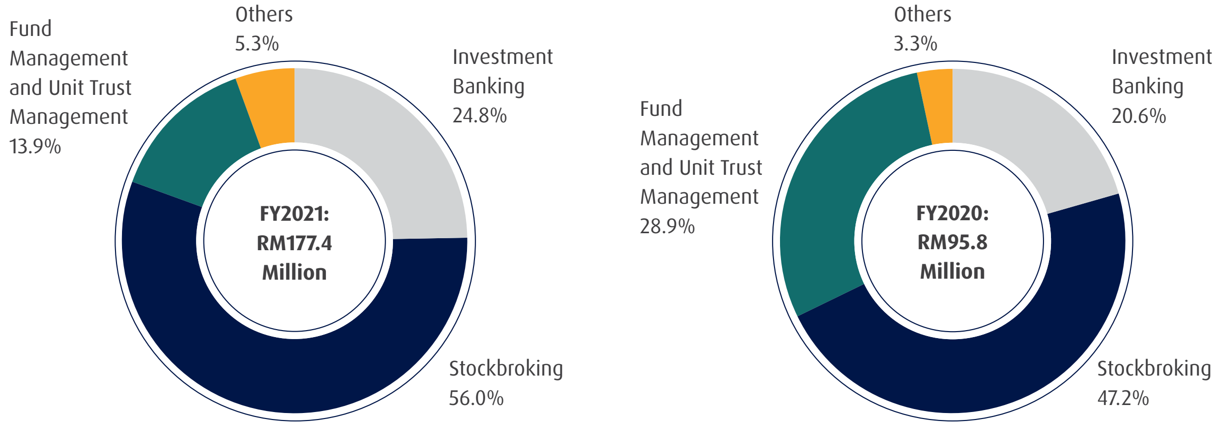
FY2020	Investment Banking RM'000	Stockbroking RM'000	Fund Management and Unit Trust Management RM'000	Others RM'000	Total RM'000
Revenue	67,560	102,347	57,897	4,921	232,725
Overheads	(47,748)	(55,041)	(30,229)	(1,746)	(134,764)
Net allowance for impairment losses on loans and advances and other losses	(122)	(2,089)	-	-	(2,211)
PBT	19,690	45,217	27,668	3,175	95,750



Stockbroking business and Investment Banking business remained as the main revenue contributors to the Group in FY2021.

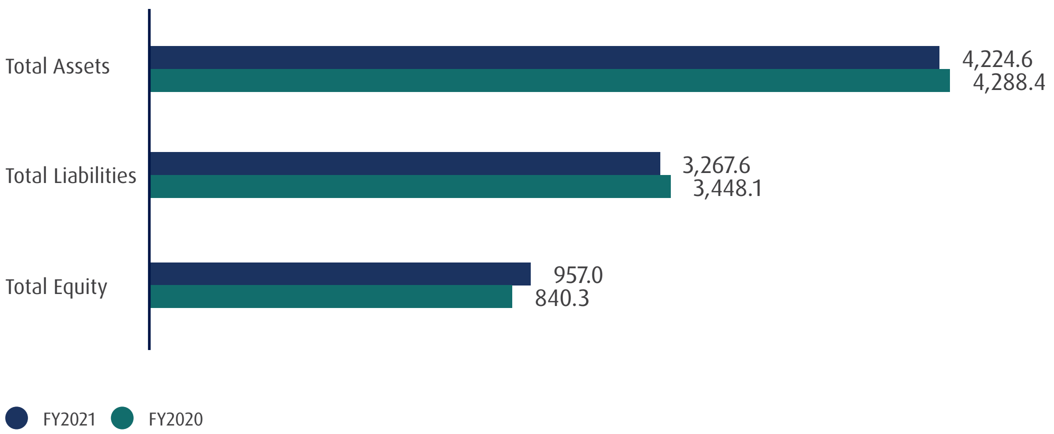
Management Discussion & Analysis

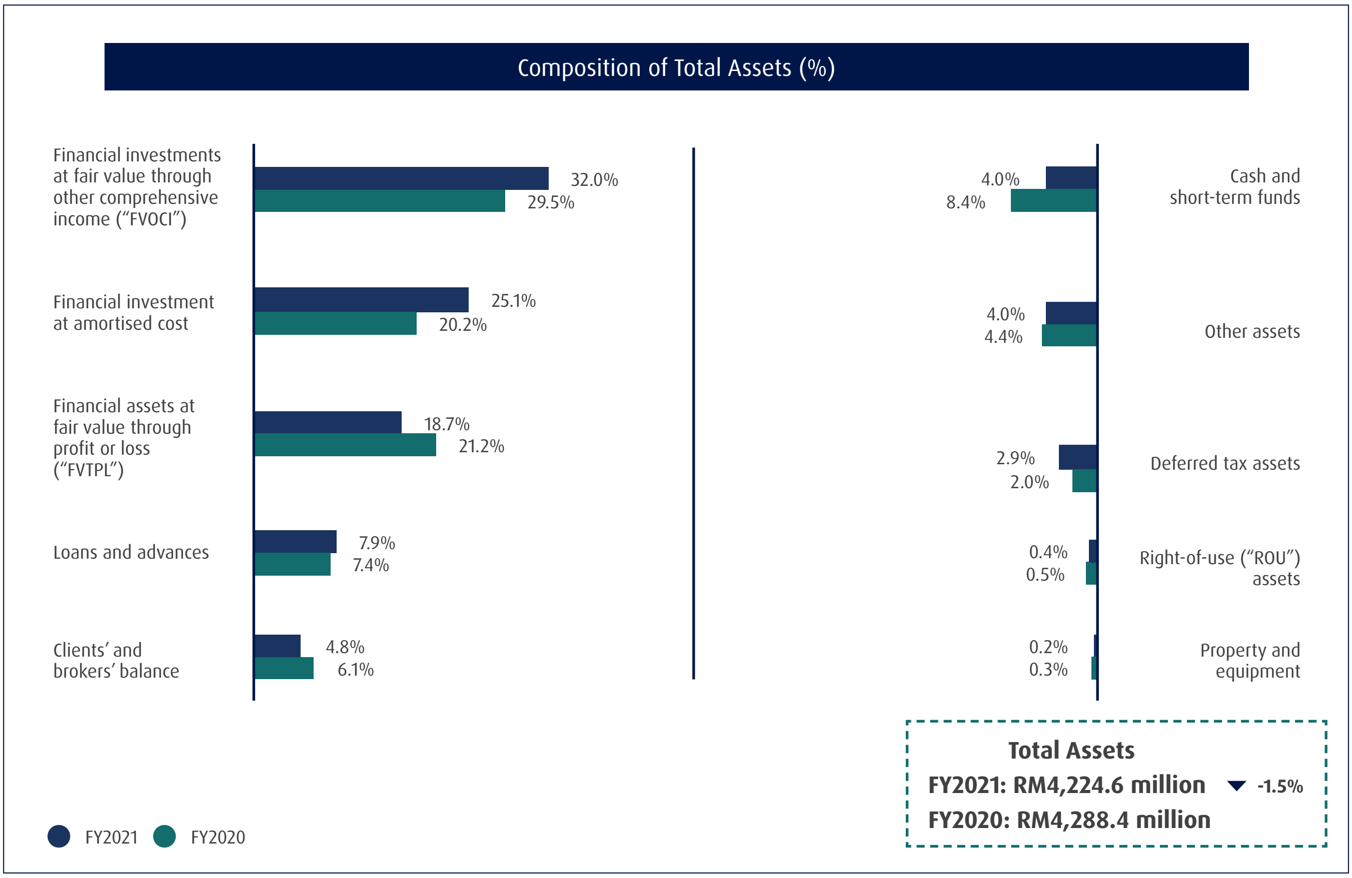
PBT by Business Segment (%)

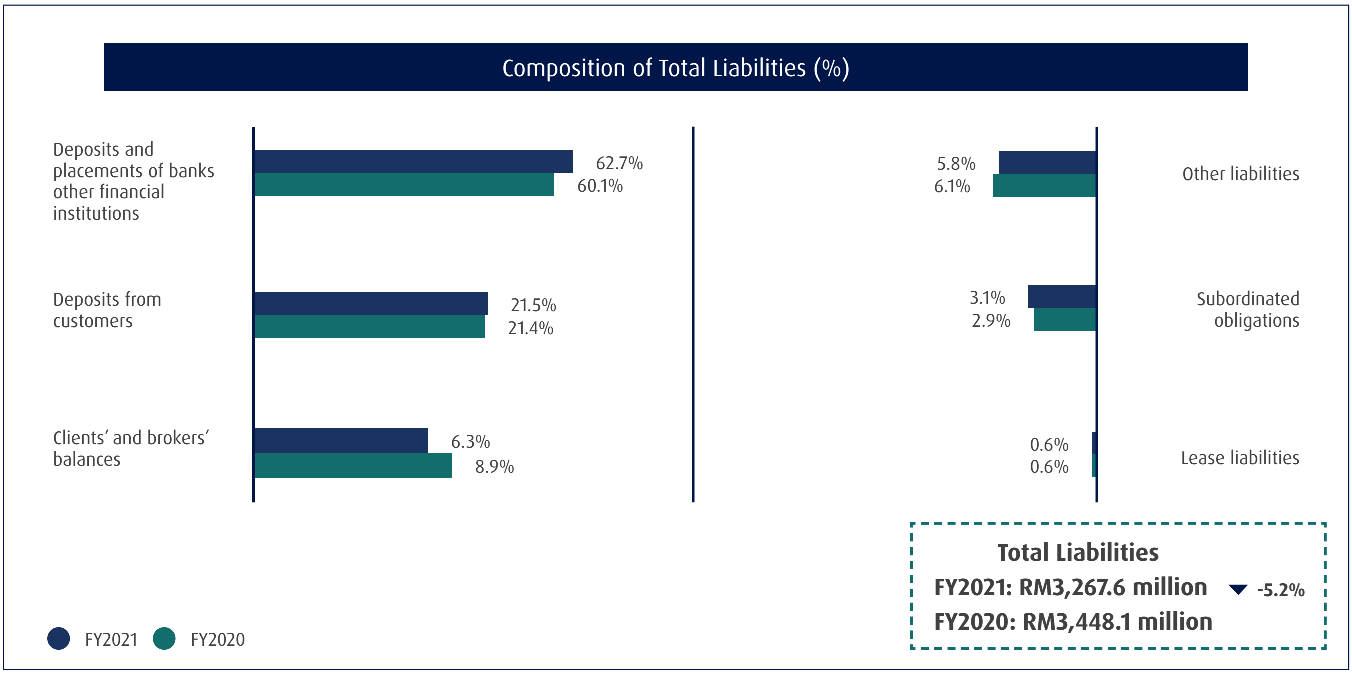


Stockbroking business recorded a commendable PBT growth in FY2021 by 119.7% YoY and contributed 56.0% of the total PBT to the Group.

Statement of Financial Position (RM' Million)







Kindly refer to Page 3 for the summary of the Group's financial highlights for the last five years.
Further details on the Group's performance are analysed under the Segmental Review.
In January 2021, RAM Rating Services Berhad reaffirmed HLIB's AAA and P1 financial institution ratings with a stable outlook.

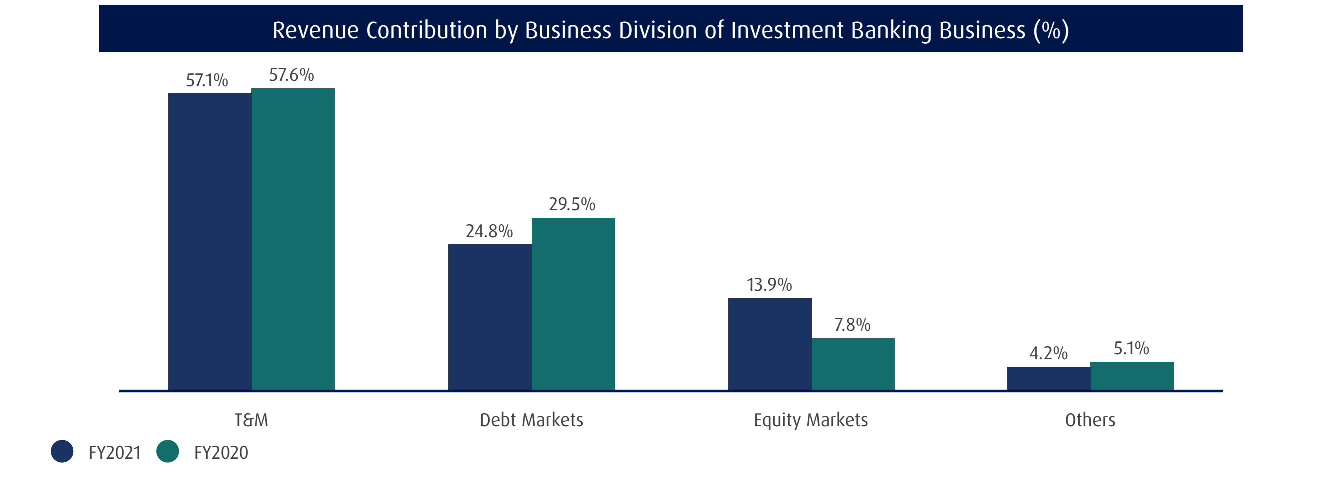
Management Discussion & Analysis

C. SEGMENTAL REVIEW

INVESTMENT BANKING BUSINESS

FINANCIAL HIGHLIGHTS

	FY2021 RM'000	FY2020 RM'000
Net interest income	**32,358**	28,527
Fee income	**30,646**	23,285
Other income	**21,620**	15,748
Total revenue	**84,624**	67,560
PBT	**43,925**	19,690



Despite the challenging operating environment caused by the COVID-19 pandemic in FY2021, the Investment Banking business of HLIB achieved a revenue of RM84.6 million and a PBT of RM43.9 million in FY2021; this marks a YoY growth of 25.3% and 123.1% respectively.

Our T&M division achieved a third consecutive record year for FY2021 by delivering its highest revenue growth of 24.2% and this was 57.1% of the total revenue of the Investment Banking business. Notably, we turn in a much higher contribution from trading revenue owing largely to the team's ability to capitalise and take advantage of the opportunities created by market volatility.

The Debt Markets division maintained its performance with a marginal revenue growth of 5.4% amidst the subdued corporate activities due to uncertain global supply chain and demand situation. The revenue from the Debt Markets division constituted 24.8% of the total revenue of the Investment Banking business in FY2021. In terms of the corporate loans portfolio, the credit risk of the corporate loans remained unaffected by the pandemic with timely repayment on both interest and principal. The loan repayment moratorium implemented in year 2020, which generally was only applicable to individuals and small and medium enterprises, had no impact on the performance of the corporate loans portfolio.

The Equity Markets division staged a healthy recovery with a strong revenue growth of 123.5%. While this is partly from a relatively low revenue base in the previous financial year, the stock market's strong traded value and volume also led to customers' renewed interest in listing, mainly in the ACE and LEAP markets. The team has been actively seeking and pursuing a more diverse range of corporate mandates such as privatisations, mergers and acquisitions, fund raising, and corporate restructuring opportunities to diversify the income contribution mix under current market conditions.

ACHIEVEMENTS AND AWARDS

Apart from the financials, the performance of Investment Banking business, in particular Debt Markets and Equity Markets are also measured by other business value creation factors including branding, market positioning, product superiority and control of market demonstrated by league table rankings and awards.

League Table Achievements by Debt Markets

(A) Bond Pricing Agency Malaysia Top Lead Arranger League Table

Full Calendar Year 2020

- Ranked 3rd for conventional Private Debt Securities ("PDS") and Sukuk by number of facility issued

1st Half of Calendar Year 2021

- Ranked 3rd for Sukuk by facility limit

(B) RAM Lead Manager League Table

Full Calendar Year 2020

- Ranked 3rd for conventional PDS and Sukuk by number of issues
- Ranked 3rd for Sukuk by number of issues

(C) MARC Lead Manager League Table

Full Calendar Year 2020

- Ranked 3rd by issues count

(D) International Financial Review Asia

1st Half of Calendar Year 2021

- Ranked 3rd on top Bookrunners for APAC Securitisation (ex Japan and Australia)

Awards won by Debt Markets

Awards	Our Role	Deal
Islamic Finance News Awards 2020 **Ijarah Deal Of The Year**	Arranger	Semarak Gigih RM244.3 million Sukuk Ijarah
14th Annual Alpha Southeast Asia Deal & Solution Awards 2020 **Best Islamic Subordinated Perpetual Bond and Most Innovative Islamic Finance Deal of the Year**	Joint Lead Managers	TG Excellence Berhad RM1.3 billion Perpetual Sukuk Wakalah

Awards won by Equity Markets

Awards	Our Role	Deal
14th Annual Alpha Southeast Asia Best Deal & Solution Awards 2020 **Best Equity Deal Of The Year, Malaysia**	Joint Underwriters	Mr D.I.Y Group Berhad's IPO RM1.5 billion

Management Discussion & Analysis

MOVING FORWARD

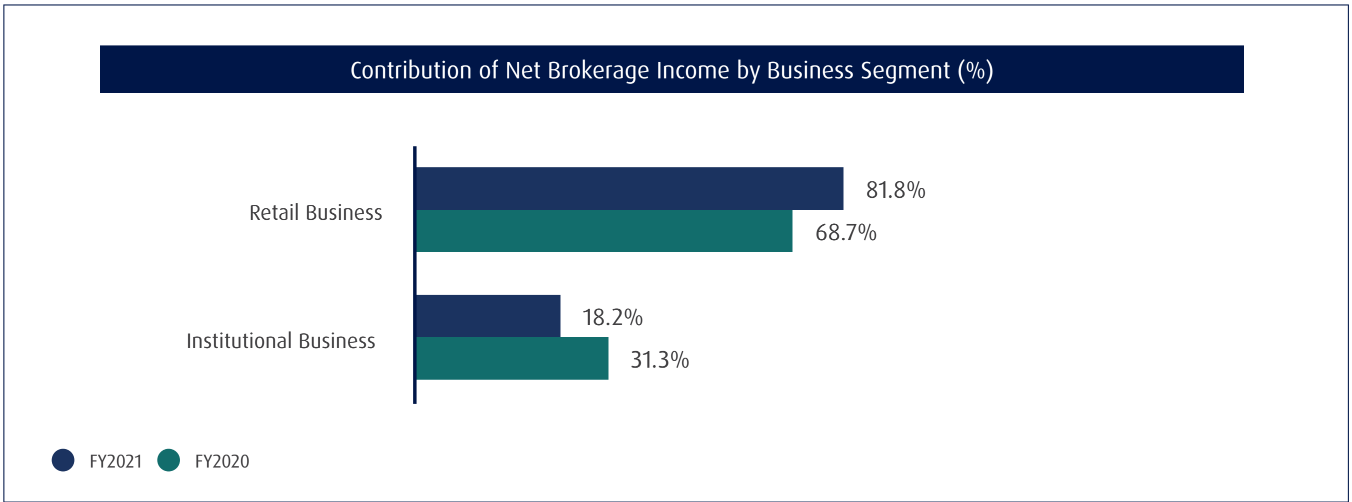
We expect the coming financial year to remain challenging as credit spreads are at their historically tightest levels and global yields are expected to be volatile with upside bias as countries recover from the pandemic. Moving into FY2022, apart from focusing on the completion of the existing active mandates carried forward from FY2021, our Debt Markets division and Equity Markets division will continue to pursue new deals, and look for opportunities which will take advantage of the current unprecedented low interest rate environment. The market may also present potential merger and acquisition opportunities and we hope to strengthen our deal flows in this space. We will be stepping up our efforts to integrate Environmental, Social and Governance ("ESG") assessments into our financing and business.

STOCKBROKING BUSINESS

FINANCIAL HIGHLIGHTS

	FY2021 RM'000	FY2020 RM'000
Net interest income	**16,747**	16,922
Non interest income	**145,438**	85,425
Total revenue	**162,185**	102,347
PBT	**99,323**	45,217

The Stockbroking business of HLIB achieved revenue of RM162.2 million and PBT of RM99.3 million in FY2021; representing 58.5% and 119.7% growth YoY respectively. Net brokerage income accounted for 83.4% of the total revenue earned by the Stockbroking business vs 74.8% in the previous financial year. This is attributed to both the higher traded volumes recorded by Bursa Malaysia and better market share of 4.5% which was driven by higher retail participation.



Our Retail segment performed well due to high market volumes, resulting in a much higher contribution of net brokerage income of 81.8% while our Institutional segment contributed 18.2% of the total net brokerage income earned in FY2021. The drop in contribution from Institutional business was mainly due to a moderation in participation from the local institutional segment during the current financial year.

Our focus on digital broking channel and our enhanced online trading platform have contributed to the commendable growth in our Stockbroking business with online orders surging by as much as 116.4% whilst the number of new accounts opened grew by 92.0% compared to the previous financial year.

Our margin loan base continues to grow, albeit at a modest pace. Margin income increased by 13.6% YoY, in line with the higher margin loan base of RM294.1 million as compared to RM225.4 million in the previous financial year.

ACHIEVEMENTS AND AWARDS

HLIB was named the 2nd runner up for Best Retail Equities Participation Organisation – Investment Bank in the Bursa Excellence Awards 2020.

MOVING FORWARD

With so much uncertainties caused by the emergence of new Covid variants, we believe sentiments may be weaker for the Stockbroking business. For the period from January 2021 to July 2021, average daily value ("ADV") traded on Bursa Malaysia stood at RM4.2 billion vs RM3.5 billion during the previous corresponding period and RM4.2 billion for the full year 2020. These levels are already much higher than the "pre-COVID-19 highs" of RM2.3 billion in 2017 and RM2.4 billion in 2018. Driving a strong ADV numbers requires a higher retail investor participation base, which can be challenging. On a positive note, the blanket automatic loan moratorium came to an end on 30 September 2020, and retail investor participation on Bursa Malaysia remained steady, averaging at 39.4% of total traded value. This is significantly higher than the average of 24.0% during the "pre-COVID-19" decade.

Market volume has begun to trend downwards month on month since April 2021 and our Stockbroking business is now initiating efforts to add new income streams and develop products targeting the underserved customer segments. We shall continue to strengthen the competiveness of our products and services that includes offering competitive pricing with high quality of services. Moreover, we have included an ESG section in the stocks analysis for all stocks under our coverage as many investors today are adding ESG considerations into their investment decisions.

We shall further enhance the digital capabilities and services of our online trading solutions that offer a cost efficient and a world class trading experience to our clients.

FUND MANAGEMENT AND UNIT TRUST MANAGEMENT BUSINESS

FINANCIAL HIGHLIGHTS

	FY2021 RM'000	FY2020 RM'000
Net revenue	**57,761**	57,897
PBT	**24,712**	27,668

The fund management and unit trust management business operated under HLAM and HLISAM recorded a PBT of RM24.7 million for FY2021, a reduction of 10.7% YoY. The lower PBT was mainly due to our higher investments on information technology as we strengthen our digital distribution, operational processing and cyber security capabilities. The average Assets under Management ("AUM") size has dropped marginally to RM18.2 billion in FY2021 from RM18.4 billion in FY2020 as low interest rate levels led to withdrawals from money market funds as customers took advantage of opportunities in the equities and bonds market. However, the impact was partly offset by the increase in our equity and fixed income AUM.

ACHIEVEMENTS AND AWARDS

HLAM continued to focus and emphasise on superior fund performance, winning nine individual Refinitiv Lipper Fund awards and the Best Equity Group - Provident Group award (for EPF approved funds only), which is a highly coveted award. This marks HLAM's 4th time winning in the Group Award category for Best Equity – Malaysia Provident.

Nine Refinitiv Lipper Fund awards:

No.	Fund	Award
1	**Hong Leong Dividend Fund**	Best Fund over 5 Years: Equity Malaysia Income (Malaysia Provident)
2	**Hong Leong Growth Fund**	Best Fund over 5 Years: Equity Malaysia Diversified (Malaysia Provident)
3	**Hong Leong Asia-Pacific Dividend Fund**	Best Fund over 5 Years: Equity Asia Pacific ex-Japan (Malaysia Provident)
4	**Hong Leong Asia-Pacific Dividend Fund**	Best Fund over 3 Years: Equity Asia Pacific ex-Japan (Malaysia Provident)

Management Discussion & Analysis

5	**Hong Leong Dana Makmur Fund**	Best Fund over 3 Years: Equity Malaysia (Malaysia Provident)
6	**Hong Leong Dana Makmur Fund**	Best Fund over 3 Years: Equity Malaysia (Malaysia Islamic)
7	**Hong Leong Dana Makmur Fund**	Best Fund over 5 Years: Equity Malaysia (Malaysia Islamic)
8	**Hong Leong Dana Makmur Fund**	Best Fund over 3 Years: Equity Malaysia (Global Islamic)
9	**Hong Leong Dana Makmur Fund**	Best Fund over 5 Years: Equity Malaysia (Global Islamic)

As at 30 June 2021, the award winning funds continue to deliver consistently strong risk-adjusted returns relative to its peers:

Fund	5-Years Growth, MYR (%)	Rank in 5-Years Fund Category	Fund Category
Hong Leong Dividend Fund	109.0%	1/12	Equity Malaysia Income (Malaysia Provident), 5 Years
Hong Leong Asia-Pacific Dividend Fund	146.8%	1/20	Equity Asia Pacific ex Japan (Malaysia Provident), 5 Years
Hong Leong Growth Fund	87.8%	2/15	Equity Malaysia Diversified (Malaysia Provident), 5 Years
Hong Leong Dana Makmur Fund	123.8%	1/46	Equity Malaysia (Malaysia Islamic), 5 Years Equity Malaysia (Global Islamic), 5 Years

Source: Lipper

MOVING FORWARD

Moving into FY2022, we shall continue to monitor the market closely and will be particularly focused on the earnings and fundamentals of the companies our funds invest in. The low interest rate environment is expected to stay for a period of time until our economy recovers from the negative impact of the COVID-19 pandemic. As such, HLAM shall focus on high dividend yield stocks and export-centric sectors that include the electronics and electrical ("E&E") and healthcare sectors, which are expected to be less susceptible to the global macro uncertainties and are beneficiaries from possible supply chain diversions caused by the US-China trade tensions. HLISAM, on the other hand, shall focus on Islamic asset management business growth by managing a range of Islamic investment solutions through equities and Sukuk instruments.

Both HLAM and HLISAM aspire to make investments that not only generate financial returns, but also bring positive social and environmental impact. We target to launch new conventional and Islamic funds to address the rising needs of ESG and will be embedding ESG principles in our investment research by conducting investment due diligence and risk assessment to ensure the companies we invest into comply with relevant guidelines and governance. We believe that by investing in companies that operate with high standards of corporate responsibility, we can provide sustainable investment returns to our investors.

The COVID-19 pandemic has also resulted in changes to our ways in interacting with our clients. HLAM had embarked on digital initiatives by launching the digital platform, "HL iSmart Invest" for both EPF-Members Investment Scheme and Cash transactions to allow clients to transact digitally. This not only provides convenience for our clients during the movement restriction periods, but also reduces the carbon footprints to the environment as less paper documents are consumed. Further, there were more emphasis towards virtual engagement that utilised a variety of online telecommunication tools to conduct webinars and market updates to our clients.

D. CORPORATE HIGHLIGHTS

CAPITAL STRUCTURE AND BORROWINGS

On 6 November 2014, HLIB 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.

Subsequently, on 14 June 2019, HLIB issued a second tranche of RM100.0 million nominal value 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 issue.

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

The Sub-Notes qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of HLIB. Other than the issuance of the Sub-Notes as mentioned above, there has been no other issuance and HLCB Group does not have any other borrowings as at 30 June 2021.

CAPITAL RATIOS AND LIQUIDITY COVERAGE RATIOS

The total capital ratio of our key operating subsidiary, HLIB, is strong and stood at 45.3% as at 30 June 2021.

HLIB's liquidity coverage ratio is well above the minimum requirement set by Bank Negara Malaysia ("BNM") of 100%, and stood at a healthy level of 135.6% as at 30 June 2021.

As part of the BNM's measures to ease the compliance and operational burden on banking institutions arising from the COVID-19 pandemic, BNM in its circular dated 24 March 2020 announced that banking institutions will be allowed to draw down on capital and liquidity buffers which were built up over the years to support lending activities. Effectively, this means that banking institutions may drawdown on the capital conservation buffer of 2.5% and operate below the minimum liquidity coverage ratio of 100%. Banking institutions are expected to restore their buffers to the minimum regulatory requirements by 30 September 2021. Despite the flexibility given by BNM, HLIB continues to maintain the capital conservation buffer of 2.5% and operates above the minimum liquidity coverage ratio of 100% as the outbreak has not significantly impacted the business of HLIB as at reporting date.

E. OUTLOOK OF THE GROUP

BNM had lowered our country's Gross Domestic Product ("GDP") growth forecast this year to 3%-4% down from an earlier forecast of 6%-7.5%. With the gradual easing of containment measures, the strength and pace of global and domestic recovery will continue to be driven by the progress of vaccination rollouts and success in containing the spread of COVID-19. While there may be resurgence risk associated with the gradual reopening of our economy towards normalcy, we believe that Malaysia will be better prepared to manage this risk, supported by the significantly higher vaccination rates in the second half of year 2021.

Aside from having to manage the headwinds from the general economy, the financial sector has been continually challenged by advances in technology; in particular the way businesses and operations are conducted. We view the COVID-19 outbreak and consequential Movement Control Order ("MCO") as a catalyst to further accelerate business innovation, especially via digital means. We shall have digitalisation at the core of our strategy and drive towards managing our processes and businesses with minimal or no physical interface. This will in turn create an entirely new dimension in the way we manage our clients' experience, expectations and their satisfaction of our products and services.

Our approach to ESG shall be guided by the principles to uphold the strictest governance and integrity in the way we conduct our business, maintain a diverse and inclusive workforce that provides conducive conditions for our people to succeed, and accelerate our efforts to assess and integrate environmental impact risks in executing our business and strategies. That, we believe shall be a meaningful way to deliver long-term sustainable growth to our business.

F. APPRECIATION

Last but not least, we would like to take this opportunity to express our appreciation and gratitude to the Board of Directors, management as well as staff for their stewardship, dedication and commitment.

Our sincere appreciation also goes out to the regulators, shareholders, clients, business partners and all other stakeholders. We appreciate and look forward to their continued support.

Sustainability **Statement**

ABOUT THIS STATEMENT

This sustainability statement sets out the management approach and performance for the Environment, Social, and Governance ("ESG") aspects of Hong Leong Capital Berhad ("HLCB", "Group", "HLCB Group") operations for the financial year of 1 July 2020 to 30 June 2021. The statement covers the risks involved and opportunities arising in these areas, and aims to describe how we continuously strive to align our sustainable efforts, and the Group's values and goals to create long-term growth.

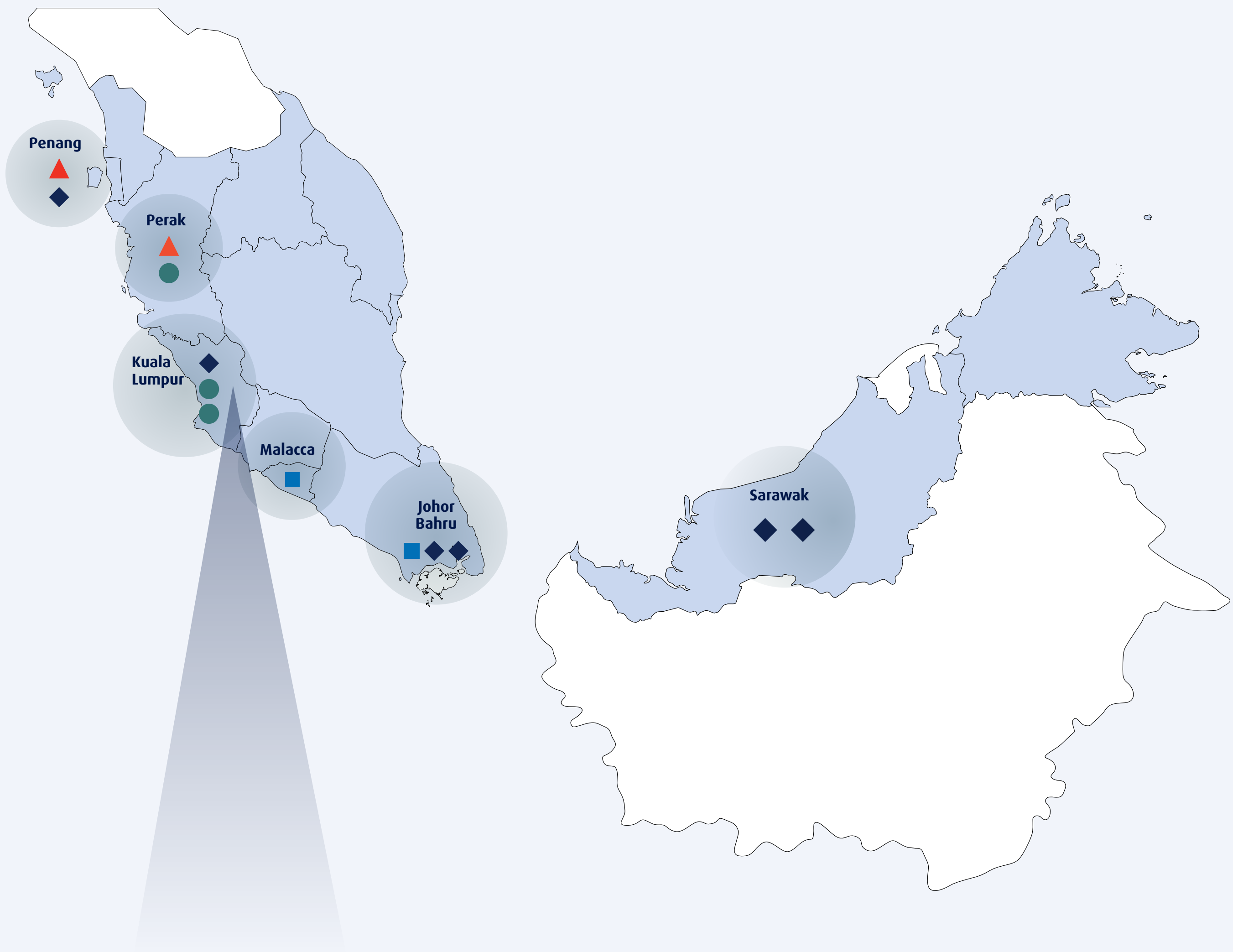
GUIDELINES & FRAMEWORKS

This statement has been prepared in adherence to the Bursa Malaysia Securities Berhad ("Bursa Malaysia") Listing Requirements on Sustainability Reporting and is guided by the Global Reporting Initiative ("GRI") Standards. We have aligned our sustainability efforts in support of the United Nations Sustainable Development Goals ("SDGs") and we have begun integration of the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"), per the Bursa Sustainability Reporting Guide (2nd Edition) in 2018.

Sustainability Statement

SCOPE

All data in this sustainability statement relates to the operations of Hong Leong Investment Bank Berhad ("HLIB"), Hong Leong Asset Management Bhd ("HLAM") and Hong Leong Islamic Asset Management Sdn. Bhd. ("HLISAM") in Malaysia.



Head office of HLIB

Menara Hong Leong,
Bukit Damansara,
Kuala Lumpur

Head office of HLAM

Plaza Zurich,
Bukit Damansara,
Kuala Lumpur

▲ **HLAM** 2 branches

● **HLIB** 3 branches

◆ **HLIB** 6 HLeBroking Hubs

■ **HLAM** 2 satellite offices

Sustainability Statement

SUSTAINABILITY APPROACH AT HLCB

We seek to create lasting positive impact for our stakeholders, the planet and the local economy. Our core values form our foundation. Over the years, this progressive approach in integrating sustainability has enabled us to build a stronger, more resilient Group.

As we step up our efforts to become more focused in our sustainability priorities, we intend to establish a formal sustainability framework to be embedded into the Group business strategies in the coming years, and have begun laying the groundwork for this.

In FY2021, we identified five Sustainability Themes to guide disclosure. The themes were approved by the Board of Directors ("Board") and affirm the Group's commitment towards embedding sustainability into our operations.

DIGITAL AT CORE

Embracing digital technology and encouraging innovation to enhance client experience

WORKFORCE READINESS

Nurturing and retaining talent, empowering our workforce through acquiring strategic skills and capabilities

SOCIALLY RESPONSIBLE BUSINESS

Acknowledging the impact of our lending and investing practices, striving to promote fair and responsible social and environmental practices in our operations

ENVIRONMENTAL MANAGEMENT

Managing the environmental footprint of our business, contributing responsibly to the environment

COMMUNITY INVESTMENT

Empowering the community, promoting financial literacy, and environmental and social values

SUSTAINABILITY ENGAGEMENT

We value meaningful engagements with our stakeholders. These engagements enable us to obtain input that help us align our sustainability efforts, policies and programmes with the interests and expectations of our stakeholders. We engage stakeholders via various platforms involving multiple focus areas, as further illustrated below:

Stakeholder	How We Connect	Areas of interest
Employees	Daily operations Performance management Whistleblowing channels Corporate communications Training and development	Transparency and trust is a key area for our employees. They want to know that their concerns are heard and prioritised by management. Training, professional development, wellbeing and retention are key areas of interest, as well as a structured rewards programme reflective of merit.
Shareholders	Annual reports Announcements Financial reports General Meetings Whistleblowing channels	The stability of our operations is a key area of concern for our shareholders. Topics of governance, financial performance, compliance and transparency are key to this stability. They are also interested in enhancing shareholders' value.
Regulators & Authorities	Daily operations Audits Meetings Circulars Enforcement Reports	Regulators and authorities are focused on compliance with the relevant laws and regulations. Our governance policies, practices and business conduct are amongst areas of review.
Clients	Daily operations Social media Corporate Communications Corporate events	HLCB clients seek user-friendly products and systems, as well as value-added services and high quality client experiences. They are also interested in ensuring their personal data is protected, and that the Group can be trusted to uphold ethical principles.
Communities	Daily operations Social media Corporate Communications Corporate Social Responsibility events	Transparency and trust is key to our engagement with the community, who are interested in ensuring our business is conducted ethically, and our community investment initiatives are equitable and accessible.
Vendors and Suppliers	Procurement process Tender process Outsourcing service provider due diligence review Proof of Concept engagement	Vendors and suppliers seek transparency in the Group's procurement and tender process, and are interested in ensuring that our business conduct is equitable.
Analysts & Media	Social media Reports Media announcements	Analysts and media groups assess our financial and non-financial performance through disclosures, requiring strategic communications and engagements.

Sustainability Statement

MATERIAL SUSTAINABILITY MATTERS

We strive to understand the views and values of our stakeholders with regards to the business activities of HLCB and our role in society. Our material sustainability matters have the greatest impact on our daily operations and business growth. These key matters influence how the Board directs our sustainability strategy as well as the initiatives that we roll out.

We conduct annual assessments to identify our key material sustainability matters. This helps ensure our annual disclosures address internal and external stakeholders' areas of concern. Additionally, the assessment ensures that our products and services remain meaningful and that our sustainability strategy is aligned to our stakeholders' evolving priorities.

Our material sustainability matters were identified by studying the impact, risks and opportunities such matters have on our business and operations. The identification process includes conducting annual surveys involving our internal and external stakeholders and regularly engaging with them. The material matters identified are to be reviewed on an annual basis.

Digital At Core
- Cyber Security and Data Privacy
- Innovation
- Client Experience

Workforce Readiness
- Compliance
- Ethics and Integrity
- Employee Experience

Socially Responsible Business
- Fair Banking
- Impact Investing

Environmental Management
- Managing the Environmental Footprint

Community Investment
- Financial Literacy
- Building Communities

HOW WE GOT THERE

Identification of Material Matters

We identified nine matters based on materiality assessment by Hong Leong Financial Group ("HLFG") in FY2017 and have subsequently engaged with internal and external stakeholders in ensuring the continued relevance of these matters. In FY2021, we identified 2 new material matters, discussed in the sections below.

Prioritisation

Via annual materiality surveys, we ask stakeholders to rate the ESG issues and identify those that are most important to them. This enables us to plot our materiality matrix. In FY2021, we conducted a materiality survey with the Board, Board Audit and Risk Management Committee ("BARMC"), senior management, employees and external stakeholders

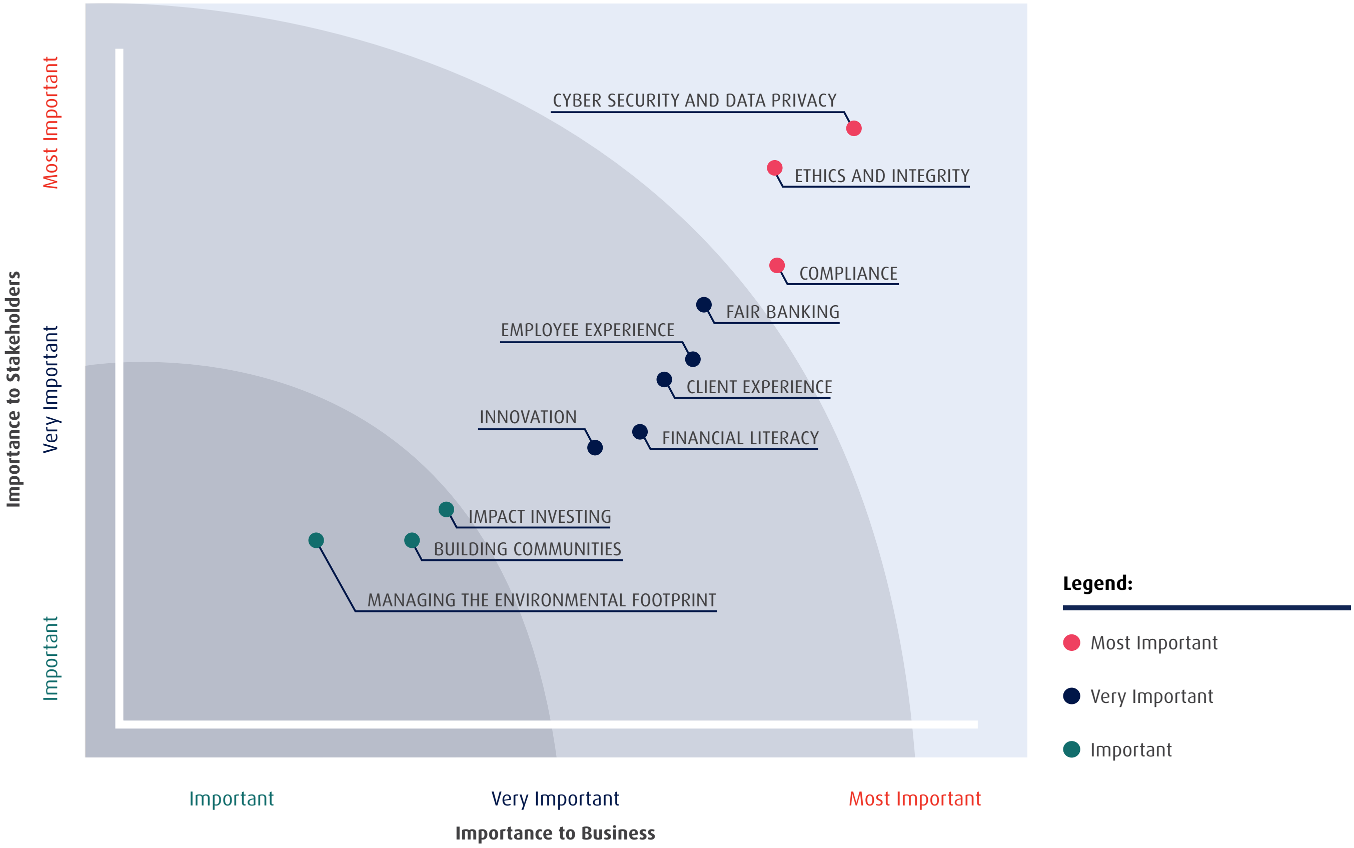
Validation

The survey results were presented to the Sustainability Steering Committee ("Steering Committee") and BARMC, who validated the findings. The BARMC subsequently presented the findings to the Board for its concurrence.

Review

Stakeholder feedback is invaluable to the Group, hence we engage with our stakeholders on a regular basis to obtain their feedback to ensure a holistic approach towards sustainability and further strengthen our commitment to delivering a sustainable future.

MATERIALITY MATRIX



Material Matters	Ranking FY2020	Ranking FY2021
Cyber Security and Data Privacy	1	**1**
Ethics and Integrity	3	**2**
Compliance	2	**3**
Fair Banking	7	**4**
Employee Experience	5	**5**
Client Experience	6	**6**
Financial Literacy (*New*)	n/a	**7**
Innovation	4	**8**
Impact Investing	9	**9**
Building Communities (*New*)	n/a	**10**
Managing the Environmental Footprint	8	**11**

In FY2021, as a result of feedback from our stakeholders and deliberation by HLCB Group's management, 'Financial Literacy' and 'Building Communities' were newly carved out from 'Client Experience' and 'Employee Experience' respectively. These new areas have been separated to reflect the Group's focus on creating an inclusive investment community. Our 11 key material matters have been grouped per the five sustainability themes corresponding to the ESG pillars.

Per the Materiality Survey, 'Cyber Security and Data Privacy' was maintained as the most important matter in FY2021. Our continued focus on these areas is aligned with the business' increasing reliance on online investment platforms and the cyber space in conducting its business during the COVID-19 pandemic in Malaysia.

'Ethics and Integrity' was ranked as the second most important matter, followed by 'Compliance'. As a financial services provider, HLCB Group holds ethics, integrity and compliance in the highest regard, and strives to uphold these principles through transparent and ethical practices across the Group.

Sustainability Statement

ABOUT OUR MATERIAL MATTERS

Pillar	Material Matters	Description
DIGITAL AT THE CORE	CYBER SECURITY AND DATA PRIVACY	HLCB Group takes proactive measures to tackle this issue by enhancing its cyber security systems. Our goal is to ensure zero confidentiality breaches in our daily business operations. Cyber-attacks continue to be a threat in the financial services industry amidst a highly regulated environment.
	INNOVATION	Innovation is a process when new ideas or solutions are formulated to generate growth in a business. In HLCB Group, creating new ideas and products is one of our key drivers for business growth and ensuring the continued success of the Group. HLCB Group strives to innovate and offer better solutions to fulfil the market needs and cater to the preferences of our clients. We embrace innovation to gain a competitive edge in the highly competitive financial services industry.
	CLIENT EXPERIENCE	We take cognisance that the client experience is a key factor for us to remain competitive in our highly competitive industry. We believe our clients want more than just innovative solutions and we are committed to finding ways to add value to our services.
WORKFORCE READINESS	ETHICS AND INTEGRITY	Ethics and integrity is a key component in our organisation. It plays a pivotal role in our effort to build lasting relationships with our clients and establish a good reputation for our Group. We expect management to promote the inculcation of the right values. Employees are expected to have good ethics and carry out all tasks with integrity and to adhere to all regulatory requirements and our Code of Conduct and Ethics.
	COMPLIANCE	In HLCB Group, we strive to uphold compliance across the Group. All our employees are strictly required to adhere to the applicable laws and regulations. The Group's Compliance, Internal Audit, Risk Management, Legal and Human Resources departments play a significant role in inculcating a compliance culture for all employees to abide by the laws and regulations.
	EMPLOYEE EXPERIENCE	Our employees are our greatest resource as they form the foundation of the Group. To ensure we nurture and retain the best talent, we have put in place robust initiatives for the wellbeing and development of our people.
SOCIALLY RESPONSIBLE BUSINESS	FAIR BANKING	HLCB Group takes fair banking seriously in its business operations to ensure our clients trust our products and services. It helps us to retain client loyalty, which has a positive impact on our effort to create long-term business growth. Besides focusing on regulatory compliance and our Code of Conduct & Ethics, our fair banking practices include initiatives that ensure the quality of our products and services is not compromised.
	IMPACT INVESTING	We are aware of the significant impact that our lending and investing practices have on the environment and society, and strive to promote sustainable development in our policies.

Sustainability Statement

Pillar	Material Matters	Description
ENVIRONMENTAL MANAGEMENT	**MANAGING THE ENVIRONMENTAL FOOTPRINT**	Managing the Environmental Footprint is a significant part of ensuring long-term business growth. This is due to the effects of climate change that could impact the economy and the financial markets. To ensure our business has a positive impact on the environment, HLCB Group practices energy and resource conservation where possible while reducing operational costs.
COMMUNITY INVESTMENT	**FINANCIAL LITERACY**	Improving understanding of financial services, through knowledge sharing and financial literacy programmes aimed at promoting inclusiveness by assisting and empowering the community to achieve financial goals.
	BUILDING COMMUNITIES	Conducting social outreach programmes for the community, whilst empowering them with the necessary knowledge, skills and tools to secure their economic development and improve their quality of life.

SUPPORTING THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS ("SDGS")

Our business contributes to Malaysia's economic development and growth, while enabling individuals to meet their long-term financial goals. The SDGs set out a clear vision with goals, targets and a roadmap to achieve a sustainable future for all. Financial institutions, particularly banks and capital markets have a big role, notably in educating clients and the broader community about the importance of the SDGs and mobilising their assets towards achieving the goals.

As we aim to be one of Malaysia's leading investment banks, we recognise that we need to play our part in mobilising capital towards positive outcomes. To this end, we have focused on three goals relevant to our operations across our value chain. These SDGs provide us with the requisite structure and indicators to monitor our progress.

SDG	Targets	Our Focus	Key Achievements
	5.5 Women's full and effective participation in political, economic and public life	Empower women throughout our organisation	**48%** of management-level positions held by women
	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalisation and growth of micro-, small- and medium-sized enterprises, including through access to financial services	Supporting local vendors and suppliers	**94.0%** of suppliers engaged in FY2021 were local
	12.6 Companies to adopt sustainable practices and integrate sustainability information into reporting	Enhancement of sustainability considerations in our products and services	Began incorporation of ESG criteria into the Group's activities

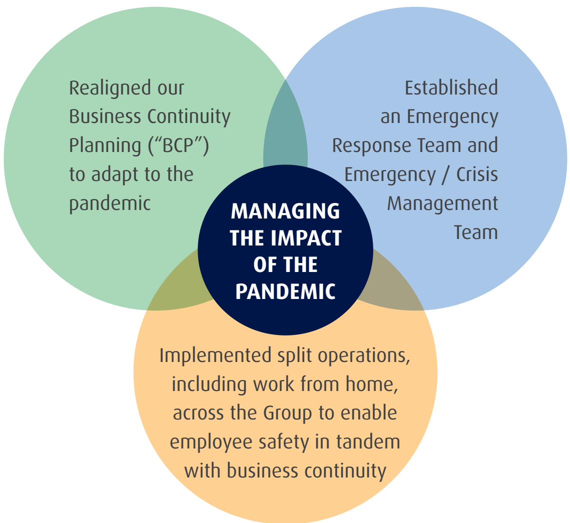
Sustainability Statement

HLCB'S NEW NORMAL: RESPONDING TO COVID-19

The COVID-19 pandemic continues to impact economies and the safety of communities globally. Since early 2020, the Group has been proactively implementing measures across our business to prioritise the safety of our stakeholders and business continuity. We have summarised our efforts of engaging with various key stakeholders as we continue to weather the impact of the pandemic in Malaysia together.

STRENGTHENING GOVERNANCE

We further adapted existing internal controls and introduced new and effective governance mechanisms to drive operational resilience throughout HLCB's value chain.



The Emergency/Crisis Management team was tasked with assessing the extent of the pandemic's impact on our operations, invoking the BCP and making key decisions, and directing recovery operations to enable resumption of work on-site. They also managed communications with key external and internal stakeholders such as Bank Negara Malaysia ("BNM"). Our Emergency Response Team was tasked with managing the safety, health and welfare of our employees, safeguarding key organisational assets and escalating emergencies to the relevant Business Continuity Coordinators.

Remote communication between HLCB's Management and our employees was established via secured digital platforms. Employees were provided with notebooks or personal computers with Virtual Private Network ("VPN") to enable remote working.

SAFEGUARDING OUR WORKFORCE

Enabling employee safety has always been at the forefront of HLCB's priorities. As we continue to face the impact of the COVID-19 pandemic, we remain committed to safeguarding the wellbeing of our employees. We adopted several strategies to protect our employees while remaining operationally resilient:

Systematic Workplace Logistics

Throughout the Group, we have implemented and extended work from home allocations.

Best Practice Standard Operating Procedures ("SOPs")

- All meetings are held online; in-person meetings are allowed only where absolutely necessary
- No external visitors allowed beyond specific areas
- No inter-office crossings without approval from the Human Resources Department ("HR")
- Business travel may only be allowed for essential meetings whilst adhering to the SOPs
- Constant email reminders from HR on COVID-19 precautionary measures to equip employees and businesses with guidance to remain operational in a responsible way
- Contact tracing conducted within office and requiring affected employees (i.e. confirmed case) and close contacts to undergo swab tests and self-quarantine
- All employees required to wear masks in the office

Consistent Employee Engagement

We are cognisant of the importance of establishing healthy two-way communication with our employees. We actively engage and check-in with our employees via digital messaging platforms.

SUPPORTING CLIENTS

The Group has taken steps to safeguard its clients during the COVID-19 pandemic. We strictly adhere to the SOPs issued by the Malaysian National Security Council ("MKN") and have introduced measures to safeguard our clients and employees. These include protocols in our buildings and offices including regular sanitisation, enforcing MySejahtera check-ins and temperature checks. Hand sanitiser has also been provided at all branches.

To continue meeting clients' needs, client-facing personnel have continued providing updates to clients via phone calls, emails and virtual meetings. The Group also enhanced our online trading platforms to enable on-the-go investments and trading.

To show empathy to our clients and preserve the Group's brand image and commitment to the community, various efforts and initiatives were implemented, assisting our clients with strong fundamentals to ride through the temporary financial strain brought by the prolonged pandemic and imposition of various movement controls that affect their business operations.

Such customized solutions include the offering of refinancing proposals under the unprecedented low interest rates environment, and temporary relaxation of financial covenants which are beneficial to both investors and issuers in mitigating default risks under the challenging operating environment to preserve sustainability.

In streamlining our processes, HLeBroking reviewed the customer service framework to address increased client enquiries resulting from the unprecedented increase in trading volume during the Movement Control Order ("MCO") period, while HLAM developed soft copies of documents for account opening and transactions, and marketing materials such as sales presentation decks and brochures.

Encouraging On-The-Go Investing

Stockbroking Business	Fund Management and Unit Trust Management Business
Enhanced the HLeBroking mobile application with additional features such as biometric authentication and visualisation tools for stock price movements.	Launched HL iSmart Invest to enable investors to transact unit trust fund digitally, through EPF i-Invest and cash investment plan.

SUPPORTING THE COMMUNITY

Recognising the difficulties endured by Malaysians due to COVID-19 mitigation efforts, HLCB Group looked inward to provide for those in need, and harnessed our capabilities to raise funds for food drives and support online education. Further details of our contributions in supporting the community during the COVID-19 pandemic can be found on page 51 and 53.

Sustainability Statement

ROBUST GOVERNANCE

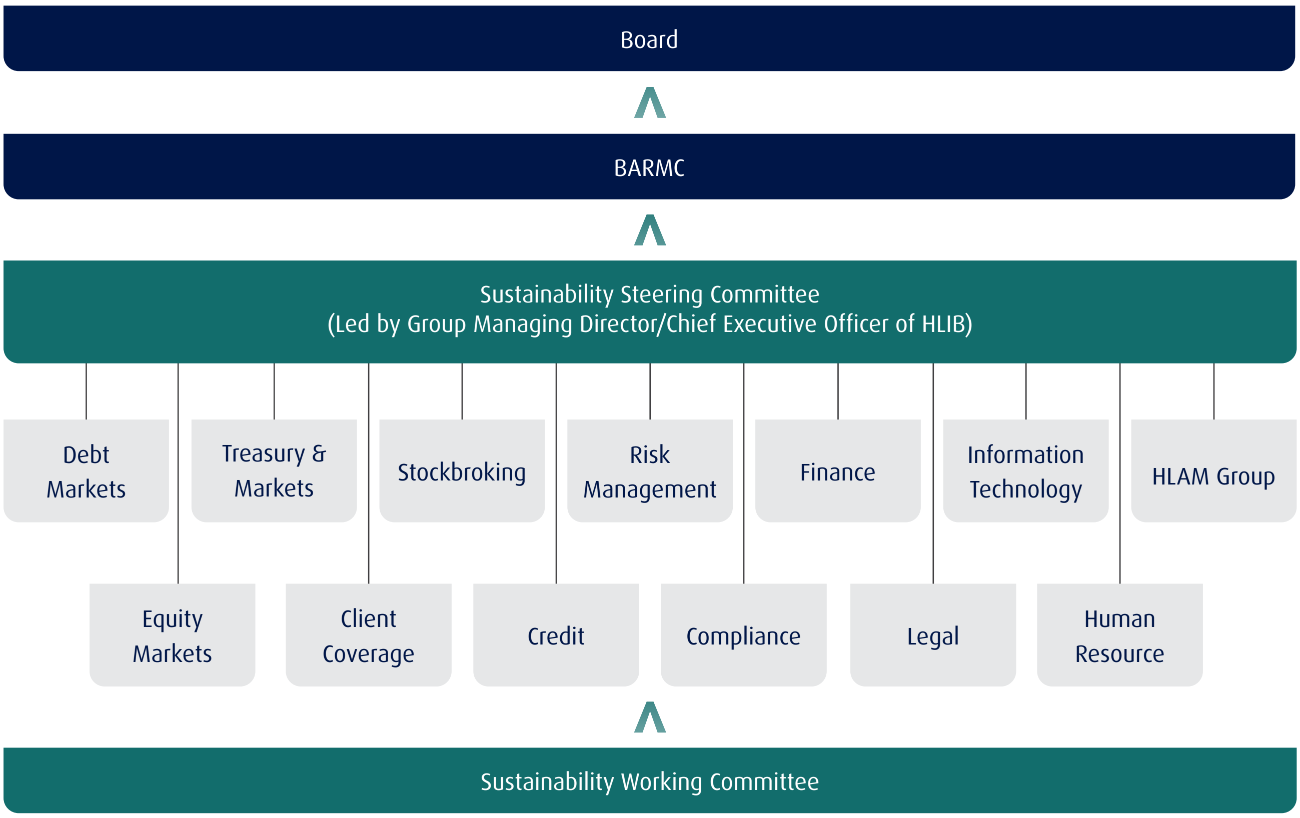
Responsible business conduct is essential to the longevity of our Group and long-term sustainable impact. We strive to ensure the integrity of our operations through robust corporate governance, effective risk management and strict internal controls.

OUR CORE VALUES			
QUALITY	HUMAN RESOURCE	ENTREPRENEURSHIP	UNITY
INNOVATION	PROGRESS	HONOUR	SOCIAL RESPONSIBILITY

SUSTAINABILITY GOVERNANCE

HLCB's Board and BARMC have oversight of sustainability governance matters and are committed to ensuring that sustainability is embedded in the organisation and that adequate resources are in place for managing sustainability matters.

SUSTAINABILITY GOVERNANCE STRUCTURE



The Board decides on the strategy of the Group upon recommendation by the BARMC and Steering Committee. The Board is responsible for the overall direction, supervision and control of the Group and its management, as well as for supervising compliance with applicable laws, rules and regulations.

The BARMC, which comprises our non-executive directors, is responsible for setting the structure and direction for the overall management of our environmental and social risks and approving the Risk Management Framework. The Steering Committee and Sustainability Working Committee ("Working Committee") assist the Board and BARMC in mobilising HLCB's sustainability efforts. Monitoring and reviews of the implementation of the Group's sustainability strategy and initiatives are conducted periodically. The BARMC approves independent controls defined by the Steering Committee.

For further information on the Group's Corporate Governance structure, please refer to the Corporate Governance Overview, Risk Management & Internal Control Statement on page 66.

COMMITTEES' ROLES AND RESPONSIBILITIES

Steering Committee

Comprising the heads of business divisions and the relevant support departments.

Engages the BARMC to seek Board approval for:

- Sustainability-linked business strategies
- Adoption of sustainability-related policies or initiatives
- Material sustainability matters
- Annual sustainability disclosures

Reviews and Endorses:

- Sustainability-linked strategies
- Adoption of sustainability-related policies or initiatives

Oversees and Monitors:

- Implementation of sustainability strategies
- Management of stakeholder engagement
- Effectiveness of sustainability-related strategies, policies or initiatives

Working Committee

Comprising representatives from various business and support departments.

Develops, Recommends and Updates:

- Plans milestones, timelines, deliverables and reports outcomes of sustainability initiatives to the Steering Committee

Oversees and Monitors:

- Progress and milestones of initiatives under the sustainability strategies

Involved in:

- Identification of material sustainability matters and materiality assessment processes
- Addressing and resolving issues that may arise
- Gathering of input from relevant department or function

We are committed to equipping our top management with the skills and ability required to manage sustainability and ethics. In FY2021, our directors attended ten training sessions related to sustainability, ethics and integrity topics.

For more information on Board Competency, please see page 56 of this Annual report.

Sustainability Statement

EMBEDDING ETHICS AND INTEGRITY

The Group is committed to promoting a culture that inculcates a sense of responsibility in our employees. We seek that they uphold integrity, transparency and ethical practices, as these behaviours are fundamental to business conduct. To cultivate a compliance culture, every employee must act with integrity, make ethical choices and act towards preventing corruption and non-compliance

CONDUCT AND CULTURE

To ensure ethics and integrity are upheld at all times, employees are required to adhere to the values, principles, standards and norms of behaviour outlined in the Group's Code of Conduct and Ethics as well as other relevant policies and SOPs. All employees are required to sign and abide by the Group's Code of Conduct and Ethics upon commencement of employment, as well as make an annual declaration of compliance with the Group's Code of Conduct and Ethics.

The Group's Code of Conduct and Ethics is guided by Hong Leong Group's corporate mission, standards and best practices in the financial industry such as the Financial Services Professional Board ("FSPB") standards and other regulations issued by BNM, Securities Commission Malaysia ("SC") and Bursa Malaysia. Correct practices are also advocated and guided by the Group Gifts and Entertainment Procedure and Donation Policy.

ANTI-BRIBERY AND CORRUPTION

As part of the Group's zero tolerance policy against all forms of bribery and corruption, many initiatives have been established to ensure the Group fully complies with the Corporate Liability Provision, an extension to the Malaysian Anti-Corruption Commission Act 2009. The Group's Anti-Bribery and Corruption ("ABC") Policy and ABC Statement are set to enforce practices and systems that ensure corruption and bribery are prevented at all levels of the Group.

Further, employees are required to obtain approval from the relevant approving authority prior to offering or receiving gifts and entertainment to ensure they meet all the conditions set by the Group that prevent any element of bribery or corruption. Additionally, to raise awareness, each employee's computer has been configured to display a reminder on the Group's commitment to our zero-tolerance policy against all forms of bribery and corruption. Through these measures, we aim to ensure that all clients will be treated fairly, as this is of utmost importance in building trust in the Group.

REINFORCING GOOD BEHAVIOUR

Key behaviour scoring is assessed during annual appraisals to increase awareness of desired behaviour and attitudes. This encourages strong adherence to ethics and integrity in all areas of business.

Furthermore, adequate segregation of duties amongst employees is practised across the Group, ensuring that conflict of interest and unethical behaviour do not arise in business dealings. Employees are expected to demonstrate the highest standards of business conduct by always doing the right thing and are encouraged to report any unethical behaviour.

For more information on employee training, refer to page 43.

GRIEVANCE AND WHISTLEBLOWING

Established in 2017, the Group's Whistleblowing Policy reinforces the Group's commitment towards maintaining high standards of integrity, corporate governance, and transparency in doing business. The policy provides an avenue for any person to raise any concerns about any improper conduct or wrongful act that may adversely impact the Group, including but not limited to any criminal offence, fraud, corruption, bribery, blackmail or failure to comply with legal or regulatory obligations. Furthermore, we conduct training sessions on whistleblowing to remind employees of its importance.

EFFECTIVE RISK MANAGEMENT

RISK MANAGEMENT FRAMEWORK

The roles of Risk Management are reflected in the key risk management objectives of our Economic, Environmental and Social Governance performance. A Risk Management Framework has been established and is maintained by the Board. The controls built into the framework ensure significant and relevant risks are identified and managed.

To cultivate an effective risk culture and raise awareness amongst employees, the Risk Management team regularly communicates and disseminates risk-related information to all departments. Stakeholders are also updated periodically of various key risk policies which include our Risk Limit Policy, Operational Risk Management Policy, Risk Management in Technology Policy, Cyber Resilience Policy, Core Market Risk Policy, Valuation Policy, Underwriting Policy, Market Surveillance Policy, Liquidity Policy, Supplementary Market Risk Policy, New Product & Services Process Policy and many other related policies.

MANAGING ESG RISK

We have begun integrating ESG sustainability issues into our investment banking activities. This is supported by our Environment and Social Risk Guidance Note ("ESRG") issued in tandem with the holding company of HLCB, HLFG, ensuring climate concerns are taken into account more holistically in our ESG risk assessments. The ESRG provides guidance for Business and Support Units on the principles and approaches set by regulators and HLFG. Direction and application of the ESRG are set by each Business Unit.

Our Business Units, particularly the Investment Banking business, have begun conducting ESG assessments for all client on-boarding and applications of credit for investments in bonds. The assessments cover the economic activities of prospective clients and their broader impact to the environment, based on the guiding principles outlined in the ESRG. We also strive to integrate ESG considerations into our advisory and underwriting services.

Our fund management and unit trust management business has, in measurable ways, embedded socially responsible investing ("SRI") via Shariah funds and green investing, into the investment process - despite the absence of a formal green framework. We are actively exploring renewable and sustainable investment areas. The team is also currently looking into developing an ESG framework and working towards formalisation into its investment policy.

We are progressively increasing the scope of the ESRG coverage across business activities across the Group.

We emphasise the importance of responsible investment, harnessing the combined business expertise of each subsidiary to foster sustainable growth and to further the influence of sustainable finance.

For more information on how we are harnessing our capabilities to advance responsible investing, see page 40.

UPHOLDING COMPLIANCE

HLCB Group takes regulatory compliance seriously to maintain the integrity of our business. The Group is committed to achieving zero breaches or violation of laws and regulatory requirements by upholding and integrating regulatory compliance in our daily operations. Ongoing measures are in place to ensure the Group complies with all applicable laws and regulations, including those set out by financial regulatory bodies such as BNM, SC and Bursa Malaysia, and amongst others, the Malaysian Anti-Corruption Commission (Amendment) Act (2018), Personal Data Protection Act (2010) and the Occupational Safety and Health Act (1994). Our compliance efforts are supported by our Compliance Policy, Anti-Money Laundering, Counter Financing of Terrorism & Targeted Financial Sanctions ("AML/CFT & TFS") Policy, Material Information Policy, ABC Policy, Whistleblowing Policy and Code of Conduct and Ethics. To ensure strict regulatory compliance and instil a strong compliance culture, the Group continues to improve its compliance monitoring and advisory services.

OUR KEY LINES OF DEFENCE

The Group emphasises the importance and the need for all employees to manage compliance risk. The diagram below highlights the three key lines of defence that are crucial to effective compliance risk management, as outlined in the Compliance Policy:

Sustainability Statement

EFFECTIVE COMPLIANCE MANAGEMENT

Our Compliance team carries out periodic assessments, monitoring, and reporting of compliance risk and plans for resolution to senior management, the Board Committee and the Board. Unless specified by regulators, the frequency of our compliance review will be based on the level of risk assigned to each activity, varying from annual to triennial. For monthly compliance reporting to Bursa Malaysia and SC, the frequency of review ranges from daily, weekly, monthly, quarterly, semi-annual to annual basis. Reviews performed in FY2021, amongst others, include BNM's Complaint Handling, BNM's Foreign Exchange requirements, BNM's Principles for a Fair and Effective Financial Market for the Malaysian Financial Markets, BNM's Wholesale Financial Market Conduct, BNM's Staff Training Fund arising from Staff Pinching, PayNet regulations and SC's Licensing Handbook.

EMBEDDING A STRONG COMPLIANCE CULTURE

The latest regulations, laws and guidelines pertaining to compliance issues are discussed with relevant stakeholders through compliance representatives on a quarterly basis, at minimum. Advisory services are also provided to stakeholders to ensure that all the operations of the Group are aligned.

Employees are required to attend regulatory compliance training conducted by both internal and external trainers. This ensures that all employees across the Group stay abreast and comply with the latest requirements. In FY2021, an external trainer was engaged to provide AML/CFT training, while training on ABC was conducted via e-learning slides for all employees. Additionally, new joiners received training and e-learning on AML/CFT, confidentiality, conflict of interest, anti-bribery/corruption, whistleblowing, licensing and business practice requirements.

Between June and September 2020, we embarked on a 4-part training series on ABC, which focused on cultivating a compliance culture to prevent corruption, and involved employees from across the organisation.

AML/CFT Training

1,976
hours of training

446
employees trained

ABC Training

721*
hours of training

100%
employees trained

* Figure represents an estimate. Total training hours on ABC is unavailable as training was conducted remotely. Employees were provided e-learning slides and questionnaires to complete.

Each year, all employees must submit a declaration of compliance, including adherence to the Group's key policies, including the Compliance Policy, AML/CFT & TFS Policy, Material Information Policy, Personal Protection Data Policy, Whistleblowing Policy, and ABC. Compliance with internal and external laws and regulations is also a Key Results Area ("KRA") for employees. Employees are expected to comply with the laws and regulations, and are also encouraged to explore new ideas to improve the compliance process.

For more information on how we empower our employees through robust training and development, refer to page 43.

MANAGING HUMAN RIGHTS

We monitor human rights closely, both in the markets in which we operate as well as in our own operations. Our commitment includes understanding the impact of the services we provide, upholding labour rights in our supply chain, as well as protecting our clients' privacy. We support human rights through our AML/CFT & TFS Policy, which enshrines the 2007 Anti-Trafficking in People and Anti-Smuggling of Migrants Act.

DIGITAL AT THE CORE

OUR DIGITAL STRATEGY

To drive our digital transformation, we have embraced digitalisation and innovation across the business. From our products and services to our internal operations, advancing digitally allows us to streamline our processes, accelerate productivity and enhance our brand recognition. We do our best to ensure that all our digital innovations are secure and accessible to ensure inclusivity. We also leverage on Hong Leong Bank Berhad's extensive distribution network to cultivate a larger user base and service different segment groups.

Concurrent with our efforts in embracing digital technologies, we are cognisant of the risks of this transformation to our operations. To mitigate cyber risks, our Group Information Technology ("IT") team works closely with vendors to strengthen our cyber defences. In FY2021, we invested RM3.8 million on IT capital expenditure, representing 94% of the Group's total capital expenditure.

LEVERAGING DIGITAL TRANSFORMATION FOR OPERATIONAL RESILIENCE

Supporting Clients Digitally through COVID-19

To help mitigate the spread of COVID-19, we adhere strictly to responsible business practices, drastically reducing the amount of time we spend face-to-face with clients.

Across the MCO period, our Stockbroking business saw a steep increase in the volume of shares traded through our digital platform, and a resulting steep increase in enquiries through our remote contact platforms. Our concerted efforts to enhance both our digital capabilities and customer service framework saw us successfully handling the heavy volume of remote trades and incoming calls despite the initial strain on our systems. HLAM also ensured all marketing collaterals were easily available online, with official forms and documents accessible through the corporate website.

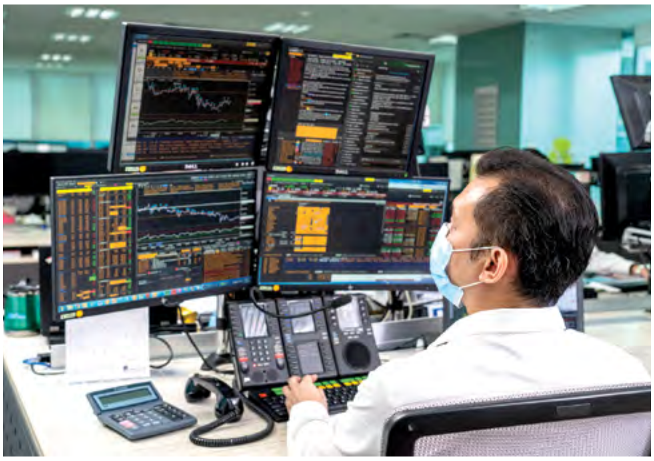
In April 2020, our Stockbroking business ceased the printing of cheques for all clients and converted to e-payment mode. This reduces any risk of fraud and mitigates the risk of virus spread associated with cheque handling.

Enhancing Remote Cybersecurity

When the MCO was first announced, we immediately strengthened our security measures to ensure cybersecurity was not compromised while our employees made the move to remote working. We provided VPN access to employees working from home, allowing them a quick and seamless transition to enable them to continue to serve our clients, while internal communications were held through a highly secure web meeting platform.

ZERO instances of data breaches.

NO successful cyber-attack incidents recorded in the financial year.



CYBER SECURITY AND DATA PRIVACY

Our number one priority is to safeguard our clients' personal data and to ensure cyber security. In response to the new normal, and as the Group continues to change its way of doing business, greater emphasis will be placed on serving clients through digital channels.

MANAGING SECURITY AND PRIVACY

Our measures to preserve and manage data privacy and cyber security are set out in our Group IT policy. We also adopt and comply with the measures prescribed under the Financial Services Act 2013 ("FSA"), Capital Markets and Services Act 2007 ("CMSA"), Personal Data Protection Act 2010 ("PDPA"), Personal Data Protection Code of Practice for the Banking and Financial Sector and other regulations issued by BNM, SC and Bursa Malaysia. This ensures we maintain the appropriate physical, electronic and process controls to safeguard our operations. In addition, we conduct regular compliance assessments of controls and processes related to confidential information. Audits focusing on privacy risks and data security to identify potential weaknesses in controls and policies are conducted regularly by our Internal Audit team.

DIGITAL AT THE CORE

STRENGTHENING OUR DEFENCES

Group IT has rolled out various controls and measures to strengthen our cyber defences, which play a crucial role in preventing cyber-attacks. Our controls and preventive measures implemented in FY2021 include practices such as:

Cybersecurity Practices anchored by the Group IT Policy

- Implementing best practice internal protocols such as restrictions, antivirus and firewall, and data integrity monitoring tools.
- Introduced tools to enhance remote cybersecurity for employees that work from home.
- Regular tests to identify and improve cybersecurity gaps.
- Consistent updates to systems and applications for maintenance and ensuring security.

Through these control measures we have maintained zero instances of data breaches and no successful cyber-attack incidents recorded in the financial year. Moving forward, we plan to conduct further cyber drill exercises with the IT security team and regulators to simulate our cyber incident response and recovery processes as well as identify potential gaps in our technological capabilities and processes.

HARNESSING INNOVATION

Our focus on innovation is two-fold. As an award-winning financial solutions provider, we adopt a client-centric approach and continuously innovate to tailor the value-added benefits of our products and solutions to meet the ever-evolving needs of our clients, empowering them with the ability to manage and invest their capital. Innovation also plays a key role in improving our processes and procedures - to enhance operational efficiencies, increase productivity and to meet clients' expectations of service. We continue to grow and change, innovating to navigate the digital landscape.

INNOVATING OUR PRODUCTS AND SERVICES

We offer products and services across several digital platforms specifically tailored to meet the needs of our clients, supporting them through their journey in transitioning to new investing technologies. Through our digital offerings, we reach and support our clients more efficiently, allowing them to manage their investments efficiently. We engage regularly with clients, allowing us to gauge their capabilities and needs.

DIRECT MARKET ACCESS TRADING

Direct Market Access ("DMA") is a trading solution which provides extremely fast order execution, enabling investors to optimise and take advantage of short-lived trading opportunities. Launched in July 2020, our electronic trading solution allows for real time execution of trade orders, coupled with lower cost for investors. Through DMA, we facilitate the need for market efficiency and an effective trading platform.

Recorded approximately
RM348.5 million
in trades

We are in the midst of enhancing the DMA system with algorithmic trading capabilities, targeted to launch by FY2022. Through algorithmic trading, clients will be empowered with more options to grow their investment performance.

HLEBROKING DIGITAL PLATFORMS

HLeBroking digital platforms are our suite of digital stockbroking products and services, which allow our clients to keep tabs on their investments online. Our HLeBroking mobile application provides our clients with an easily accessible trading experience, while enabling us to increase touch points, keeping clients updated with their stock portfolio on-the-go.

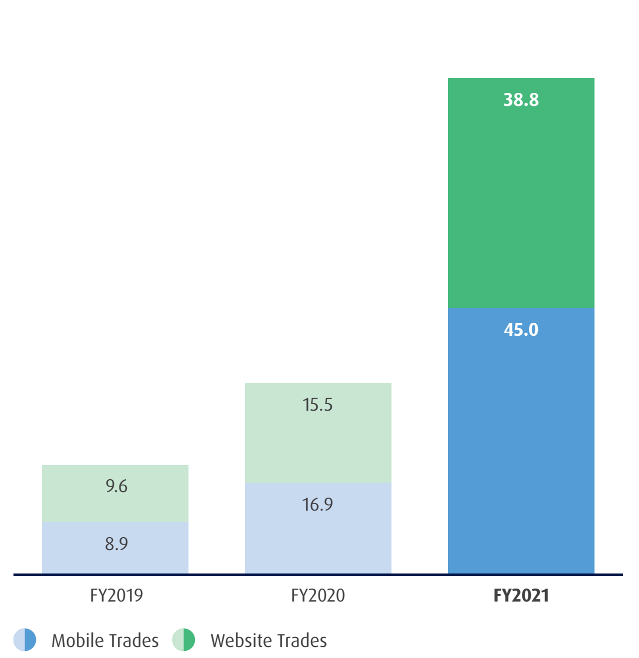
Responding to our clients' needs, additional features such as biometric authentication and visualisation tools for stock price movements were introduced for the HLeBroking mobile application in June 2021, along with heightened security features.

Enhanced e-payment ("FPX") batch processing was launched in October 2020, allowing clients to trade almost instantly after depositing funds into their trading accounts, resulting in an increase of recorded transactions, both via the share trading website and the mobile trading application.

To round out our digital platform enhancements, account unlocking has been automated securely, with clients now able to independently retrieve their locked accounts via the HLeBroking website. This feature was launched in February 2021 in conjunction with the revamping of the HLeBroking website to increase client engagement.

Through our HLeBroking digital platforms, RM83.8 billion was traded throughout FY2021, reflecting the growing interest in investing amongst Malaysians. We also saw an increase in the quantity of trades (130%), with new accounts opened rising by 92%.

HLeBroking Trades (RM billion)



HLAM'S ONLINE TRANSACTION PLATFORM

Since March 2019, HLAM has progressively enhanced its suite of investment e-portals to a fully integrated Online Transaction Platform ("OTP"), improving the overall investment experience for our clients and business partners, allowing them greater flexibility and accessibility - as well as launching tailored investment modules to meet the niche needs of our clients. In June 2020, HLAM launched HL iSmart Invest, linked to EPF's i-Invest platform, allowing clients to use their EPF funds to purchase selected funds.

With the success of the online EPF-Members Investment Scheme ("EPF-MIS") project, we launched the online cash investment plan module on HL iSmart Invest in December 2020. The online cash investment plan module allows clients to invest anytime, anywhere without the need to meet a unit trust adviser physically, with seamless access to unit trust product information.

We aim to introduce and implement a digital on-boarding investor module as part of the HL iSmart Invest platform towards December 2021.

Online Investment Platform - HL iSmart Invest

Via EPF i-Invest	Cash Investments
Enables EPF members to invest in HLAM's EPF approved funds through the EPF-MIS	Offers investors the ability to invest anytime and anywhere with a wide selection of unit trust funds ranging from conventional funds to Islamic funds

ENABLING EFFICIENT PROCESSES VIA INNOVATION

To achieve efficiency, increase productivity and meet our internal and external stakeholders' needs, we continuously innovate our internal processes and procedures.

Automation of statistical and regulatory reports to be progressively rolled out in FY2022	**Value Added for HLCB** • Increase the efficiency of report preparation processes, improve report quality and data accuracy with minimum manual intervention required
Developing a digital onboarding platform, target to launch by end of 2021	**Value Added for HLCB** • Streamline the onboarding process, enhance our data control, reduce the onboarding time frame and operational costs • Increase the volume of new clients' applications and reduced turnaround time **Value Added for Clients** • Mitigating the risk from the ongoing pandemic for our prospective clients by reducing the need for physical movement or presence.

Sustainability Statement

DIGITAL AT THE CORE

Discontinued printing of hardcopy statements and enhanced our control of e-statements	**Value Added for HLCB** • Reducing the need for hardcopy statements • Generating cost savings **Value Added for Clients** • The ability to access statements on a timely basis, allowing easy retrieval of historical statements

In the coming year, we will be introducing further digital innovations, including a document management system to enhance digital document storage and retrieval, and a system for digital signing and approval of documents to enable faster response times and the secure transmission of legal, valid and binding documents.

CLIENT EXPERIENCE

We continue to look for ways to enhance client experience. We believe that this will provide us a competitive advantage within the financial services industry. Our clients look to us not only for value-added products and solutions, but also a meaningful and positive connection. Every engagement with our clients is an opportunity for us to grow.

SERVICE QUALITY

Adopting a client-centric approach, we invite assessment and evaluation from our clients across all our business and operational aspects such as research quality, execution accuracy, sales services and settlement efficiency. Client satisfaction is a key determinant for the sustainability of our Group's businesses. We believe our longstanding and recurring relationships with our existing clients provides a good gauge on the service quality provided by our respective teams.

MEANINGFULLY ENGAGING OUR CLIENTS

Engaging actively with our clients enables us to identify financing gaps and understand their business operating environment and structure effective solutions to meet their needs - all while delivering services that build trust. We organise meetings, workshops, seminars, events and luncheons to increase our interaction and engagement with clients. Clients may also email or call our Helpdesk employees and their dealer or remisier for assistance.

Our client management efforts are guided and enhanced by our extensive Retail Support Policy, while Customer Experience employees are provided with extensive training to improve their client servicing skills and qualities.

Engaging Remotely

Throughout FY2021, with face-to-face interactions limited due to COVID-19 prevention measures, we sought feedback throughout our operations via our various engagement platforms, including our digital platforms.

In June 2021, we launched the HLeBroking Facebook page to receive inquiries. In FY2022, we will be increasing our HLeBroking digital connection points, with plans to hold a virtual investment fair and Facebook Live sessions.

Managing Complaints

Professional management of complaints is crucial to client retention. We view all complaints received positively, and work to utilise each complaint as a point of guidance for improving the quality of our services.

The Group aims to deal with complaints constructively and resolve them within a reasonable timeframe. Our clients are able to lodge complaints through various channels such as via our websites, email or phone calls.

EMPOWERING BEST-IN-CLASS ADVISORY SERVICES

To provide the highest quality advisory services, our teams have been provided with greater oversight to resolve difficult or sensitive issues at the onset. Through continuous professional development, we seek to improve the competency of our people to serve clients better.

SOCIALLY RESPONSIBLE BUSINESS

We recognise the potential impact that our activities and decisions, as well as those of our suppliers, vendors and clients can have on society and the environment. This is why we aim to take a proactive approach, ensuring that our business and operations are socially responsible. We engage with our clients to ensure fair banking practices and work closely with regulators to ensure our products are marketed responsibly. We also incorporate ESG considerations across our products and services, to promote impact investing. To underscore our responsibilities, we structure our supply chain to go local where possible.

FAIR BANKING

Fair banking practices are essential to our operations. The scale of investments and capital moved through our organisation requires that we take all steps necessary to ensure fair and transparent dealings. This is why the Group takes fair banking seriously, and why we work hard to conduct business with integrity and fairness.

DEALING WITH TRANSPARENCY

The Group places great emphasis on transparent dealings. We have put in place policies and practices which underpin fair banking principles and abide by all relevant laws and regulations which govern the financial services industry.

Care is taken to ensure activities such as trading, pricing and positioning are transparent to allow our clients to make informed decisions during transactions. We also ensure that terms and conditions are clearly set out and mutually agreed by clients. This is supported by various policies, SOPs and codes of conduct, which are reviewed and updated periodically when needed. Collaboration within Business Units and consistent engagement with clients is also key to transparent dealings. Additionally, KRA is set for our employees to ensure compliance to regulations and SOP as well as ensuring no bias when advising clients and executing trades.

Among our client-facing teams, only employees with the requisite Capital Markets Services Representative's Licence ("CMSRL") from SC are permitted to advise clients about capital market related transactions. All employees are also required to attend adequate courses for skill enhancement and to comply with the Continuing Professional Education ("CPE") requirements for CMSRL holders.

For more information on how we ensure our employees are empowered with the necessary skills and qualifications, please see page 43.

RESPONSIBLE MARKETING

We strive to ensure all products and solutions offered are not only tailored to meet each client's needs but are fairly formulated and informative. Terms and conditions, memorandums and pricing supplements for each product and service we provide are prepared after strict due diligence and are reviewed by a working group to ensure compliance with regulatory requirements before being lodged with the regulators and/or circulated to potential investors or clients.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Supporting SDG Target 12.6

IMPACT INVESTING

Investors and shareholders in the financial industry are constantly on the lookout for ways to incorporate ESG aspects into their decision-making processes. Sustainable financing and impact investing present a major opportunity for the Group in terms of business growth and social responsibility.

We recognise the significance and impact of our businesses on the environment and society, particularly from our financing and investing practices. The decisions we make set the tone for our strategic orientation, and has the potential to influence capital flows and the behaviour of businesses and investors we engage with.

The Group supports impact investing as part of its commitment towards generating positive, measurable and meaningful social and environmental impact. As part of our approach to 'Impact Investing', we have identified three overarching categories: responsible financing, sustainable investing and asset management, and supporting sustainable solutions.

Sustainability Statement

SOCIALLY RESPONSIBLE BUSINESS

RESPONSIBLE FINANCING AND ADVISORY SERVICES

In our approach to responsible financing and advisory services, we have taken progressive steps forward to embrace ESG integration and strategic exclusions.

ESG INTEGRATION

ESG considerations are integrated over several aspects of our products and services. Implementation methods of respective Business Units vary and are built around the principles set out in the ESRG. The ESRG ensures holistic integration of climate considerations to our ESG risk assessments. The ESRG has been applied to our investment banking activities.

ESG assessments are conducted upon client on-boarding and applications of credit for investments in bonds. These assessments cover a range of metrics, including the economic activities of prospective clients and the broader impact of their businesses on the environment, guided by principles outlined in the ESRG.

Simultaneously, our fund management and unit trust management business have demonstrably embedded SRI (via Shariah funds and green investing) into the investment process, despite the absence of a formal green framework. We actively explore renewable and sustainable investing areas. The development of an ESG framework to be formalised into its investment policy is being explored by our team.

We are increasing the scope of ESRG coverage in a stepwise manner across the Group's business activities.

For more information on how we have integrated ESG considerations into our risk assessment process, see Managing ESG Risk on page 33.

SUSTAINABLE INVESTING AND ASSET MANAGEMENT

The Group believes that integrating ESG factors in the investment and management processes is essential for carrying out our duties as institutional investors and asset managers. This allows us to make well informed investment decisions, and secure long-term sustainable value for our stakeholders. To achieve this focus, HLAM's Research team is in the process of reviewing its research valuation modelling to incorporate ESG elements into the valuation framework and will make necessary enhancements to its investment policy when the review has been completed. The ESG investment policy will be incorporated separately into equity and fixed income investment policies for both HLAM and HLISAM.

SUPPORTING SUSTAINABLE SOLUTIONS

We support clients on their journey to align their own investment practices with sustainable practices and values, through focusing on creating opportunities and offering sustainable investment products. These products and solutions offer clients the ability to indirectly finance projects which support sustainable development and growth.

We offer Shariah-based investment products to promote values that benefit society.

Supporting The Transition To a Low Carbon Economy

In support of deal flows that advocate for a transition to a low-carbon economy, our Equity Markets team recently completed an advisory mandate on a merger and acquisition exercise that paved the way for the injection of renewable energy assets into a listed company

We invested in a key green bond to generate green energy through hydropower in Sarawak, Malaysia

Our Treasury and Markets team is continuously exploring for investments in green bonds, subject to the same meeting of HLIB's investment criteria

Our Debt Markets team is exploring the arrangement of a Green Tier 1 Capital Security

CAPACITY BUILDING FOR ADVISORY SERVICES

Our goal is to meet clients' needs and to support them through meaningful advice and expertise at every stage of their sustainability journey. To meet this need, focused ESG training via third party specialists, including but not limited to, Bloomberg, S&P and Refinitiv was provided to the equity teams in both HLAM and HLISAM. We have enhanced our employees' ability to provide sound investment advice by equipping them with a solid understanding of ESG trends to watch for, as well as on how analysts and specialists score or rate listed companies. A total of 15 training sessions were conducted for equity teams in both HLAM and HLISAM in FY2021. Furthermore, all employees are also encouraged to attend other ESG-related courses to enhance their knowledge and capabilities.

Through these efforts, we aim to be recognised as an active participant engaging in responsible investing and financing to improve environmental issues. This also represents an opportunity to enlarge the bank's distribution universe, in line with investors putting more emphasis on impact investing.

To enhance our team's capabilities in the origination of ESG Financing, particularly for the renewable energy sector, the investment banking teams have also been provided with training through related courses, seminars and conferences related to ESG financing.

Our Treasury and Markets team participated in ESG-related training giving them an overview of global and regional trends in ESG regulations and sustainable finance, effective approaches to develop sustainability within the organisation, and managing ESG risks in practice.

ESG-RELATED RESEARCH REPORTS AND WRITE-UPS

Our research teams have also produced ESG-related write-ups and reports to cater to the growing focus on ESG investing from our clients. Some areas covered in 2021 include ESG updates for stocks under coverage as well as thematic sectorial ESG reports. Through these efforts, we believe we have provided greater value and insights for clients to invest responsibly.

HLAM, together with HLISAM are working towards embedding sustainability within asset management practices in a manner that aligns with Value-based Intermediation ("VBI") and Shariah principles, as well as updating our research approach to further incorporate ESG criteria.

8 DECENT WORK AND ECONOMIC GROWTH

Supporting SDG Target 8.3

RESPONSIBLE PROCUREMENT

A key effort in our responsible procurement practices is enhancing support for local suppliers, to develop a reliable and sustainable supply chain. Monetarily, most of our procurement revolves around digital assets and services. However, goods such as office supplies and maintenance services also form a significant percentage. Where possible, we aim to meaningfully contribute to the advancement of the Malaysian marketplace, while minimising the distance goods procured must travel.

In 2021, 94% of our suppliers and service providers were based in Malaysia, with 91.8% of all spending on procurement directed to local businesses.

Sustainability Statement

WORKFORCE READINESS

Employee empowerment is vital to ensuring the success of any company. HLCB Group recognises that empowering employees on a personal, financial, social, and educational level goes a long way towards motivating them to succeed. The Group has made it a primary responsibility to consistently implement initiatives that ensure its employees receive the best so they can also give their best in whatever they do.

EMPLOYEE EXPERIENCE

At HLCB Group, we believe that an engaged workforce, our most valuable resource in our journey towards becoming the foremost integrated financial services provider. We engage and employ people from various backgrounds, origins, experiences and cultures to cultivate a diverse and inclusive workforce, essential for inspiring creativity and driving innovation. We tailor our development programmes to suit our employees' unique and diverse skillsets, and regularly review performance. By cultivating a high-performing team, we continue to deliver world-class business outcomes.

SUPPORTING EMPLOYEES THROUGHOUT COVID-19

In FY2021, we announced a series of initiatives to realise new ways of working in the new normal. To provide support and retain our employees during tough times, we enhanced our benefits packages for our employees and have recorded zero retrenchment or salary reductions throughout the pandemic.

Zero retrenchment or salary reduction

Introduced a special Vaccination Leave benefit to encourage employees to protect themselves and their families

Strict compliance to MKN Standard Operating Procedures

PROTECTING OUR EMPLOYEES DURING COVID-19

To encourage employees to get vaccinated against COVID-19, we introduced vaccination leave in May 2021. Each employee is entitled to one day of leave for each vaccination session. As at the end of June 2021, 25% of our workforce has utilised the vaccination leave.

We continue to safeguard the wellbeing of our employees through safety measures and strict adherence to the SOPs during the MCO as we continue to play our roles in curbing the spread of the COVID-19 outbreak. We have implemented several safety measures that include:

- Split operations and only allowing certain employees from selected departments to work in office
- Mobilising half of our workforce to work from home, continuing to restrict the movement of our employees between branches and preventing face-to-face meetings that would increase the risk of infection.
- Regularly updating employees with up-to-date information and reminders to remain vigilant and comply with social distancing guidelines.
- Providing face masks and hand sanitisers for on-site employees and maintaining regular sanitisation efforts.

Sustainability Statement

CAPITAL MARKET GRADUATE APPRENTICESHIP

To support the National Short-Term Economic Recovery Plan ("PENJANA"), we participated in the Capital Market Graduate Apprenticeship ("CMGA") programme, supporting the professional development of fresh graduates to build a talent pipeline within the capital market. This programme aims to empower fresh graduates entering the workforce by helping them cultivate their professional skills through a structured training programme.

Trainees enrolled for this programme are hired by the Group with a one year fixed term contract, with the first 6-months geared towards enhancing their skills through department rotations. Monthly progress is reported to Securities Industry Development Corporation ("SIDC"), with permanent employment considered where possible. In FY2021, we recruited six CMGA trainees.

MANAGING, NURTURING, AND RETAINING TALENT

We aim to promote meaningful retention within our organisation by enhancing the talent of those employees who hold more senior positions in our workforce. We achieve this through providing them with the tools to cultivate their careers at HLCB Group. As we continue to engage and attract a diverse range of talent, we will also continue to provide them access to a range of career development opportunities and learning resources, providing them with the right momentum to move forward.

RECRUITING THE RIGHT TALENT

To sustain the growth of our workforce, we aim to recruit employees that are ready to learn, grow, and contribute meaningfully. We utilise various recruitment avenues, while ensuring our recruitment policies are inclusive and agile, and we aim to secure a diversity of skills and experiences to enrich our capabilities.

DEVELOPING TALENT

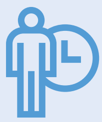
Employee development is imperative in building performance capacity in their current roles, while preparing them for future opportunities. Our training models are proactive and we periodically update our learning resources to keep our employees' skills abreast of the current market trends.

By constantly engaging with our employees, we have identified unique and diverse talents in our workforce. We have tailored our talent development and management programmes to our employees' individual competencies through the 70-20-10 employee development model where our employees can acquire knowledge and skills through on-the-job learning, coaching and mentoring and classroom training. In FY2021, we invested over 4,400 hours towards our employees' development to ensure adequate resources were provided as we move forward on our journey towards cultivating a high-performance workforce. We also recorded an average of eight training hours per employee.

A key factor for the Group to succeed in overcoming challenges is to develop the capabilities of all of our employee categories, in both client-facing and support roles. We offer training programmes on various core finance and banking knowledge areas, functional skills related to specific roles, leadership and other essential skills for future finance and investment banking businesses.

2021 Human Capital Development Highlights

110
external training courses held



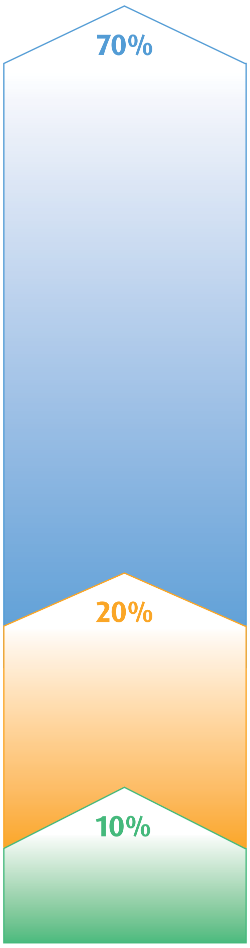
Over **4,400** hours towards employees' development

Sustainability Statement

WORKFORCE READINESS

70-20-10 MODEL

We have integrated the current market trends into our 70-20-10 Model to maximise the efficiency of our talent development programmes as it enables our employees to explore and cultivate their job-related competencies, decision-making capabilities and communication skills that will enhance their performance in their individual roles.



On-the-Job Learning

We recognise that on-the-job learning is highly beneficial for our employees as we expose them to a wide range of job factors such as clients, our products and services, as well as current trends in the industry. By ensuring that our employees are familiar with these factors, they can refine their unique capabilities in their specific roles.

Learning Through Others

Our employees receive encouragement and feedback by learning and interacting with their peers, role models and mentors, which is advantageous in their talent development process. Throughout FY2021, due to the COVID-19 restrictions, we encouraged collaborative learning through mentoring, coaching and job assignments.

Formal Learning

We have made it a prerequisite for 100% of our licensed employees to meet their CPE requirements by attending recognised CPE programmes organised by the relevant authorities. We have made it accessible for all of our employees to attend a wide selection of development programmes covering functional, technical, leadership and soft skills.

In FY2021, 100% of our licensed employees fulfilled the annual CPE requirements.

CPE Programmes Organised by the Group in FY2021			
	The World Economic Landscape in 2020	A Top-Down Approach to Investing & Selecting Stocks	Economic Outlook 2021: Investing At The Right Time and Sector

Identifying Employee Competencies

Our Competency Structure is designed to identify the attributes required for our employees from all levels to execute their roles effectively. We have derived three tracks in our Competency Structure based on the current outlook and demands in the industry workforce, namely Leader, People Manager and Contributor.

Leaders

Leaders need to be able to embrace operational excellence in concepts and strategies to establish a dynamic workforce that aligns with the Group's long-term organisational goals. Leaders are also instrumental in catalysing change, which involves articulating and cultivating the desired characteristics before transferring those characteristics to our employees across all levels.

Across 2018 and 2019, we enrolled 46 of our employees in leadership development courses and invested over RM820,000 to nurture their leadership attributes.

People Managers

People Managers aim for performance and quality and are integral to the transformation of business or operational capabilities. Our People Managers are responsible for managing people to the best of their abilities and ensure that daily operations run smoothly.

Contributors

Employees such as technical managers and executives who can perceive possibilities, obstacles, and areas for progress, as well as use their skills and knowledge in a creative manner, are considered as Contributors. Our employees on this track will be the catalysts for building up a stable and sustainable business model.

Fostering Internal Mobility

We encourage internal mobility to support our employees' growth and provide our employees from every level an opportunity to advance their careers. This ensures that we retain the best talent as we work towards our goal to deliver world-class business outcomes. We identify key manpower drivers of each Business Unit to perform strategic human resource analysis and evaluation. This process of evaluation allows Business Units to manage their resources more effectively and identify potential areas of enhancement.

HiPo Programme

We launched the High Potential ("HiPo") Programme in 2016, as one of our talent management initiatives targeted at developing a succession pipeline within HLIB. The HiPo programme serves to identify and address the competency gaps of the HiPo candidates that are integral for their development. Potential employees are shortlisted for the HiPo programme at the end of each financial year, and selected HiPo candidates are trained under the 70-20-10 Model across two years to achieve the targeted results. In FY2021, we identified 36 individuals for our HiPo programme through our appraisal processes.

CARING FOR OUR EMPLOYEES

Our focus in caring for our employees has always been to prioritise their safety and wellbeing. In FY2021, our focus was to manage and mitigate the risks of the COVID-19 pandemic on our employees. For details on the proactive steps taken in prioritising employee safety, please refer to the Supporting Employees Throughout COVID-19 section on page 42.

We also take a comprehensive approach to caring for our employees, by supporting their development both at work and through the different phases of their lives. We understand that our employees' wellbeing is a key factor in our employees' talent development process as well as in attracting and retaining the best people for our team.

MANAGING WELLBEING AND SATISFACTION

We provide various leave days to cater for our employees' needs through various stages in life including prolonged illness leave, paternity leave, marriage leave, study and examination leave as well as pilgrimage leave.

Our employees' respective families also play an important role in providing emotional support throughout our employees' daily lives. Hence, as a supportive employer, we grant the Hong Leong Scholarship Awards to our employees' children who wish to pursue their tertiary education. We provide financial support for the scholars throughout their studies from the beginning of their pre-university years until the conclusion of their undergraduate studies.

Sustainability Statement

WORKFORCE READINESS

Competitive compensation is critical to talent retention. We go above and beyond the conventional salary and benefit packages by incorporating medical benefits and interest rate subsidies for housing and car loans. To ensure that our compensation structure remains competitive, we conduct an annual compensation review to benchmark and identify pay disparities against the current market standards. We also reward our outstanding employees who have made significant contributions to the Group annually.

In FY2020, we shifted to a virtual environment to curb the spread of COVID-19 and pushed our employees to innovate and automate our operations to increase efficiency as we resumed our daily operations from our own homes. We have identified outstanding individuals during the annual appraisal process and recognised their contributions through remuneration benefits, which include either bonuses, salary increment or promotions.

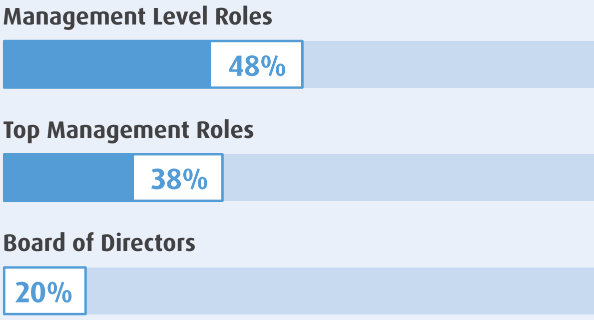
Supporting SDG Target 5.5

DIVERSITY AND INCLUSION

By cultivating diversity in the workplace, we hope to promote inclusiveness in our workforce. With the acceleration of digitalisation in financial institutions, we continue to inspire creativity and drive innovation in our workforce by employing and engaging with individuals from diverse backgrounds, origins, experiences and cultures. We are well aware that welcoming and promoting diversity and inclusion is critical to attract the best individuals, engage a larger talent pool and cultivate an integrated team, which is aligned with our goal to deliver world-class outcomes for our business, clients and communities.

We recognise that it is imperative for our Board of Directors to have a balanced range of skills, perspectives and abilities. We have established a Board Diversity Policy to demonstrate our commitment to balance and diversify of our Board members in terms of gender, skills and experience in a manner that is consistent with the growth of the Group.

Leadership positions held by Women*

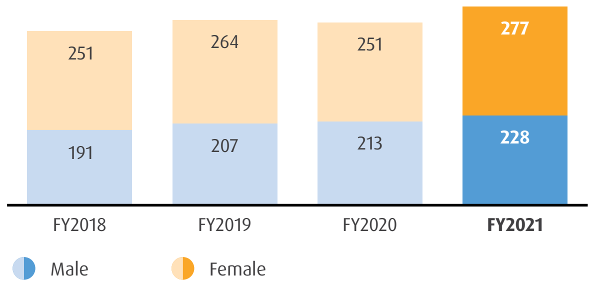


* Figures represent the percentage of women holding management, top management and director roles across HLCB, HLIB, HLAM and HLISAM.

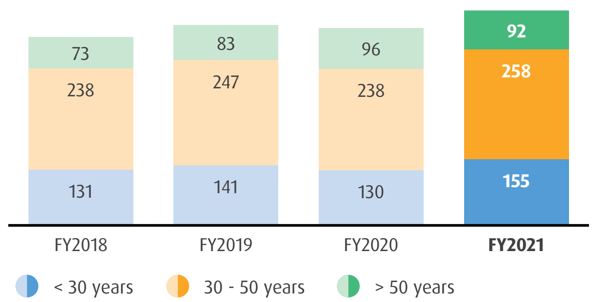
WORKPLACE PERFORMANCE DATA

EMPLOYEE BREAKDOWN

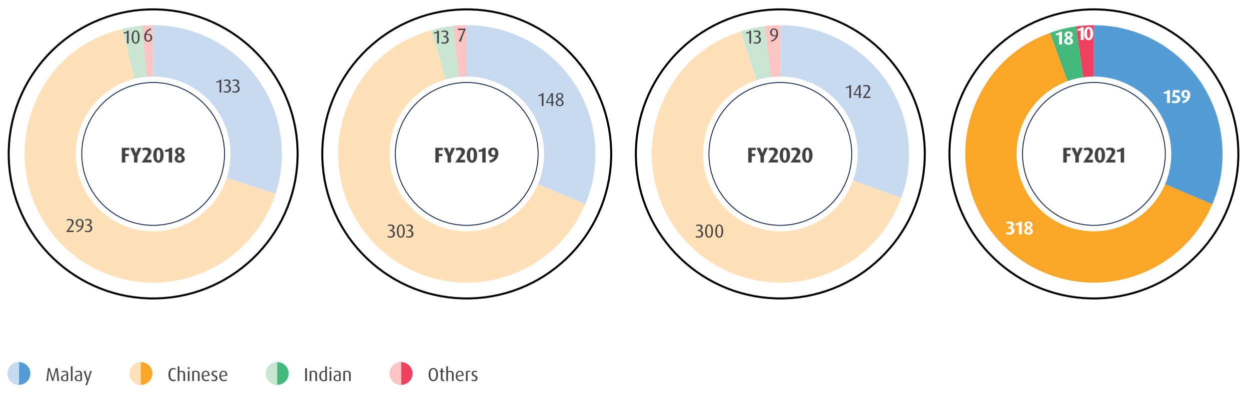
Employee gender breakdown (number)



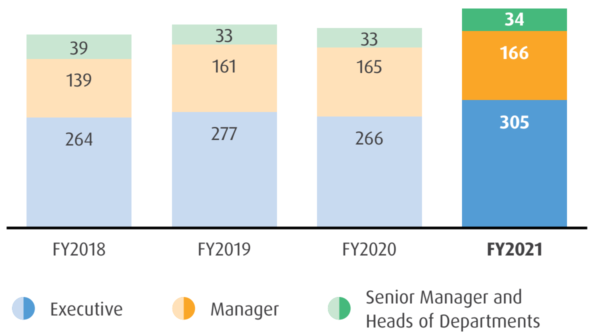
Employees by age group (number)



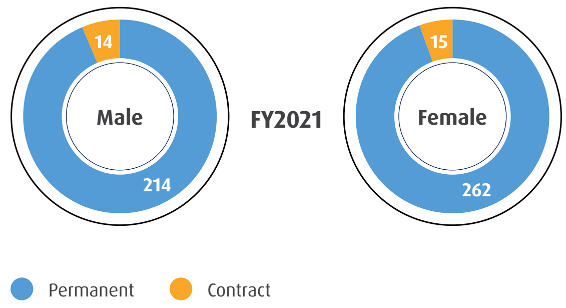
Employees by ethnicity (number)



Employees by category (number)

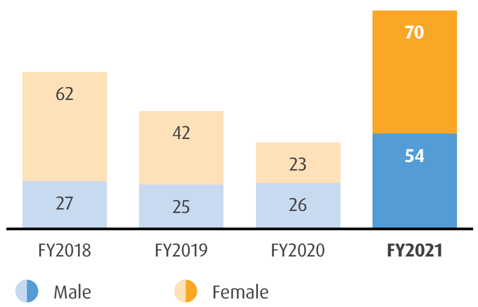


Employees by contract type (number)

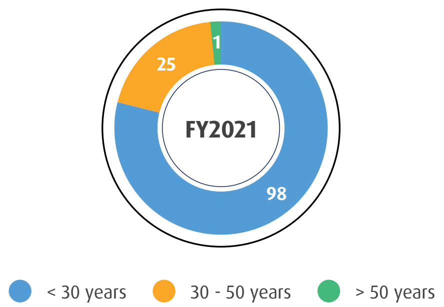


EMPLOYEE TURNOVER

New hires by gender (number)



New hires by age (number)



Attrition Rates

8.32%

in **FY2021**

Sustainability Statement

ENVIRONMENTAL MANAGEMENT

We are cognisant of the impact our operations may have on the environment. Robust environmental governance mechanisms are essential in reducing an organisation's impact on the environment. We strive to operate as a responsible integrated financial service provider by working to progressively reduce our environmental footprint where possible.

CULTIVATING A RESPONSIBLE ENVIRONMENTAL FOOTPRINT

We manage our environmental footprint using a stepwise approach to minimise the consumption of resources while improving efficiency across our business premises. We place emphasis on encouraging our employees and clients to be mindful of how their actions impact the environment. We hope to embed environmentally conscious initiatives throughout our business operations and have plans to better integrate environmental sustainability considerations in our day-to-day operations.

OUR ENVIRONMENTAL PERFORMANCE

We track and monitor key metrics that help us to manage and monitor our impact on the environment. Robust management of our resource consumption - which includes energy, water and paper - will guide HLCB to efficiently reduce costs across the organisation.

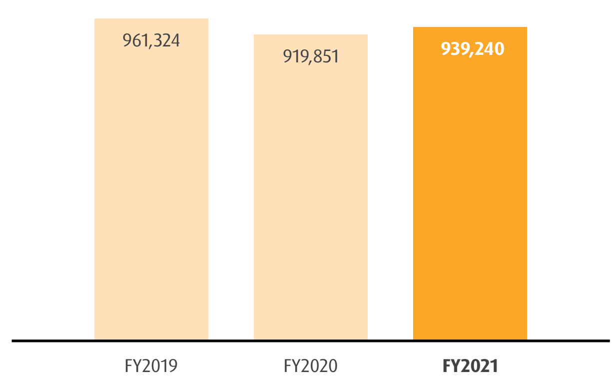
In FY2021, we saw a slight increase in our electricity and paper consumption compared to FY2020, as COVID-19 restrictions were relaxed and more of our employees were able to work from the office. We have persevered with our energy and paper management efforts, continuing to encourage our employees and clients to be cognisant of resource use wherever possible.

ENERGY CONSUMPTION

We proactively manage our energy consumption to reduce our impact on the environment. Ongoing best practice initiatives such as efficient use of air-conditioning and lighting systems in our buildings help us reduce our energy usage. Despite the restrictions during the COVID-19 pandemic in FY2021, these initiatives were practised diligently by our employees who were required to work in our buildings.

In line with global reporting trends, we have begun disclosing our electricity consumption in kWh to provide our stakeholders with a more comparable metric. In FY2021, we recorded a 2.1% increase in electricity consumption in kWh over the previous year. This was because we were able to re-deploy a number of employees to work from the office, following a relaxation in MCO restrictions, resulting in some readjustments. Despite the increase in our electricity usage, we still saw a 2.9% decrease in our electricity expenses, due to the electricity discount provided by Tenaga Nasional Berhad. We note that the increase in electricity consumption for FY2021 has not surpassed the total consumption for the period before MCO restrictions, indicating management of energy consumption has been effective.

Electricity Consumption (kWh)



Energy Expenditure (RM'000)	FY2019	FY2020	FY2021
Fuel Consumption	35	27	**26**
Electricity Consumption	497	486	**472**
Total Energy Consumption	532	513	**498**

AWARD WINNING HEADQUARTERS

In 2018, the Group's headquarters were relocated to Menara Hong Leong, which has been certified with the Leadership in Energy and Environmental Design ("LEED") Gold rating, and with the Green Building Index ("GBI") Silver rating, indicating environmentally responsible building practices and efficient resource use. These certifications ensure that our electricity consumption is managed effectively and efficiently.

PAPER CONSUMPTION

Managing the use of paper, as a fundamental resource in our day-to-day operations, is a key aspect of reducing our environmental footprint while optimising our operational costs. In FY2020, the Group set a target to reduce paper consumption of at least 5% in FY2021. Towards achieving this target, we focus on managing our paper consumption by encouraging our internal and external stakeholders to reduce paper usage.

In FY2021, we saw a 9.3% increase by weight in our paper consumption. One factor for this increase is a 92% growth in HLeBroking accounts in FY2021. To balance the success of the HLeBroking platform while remaining environmentally responsible, we are working on developing and launching a digital client onboarding feature. We also began tracking and collecting used toner cartridges as part of our waste management efforts. To date, we have collected 5kg of empty toner cartridges to be recycled.

Paper Consumption	FY2020	FY2021
Expenditure (RM'000)	41	44
Total Reams (number)	4,267	4,665
Total Weight (kg)	9,601	10,496

Our engagement with employees is focused on increasing awareness and encouraging them to be mindful of their paper usage. To this end, we encourage employees to print less and utilise e-storing of files in common drives. Prior to the MCO, we also sent out quarterly paper consumption reports to HODs, to increase awareness on the usage of paper by each department. These reports serve as a reminder to be cognisant of paper wastage as we strive to reduce consumption internally. While these reminders were halted during the MCO, we continued to monitor paper usage and reached out to users if their paper order was higher than usual. We plan on resuming this best practice initiative in early FY2022.

Furthermore, we encourage our clients to adopt our suite of digital services with the aim of transitioning them to a paperless environment. Initiatives targeted at reducing paper usage amongst our clients include:

INITIATIVES FOR CLIENTS

Initiative	Details	Key Achievements
Discontinuation of printing of contract notes and statements	The Stockbroking Retail business has been progressively switching from sending hardcopy of contract notes and statements to clients to uploading contract notes and statements to the HLeBroking website, making them available for clients to view and download. Additionally, the team continues to encourage offline trading clients to convert to the use of electronic Statements.	An estimated RM4.0 million was saved in FY2021 through the reduction of printing and postage as well as email services.
Enhancements to HLeBroking website	The Stockbroking Retail business introduced "e-Reactivation" in August 2019, enabling clients to submit an online trading account reactivation request via the HLeBroking website.	Since launch to June 2021, over 4,300 reactivation requests were submitted online, resulting in savings of 21,500 sheets of paper.
Investing through OTP	In FY2019, the fund management and unit trust management business operated under HLAM embarked on a fully integrated OTP to improve the functionality and features of HLAM's e-portals. One of the objectives of the OTP implementation is to promote a paperless environment amongst investors, so they can invest via the online platform.	Annual savings of over RM98,000 through the reduction of paper usage.
Discontinuation of cheque printing	In April 2020, our Stockbroking business ceased the printing of cheques for all clients and converted to e-payment mode.	Annual printing cost savings of approximately RM50,000 per annum.

Sustainability Statement

ENVIRONMENTAL MANAGEMENT

WATER CONSUMPTION

We recognise that water management is a core tenet of responsible operations. Thus, we have begun reporting our water consumption with the aim of improving our environmental monitoring metrics and managing how we efficiently utilise water across our operations. In FY2021, our water consumption for Plaza Zurich stood at 345 m^3. Moving forward, we plan on disclosing our water consumption each financial year to provide management a comparative view on how we manage water consumption.

CLIMATE RELATED DISCLOSURES

As a responsible integrated financial services provider, HLCB is aware of the increased global emphasis by organisations and regulators on the potential impact of climate change. In line with Bursa Malaysia's Sustainability Reporting Guide and in support of BNM's Climate Change and Principle-based Taxonomy, we have taken the first steps in addressing this impact by disclosing HLCB's ongoing efforts that are aligned with the recommendations of the TCFD.

TCFD Pillars	Our Management Approach
GOVERNANCE	**Board and BARMC** • Oversight of sustainability within the organisation **Steering Committee** • Advises and makes recommendations to the BARMC (to seek Board's approval) on the business strategies in the area of sustainability, including environmental-linked sustainability issues • Oversees and monitors on behalf of the Board and BARMC the implementation of sustainability strategies, including environmental-linked strategies **Working Committee** • Active participation in the planning, coordinating and implementation of initiatives relevant to the sustainability matters, including environmental-linked sustainability initiatives
RISK MANAGEMENT	• The BARMC has oversight on our Group-wide risk management as well as risk appetite, limits and controls. • We support efforts in place by our regulators such as BNM and SC in addressing climate change within the financial services industry in Malaysia. • Began integrating ESG considerations into our investment banking activities, supported by our ESRG. For more information on our ESRG, please refer to the Managing ESG Risk section on page 33.
METRICS AND TARGETS	We currently track key environmental metrics such as electricity consumption in RM/kWh and paper consumption which are linked to our impact on climate change. We will continue to report these key metrics on a yearly basis. HLCB also has plans in the pipeline to report our greenhouse gas ("GHG") emissions in the future.

COMMUNITY INVESTMENT

Significant events around the world have placed HLCB at a crucial juncture in the last two years, and we have renewed our commitment to use our voice as a corporate citizen and our key business strengths to directly and more meaningfully address societal challenges.

In FY2021, we laid the foundations to boost our community engagement initiatives for increasing accessibility to educational resources for financial and investment literacy targeted at guiding first-time and prospective investors through the fundamentals of investing in capital markets. Our employees have also continued to support their local communities through various volunteering initiatives conducted throughout the year.

SUPPORTING THE COMMUNITY THROUGH COVID-19

Donated 10 units PCs to Orang Asli children in Agape Home for online classes

Participated in Brokerage Charity Days to raise funds for food banks in Malaysia.

Collaborated with Zakat to distribute a fund of over RM19,800 to provide assistance for the Asnaf groups of Fakir, Miskin, Muallaf or Fisabilillah.

FOSTERING EMPOWERMENT THROUGH FINANCIAL EDUCATION

At HLCB Group, we understand that financial literacy forms the basis of sound financial management skills. We are well aware that individual investors are faced with complex factors and variables when making investment decisions.

By 2022, we plan to provide free, publicly available financial education resources online and tools to help our clients and local communities improve their investment knowledge and financial literacy to better protect their wealth. When our clients require investment advice, we lend them a helping hand by providing them with consultation and support tailored to their specific needs.

We plan to enhance our educational resources across various platforms to maximise our reach and increase the financial and investment awareness and literacy of our clients and the community.

Our range of investment knowledge and wealth planning resources available on the HLeBroking website:

- BREAKFAST BRIEF
- TRADERS BRIEF
- ECONOMICS & STRATEGY
- SECTOR OUTLOOK
- TECHNICAL TRACKER/TRADING IDEA

Sustainability Statement

COMMUNITY INVESTMENT

PROVIDING ACCESS TO EXPERT KNOWLEDGE

STOCKBROKING INSTITUTIONAL CLIENTS

Aside from our innovative products and services, we also offer our stockbroking institutional clients in-depth expertise on a wide range of sectors as well as information about key developments from regulators and government agencies. By providing clients with access to industry specialists, it facilitates opportunities for networking, which help them make informed investment decisions.

Workshops and conferences on global and domestic topics are organised to keep our institutional clients informed of changes that may alter a sector's dynamics and open investment opportunities. We help our institutional clients to make informed investment decisions by inviting renowned independent market analysts, regulators, government agencies and specialist practitioners to host these programmes.

Industry Collaboration

Our stockbroking institutional clients also continue to benefit from our collaboration with industry players as they gain access to exclusive events held by government agencies, industry specialists, and various public and listed companies. We work in close collaboration with our Research team on site visits to acquire a better understanding of the technical and operational elements of investee companies, which helps our clients improve their investment decision making and strategies. The joint team also conducts a thorough analysis of listed companies and advises them in making investment decisions through frequent meetings.

Stratum Focus Series

In collaboration with Bursa Malaysia, our Stockbroking Institutional business has conducted the Bursa – HLIB Stratum Focus Series forums ("Stratum Focus Series") since September 2015. This thematic sectoral conference is geared towards providing value-added industry knowledge and facilitating the exchange of knowledge and policy insights between government agencies as well as the investment community.

During FY2021, one forum titled "Bursa-HLIB Stratum Focus Series XI – Renewable Energy – A Genesis For A Sustainable Future" was held virtually in April 2021.

STOCKBROKING RETAIL CLIENTS

As for our stockbroking retail clients, we have been providing free workshops, webinars, and resources, including research reports which cover the information acquired during the site visits conducted by our Research team - to our retail clients for several years, in order to help them make informed investment decisions. In our efforts to financially empower our local communities, we have increased awareness and sought to improve financial skills in investing in capital markets. By improving financial skills, we hope to not only improve financial management, but also raise inactive capital and improve market efficiency.

Market Outlook Webinars

The combined effect of massive volatility in the markets, more people working from home, and spending more time online during the pandemic has encouraged many in our community to invest in the stock markets last year. While we have had limited face-to-face meetings during the lockdown period, we continued to build relationships and engage with our clients through our Market Outlook Webinars. We also recently opened registration for these webinars to the public to support and advocate investment literacy amongst novice investors.

Our Market Outlook webinars are conducted every quarter to keep investors up-to-date on the trends in the market. Between July 2020 to June 2021, we conducted three online Market Outlook webinars, engaging over 960 investors to provide insight regarding volatile market activities, conditions and potential trading opportunities by utilising fundamental and technical analysis. Our Head of Research at HLIB shared his professional perspective on Malaysia's equity market direction, provided a choice of short to long term stock selections, and facilitated interactive discussions with participants.

Sustainability Statement

ENCOURAGING WOMEN TO INVEST

Our partner and frontline regulator of the Malaysian capital market, Bursa Malaysia, has identified that only 39% of investors are women, representing a large gender imbalance. Financial mobility is a key tool for the empowerment of women, and through our targeted campaigns, we have taken up the call to address this issue.

We hope to empower more women through investing by continuing our collaboration with Bursa Malaysia to maximise our outreach and increase market awareness amongst women.

Women's Choice Package

The Women's Choice Package was offered to individual female clients who opened a HLIB Trading Account together with a Value Trade Account via HLeBroking during the campaign period in FY2021. Female clients received rewards that included a promotional brokerage rate and a waiver on fees for opening the Bursa Malaysia CDS account.

Breast Cancer Awareness Campaign

Between 19th October until 18th December 2020, HLIB participated in Bursa Malaysia's Breast Cancer Awareness campaign to boost awareness about breast cancer as well as to raise funds for the National Cancer Society of Malaysia, supporting cancer screening outreach programmes for underprivileged women across Klang Valley. During the campaign, 1,330 women opened CDS accounts with HLeBroking and began their journey of investing in equity markets.

#EqualityforEquity

Under the Women's Choice Package campaign, we also participated in Bursa Malaysia's Ring the Bell for Gender Equality event and Equality for Equity campaign which ran from 8th to 31st March 2021. During the campaign period, we encouraged 638 women to open CDS accounts with HLeBroking and invest in equity markets.

CHARITABLE CONTRIBUTIONS

FROM THE HEART

Our employee community involvement programmes encourage our employees to give back and make a meaningful difference to the local community. We provide opportunities for our employees to engage with their communities and contribute to the greater good through volunteerism and charitable donations.

Spreading Festive Cheer

This year, during the month of Ramadhan, both HLAM and HLISAM contributed dinner boxes, pre-loved clothes and books to 33 children for an Orphanage Visit and Donation Drive at the Rumah Kebajikan and Anak Yatim Darul Najjah. We also contributed "kurma" or dates to nine mosques and surau in Selangor during Ramadhan. We also partnered with ProjekASAL and extended this initiative to donate pre-loved clothes to eight Rumah Baca Orang Asli located across Malaysia.

Brokerage Charity Days

In FY2021, our Treasury and Markets team participated in Brokerage Charity Days organised by Affin Moneybrokers Sdn. Bhd., where proceeds from brokerage on selected days are earmarked for donation to selected charitable organisations. Our participation contributed to a fund drive for food banks, supporting The Lost Food Project and Food Aid Foundation.

Corporate **Information**

DIRECTORS

Tan Kong Khoon (Chairman)

Lee Jim Leng

Tai Siew Moi

Leong Ket Ti

Peter Ho Kok Wai

GROUP COMPANY SECRETARY

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SSM PC No. 202008001704

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WEBSITE

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Awards & Accolades

HONG LEONG CAPITAL BERHAD

Bursa Excellence Awards 2020

Best Retail Equities Participating Organisation – Investment Bank - 2nd runner up

Organised by **Bursa Malaysia**

14th Annual Alpha Southeast Asia Best Deal & Solution Awards 2020

Best Equity Deal Of The Year, Malaysia

Organised by **Alpha Southeast Asia**

14th Annual Alpha Southeast Asia Best Deal & Solution Awards 2020

Best Islamic Subordinated Perpetual Bond & Most Innovative Islamic Finance Deal Of The Year

Organised by **Alpha Southeast Asia**

Islamic Finance News Awards 2020

Ijarah Deal Of The Year

Organised by **Islamic Finance News**

Refinitiv Lipper Fund Awards 2021 – Malaysia Provident (Group Award)

Best Equity Award – Hong Leong Asset Management Bhd

Organised by **Refinitiv**

Refinitiv Lipper Fund Awards 2021 – Malaysia Provident (Fund Award)

Equity Malaysia Income – 5 Years – Hong Leong Dividend Fund

Organised by **Refinitiv**

Refinitiv Lipper Fund Awards 2021 – Malaysia Provident (Fund Award)

Equity Malaysia Diversified – 5 Years – Hong Leong Growth Fund

Organised by **Refinitiv**

Refinitiv Lipper Fund Awards 2021 – Malaysia Provident (Fund Award)

Equity Asia Pacific ex Japan – 3 Years – Hong Leong Asia-Pacific Dividend Fund

Organised by **Refinitiv**

Refinitiv Lipper Fund Awards 2021 – Malaysia Provident (Fund Award)

Equity Asia Pacific ex Japan – 5 Years – Hong Leong Asia-Pacific Dividend Fund

Organised by **Refinitiv**

Refinitiv Lipper Fund Awards 2021 - Malaysia Provident (Fund Award)

Equity Malaysia - 3 Years - Hong Leong Dana Makmur

Organised by **Refinitiv**

Refinitiv Lipper Fund Awards 2021 – Malaysia Islamic (Fund Award)

Equity Malaysia – 3 Years – Hong Leong Dana Makmur

Organised by **Refinitiv**

Refinitiv Lipper Fund Awards 2021 – Malaysia Islamic (Fund Award)

Equity Malaysia – 5 Years – Hong Leong Dana Makmur

Organised by **Refinitiv**

Refinitiv Lipper Fund Awards 2021 – Global Islamic (Fund Award)

Equity Malaysia – 3 Years – Hong Leong Dana Makmur

Organised by **Refinitiv**

Refinitiv Lipper Fund Awards 2021 – Global Islamic (Fund Award)

Equity Malaysia – 5 Years – Hong Leong Dana Makmur

Organised by **Refinitiv**

Board of Directors' Profile

TAN KONG KHOON

Position

Chairman / Non-Executive / Non-Independent

Nationality / Age / Gender

Singaporean / 64 / Male

Mr Tan Kong Khoon holds a Bachelor of Business Administration degree from Bishop's University, Canada and is an alumnus of the Harvard Business School Advanced Management Program. He is a Chartered Banker of the Asian Institute of Chartered Bankers.

Mr Tan is the President & Chief Executive Officer of Hong Leong Financial Group Berhad ("HLFG"). He was the Group Managing Director/Chief Executive Officer of Hong Leong Bank Berhad ("HLB") from 1 July 2013 to 4 February 2016. Prior to joining HLB, Mr Tan was the Group Executive, Consumer Banking Group of DBS Bank Ltd ("DBS") from 1 December 2010 to 15 April 2013 where he led and managed strategy formulation and execution for consumer banking globally across the DBS Group.

Mr Tan began his banking career with DBS in 1981. Since then, he has successfully built consumer banking franchises across multiple markets in Asia for Citibank, Standard Chartered Bank and ANZ Bank.

From March 2007 to December 2009, Mr Tan was the President and Chief Executive Officer of Bank of Ayudhya, the fifth largest financial group in Thailand listed on the Thailand Stock Exchange. The group businesses included commercial and investment banking, life and non-life insurance, stock broking, asset management and consumer finance subsidiaries.

Mr Tan was appointed to the Board of Directors ("Board") of Hong Leong Capital Berhad ("HLCB") on 24 February 2016. He is presently the Chairman of HLCB and a member of the Nomination and Remuneration Committee ("NRC") of HLCB.

Mr Tan is a Director of HLFG and HLB, both companies listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") and a Director of Hong Leong Assurance Berhad and Hong Leong Investment Bank Berhad ("HLIB"), both public companies. He is also the Chairman of Hong Leong Bank (Cambodia) PLC and Chief Controller on the Board of Controllers of Hong Leong Bank Vietnam Limited.

LEE JIM LENG

Position

Non-Executive Director / Non-Independent

Nationality / Age / Gender

Malaysian / 58 / Female

Ms Lee Jim Leng obtained a Bachelor of Business Administration degree in 1984 from the Acadia University, Canada and a Master of Business Administration in 1987 from the Dalhousie University, Canada.

Ms Lee joined HLIB on 24 November 2009 and is presently the Group Managing Director/Chief Executive Officer of HLIB.

Ms Lee has more than 20 years of experience in the financial industry, specialising mainly in investment banking. Prior to joining HLIB, she was the Managing Director of a local investment bank where she was responsible for the overall development of the bank's investment business in Malaysia. From 1999 to 2007, she was attached to a Singapore based regional bank and was tasked to spearhead their investment banking division in Malaysia and the ASEAN region.

Ms Lee was appointed to the Board of HLCB on 17 September 2021.

Ms Lee is the Council Chairman of the Malaysian Investment Banking Association (MIBA), a Council Member of the Asian Institute of Chartered Bankers (AICB) and National Payments Advisory Council, and a Board Member of Asian Banking School Sdn Bhd.

Board of Directors' Profile

TAI SIEW MOI

Position

Non-Executive Director / Independent

Nationality / Age / Gender

Malaysian / 63 / Female

Ms Tai Siew Moi graduated from University of Malaya with a Bachelor of Accounting Degree and holds a Masters Degree in Business Administration from Cranfield, United Kingdom. She is a Chartered Accountant registered with the Malaysian Institute of Accountants.

Ms Tai has 18 years experience in the derivatives broking industry. She held the position of Executive Director of the derivatives broking subsidiary of Hwang-DBS Group from 2006 to 2015. Thereafter, she held the position of Executive Vice President, Futures, heading the derivatives broking business of Affin Hwang Investment Bank Berhad till 2016.

Prior to joining Hwang-DBS Group, she held various management positions in the area of corporate affairs and corporate services with a few companies including public listed companies, handling corporate exercise like mergers and acquisitions, initial public offerings, rights issues, bonds and warrants issue. Prior to that, she was attached to a management consultants firm doing consultancy work which included project feasibility studies, accounting and internal control systems review. Earlier on in her career, she was attached with the Accountant General's Department of Malaysia as a Treasury Accountant.

Ms Tai was appointed to the Board of HLCB on 18 September 2017. She is the Chairman of NRC and a member of the Board Audit and Risk Management Committee ("BARMC") of HLCB.

Ms Tai is a member of the Market Participants Committee of Bursa Malaysia Berhad.

LEONG KET TI

Position

Non-Executive Director / Independent

Nationality / Age / Gender

Malaysian / 58 / Female

Ms Leong Ket Ti graduated from University of Cambridge, England with a Bachelor of Arts (Hons) Cantab and holds a Degree in Economics.

Ms Leong has 28 years of experience in the banking industry, having been with JP Morgan Chase Bank Berhad ("JPMorgan") from February 1990 to January 2018 where she held various senior positions, the last being the Executive Director ("ED"), Malaysia Country Credit Officer from 2011 to 2018. As the ED, Malaysia Country Credit Officer of JPMorgan, she was responsible for a diverse portfolio of over 300 obligors across all businesses and industries. She also had a strong oversight role on regulatory issues and worked closely with the business/product partners in developing solutions to meet clients' needs.

Prior to her position as ED, Malaysia Country Credit Officer, Ms Leong was Vice President/ED, Leveraged Finance, Regional Client Credit Management of JPMorgan from 2005 to 2010 where she worked with their Investment Bank and Debt Capital Markets teams to structure and underwrite financing transactions.

From 2002 to 2005, Ms Leong served as Vice President & General Manager of JPMorgan Chase at Labuan, and from 2001 to 2002, she was the Vice President of Corporate Banking of JPMorgan Malaysia.

Ms Leong was appointed to the Board of HLCB on 15 November 2018. She is currently a member of the BARMC and NRC of HLCB.

Ms Leong is also a Director of HLFG, a company listed on the Main Market of Bursa Securities.

Board of Directors' Profile

PETER HO KOK WAI

Position

Non-Executive Director / Independent

Nationality / Age / Gender

Malaysian / 61 / Male

Mr Peter Ho Kok Wai is a Chartered Accountant and Member of the Malaysian Institute of Accountants, Fellow of the Institute of Chartered Accountants in England and Wales and a Member of the Malaysian Institute of Certified Public Accountants.

Mr Peter Ho forged his early career with Everett Pinto & Co., a central London Firm of Chartered Accountants, and qualified as a Chartered Accountant in 1984. Subsequently, in 1987, Mr Peter Ho joined KPMG, Kuala Lumpur ("KPMG KL"), where he progressed to Head of Department in 1992. He was transferred to KPMG, Ipoh in 1993 to head the branch and was admitted as Partner in 1995. He was transferred back to KPMG KL in 2005 where he headed the Technical Committee, Audit Function and Marketing Department. He has more than 27 years of auditing experience in a wide range of companies including public listed companies and multinationals, with particular emphasis in manufacturing, distribution and financial services. Mr Peter Ho retired from KPMG in December 2014.

Mr Peter Ho was appointed to the Board of HLCB on 20 December 2018. He is currently the Chairman of BARMC of HLCB.

Mr Peter Ho is an Independent Director of GuocoLand (Malaysia) Berhad, Hong Leong Industries Berhad, HPMT Holdings Berhad and Allianz Malaysia Berhad, companies listed on the Main Market of Bursa Securities. He is also an Independent Director of Allianz Life Insurance Malaysia Berhad, a public company, and serves as an Independent Director on the Board of First Resources Limited, a company listed on the Singapore Exchange Limited.

Notes:

1. **Family Relationship with Director and/or Major Shareholder**
   None of the Directors has any family relationship with any other Director and/or major shareholder of HLCB.

2. **Conflict of Interest**
   None of the Directors has any conflict of interest with HLCB.

3. **Conviction of Offences**
   None of the Directors has been convicted of any offences (excluding traffic offences) in the past 5 years and there were no public sanctions or penalties imposed by the relevant regulatory bodies during the financial year ended 30 June 2021.

4. **Attendance of Directors**
   Details of Board meeting attendance of each Director are disclosed in the Corporate Governance Overview, Risk Management & Internal Control Statement in this Annual Report.

Key Senior Management **of the Group**

LEE JIM LENG

Position

Group Managing Director / Chief Executive Officer, Hong Leong Investment Bank Berhad ("HLIB"), a wholly-owned subsidiary of HLCB

Nationality / Age / Gender

Malaysian / 58 / Female

Ms Lee Jim Leng obtained a Bachelor of Business Administration degree in 1984 from the Acadia University, Canada and a Master of Business Administration in 1987 from the Dalhousie University, Canada.

Ms Lee joined HLIB on 24 November 2009 and is presently the Group Managing Director/Chief Executive Officer of HLIB.

Ms Lee has more than 20 years of experience in the financial industry, specialising mainly in investment banking. Prior to joining HLIB, she was the Managing Director of a local investment bank where she was responsible for the overall development of the bank's investment business in Malaysia. From 1999 to 2007, she was attached to a Singapore based regional bank and was tasked to spearhead their investment banking division in Malaysia and the ASEAN region.

Ms Lee is the Council Chairman of the Malaysian Investment Banking Association (MIBA), a Council Member of the Asian Institute of Chartered Bankers (AICB) and National Payments Advisory Council, and a Board Member of Asian Banking School Sdn Bhd.

LAU YEW SUN

Position

Chief Financial Officer, HLIB, a wholly-owned subsidiary of HLCB

Nationality / Age / Gender

Malaysian / 55 / Male

Mr Lau Yew Sun is a certified public accountant under the Malaysian Institute of Certified Public Accountants. He holds a Bachelor of Accountancy (Hons) from the Universiti Utara Malaysia.

Mr Lau joined HLCB on 29 September 2009 as Group Financial Controller and is presently the Chief Financial Officer of HLIB, a position he assumed since 1 August 2017.

Prior to HLCB, he was the Chief Financial Officer of ECM Libra Financial Group Berhad/Acting Chief Operating Officer of Avenue Invest Berhad (ECM Libra) from 23 April 2007 to 28 September 2009.

CHONG POH CHOON

Position

Head, Treasury & Markets, HLIB, a wholly-owned subsidiary of HLCB

Nationality / Age / Gender

Malaysian / 43 / Male

Mr Chong Poh Choon is a Chartered Financial Analyst (CFA) charterholder. He holds a Bachelor of Business Administration (Hons) majoring in Finance; graduating with a first class honours from the Multimedia University.

Mr Chong joined HLIB on 16 September 2009 as Senior Vice President, Treasury & Markets. He was appointed as the Head of Treasury & Markets on 28 June 2017.

Prior to joining HLIB, he was with HwangDBS Investment Bank Berhad (now known as Affin Hwang Investment Bank Berhad) as Assistant Vice President, Treasury & Markets for two years. Prior to that, he was with United Overseas Bank (M) Berhad, Malaysian Rating Corporation Berhad and Ernst & Young.

Key Senior Management of the Group

CHONG FOOK JADE

Position

Head, Client Coverage, Investment Banking, HLIB, a wholly-owned subsidiary of HLCB

Nationality / Age / Gender

Malaysian / 49 / Male

Mr Chong Fook Jade holds a Bachelor's Degree in Economics from the University of California, Los Angeles.

Mr Chong joined HLIB on 11 August 2021 as Head, Client Coverage.

Prior to his current position with HLIB, Mr Chong held the position of Head of Global Banking and Markets with China Construction Bank (Malaysia) Berhad. From 2009 to 2017, he was attached with HLIB leading a team in Client Relationship Department. Mr Chong has extensive experience in banking with over 20 years across a gamut of Malaysian and international banking institutions including Schroder Capital Markets (M) Sdn Bhd, Schroders International Merchant Bankers Ltd, OCBC Bank (Malaysia) Berhad, United Overseas Bank (Malaysia) Bhd, HwangDBS Investment Bank Berhad (now known as Affin Hwang Investment Bank Berhad) and HLIB.

LING YUEN CHENG

Position

Head, Debt Markets, HLIB, a wholly-owned subsidiary of HLCB

Nationality / Age / Gender

Malaysian / 53 / Male

Mr Ling Yuen Cheng holds a Master of Applied Finance and Bachelor of Economics (Accounting & Finance) from the Macquarie University, Sydney, Australia. He also procured his Chartered Financial Analyst (CFA) qualification in year 2001.

Mr Ling joined HLIB on 16 September 2009 as Co-Head of Debt Markets and was re-designated as the Head of Debt Markets since 1 March 2012.

Mr Ling has over 20 years of working experience in the banking industry. Prior to joining HLIB in September 2009, he was the Co-Head of Debt Markets in HwangDBS Investment Bank Berhad (now known as Affin Hwang Investment Bank Berhad). Prior to that, he was with United Overseas Bank (M) Berhad, OCBC Bank (Malaysia) Berhad, Kien Huat Realty Sdn Bhd and Southern Bank Berhad. Over his entire banking career, he was exposed to various areas including treasury operations, risk management, corporate banking, assets & liabilities management and investment banking related activities including debt origination, execution and placement.

PHANG SIEW LOONG

Position

Head, Equity Markets, HLIB, a wholly-owned subsidiary of HLCB

Nationality / Age / Gender

Malaysian / 53 / Male

Mr Phang Siew Loong holds a Master of Business Administration from the Georgia State University, United States ("US") and a Bachelor of Science in Economics from the University of Louisiana in Lafayette, US (formerly known as University of Southwestern Lafayette).

Mr Phang joined HLIB on 11 October 2010 as Co-Head of Equity Markets. Mr Phang was re-designated as the Head of Equity Markets since 13 June 2017.

Prior to HLIB, Mr Phang was with Public Investment Bank Berhad for almost 10 years, his last position being the Head of Corporate Finance. Prior to that, he was with Affin Merchant Bank Berhad and Sime Merchant Bankers Berhad.

Key Senior Management of the Group

KWEK KON CHAO

Position

Chief Operating Officer of Stockbroking and Head of Broking, HLIB, a wholly-owned subsidiary of HLCB

Nationality / Age / Gender

Singaporean / 35 / Male

Mr Kwek Kon Chao holds Masters in Computer Science from the University of Oxford.

Mr Kwek joined HLIB on 9 October 2017 as Chief Operating Officer of Stockbroking, and assumed the added role of Head of Broking on 9 June 2021.

Prior to HLIB, Mr Kwek was with Guoline eMarketing Sdn Bhd as Chief Executive Officer. Prior to that, he was with Morgan Stanley and subsequently with Thyrus Capital as an Investment Banking Analyst.

HOO SEE KHENG

Position

Chief Executive Officer / Executive Director, Hong Leong Asset Management Bhd ("HLAM"), a wholly-owned subsidiary of HLCB

Nationality / Age / Gender

Malaysian / 55 / Male

Mr Hoo See Kheng obtained a Bachelor of Commerce, majoring in Accounting and Finance from the University of New South Wales, Australia and a post-graduate diploma in System Analysis and Design from the Japan-Singapore Institute of Software Technology. Mr Hoo is also a member of the Malaysian Institute of Accountants and a Certified Information System Auditors, USA. He obtained his Capital Markets Services Representative's license from the Securities Commission on 22 October 1998.

Mr Hoo joined HLAM on 1 March 2014. He was appointed as an Executive Director of HLAM on 27 March 2014 and Chief Executive Officer on 12 May 2014.

Mr Hoo has more than 20 years of experience in the financial industry; mainly in areas of asset management and unit trust.

PUAN NOOR AINI BINTE SHAIK AWAB

Position

Chief Executive Officer, Hong Leong Islamic Asset Management Sdn Bhd ("HLISAM"), a wholly-owned subsidiary of HLAM, which in turn is a wholly-owned subsidiary of HLCB

Nationality / Age / Gender

Singaporean / 59 / Female

Puan Noor Aini Binte Shaik Awab holds a Diploma in Business Administration and Diploma in National Computer Studies, Singapore.

Puan Aini joined in April 2014 as the Chief Operations Officer of HLAM. She was appointed as Chief Executive Officer for HLISAM on 1 November 2019.

Puan Aini has more than 30 years of experience in the asset management industry. She started her career with Schroder Investment Management (Singapore) Ltd; and prior to joining HLAM, she was with UOB Asset Management (Malaysia) Berhad as Director, Administration & Special Projects. She was also formerly with Kenanga Investors Berhad as Senior Vice President II, Operations and Amanah SSCM Asset Management Bhd as Head of Operations.

Notes:

1. **Family Relationship with Director and/or Major Shareholder**
   None of the Key Senior Management has any family relationship with any Director and/or major shareholder of HLCB.

2. **Conflict of Interest**
   None of the Key Senior Management has any conflict of interest with HLCB.

3. **Conviction of Offences**
   None of the Key Senior Management has been convicted of any offences (excluding traffic offences) in the past 5 years and there were no public sanctions or penalties imposed by the relevant regulatory bodies during the financial year ended 30 June 2021.

Board Audit and Risk Management **Committee Report**

CONSTITUTION

The Board Audit Committee of Hong Leong Capital Berhad ("HLCB" or "the Company") had been established since 23 March 1994 and had been re-designated as the Board Audit and Risk Management Committee ("BARMC") on 29 August 2001.

COMPOSITION

MR PETER HO KOK WAI
(Chairman, Independent Non-Executive Director)

MS TAI SIEW MOI
(Independent Non-Executive Director)

MS LEONG KET TI
(Independent Non-Executive Director)

SECRETARY

The Secretary(ies) to the BARMC are the Company Secretary(ies) of the Company.

TERMS OF REFERENCE

The terms of reference of the BARMC are published on the Company's website at www.hlcap.com.my.

AUTHORITY

The BARMC is authorised by the Board to review any activity of the Group within its terms of reference. It is authorised to seek any information it requires from any Director or member of management and all employees are directed to co-operate with any request made by the BARMC.

The BARMC is authorised by the Board to obtain independent legal or other professional advice if it considers necessary.

MEETINGS

The BARMC meets at least four (4) times a year and additional meetings may be called at any time as and when necessary. All meetings to review the quarterly reports and annual financial statements are held prior to such quarterly reports and annual financial statements being presented to the Board for approval.

The Chief Executive Officers, Chief Risk Officer ("CRO"), Chief Compliance Officer/Head of Compliance ("CCO"), Head of Internal Audit, Chief Financial Officer, other senior management and external auditors may be invited to attend the BARMC meetings, whenever required. At least twice a year, the BARMC will have separate sessions with the external auditors without the presence of management.

The BARMC will also engage privately with the CCO, Head of Internal Audit and CRO on a regular basis (and in any case at least twice annually) to provide the opportunity for the CCO, Head of Internal Audit and CRO to discuss issues faced by compliance, internal audit and risk management functions.

Issues raised, discussions, deliberations, decisions and conclusions made at the BARMC meetings are recorded in the minutes of the BARMC meetings. Where the BARMC is considering a matter in which a BARMC member has an interest, such member shall abstain from reviewing and deliberating on the subject matter.

Two (2) members of the BARMC, who shall be independent, shall constitute a quorum and the majority of members present must be Independent Directors.

After each BARMC meeting, the BARMC shall report and update the Board on significant issues and concerns discussed during the BARMC meetings and where appropriate, make the necessary recommendations to the Board.

Board Audit and Risk Management Committee Report

ACTIVITIES

The BARMC carried out its duties in accordance with its Terms of Reference.

During the financial year ended 30 June 2021 ("FY2021"), four (4) BARMC meetings were held and the attendance of the BARMC members were as follows:

Member	Attendance
Mr Peter Ho Kok Wai	4/4
Ms Tai Siew Moi	4/4
Ms Leong Ket Ti	4/4

HOW THE BARMC DISCHARGES THEIR RESPONSIBILITIES

FINANCIAL REPORTING

The BARMC reviewed the quarterly reports and financial statements of the Company and of the Group focusing particularly on:

(i) any changes in accounting policies and practices;

(ii) significant adjustments arising from the audit;

(iii) the going concern assumptions; and

(iv) compliance with accounting standards and other legal requirements.

The legal and regulatory environment was monitored and consideration given to changes in law, regulation, accounting policies and practices including the disclosure requirements under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

EXTERNAL AUDIT

The external auditors of the Group for the FY2021 is PricewaterhouseCoopers PLT ("PwC"). The BARMC discussed and reviewed with the external auditors, before the audit commenced for the financial year, the audit plan and timetable for the financial audit of the Group including the focus areas and approach to the current financial year's audit and any significant issues that can be foreseen, either as a result of the past year's experience or due to new accounting standards or other changes in statutory or listing requirements.

The BARMC reviewed the report and audit findings of the external auditors and considered management's responses to the external auditors' audit findings and investigations. The BARMC also had two (2) separate sessions with the external auditors without the presence of management whereby matters discussed include key reservations noted by the external auditors during the course of their audit; whilst the BARMC Chairman maintained regular contact with the audit partner throughout the year.

The BARMC reviewed the external audit fees and their scope of services. The fees payable to PwC for the FY2021 amounted to RM645,590, of which RM173,800 was payable in respect of non-audit services. Non-audit services accounted for 27% of the total fees payable. The BARMC assessed the objectivity and independence of the external auditors prior to the appointment of the external auditors for ad-hoc non-audit services.

The BARMC also evaluated the performance of PwC in the following areas in relation to its re-appointment as auditors for the FY2021 and considered PwC to be independent:

(i) level of knowledge, capabilities, experience and quality of previous work;

(ii) level of engagement with BARMC;

(iii) ability to provide constructive observations, implications and recommendations in areas which require improvements;

(iv) adequacy in audit coverage, effectiveness in planning and conduct of audit;

(v) ability to perform the audit work within the agreed timeframe;

(vi) non-audit services rendered by PwC does not impede independence;

Board Audit and Risk Management Committee Report

(vii) ability to demonstrate unbiased stance when interpreting the standards/policies adopted by HLCB; and

(viii) risk of familiarity threat to ensure that the independence and objectivity of the external auditor was not compromised.

PwC, in accordance with professional ethical standards, have provided the BARMC with confirmation of their independence for the duration of the FY2021 and the measures used to control the quality of their work.

The BARMC has therefore recommended to the Board that PwC be re-appointed as the auditors. Resolution concerning the re-appointment of PwC will be proposed to shareholders at the 2021 Annual General Meeting.

RELATED PARTY TRANSACTIONS

The BARMC conducted quarterly review of the recurrent related party transactions ("RRPT") entered into by the Group to ensure that such transactions are undertaken on commercial terms and on terms not more favourable to the related parties than those generally available to and/or from the public.

The Group had put in place procedures and processes to monitor, track and identify the RRPT as well as to ensure that the RRPT are conducted on commercial terms consistent with the Group's usual business practices and policies and on terms not more favourable to the related parties than those generally available to and/or from the public, where applicable.

The BARMC reviewed the said procedures and processes on an annual basis and as and when required, to ensure that the said procedures are adequate to monitor, track and identify RRPT in a timely and orderly manner, and are sufficient to ensure that the RRPT will be carried out on commercial terms consistent with the Group's usual business practices and policies and on terms not more favourable to the related parties than those generally available to and/or from the public.

INTERNAL AUDIT

The BARMC reviews the adequacy of internal audit scope, internal audit plan and resources of the various internal audit functions within Internal Audit Department ("IAD").

During the financial year, BARMC noted that IAD had effectively carried out internal audits to all business entities of the Group and reviewed the IAD's reports on the audits performed on the investment banking business, stockbroking business and asset management business as set out under Internal Audit Function of this report.

The review of BARMC on the audit findings and recommendations of the IAD focused on the adequacy and integrity of internal control systems, business and compliance audits on the respective divisions. The management responses to IAD's findings were also presented for the BARMC's consideration. The BARMC also reviewed at every BARMC meeting the status update of management's corrective action plans for the resolution of internal audit's findings and recommendations. Recommendations were made by BARMC to ensure that the root causes raised by IAD in their audit reports were effectively resolved and that any outstanding audit findings be tracked for timely resolution.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The BARMC considered reports on risk management for the purpose of overseeing and reporting to the Board, on the proper functioning of Risk Management as part of its responsibilities to monitor the Group's compliance with the business objectives, policies, reporting standards and control procedures of the Group.

The CRO was invited to present to the BARMC the Risk Management Dashboard covering among others Credit Risk, Market Risk, Liquidity Risk, Operational Risk and IT Risk. The BARMC also considered and reviewed the processes put in place to identify, evaluate and manage significant risks encountered by the Group as well as the adequacy and integrity of internal control systems, including risk management and relevant management information system.

COMPLIANCE

The BARMC considered reports on compliance for the purpose of overseeing and reporting to the Board on the compliance functions of the Group as part of its responsibilities to monitor the Group's compliance with regulatory requirements and internal policies.

The CCO was invited to present to the BARMC the compliance reports and deliberations on significant compliance issues were made.

Board Audit and Risk Management Committee Report

INTERNAL AUDIT FUNCTION

The Internal Audit function is established at its subsidiary, Hong Leong Investment Bank Berhad. The provision of Internal Audit Function to Hong Leong Asset Management Bhd and its subsidiary, Hong Leong Islamic Asset Management Sdn Bhd is through their respective shared service agreements. IAD employs a risk-based assessment approach in auditing the Company's business and operational activities. All pertinent high risk activities areas of Anti-Money Laundering/Counter Financing of Terrorism ("AML/CFT") compliance and cyber risk management together with key operational areas in investment banking, stockbroking and asset management have been audited on an annual basis.

IAD provides an independent and objective assessment of Hong Leong Capital Group companies' activities, with the aim to add value as well as to improve the efficiency and effectiveness of the governance, operational processes, information systems, risk management and internal controls.

IAD utilises a risk-based, systematic and disciplined approach to evaluate and improve the effectiveness of the risk management, internal controls and governance processes and provides the BARMC with information, recommendations and reasonable assurance to assist them in the effective discharge of their responsibilities to the shareholders and stakeholders.

To this effect, the IAD function assesses the following areas:

(i) Risks are appropriately identified and managed.

(ii) Control environments are effective and sufficient.

(iii) Governance processes are adequate and effective, and interaction with the various governance groups occurs as needed.

(iv) Significant financial, managerial, and operating information is accurate, reliable, and timely.

(v) Employee's actions are in compliance with policies, standards, procedures, and applicable laws and regulations.

(vi) Resources are acquired economically, being used efficiently, and are adequately protected.

(vii) Programs, plans, and objectives are achieved.

(viii) Quality and continuous improvement are fostered in the organisation's control process.

(ix) Significant legislative or regulatory issues impacting the organisation are recognised and adequately addressed.

(x) Effectiveness and robustness of stress testing procedures and practices.

(xi) Adequacy and effectiveness in assessing the entity's capital in relation to its estimation of risk.

(xii) Compliance with internal and external policies, procedures, rules, guidelines, directives, laws and regulations.

(xiii) Compliance with Shariah rules and principles as determined by relevant Islamic authorities (for Islamic operations).

(xiv) Identification of opportunities and area of improvements in management control, profitability, and the organisation's image.

The cost incurred for the Internal Audit function in respect of the FY2021 was RM1,722,710.61.

This BARMC Report is made in accordance with the resolution of the Board.

Corporate Governance Overview, **Risk Management & Internal Control Statement**

"

Corporate Governance is the process and structure used to direct and manage the business and affairs of the Company towards promoting business prosperity and corporate accountability with the ultimate objective of realising long-term shareholder value while taking into account the interest of other stakeholders.

"

Finance Committee on Corporate Governance

The Board of Directors ("Board") is pleased to present this statement with an overview of the corporate governance ("CG") practices of the Group which support the three key principles of the Malaysian Code on Corporate Governance ("MCCG") 2017 namely board leadership and effectiveness; effective audit and risk management; and integrity in corporate reporting and meaningful relationship with stakeholders.

The CG Report 2021 of the Company in relation to this statement is published on the Company's website, www.hlcap.com.my ("the Company's Website").

The Board takes cognisance of the new MCCG 2021 published in April 2021 and will be reporting the Group's adoption of the best practices under the MCCG 2021 in the CG Overview Statement for the next financial year.

A. ROLES AND RESPONSIBILITIES OF THE BOARD

The Board assumes responsibility for effective stewardship and control of the Company and has established terms of reference ("TOR") to assist in the discharge of this responsibility.

In discharging its responsibilities, the Board has established functions which are reserved for the Board and those which are delegated to management. The key roles and responsibilities of the Board are set out in the Board Charter, which is reviewed periodically by the Board. The Board Charter is published on the Company's Website. The key roles and responsibilities of the Board broadly cover reviewing and approving corporate policies and strategies; overseeing and evaluating the conduct of the Group's businesses; identifying principal risks and ensuring the implementation of appropriate systems to manage those risks; and reviewing and approving key matters such as financial results, investments and divestments, acquisitions and disposals, and major capital expenditure.

In addition, the Board has established Board Committees which operate within clearly defined TOR primarily to support the Board in the execution of its duties and responsibilities.

To discharge its oversight roles and responsibilities more effectively, the Board has delegated the independent oversight over, inter alia, internal and external audit functions, internal controls and risk management to the Board Audit and Risk Management Committee ("BARMC"). The Nomination and Remuneration Committee ("NRC") is delegated the authority to, inter alia, assess and review Board, Board Committees and Chief Executive Officer ("CEO") appointments and re-appointments and oversee management succession planning. Although the Board has granted such authority to the Board Committees, the ultimate responsibility and the final decision rest with the Board. The chairmen of the Board Committees report to the Board on matters dealt with at their respective Board Committee meetings. Minutes of Board Committee meetings are also tabled at Board meetings.

The Chairman leads the Board and ensures its smooth and effective functioning.

Independent Non-Executive Directors ("INEDs") are responsible for providing insights, unbiased and independent views, advice and judgment to the Board and bring impartiality to Board deliberations and decision-making. They also ensure effective checks and balances on the Board. There are no relationships or circumstances that could interfere with or are likely to affect the exercise of INEDs' independent judgment or their ability to act in the best interest of the Company and its shareholders.

The Group continues to operate in a sustainable manner and seeks to contribute positively to the well-being of stakeholders. The Group takes a progressive approach in integrating sustainability into its businesses as set out in the Sustainability Statement in this Annual Report.

A. ROLES AND RESPONSIBILITIES OF THE BOARD (CONTINUED)

The Board observes the Code of Ethics for Company Directors established by the Companies Commission of Malaysia ("CCM"), which has been adopted by the Board and published on the Company's Website. In addition, the Group has in place a Code of Conduct and Ethics for Employees that sets out sound principles and standards of good practice which are to be observed by the employees. A Whistleblowing Policy has also been established by the Group and it provides a structured channel for all employees and any other persons providing services to the Group, or having a business relationship with the Group, to report any concerns about any improper conduct, wrongful acts or malpractice committed within the Group.

B. BOARD COMPOSITION

The Board currently comprises five (5) Directors, all of whom are Non-Executive whilst three (3) are Independent. The profiles of the members of the Board are set out in this Annual Report.

The Company is guided by the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa") in determining its Board composition. The Board shall determine the appropriate size of the Board to enable an efficient and effective conduct of Board deliberation. The Board shall have a balance of skills and experience to commensurate with the complexity, size, scope and operations of the Company. Board members should have the ability to commit time and effort to carry out their duties and responsibilities effectively.

The Company has in place a Board Diversity Policy. The Board recognises the merits of Board diversity in adding value to collective skills, perspectives and strengths to the Board. The Board will consider appropriate targets in Board diversity including gender balance on the Board and will take the necessary measures to meet these targets from time to time as appropriate. The Board currently has five (5) Directors, of whom three (3) are women Directors. The Board will continue to maintain women participation on the Board in line with the MCCG.

Based on the review of the Board composition, the Board is of the view that the current size and composition of the Board are appropriate and effective for the control and direction of the Group's strategy and business. The composition of the Board also fairly reflects the investment of shareholders in the Company.

C. BOARD COMMITTEES

Board Committees have been established by the Board to assist in the discharge of its duties.

(A) BARMC

The composition of the BARMC and a summary of its activities in the discharge of its functions and duties for the financial year and explanation on how the BARMC had met its responsibilities are set out in the BARMC Report in this Annual Report.

The BARMC's functions and responsibilities are set out in the TOR which is published on the Company's Website.

(B) NRC

The NRC was established on 7 December 2018. The composition of the NRC is as follows:

- Ms Tai Siew Moi *(Chairman)*
- Mr Tan Kong Khoon
- Ms Leong Ket Ti

The NRC's functions and responsibilities are set out in the TOR which is published on the Company's Website.

NOMINATION RESPONSIBILITIES

The Company has in place a Fit and Proper ("F&P") Policy as a guide for the following process and procedure for assessment of (i) new appointments and re-appointments of Chairman, Directors and CEO (ii) appointment of Board Committee members, and (iii) annual F&P assessment of Chairman, Directors and CEO, and the criteria and guidelines used for such assessment.

Corporate Governance Overview, Risk Management & Internal Control Statement

C. BOARD COMMITTEES (CONTINUED)

(B) NRC (CONTINUED)

(i) New appointments

The nomination, assessment and approval process for new appointments is as follows:

Identification of candidates	►	Meeting with candidates	►	• Assessment against Assessment Criteria and Guidelines • F&P Declaration by candidates • Relevant Credit Bureau Checks • CTOS (Bankruptcy) search • Independent Background Checks • Recommendation by the NRC	►	Deliberation by the Board and decision thereof

In assessing the candidates for Board appointments, the NRC will take into account, inter alia, the strategic and effective fit of the candidates for the Board, the overall desired composition and the mix of expertise and experience of the Board as a whole and having regard to the candidates' attributes, qualifications, management, leadership, business experience and their F&P Declarations in respect of their probity, competence, personal integrity, reputation, qualifications, skills, experience and financial integrity in line with the standards required under the relevant guidelines. The Company will also conduct independent background checks to verify the information disclosed in the F&P Declarations. The Company has taken steps to build and maintain a pool of potential Board candidates from internal and external introductions, recommendations and independent sources with director databases in its search for suitable Board candidates.

In the case of CEO, the NRC will take into account the candidate's knowledge and experience in the industry, market and segment. The NRC will also consider the candidate's F&P Declaration in line with the standards required under the relevant guidelines.

(ii) Re-appointments

The assessment and approval process for re-appointments is as follows:

• Assessment against Assessment Criteria and Guidelines • F&P Declaration • Relevant Credit Bureau Checks • CTOS (Bankruptcy) search • Independent Background Checks • Recommendation by the NRC	►	Deliberation by the Board and decision thereof

For re-appointments, the Chairman, Directors and CEO will be evaluated on their performance in the discharge of duties and responsibilities effectively, including, inter alia, contribution to Board deliberations and time commitment. The NRC will also consider the results of the Annual Board Assessment (as defined below), their contributions during the term of office, attendance at Board meetings, F&P Declarations in respect of their probity, competence, personal integrity, reputation, qualifications, skills, experience and financial integrity in line with the standards required under the relevant guidelines and for Independent Directors, their continued independence. Independent background checks will also be conducted to verify the information disclosed in their F&P Declarations.

C. BOARD COMMITTEES (CONTINUED)

(B) NRC (CONTINUED)

(iii) Board Committee Appointments

The nomination, assessment and approval process for appointments to Board Committees ("Board Committee Appointments") is as follows:

Identification of Directors for Board Committees membership	▶	• Assessment against Assessment Criteria and Guidelines • Recommendation by the NRC	▶	Deliberation by the Board and decision thereof

The assessment for Board Committee Appointments will be based on the Directors' potential contributions and value-add to the Board Committees with regard to Board Committees' roles and responsibilities.

(iv) Annual F&P Assessment

The annual F&P assessment process is as follows:

• Directors/CEO to complete: - the Board Annual Assessment Form - the F&P Declaration • The Company to conduct Independent Background Checks	▶	• Assessment against Assessment Criteria and Guidelines • Recommendation by the NRC	▶	Deliberation by the Board and decision thereof

A formal evaluation process has been put in place to assess the effectiveness of the Board as a whole, the Board Committees and the contribution and performance of each individual Director on an annual basis ("Annual Board Assessment") in conjunction with the annual F&P assessment of Chairman, Directors and CEO. Directors are required to complete the F&P Declaration in respect of their probity, competence, personal integrity, reputation, qualifications, skills, experience and financial integrity in line with the standards required under the relevant guidelines. Independent background checks will also be conducted to verify the information disclosed in their F&P Declarations.

The NRC will deliberate the results of the Annual Board Assessment and submit its recommendation to the Board for consideration and approval. For newly appointed Chairman, Directors and CEO, the Annual Board Assessment will be conducted at the next annual assessment exercise following the completion of one year of service.

Assessment criteria for Board as a whole include, inter alia, the effectiveness of the Board composition in terms of size and structure vis-à-vis the complexity, size, scope and operations of the Company; the core skills, competencies and experience of the Directors; and the Board's integrity, competency, responsibilities and performance. The assessment criteria for Board Committees include the effectiveness of the respective Board Committees' composition in terms of mix of skills, knowledge and experience to carry out their respective roles and responsibilities in accordance with the Board Committees' TOR and the contribution of the Board Committees members. Each individual Director is assessed on, inter alia, the effectiveness of his/her competency, expertise and contributions. The skills, experience, soundness of judgment as well as contributions towards the development of business strategies and direction of the Company and analytical skills to the decision-making process are also taken into consideration.

For management succession planning, it has been embedded in the Group's process over the years to continuously identify, groom and develop key talents from within the Group. The Group also has a talent development programme to identify, retain and develop young high potential talents.

Corporate Governance Overview, Risk Management & Internal Control Statement

C. BOARD COMMITTEES (CONTINUED)

(B) NRC (CONTINUED)

REMUNERATION RESPONSIBILITIES

The Group's remuneration scheme for Executive Directors is linked to performance, service seniority, experience and scope of responsibility and is periodically benchmarked to market/industry surveys conducted by human resource consultants. Performance is measured against profits and targets set in the Group's annual plan and budget.

The level of remuneration of Non-Executive Directors reflects the scope of responsibilities and commitment undertaken by them.

The NRC, in assessing and reviewing the remuneration packages of Executive Directors, ensures that a strong link is maintained between their rewards and individual performance, based on the provisions in the Group's Human Resources Manual, which are reviewed from time to time to align with market/industry practices. The fees of Directors are recommended and endorsed by the Board for approval by the shareholders of the Company at its Annual General Meeting ("AGM").

The detailed remuneration of each Director during the financial year ended 30 June 2021 ("FY2021") is as set out in Note 33 of the Audited Financial Statements in this Annual Report.

The NRC meets at least once in each financial year and additional meetings may be called at any time as and when necessary.

During the FY2021, two (2) NRC meetings were held and the attendances of the NRC members were as follows:

Member	Attendance
Ms Tai Siew Moi	2/2
Mr Tan Kong Khoon	2/2
Ms Leong Ket Ti	2/2

The NRC carried out the following activities in the discharge of its duties in accordance with its TOR during the FY2021:

- Carried out the Annual Board Assessment and was satisfied that the Board as a whole, Board Committees and individual Directors have continued to effectively discharge their duties and responsibilities in accordance with their respective TORs, and that the current Board composition in terms of Board balance, size and mix of skills is appropriate and effective for the discharge of its functions. The NRC took cognisance of the merits of Board diversity including women participation on the Board, in adding value to the Company. The NRC will continue to maintain women participation on the Board in line with the MCCG;

- Considered and assessed the position of Independent Directors of the Company and was satisfied that the Independent Directors met the regulatory requirements for Independent Directors;

- Reviewed the F&P Declarations by Directors and Company Secretary in line with the Company's F&P Policy and was satisfied that the Directors and Company Secretary met the requirements as set out in the Company's F&P Policy;

- Reviewed the term of office and performance of the BARMC and each of its members in accordance with the TOR of BARMC and was of the view that the BARMC and each of its members had carried out their duties in accordance with the BARMC TOR for the periods under review; and

- Reviewed the amendments to F&P Policy and recommended it to the Board for consideration and approval.

D. INDEPENDENCE

The Board takes cognisance of the provisions of the MCCG, which states that the tenure of an Independent Director should not exceed a cumulative term of 9 years and upon completion of the 9 years, an Independent Director may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director. It further states that in the event the Board wishes to retain an Independent Director who has served a cumulative term of 9 years and above, shareholders' approval shall be annually sought with justification. In the event the Board wishes to retain an Independent Director who has served a cumulative term of 12 years and above, shareholders' approval shall be annually sought through a two-tier voting process.

The tenure of all the Independent Directors on the Board of the Company does not exceed 9 years. The Independent Directors have declared their independence, and the NRC and the Board have determined, at the annual assessment carried out, that the Independent Directors have continued to bring independent and objective judgment to Board deliberations and decision-making.

The Company has in place a policy in relation to the tenure for Independent Directors of the Company ("Tenure Policy") under the F&P Policy of the Company. Pursuant to the Tenure Policy, the tenure of an Independent Director shall not exceed a cumulative term of 9 years from the date of his or her first appointment in the Company. The Independent Director may retire at the AGM immediately preceding or following the expiry of the 9-year term.

E. COMMITMENT

The Directors are aware of their responsibilities and devote sufficient time to carry out such responsibilities. In line with the MMLR, Directors are required to comply with the restrictions on the number of directorships in public listed companies. Directors provide notifications to the Board for acceptance of any new Board appointments. This ensures that their commitment, resources and time are focused on the affairs of the Company to enable them to discharge their duties effectively. Board meetings are scheduled a year ahead in order to enable full attendance at Board meetings. Additional meetings may be convened on an ad-hoc basis as and when necessary. Where appropriate, decisions are also taken by way of Directors' Circular Resolutions. Directors are required to attend at least 50% of Board meetings held in each financial year pursuant to the MMLR.

All Board members are supplied with information in a timely manner. The Company has moved towards electronic Board reports. Board reports are circulated electronically prior to Board and Board Committee meetings and the reports provide, amongst others, financial and corporate information, significant operational, financial and corporate issues, updates on the performance of the Company and of the Group and management's proposals which require the approval of the Board.

All Directors have access to the advice and services of a qualified and competent Company Secretary to facilitate the discharge of their duties effectively. The Company Secretary is qualified to act under Section 235 of the Companies Act 2016. The Company Secretary supports the effective functioning of the Board, provides advice and guidance to the Board on policies and procedures, relevant rules, regulations and laws in relation to corporate secretarial and governance functions and facilitates effective information flows amongst the Board, Board Committees and senior management. All Directors also have access to the advice and services of the internal auditors and in addition, to independent professional advice, where necessary, at the Company's expense, in consultation with the Chairman of the Company.

At Board meetings, active deliberations of issues by Board members are encouraged and such deliberations, decisions and conclusions are recorded by the Company Secretary accordingly. Any Director who has an interest in the subject matter to be deliberated shall abstain from deliberating and voting on the same during the meetings.

The Board met five (5) times for the FY2021 with timely notices of issues to be discussed. Details of attendance of each Director are as follows:

Director	Attendance
Mr Tan Kong Khoon	5/5
Ms Tai Siew Moi	5/5
Ms Leong Ket Ti	5/5
Mr Peter Ho Kok Wai	5/5

Ms Lee Jim Leng was appointed to the Board after the close of the FY2021, and as such, did not attend any of the Board meetings held during the FY2021.

The Company recognises the importance of continuous professional development and training for its Directors.

The Company is guided by a Directors' Training Policy, which covers an Induction Programme and Continuing Professional Development ("CPD") for Directors of the Company. The Induction Programme is organised for newly appointed Directors to assist them to familiarise and to get acquainted with the Company's business, governance process, roles and responsibilities as Director of the Company. The CPD encompasses areas related to the industry or business of the Company, governance, risk management and regulations through a combination of courses and conferences. A training budget is allocated for Directors' training programmes.

Ms Lee Jim Leng, who was appointed to the Board on 17 September 2021, will be registered to attend the Mandatory Accreditation Programme ("MAP"). All the other Directors of the Company have completed the MAP.

The Company regularly organises in-house programmes, briefings and updates by its in-house professionals. The Directors are also encouraged to attend seminars and briefings in order to keep themselves abreast with the latest developments in the business environment and to enhance their skills and knowledge. Directors are kept informed of available training programmes on a regular basis.

The Company has prepared for the use of its Directors, a Director Manual which highlights, amongst others, the major duties and responsibilities of a Director vis-à-vis various laws, regulations and guidelines governing the same.

In assessing the training needs of Directors, the Board has determined that appropriate training programmes covering matters on corporate governance, finance, legal, risk management, information technology, cyber security, internal control and/or statutory/regulatory compliance, be recommended and arranged for the Directors to enhance their contributions to the Board.

During the FY2021, the Directors received regular briefings and updates on the Company's businesses, strategies, operations, risk management, compliance, internal controls, corporate governance, finance and any changes on relevant legislation, rules and regulations from in-house professionals. In-house programmes were also organised for the Directors and senior management of the Company.

The Directors of the Company have also attended various programmes and forums facilitated by external professionals in accordance with their respective needs in discharging their duties as Directors.

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E. COMMITMENT (CONTINUED)

During the FY2021, the Directors of the Company, collectively or on their own, attended various training programmes, seminars, briefings and/or workshops including:

- 16th Kuala Lumpur Islamic Finance Forum 2021: "Setting the Road Ahead Towards Economic Recovery"
- Accenture – Case Studies on Digital Disruption in Banking: Perspectives on Post Covid Trends and Behaviours
- Allianz – Corruption Risk Management
- Allianz – Directors' Training on Unifying Insurance and Takaful: Value Based Protection
- Allianz/KPMG – Directors' Training on IFRS 17 for Allianz General
- AmBank Talk of Capital Markets
- Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001: Risk, Challenges, Governance & Transparency in Managing Business & Compliance
- Anti-Money Laundering, Countering Financing of Terrorism and Targeted Financial Sanctions: Compliance A Need to Protect Business
- A.T. Kearney – Mega Trends in Banking, Insurance and Stockbroking
- Baker Mckenzie – Developing Inclusive Leaders: Tips for Success
- BoardRoom – Corporate Tax Submission: Essential Considerations
- BoardRoom – 2020 Personal Tax Filing: Maximising Your Savings
- Bursa Malaysia – Fraud Risk Management Workshop
- Bursa Malaysia – Invest Malaysia KL 2020: Advancing Malaysia – 5G and Industry 4.0
- Bursa Malaysia – Invest Malaysia KL 2020: Powering Malaysia's Growth Engines
- Cognizant Consulting – Digital Shift in Insurance Industry
- Deloitte – Cyber Security Awareness DTT
- FIDE Forum – 1st Distinguished Board Leadership Series: Rethinking Our Approach to Cyber Defence in Financial Institutions
- FIDE Forum – Annual Dialogue with Governor of Bank Negara Malaysia
- FIDE Forum – Dialogue on The Role of Independent Director in Embracing Present and Future Challenges
- FIDE Forum – MASB Dialogue on MFRS 17 Insurance Contracts: What Every Director Must Know
- Herbert Smith Freehills Training Series – Environmental, Social and Governance
- ICLIF Executive Education Center – Banking on Governance, Insuring Sustainability
- ICLIF Executive Education Center – FIDE Core Programme (Bank)
- ICLIF Executive Education Center – Implementing Amendments in the Malaysian Code on Corporate Governance
- Institute of Corporate Directors Malaysia – A Social Board – Social Media & the Board: Reimagine & Rebuild
- Institute of Corporate Directors Malaysia – Preparing the Board for a Post-Covid World
- Institute of Corporate Directors Malaysia – The Modern Board Architecture
- Institute of Corporate Directors Malaysia – Vision 2020: The Pandemic Digital Tipping Point and What to Expect in 2021
- KPMG Audit Committee Institute
- KPMG – Captain's Forum
- KPMG – Directors' Training on Data Analytic Tools for Management for Fraud
- KPMG – Directors' Training on IFRS 17 for Allianz Life
- KPMG – Doubling Down on Corporate Governance Watch 2020 and Malaysian Code on Corporate Governance
- KPMG – Malaysian Code on Corporate Governance 2021 for AMB
- KPMG – Sales Tax & Service Tax: The Journey So Far
- KPMG – Sustainable Finance: Making Better Financial Decisions
- KPMG Global – The Rise of AI and Its Impact on Strategy and Business
- KPMG Tax Summit
- Malaysian Institute of Accountants – Mastering Cyber Security to Mitigate Fraud
- Malaysian Institute of Certified Public Accountants ("MICPA") – ARIA – FinTech-Talk Series, the Evolution of Financial Technology: The Transformation of Digital Technology – Challenges and Opportunities
- MICPA – Towards A Comprehensive System of Corporate Reporting: Communication of Long-Term Value Creation
- MICPA-KPMG – How Digitalisation and Data Analytics Can Help You Do Wonders in Your Business
- Preparing for Corporate Liability Provision on Corruption under the MACC Act 2009 – "Safeguarding the Bank, its Directors, Management & Other Personnel"
- Trowers & Hamlins LLP – Section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018 and parallels with the UK offence and lessons learnt in the UK
- Wong & Partners – Demystifying ESG and Sustainable Finance in Malaysia
- Wong & Partners – From Reactive to Proactive: Charting Your Course Seminar
- Wong & Partners – Introducing Corporate Power Purchase Agreements
- Wong & Partners – Tax Highlights of Malaysia's Budget 2021

F. ACCOUNTABILITY AND AUDIT

The Company has put in place a framework of processes whereby Board committees provide oversight on critical processes of the Company's reporting of financial statements, in order to ensure that accountability and audit are integral components of the said processes.

I FINANCIAL REPORTING

The Board has a fiduciary responsibility to ensure the proper maintenance of accounting records of the Group. The Board receives the recommendation to adopt the financial statements from the BARMC, which assesses the integrity of financial statements with the assistance of the external auditors.

II RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for maintaining a system of internal controls which covers financial and operational controls and risk management. This system provides reasonable but not absolute assurance against material misstatements, losses and fraud.

The BARMC is delegated with the responsibility to provide oversight on the Company's management of critical risks that the Group faces, and to review the effectiveness of internal controls implemented in the Company.

The Statement on Risk Management and Internal Control as detailed under Section I of this Statement provides an overview of the system of internal controls and risk management framework of the Group.

III RELATIONSHIP WITH AUDITORS

The appointment of external auditors is recommended by the BARMC, which also reviews the remuneration of the external auditors. The BARMC reviews the suitability and independence of the external auditors annually. In this regard, an annual assessment is conducted by the BARMC to evaluate the performance, independence and objectivity of the external auditors prior to making any recommendation to the Board on the re-appointment of the external auditors.

The Company also has a Policy on the Use of External Auditors for Non-Audit Services to govern the professional relationship with the external auditors in relation to the non-audit services. Assessment will be conducted by the BARMC for non-audit services to ensure that the provision of non-audit services does not interfere with the exercise of independent judgment of the external auditors.

During the financial year under review, the external auditors met with the BARMC to:

- present the scope of the audit before the commencement of audit; and
- review the results of the audit as well as the management letter after the conclusion of the audit.

The external auditors meet with the BARMC members at least twice a year without the presence of management.

G. DISCLOSURE

The Company has in place a Corporate Disclosure Policy for compliance with the disclosure requirements set out in the MMLR, and to raise awareness and provide guidance to the Board and management on the Group's disclosure requirements and practices.

All timely disclosure and material information documents will be posted on the Company's Website after release to Bursa.

H. SHAREHOLDERS

I DIALOGUE BETWEEN COMPANIES AND INVESTORS

The Board acknowledges the importance of regular communication with shareholders and investors via the annual reports, circulars to shareholders and quarterly financial reports and the various announcements made during the year, through which shareholders and investors can have an overview of the Group's performance and operation.

Notices of general meetings and the accompanying explanatory notes are provided within the prescribed notice period on the Company's Website, Bursa's website, in the media and by post to shareholders. This allows shareholders to make the necessary arrangements to attend and participate in general meetings either in person, by corporate representative, by proxy or by attorney.

The Company has a website at 'www.hlcap.com.my' which the shareholders can access for information which includes the Board Charter, TORs of Board Committees, corporate information, announcements/ press releases/briefings, financial information and investor relations. A summary of the key matters discussed at the AGM is published on the Company's Website.

Corporate Governance Overview, Risk Management & Internal Control Statement

H. SHAREHOLDERS (CONTINUED)

I DIALOGUE BETWEEN COMPANIES AND INVESTORS (CONTINUED)

The Board has identified Mr Peter Ho Kok Wai, the Chairman of the BARMC, as the INED of the Board to whom concerns may be conveyed, and who would bring the same to the attention to the Board.

In addition, shareholders and investors have a channel of communication with the Chief Financial Officer to direct queries and provide feedback to the Group.

Queries may be conveyed to the Chief Financial Officer at:

Tel No.	: 03-2083 1788
Fax No.	: 03-2083 1768
E-mail address	: ir@hlcb.hongleong.com.my

II AGM

The AGM provides an opportunity for the shareholders to seek and clarify any issues and to have a better understanding of the Group's performance. Shareholders are encouraged to meet and communicate with the Board at the AGM and to vote on all resolutions. Senior management and the external auditors are also available to respond to shareholders' queries during the AGM.

In view of the Conditional Movement Control Order for Selangor, Kuala Lumpur and Putrajaya and in the interest of the health and safety of all stakeholders, the last AGM of the Company held on 27 October 2020 was conducted in full virtual manner through live streaming and online voting using Remote Participation and Electronic Voting facilities. All persons who were then Directors of the Company attended the AGM either physically or virtually to engage with shareholders and address issues of concern raised by the shareholders. Pursuant to Paragraph 8.29A(1) of the MMLR, all resolutions tabled at the last AGM held on 27 October 2020 were put to a vote by way of a poll and the voting results were announced at the meeting and through Bursa.

I. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

I THE RESPONSIBILITIES OF THE BOARD

The Board recognises the practice of good governance as an important continuous process and has established the BARMC to ensure consistent adherence to internal control and good risk management practices. Both risks and control assessment are being reviewed in accordance with the Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers.

The Board acknowledges its overall responsibility for the risk management and internal control environment and its effectiveness in safeguarding shareholders' interests and the Group's assets. The presence of risk management and internal control framework is designed to manage rather than eliminate the risk of failure in the achievement of goals and objectives of the Group. It provides reasonable assurance against material misstatements, losses or frauds.

Prevailing risk management and internal control framework currently being practiced by the Group is updated continuously to align with the dynamic changes in the business environment as well as relevant process improvement implemented from time to time. The management team has assured the Board that all regulatory guidelines, internal policies and procedures have been duly implemented accordingly.

The Board has received assurance from the Group Managing Director/Chief Executive Officer of Hong Leong Investment Bank Berhad, Chief Executive Officer/Executive Director of Hong Leong Asset Management Bhd, Chief Financial Officer and the Heads of Risk Management, Compliance and Internal Audit functions that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.

Based on the outcome of these reviews as well as the assurance it has received from Management, the Board is of the view that the Group's risk management and internal control system is operating adequately and effectively for the financial year under review and up to the date of approval of this report.

I. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

II KEY RISK MANAGEMENT AND INTERNAL CONTROL PROCESSES

The key risk management and internal control processes that are established in determining the adequacy and integrity of the system of risk management and internal controls are as follows:

a) Risk Management

Managing risks is an integral part of the Group's overall business strategy. It involves a process for identifying, assessing and managing risks and uncertainties that could inhibit the Group's ability to achieve its strategy and strategic objectives. Recognising the need to be proactive in the management of risks, the Group has implemented a Risk Management ("RM") framework where the Group's risks are managed at various levels.

At the apex of the RM framework, the Board has the overall responsibility to ensure there is proper oversight of the management of risks in the Group. The Chief Risk Officer monitors and reports the Group's Credit, Market, Liquidity, Operational and IT Risks and presents these risks in a single, consolidated view to the BARMC regularly.

The BARMC deliberates and evaluates the reports prepared by the Chief Risk Officer on the adequacy and effectiveness of the controls to mitigate the Group's risks and provides updates to the Board, and where appropriate, make the necessary recommendations to the Board.

b) Internal Control Review

The internal audit function is established at its subsidiary, Hong Leong Investment Bank Berhad. The provision of internal audit service to Hong Leong Asset Management Bhd and its subsidiary, Hong Leong Islamic Asset Management Sdn Bhd is through their respective shared service agreements. Internal Audit Department ("IAD") employs a risk-based assessment approach in auditing the Company's business and operational activities. The high risk activities covered include AML/CFT framework and cyber risk management together with key operational areas in investment banking, stockbroking and asset management were audited on an annual basis. Other operational areas (including branches) are prioritised accordingly to the potential risk exposure and impact. IAD regularly reviews the critical operations (as defined by the respective regulators) to ensure that the internal controls are in place and working effectively.

The results of the audits conducted by IAD are reported to the BARMC. Follow-up action and the review of the status of action taken as per the auditors' recommendation are carried out by Management.

Implementation of audit recommendations is followed up on a monthly basis and reported to the Management Committee and on a quarterly basis to the BARMC. Highlights of the BARMC meetings are submitted to the Board for review and further deliberation. In addition, internal controls are also effected through the following processes:

- The Board receives and reviews regular reports from the Management on the key operating statistics, business dynamics, legal matters, market surveillance on stockbroking activity, AML/CFT and regulatory issues that would have implications on internal control measures.
- The BARMC on a quarterly basis, reviews and holds discussion with management on the actions taken on internal control issues identified in the reports prepared by the IAD, external auditors and regulatory authorities.
- Policies on delegation and authority limits are strictly implemented to ensure a culture that respects integrity and honesty, and thereby reinforce internal controls.
- Policies and procedures are disseminated through the organisation in support of a learning culture, so as to reinforce an environment of internal controls disciplines.
- Policies for recruitment, promotion and termination of staff are in place to ensure the Group's human resources comply to internal controls requirements.

Corporate Governance Overview, Risk Management & Internal Control Statement

I. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

II KEY RISK MANAGEMENT AND INTERNAL CONTROL PROCESSES (CONTINUED)

c) Compliance

The Group's Compliance Officers monitor and assess daily operations of licensed subsidiaries to ensure compliance with regulatory requirements and approved internal policies. All breaches and exceptions are brought to the attention of the BARMC and other relevant committees which are kept informed of the causes and the status of remedial measures taken.

J. DIRECTORS' RESPONSIBILITY IN FINANCIAL REPORTING

The MMLR requires the Directors to prepare a statement explaining the Board's responsibility for preparing the annual audited financial statements and the Companies Act 2016 requires the Directors to make a statement stating whether in their opinion, the audited financial statements are drawn up, in accordance with the applicable accounting standards, to give a true and fair view of the financial position and of the financial performance of the Group and of the Company for the financial year.

The Directors are satisfied that in preparing the financial statements of the Group and of the Company for the FY2021, the Group has used the appropriate accounting policies and applied them consistently. The Directors are also of the view that relevant approved accounting standards have been followed in the preparation of these financial statements.

This Statement on Corporate Governance Overview, Risk Management & Internal Control Statement is made in accordance with the resolution of the Board.

Directors' Report

for the financial year ended 30 June 2021

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2021.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are investment banking, stockbroking business, futures broking, related financial services, nominees and custodian services, unit trust management, fund management and sale of unit trusts as disclosed in Note 12 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	The Group RM'000	The Company RM'000
Net profit for the financial year	203,287	92,578

DIVIDENDS

Since the previous financial year ended 30 June 2020, 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.

Dividend paid on the shares held in trust pursuant the Company's Executive Share Option Scheme ("ESOS") which are classified as treasury shares held for ESOS scheme are not accounted for in the total equity. An amount of RM1,290,921 being dividend paid for these shares was added back to the appropriation of retained profits.

The Directors have declared a final single-tier dividend of 26.0 sen per share on the Company's issued and paid-up share capital of RM246,896,668 comprising of 246,896,668 ordinary shares, amounting to RM64.2 million for the financial year ended 30 June 2021, to be paid on a date to be determined.

BUSINESS STRATEGY FOR THE CURRENT FINANCIAL YEAR

The business strategy for the current financial year is disclosed in the annual report.

OUTLOOK AND BUSINESS PLAN FOR THE COMING FINANCIAL YEAR

The outlook and business plan for the coming financial year are disclosed in the annual report.

Directors' Report

for the financial year ended 30 June 2021

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 46 to the financial statements.

SIGNIFICANT EVENT AFTER THE FINANCIAL YEAR

Significant event after the financial year is disclosed in Note 47 to the financial statements.

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are disclosed in the financial statements and notes to the financial statements.

DIRECTORS

The name of the Directors of the Company in office during the financial year and during the period commencing from the end of the financial year to the date of this report are:-

Tan Kong Khoon	(Chairman, Non-Independent Non-Executive Director)
Tai Siew Moi	(Independent Non-Executive Director)
Leong Ket Ti	(Independent Non-Executive Director)
Peter Ho Kok Wai	(Independent Non-Executive Director)
Lee Jim Leng *(Appointed on 17 September 2021)*	(Non-Independent Non-Executive Director)

The names of directors of subsidiaries are set out in the respective subsidiary's statutory accounts and the said information is deemed incorporated herein by such reference and made a part thereof.

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016, the Directors holding office at the end of the financial year who had beneficial interests in the ordinary shares and/or preference shares and/or loan stocks and/or options over ordinary shares of the Company and/or its related corporations during the financial year ended 30 June 2021 are as follows:

	Shareholdings in which Directors have direct interests Number of ordinary shares/preference shares/ordinary shares issued or to be issued or acquired arising from the exercise of options*/ conversion of redeemable convertible unsecured loan stocks or redeemable convertible cumulative preference shares			
	As at 01.07.2020	**Acquired**	**(Sold)**	**As at 30.06.2021**
Interests of Tan Kong Khoon in:				
Hong Leong Financial Group Berhad	8,000,000*	-	-	8,000,000*
Interests of Tai Siew Moi in:				
Hong Leong Bank Berhad	14,500	-	-	14,500

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors of the Company received or became entitled to receive any benefits (other than the benefits included in the aggregate amount of remuneration received or due and receivable by the Directors as shown in the financial statements or as fixed salary of a full-time employee of the Company or of related corporations) by reason of a contract made by the Company or its related corporations with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither at the end of the financial year, nor at any time during the financial year, did there subsist any other arrangements to which the Company is a party, with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate, other than the shares options granted pursuant to the Executive Share Option Scheme.

DIRECTORS' REMUNERATION

Details of Directors' remuneration are set out in Note 33 to the financial statements.

SHARE CAPITAL

There was no change in the issued and paid-up capital of the Company during the financial year.

Directors' Report

for the financial year ended 30 June 2021

STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(a) As at the end of the financial year

Before the financial statements of the Group and the Company were prepared, the Directors took reasonable steps:

- to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

- to ensure that any current assets, other than debts, which were unlikely to be realised at their book values in the ordinary course of business had been written down to their estimated realisable values.

(b) From the end of the financial year to the date of this report

(i) The Directors are not aware of any circumstances:

- which would render the amount written off for bad debts or the amount of the allowance for doubtful debts inadequate to any material extent;

- which would render the values attributed to current assets in the financial statements misleading; or

- which had arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

(ii) In the opinion of the Directors:

- the results of the operations of the Group and the Company for the financial year ended 30 June 2021 are not likely to be substantially affected by any item, transaction or event of a material and unusual nature which had arisen in the interval between the end of the financial year and the date of this report; and

- no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and the Company to meet their obligations as and when they fall due.

(c) As at the date of this report

(i) There are no charges on the assets of the Group and the Company which had arisen since the end of the financial year to secure the liabilities of any other person.

(ii) There are no contingent liabilities which had arisen since the end of the financial year.

(iii) The Directors are not aware of any circumstances not otherwise dealt with in the report or financial statements which would render any amount stated in the financial statements misleading.

Directors' Report
for the financial year ended 30 June 2021

HOLDING AND ULTIMATE HOLDING COMPANIES

The immediate holding and ultimate holding companies are Hong Leong Financial Group Berhad ("HLFG") and Hong Leong Company (Malaysia) Berhad respectively, both incorporated in Malaysia. HLFG is listed on the Main Market of Bursa Malaysia Securities Berhad.

SUBSIDIARIES

Details of subsidiaries are set out in Note 12 to the financial statements.

AUDITORS' REMUNERATION

Details of auditors' remuneration and the indemnity given/insurance effected to the auditor are set out in Note 30 to the financial statements.

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors.

Signed on behalf of the Board of Directors in accordance with their resolution dated 22 September 2021.

Peter Ho Kok Wai
Director

Tan Kong Khoon
Director

Kuala Lumpur
22 September 2021

Statements of Financial Position

as at 30 June 2021

		The Group		The Company	
	Note	30.06.2021 RM'000	30.06.2020 RM'000	30.06.2021 RM'000	30.06.2020 RM'000
Assets					
Cash and short-term funds	2	**170,033**	358,162	**1,160**	713
Clients' and brokers' balances	3	**204,732**	262,893	**-**	-
Securities purchased under resale agreements		**-**	50,172	**-**	-
Deposits and placements with banks and other financial institutions	4	**31,139**	-	**-**	-
Financial assets at fair value through profit or loss ("FVTPL")	5	**791,818**	907,477	**269,034**	255,892
Financial investments at fair value through other comprehensive income ("FVOCI")	6	**1,350,820**	1,266,529	**-**	-
Financial investments at amortised cost	7	**1,059,286**	868,134	**-**	-
Loans and advances	8	**335,759**	316,023	**-**	-
Other assets	9	**58,260**	47,348	**219**	673
Derivative financial assets	22	**34,494**	54,957	**-**	-
Tax recoverable		**28**	167	**-**	154
Deferred tax assets	11	**123,234**	87,822	**-**	-
Investment in subsidiary companies	12	**-**	-	**246,574**	246,574
Property and equipment	14	**9,800**	11,040	**-**	-
Right-of-use ("ROU") assets	15	**18,966**	21,587	**-**	-
Other intangible assets	16	**3,169**	3,008	**-**	-
Goodwill	17	**33,059**	33,059	**-**	-
Total assets		**4,224,597**	4,288,378	**516,987**	504,006
Liabilities					
Clients' and brokers' balances		**207,183**	305,385	**-**	-
Deposits from customers	18	**701,538**	737,747	**-**	-
Deposits and placements of banks and other financial institutions	19	**2,049,422**	2,073,211	**-**	-
Lease liabilities	20	**18,069**	20,286	**-**	-
Other liabilities	21	**148,343**	128,595	**1,521**	698
Derivative financial liabilities	22	**41,056**	81,620	**-**	-
Current tax liabilities		**1,803**	1,046	**225**	-
Subordinated obligations	23	**100,192**	100,178	**-**	-
Total liabilities		**3,267,606**	3,448,068	**1,746**	698
Equity					
Share capital	24	**246,896**	246,896	**246,896**	246,896
Reserves	25	**741,252**	599,445	**299,389**	262,330
Treasury shares for ESOS scheme	26	**(31,157)**	(6,031)	**(31,044)**	(5,918)
Total equity		**956,991**	840,310	**515,241**	503,308
Total equity and liabilities		**4,224,597**	4,288,378	**516,987**	504,006
Commitments and contingencies	37	**5,993,970**	6,967,399	**-**	-

Income Statements

for the financial year ended 30 June 2021

		The Group		The Company	
	Note	30.06.2021 RM'000	30.06.2020 RM'000	30.06.2021 RM'000	30.06.2020 RM'000
Interest income	27a	**103,067**	111,667	**13**	11
Interest income for financial assets at FVTPL	27b	**37,423**	39,188	**-**	-
Interest expense	28	**(90,849)**	(104,357)	**-**	-
Net interest income		**49,641**	46,498	**13**	11
Non-interest income	29	**265,984**	186,227	**95,329**	50,921
		315,625	232,725	**95,342**	50,932
Overhead expenses	30	**(141,597)**	(134,764)	**(1,503)**	(1,573)
Operating profit before allowances		**174,028**	97,961	**93,839**	49,359
Write-back of/(allowance for) impairment losses on loans and advances	31	**3,026**	(280)	**-**	-
Write-back of/(allowance for) impairment losses on financial investments and other financial assets	32	**296**	(1,931)	**-**	-
Profit before taxation		**177,350**	95,750	**93,839**	49,359
Taxation	34	**25,937**	(1,563)	**(1,261)**	(108)
Net profit for the financial year		**203,287**	94,187	**92,578**	49,251
Earnings per share (sen)					
- Basic	35	**85.5**	39.0		
- Diluted	35	**85.5**	39.0		

Statements of Comprehensive Income

for the financial year ended 30 June 2021

		The Group		The Company	
	Note	30.06.2021 RM'000	30.06.2020 RM'000	30.06.2021 RM'000	30.06.2020 RM'000
Net profit for the financial year		**203,287**	94,187	**92,578**	49,251
Other comprehensive (expense)/income:					
Items that will not be reclassified subsequently to income statements:					
Equity instruments at FVOCI					
- Net gain on disposal		**-**	43	**-**	-
Items that will be reclassified subsequently to income statements:					
Debt instruments at FVOCI					
- Net fair value changes		**(7,917)**	1,786	**-**	-
- Net changes in expected credit losses		**31**	198	**-**	-
Income tax relating to net fair value changes on financial investments at FVOCI	11	**1,901**	(429)	**-**	-
Other comprehensive (expense)/income for the financial year, net of tax		**(5,985)**	1,598	**-**	-
Total comprehensive income for the financial year		**197,302**	95,785	**92,578**	49,251

Statements of Changes in Equity

for the financial year ended 30 June 2021

The Group	Note	Share capital RM'000	Treasury shares for ESOS scheme RM'000	Regulatory reserve RM'000	Fair value reserve RM'000	Retained profits RM'000	Total RM'000
		Attributable to owners of the parent					
At 1 July 2020		**246,896**	**(6,031)**	**12,076**	**9,349**	**578,020**	**840,310**
Net profit for the financial year		**-**	**-**	**-**	**-**	**203,287**	**203,287**
Other comprehensive expense, net of tax		**-**	**-**	**-**	**(5,985)**	**-**	**(5,985)**
Total comprehensive (expense)/ income		**-**	**-**	**-**	**(5,985)**	**203,287**	**197,302**
Transfer to regulatory reserve	25	**-**	**-**	**1,073**	**-**	**(1,073)**	**-**
Purchase of treasury shares	26	**-**	**(25,126)**	**-**	**-**	**-**	**(25,126)**
Dividend paid	36	**-**	**-**	**-**	**-**	**(55,495)**	**(55,495)**
At 30 June 2021		**246,896**	**(31,157)**	**13,149**	**3,364**	**724,739**	**956,991**

The Group	Note	Share capital RM'000	Treasury shares for ESOS scheme RM'000	Regulatory reserve RM'000	Fair value reserve RM'000	Retained profits RM'000	Total RM'000
		Attributable to owners of the parent					
At 1 July 2019		246,896	(6,031)	11,606	7,794	537,342	797,607
Net profit for the financial year		-	-	-	-	94,187	94,187
Other comprehensive income, net of tax		-	-	-	1,555	43	1,598
Total comprehensive income		-	-	-	1,555	94,230	95,785
Transfer to regulatory reserve	25	-	-	470	-	(470)	-
Dividend paid	36	-	-	-	-	(53,082)	(53,082)
At 30 June 2020		246,896	(6,031)	12,076	9,349	578,020	840,310

Statements of Changes in Equity

for the financial year ended 30 June 2021

The Company	Note	Non-distributable Share capital RM'000	Non-distributable Treasury shares for ESOS scheme RM'000	Distributable Retained profits RM'000	Total RM'000
At 1 July 2020		**246,896**	**(5,918)**	**262,330**	**503,308**
Net profit for the financial year		**-**	**-**	**92,578**	**92,578**
Total comprehensive income		**-**	**-**	**92,578**	**92,578**
Purchase of treasury shares	26	**-**	**(25,126)**	**-**	**(25,126)**
Dividend paid	36	**-**	**-**	**(55,519)**	**(55,519)**
At 30 June 2021		**246,896**	**(31,044)**	**299,389**	**515,241**
At 1 July 2019		246,896	(5,918)	266,184	507,162
Net profit for the financial year		-	-	49,251	49,251
Total comprehensive income		-	-	49,251	49,251
Dividend paid	36	-	-	(53,105)	(53,105)
At 30 June 2020		246,896	(5,918)	262,330	503,308

Statements of Cash Flows

for the financial year ended 30 June 2021

	The Group	
	30.06.2021 RM'000	30.06.2020 RM'000
Cash flows from operating activities		
Profit before taxation	177,350	95,750
Adjustments for:		
Depreciation of property and equipment	3,628	3,371
Depreciation of ROU assets	3,999	4,022
Amortisation of intangible assets - computer software	1,528	1,702
Property and equipment written off	22	-
(Write-back of)/allowance for impairment losses on loans and advances	(3,026)	280
(Write-back of)/allowance for impairment losses on financial investments and other financial assets	(296)	2,041
Net unrealised loss/(gain) on revaluation of:		
- Financial assets at FVTPL	4,451	3,027
- Derivative financial instruments	(19,532)	17,758
Net unrealised loss on fair value changes arising from fair value hedges	2,068	558
Interest income from:		
- Financial assets at FVTPL	(37,423)	(39,188)
- Financial investments at FVOCI	(35,464)	(40,309)
- Financial investments at amortised cost	(31,157)	(29,261)
Interest expense from:		
- Derivative financial instruments	41,500	18,655
- Subordinated obligations	4,232	5,262
- Lease liabilities	1,009	1,051
Dividend income from:		
- Financial assets at FVTPL	(6,314)	(8,820)
	(70,775)	(59,851)
Operating profit before working capital changes	106,575	35,899
Decrease/(Increase) in operating assets		
Clients' and brokers' balances	58,999	(17,167)
Securities purchased under resale agreements	50,172	(50,172)
Financial assets at FVTPL	109,991	591,293
Loans and advances	(16,710)	(111,013)
Other assets	(11,424)	8,003
Derivative financial instruments	(1)	209
Statutory deposits with Bank Negara Malaysia	-	37,259
	191,027	458,412

Statements of Cash Flows

for the financial year ended 30 June 2021

	Note	The Group 30.06.2021 RM'000	The Group 30.06.2020 RM'000
(Decrease)/Increase in operating liabilities			
Clients' and brokers' balances		**(98,202)**	22,864
Deposits from customers		**(36,209)**	(10,257)
Deposits and placements of banks and other financial institutions		**(23,789)**	(348,909)
Other liabilities		**19,619**	(16,458)
		(138,581)	(352,760)
Cash generated from operating activities		**159,021**	141,551
Net income tax paid		**(6,680)**	(7,815)
Net cash generated from operating activities		**152,341**	133,736
Cash flows from investing activities			
Net purchases of financial investments at FVOCI		**(101,302)**	(151,629)
Net purchases of financial investments at amortised cost		**(194,207)**	(131,090)
Dividends received from:			
- Financial assets at FVTPL		**6,314**	8,820
Interest received from financial assets at FVTPL, financial investments at FVOCI, financial investments at amortised cost and derivatives		**114,238**	109,732
Interest paid on derivative financial instruments		**(40,961)**	(16,597)
Purchase of property and equipment		**(2,410)**	(650)
Purchase of intangible assets		**(1,689)**	(1,608)
Net cash used in investing activities		**(220,017)**	(183,022)
Cash flows from financing activities			
Interest paid on subordinated obligations		**(4,218)**	(5,589)
Repayment of subordinated obligations		**-**	(50,000)
Dividend paid		**(55,495)**	(53,082)
Lease payments		**(4,475)**	(4,538)
Purchase of treasury shares		**(25,126)**	-
Net cash used in financing activities		**(89,314)**	(113,209)
Net decrease in cash and cash equivalents during the financial year		**(156,990)**	(162,495)
Cash and cash equivalents at beginning of the financial year		**358,162**	520,657
Cash and cash equivalents at end of the financial year		**201,172**	358,162
Cash and cash equivalents comprise:			
Cash and short-term funds	2	**170,033**	358,162
Deposit and placements with banks and other financial institutions	4	**31,139**	-
		201,172	358,162

Statements of Cash Flows

for the financial year ended 30 June 2021

	Note	The Company 30.06.2021 RM'000	The Company 30.06.2020 RM'000
Cash flows from operating activities			
Profit before taxation		**93,839**	49,359
Adjustments for:			
Net unrealised (gain)/loss on revaluation of financial assets at FVTPL		**(533)**	2,921
Dividend income from:			
- Financial assets at FVTPL		**(5,453)**	(7,320)
- Subsidiary companies		**(84,000)**	(46,000)
		(89,986)	(50,399)
Operating profit/(loss) before working capital changes		**3,853**	(1,040)
(Increase)/Decrease in financial assets at FVTPL		**(12,609)**	933
Decrease in other assets		**454**	267
Increase in other liabilities		**823**	86
Cash (used in)/generated from operating activities		**(7,479)**	246
Net income tax paid		**(882)**	(261)
Net cash used in operating activities		**(8,361)**	(15)
Cash flows from investing activities			
Dividends received from:			
- Financial assets at FVTPL		**5,453**	7,320
- Subsidiary companies		**84,000**	46,000
Net cash generated from investing activities		**89,453**	53,320
Cash flows from financing activities			
Dividend paid		**(55,519)**	(53,105)
Purchase of treasury shares		**(25,126)**	-
Net cash used in financing activities		**(80,645)**	(53,105)
Net increase in cash and cash equivalents during the financial year		**447**	200
Cash and cash equivalents at beginning of the financial year		**713**	513
Cash and cash equivalents at end of the financial year		**1,160**	713
Cash and cash equivalents comprise:			
Cash and short-term funds	2	**1,160**	713

Statements of Cash Flows

for the financial year ended 30 June 2021

Analysis of changes in liabilities arising from financing activities as follows:

The Group	Balance at the beginning of the financial year RM'000	Cash changes: Repayment from redemption RM'000	Cash changes: Interest paid RM'000	Non-cash changes: Accrued interest RM'000	Non-cash changes: Amortisation RM'000	Balance at the end of the financial year RM'000
30.06.2021						
Subordinated obligations	**100,178**	**-**	**(4,218)**	**4,230**	**2**	**100,192**
30.06.2020						
Subordinated obligations	150,505	(50,000)	(5,589)	5,171	91	100,178

Summary of Significant Accounting Policies

for the financial year ended 30 June 2021

All significant accounting policies set out below have been used consistently in dealing with items which are considered material in relation to the financial statements. These policies have been consistently applied to all the financial years presented, unless otherwise stated.

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial investments at FVOCI and financial assets/financial liabilities (including derivative financial instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with 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 financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires Directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates. The area involving higher degree of judgement or complexity, or area where assumptions and estimates are significant to the financial statements includes the following:

Deferred tax asset (Note 11)

Deferred tax assets are recognised for unutilised tax credits to the extent that it is probable that future taxable profits will be available against which the tax credits can be utilised. Management's judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the probability and level of future taxable profits. Management assesses the probability of future taxable profit based on the profit projections approved by Directors covering three year period. Management has also considered the estimated growth rate in the capital markets and Kuala Lumpur Composite Index ("KLCI") in deriving the profit projections. Profits beyond the three year period are extrapolated using the estimated growth rate of 3.3% (2020: 3.6%), based on the historical GDP growth rate of Malaysia on perpetual basis. Management has assumed a percentage of probability factors for taxable profits for the fourth year and onwards.

(a) Standards, amendments and improvements to published standards that are applicable to the Group and the Company and are effective

The Group and the Company have applied the following standards and amendments for the first time for the financial year beginning on 1 July 2020:

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

Summary of Significant Accounting Policies

for the financial year ended 30 June 2021

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

(a) Standards, amendments and improvements to published standards that are applicable to the Group and the Company and are effective (continued)

The Group has adopted Amendments to MFRS 3 'Definition of a Business' and Amendments to MFRS 9, MFRS 139 and MFRS 7 'Interest Rate Benchmark Reform' for the first time in the June 2021 financial statements, which resulted in changes in accounting policies.

Amendments to MFRS 3 'Definition of a Business'

Amendments to MFRS 3 'Definition of a Business' revise the definition of a business. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments provide guidance to determine whether an input and a substantive process are present, including situations where an acquisition does not have outputs.

In addition, the revised definition of the term 'outputs' is narrower, focusses on goods or services provided to customers, generating investment returns and other income but excludes returns in the form of cost savings.

The amendments introduce an optional simplified assessment known as 'concentration test' that, if met, eliminates the need for further assessment. The assets acquired would not represent a business when substantially all of the fair value of gross assets acquired is concentrated in a single identifiable asset (or a group of similar assets).

The Group has applied the amendments prospectively to transactions for which the acquisition date is on or after 1 July 2020.

Amendments to MFRS 9, MFRS 139 and MFRS 7 'Interest Rate Benchmark Reform'

The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by inter-bank offered rate (IBOR) reform. The reliefs have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness continues to be recorded in the statement of comprehensive income. The reliefs will cease to apply when the uncertainty arising from interest rate benchmark reform is no longer present.

In accordance with the transition provisions, the Group has adopted the amendments to MFRS 9 and MFRS 7 retrospectively to hedging relationships that existed at the start of the reporting period or were designated thereafter, and to the amount accumulated in the cash flow hedge reserve at that date. These amendments had no impact on the amounts recognised in the current or prior period.

Based on the preliminary assessment performed by the Group, the London Inter-bank Offered Rate ("LIBOR") exposures to the total assets and liabilities are insignificant/immaterial.

The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Company but not yet effective

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 July 2021. None of these is expected to have a significant effect on the financial statements of the Group and the Company, except the following:

- Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 'Interest Rate Benchmark (IBOR) Reform – Phase 2' (effective 1 January 2021) provide practical expedient allowing entities to update the effective interest rate to account for any required changes in contractual cash flows that is a direct consequence of IBOR reform. This results in no immediate gain or loss recognised in profit or loss.

  The amendments require entities to update the hedge documentation to reflect the changes required by the IBOR replacement. The amendments also provide reliefs that enable and require entities to continue hedge accounting in circumstances when changes in hedged items and hedging instruments are solely due to IBOR reform.

  The amendments shall be applied retrospectively but comparatives are not restated.

- Annual Improvements to MFRS 9 'Fees in the 10% test for derecognition of financial liabilities' (effective 1 January 2022) clarifies that only fees paid or received between the borrower and the lender, including the fees paid or received on each other's behalf, are included in the cash flow of the new loan when performing the 10% test.

  An entity shall apply the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

- Amendments to MFRS 3 'Reference to Conceptual Framework' (effective 1 January 2022) replace the reference to Framework for Preparation and Presentation of Financial Statements with 2018 Conceptual Framework. The amendments did not change the current accounting for business combinations on acquisition date.

  The amendments provide an exception for the recognition of liabilities and contingent liabilities should be in accordance with the principles of MFRS 137 'Provisions, contingent liabilities and contingent assets' and IC Interpretation 21 'Levies' when falls within their scope. It also clarifies that contingent assets should not be recognised at the acquisition date.

  The amendments shall be applied prospectively.

- Amendments to MFRS 116 'Proceeds before intended use' (effective 1 January 2022) prohibit an entity from deducting from the cost of a property, plant and equipment the proceeds received from selling items produced by the property, plant and equipment before it is ready for its intended use. The sales proceeds should instead be recognised in profit or loss.

  The amendments also clarify that testing whether an asset is functioning properly refers to assessing the technical and physical performance of the property, plant and equipment.

  The amendments shall be applied retrospectively.

Summary of Significant Accounting Policies

for the financial year ended 30 June 2021

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Company but not yet effective (continued)

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 July 2021. None of these is expected to have a significant effect on the financial statements of the Group and the Company, except the following: (continued)

- Amendments to MFRS 137 'onerous contracts—cost of fulfilling a contract' (effective 1 January 2022) clarify that direct costs of fulfilling a contract include both the incremental cost of fulfilling the contract as well as an allocation of other costs directly related to fulfilling contracts. The amendments also clarify that before recognising a separate provision for an onerous contract, impairment loss that has occurred on assets used in fulfilling the contract should be recognised.

  The amendments shall be applied retrospectively.

B CONSOLIDATION

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The consolidated financial statements include the financial statements of the Bank and all its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries are prepared in the same reporting date as the Bank.

The Group applies the acquisition method to account for business combinations when the acquired sets of activities and assets meet the definition of a business. The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statements.

B CONSOLIDATION (CONTINUED)

(i) Subsidiaries (continued)

The Group applies predecessor accounting to account for business combinations under common control. Under the predecessor accounting, assets and liabilities acquired are not restated to their respective fair values but at the carrying amounts from the consolidated financial statements of the ultimate holding company of the Group and adjusted to conform with the accounting policies adopted by the Group. The difference between any consideration given and the aggregate carrying amounts of the assets and liabilities (at the date of the transaction) of the acquired entity is recorded as an adjustment to retained profits. No additional goodwill is recognised. Acquisition-related costs are expensed as incurred. The acquired entity's results, assets and liabilities are consolidated from the date on which the business combination between entities under common control occurred. Consequently, the consolidated financial statements do not reflect the results of the acquired entity for the period before the transaction occurred and the corresponding amounts for the previous year are also not restated.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date, any gains or losses arising from such re-measurement are recognised in income statements. Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 9 in income statements. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances, unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statements, statements of comprehensive income, statements of changes in equity and statements of financial position respectively.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in equity attributable to owners of the Group.

Summary of Significant Accounting Policies
for the financial year ended 30 June 2021

B CONSOLIDATION (CONTINUED)

(iii) Disposal of subsidiaries

When the Group ceases to consolidate because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in income statements. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to income statements.

Gains or losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the subsidiaries sold.

(iv) Investments in subsidiaries

In the Company's separate financial statements, the investment in subsidiaries is stated at cost less accumulated impairment losses. At each reporting date, the Company assesses whether there is an indication of impairment. If such indication exist, an analysis is performed to assess whether the carrying amount of the investment is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount. Any subsequent increase in recoverable amount is recognised in the income statements.

On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments are recognised in income statements.

The amounts due from subsidiaries of which the Company does not expect repayment in the foreseeable future are considered as part of the Company's investments in subsidiaries.

C PROPERTY AND EQUIPMENT AND DEPRECIATION

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes its purchase price and any cost that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item can be measured reliably. The carrying amount of the replaced part is de-recognised. All other repair and maintenance costs are charged to the income statements during the financial period in which they are incurred.

Freehold land is not depreciated as it has an infinite life. Property and equipment are depreciated on a straight line basis to write off the cost of the assets to their residual values over their estimated useful lives, summarised as follows:

Buildings on freehold land	50 years
Office and computer equipment	3 - 10 years
Furniture and fittings	3 - 10 years
Renovations	5 - 10 years
Motor vehicles	4 - 5 years

C PROPERTY AND EQUIPMENT AND DEPRECIATION (CONTINUED)

The assets' residual value and useful lives are reviewed and adjusted if appropriate, at each reporting period.

Property and equipment are reviewed for impairment at each reporting date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount. Any subsequent increase in the recoverable amount is recognised in the income statements. Refer to Note V on impairment of non-financial assets.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in other operating income in income statements.

D INTANGIBLE ASSETS

(a) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 3 to 5 years. Computer software classified as intangible assets are stated at cost less accumulated amortisation and accumulated impairment loss, if any.

(b) Goodwill

Goodwill arises from a business combination and represents the excess of the aggregate of fair value of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed on the acquisition date. If the fair value of consideration transferred, the amount of non-controlling interest and the fair value of previously held interest in the acquiree are less than the fair value of the net identifiable assets of the acquiree, the resulting gain is recognised in income statements.

Goodwill is allocated to cash-generating units ("CGU") for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the synergies of the business combination in which the goodwill arose. Each CGU represents the lowest level at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill is stated at cost less accumulated impairment loss and is tested annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Summary of Significant Accounting Policies
for the financial year ended 30 June 2021

E LEASES

Leases are recognised as ROU assets and a corresponding liability at the date on which the leased asset is available for use by the Group (i.e. the commencement date). Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of properties for which the Group is lessees, it has elected the practical expedient provided in MFRS 16 not to separate lease and non-lease components. Both components are accounted for as a single lease component and payments for both components are included in the measurement of lease liability.

Lease term

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated). The Group reassesses the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and affects whether the Group is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities. See accounting policy below on reassessment of lease liabilities.

Right-of-use (“ROU”) assets

ROU assets are initially measured at cost comprising the following:-

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

The ROU assets are generally depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the ROU assets is depreciated over the underlying asset’s useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:-

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Variable lease payments depend on index or rate;
- The exercise price of a purchase options if the Group is reasonably certain to exercise that option;
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option; and
- The amount expected to be payable by the Group under residual value guarantees.

E LEASES (CONTINUED)

Lease liabilities (continued)

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU assets in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the income statements over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Group presents the lease liabilities as a separate line item in the statements of financial position. Interest expense on the lease liability is presented within the interest expense in the income statements.

Short-term leases and leases of low-value assets

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office equipment. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an operating expense in the income statements.

F FINANCIAL ASSETS

(i) Classification

The Group and the Company classify its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and
- those to be measured at amortised cost

The Group and the Company reclassify debt investments when and only when its business model for managing those financial assets changes.

The Group and the Company do not change the classification of the remaining financial assets held in the business model, but consider the circumstances leading to the model change when assessing newly originated or newly purchased financial assets going forward.

Business model assessment

The Group and the Company conduct assessment of the objective of a business model to align with how an asset held within a portfolio is being managed. Factors that are being considered include the key objectives of a portfolio whether the business strategy is to earn contractual interest revenue, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising a portfolio through sale of assets. Other factors considered also include the frequency and volume of sales in prior periods, how the asset's performance is evaluated and reported to key management personnel.

Summary of Significant Accounting Policies

for the financial year ended 30 June 2021

F FINANCIAL ASSETS (CONTINUED)

(i) Classification (continued)

Assessment whether contractual cash flows are solely payments of principal and interest ("SPPI")

Where the business model is to hold the financial assets to collect contractual cash flows, or to collect contractual cash flows and sell, the Group and the Company assess whether the financial assets' contractual cash flows represent solely payment of principal and interest. In applying the SPPI test, the Group and the Company consider whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group and the Company commit to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company have transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group and the Company measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the income statements.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories in to which the Group and the Company classify its debt instruments:

(a) Amortised cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Interest income from these financial assets is included in interest income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the income statements as presented in net realised gain/(loss) on financial instruments (as per Note 29) and impairment losses are presented as separate line item (as per Note 32) in the income statements.

F FINANCIAL ASSETS (CONTINUED)

(iii) Measurement (continued)

Debt instruments (continued)

(b) FVOCI

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in the income statements. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the income statements and recognised in net realised gain/(loss) on financial instruments. Interest income from these financial assets is included in interest income using the effective interest rate method. Foreign exchange gains and losses are presented in other income and impairment expenses are presented as separate line item in the income statements.

(c) FVTPL

Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. The Group and the Company may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes is recognised in the income statements and presented net within net unrealised gain/(loss) on revaluation in the period which it arises.

Equity instruments

The Group and the Company subsequently measure all equity investments at fair value. Where the Group's and the Company's management have elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to the income statements following the derecognition of the investment. Cumulative gain or loss previously recognised in OCI is not subsequently reclassified to the income statements, but may be transferred within equity. Dividends from such investments continue to be recognised in the income statements as other income when the Group's and the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in net gain/(loss) on revaluation in the income statements.

(iv) Reclassification

Reclassification of financial assets is required when, and only when, the Group and the Company change their business model for managing the assets. In such cases, the Group and the Company are required to reclassify all affected financial assets.

However, it will be inappropriate to reclassify financial assets that have been designated at fair value through profit or loss, or equity instruments that have been designated as at fair value through other comprehensive income even when there is a change in business model. Such designations are irrevocable.

Summary of Significant Accounting Policies
for the financial year ended 30 June 2021

F FINANCIAL ASSETS (CONTINUED)

(v) Modification of financial assets

Where the original contractual terms of a financial asset have been modified for credit reasons and the instrument has not been derecognised, the resulting modification loss is recognised within impairment in the income statements with a corresponding decrease in the gross carrying value of the asset. If the modification involved a concession that the Group and the Company would not otherwise consider, the instrument is considered to be credit impaired and is considered forborne.

G FINANCIAL LIABILITIES

Financial liabilities are measured at amortised cost, except for trading liabilities and liabilities designated at fair value, which are held at fair value through profit or loss. Financial liabilities are initially recognised at fair value plus transaction costs for all financial liabilities not carried at fair value through profit or loss. Financial liabilities at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in income statements. Financial liabilities are de-recognised when extinguished.

(a) Financial liabilities at fair value through profit or loss

This category comprises two sub-categories: financial liabilities classified as held-for-trading, and financial liabilities designated at fair value through profit or loss upon initial recognition. The Group does not have any non-derivative financial liabilities designated at fair value through profit or loss.

A financial liability is classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held-for-trading unless they are designated and effective as hedging instruments.

(b) Financial liabilities at amortised cost

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortised cost.

Summary of Significant Accounting Policies

for the financial year ended 30 June 2021

H IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses on a forward looking basis the expected credit loss ("ECL") associated with its debt instruments carried at amortised cost and at FVOCI and financial guarantee contracts issued. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

ECL represent a probability-weighted estimate of the difference between the present value of cash flows according to contract and present value of cash flows the Group expects to receive, over the remaining life of the financial instrument. For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Group expects to receive from the holder, the debtor or any other party.

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(i) General 3-stage approach

At each reporting date, the Group measures ECL through loss allowance at an amount equal to 12-month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required. The Group applies 3-stage approach on debt instruments measured at amortised cost and FVOCI, except for those that are under simplified approach, as explained below.

(ii) Simplified approach

The Group applies MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for clients and brokers' balances and other assets.

Significant increase in credit risk

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition to determine whether the exposure is subject to 12-month ECL or lifetime ECL. This is performed by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition.

When determining whether the risk of default has increased significantly since initial recognition, the Group considers both quantitative and qualitative information and assessments based on the Group's historical experience and credit risk assessments, including forward-looking information. A backstop of 30 days or 1-month past due from its contractual payment is applied and a financial asset will still be designated as having significant increase in credit risk regardless if it meets both the quantitative and qualitative assessments.

Summary of Significant Accounting Policies
for the financial year ended 30 June 2021

H IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

Definition of default and credit-impaired financial assets

The definition of credit-impaired of the Group remained the same under MFRS 139 and MFRS 9. At each reporting period, the Group assesses whether financial assets are impaired. Qualitative and quantitative information are used to determine if a financial asset is credit impaired. Nevertheless, a backstop is applied and a financial asset is considered as credit impaired if it is more than 90 days or 3 months past due on its contractual payments.

Where measurement of ECL is relying on external published sources, in determining if a financial asset is credit-impaired, the Group will consider factors, such as, but not limited to, rating agencies' assessment of creditworthiness and country's ability to access to capital markets for new debt issuance.

Measurement of ECL

ECL are measured using three main components, which include probability of default ("PD"), loss given default ("LGD") and exposures at default ("EAD"). These components are derived from either published information from External Credit Assessment Institutions ("ECAI") or proxy to the internally developed statistical models from the related company, Hong Leong Bank Berhad and adjusted to reflect forward-looking information.

The 12-month and lifetime PD represent the expected point-in-time probability of default over the next 12 months and remaining lifetime of a financial instrument, based on the conditions that exist at the reporting date and taking into consideration of future economic conditions that affect credit risk. The LGD component represents that expected loss if a default event occurs at a given time, taking into account the mitigating effects of collateral, its expected value when realised and time value of money. The EAD represents the expected exposure at default, taking into account the repayment of principal and interest from the reporting date to the default event together with expected drawdown and utilisation of a facility. The 12-month ECL is equal to the discounted sum over the next 12 months of monthly PD multiplied by LGD and EAD. The discount rate used in the ECL measurement is the original effective interest rate or an approximation thereof.

The measurement of ECL reflects an unbiased and probability-weighted amount that is derived by evaluating a range of possible macroeconomic outcome, the time value of money together with reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

Forward looking information

The Group incorporates forward looking macroeconomic ("MEV") which consists of economic indicators and industry statistics in the measurement of ECL. This involves incorporation of MEV forward looking into PD estimation, which is determined based on probability-weighted outcome from a range of economic scenarios. No MEV is incorporated into LGD estimation due to insufficient data points and lack of solid statistical results supporting the said application.

The Group applies three economic scenarios to reflect an unbiased probability-weighted range of possible future outcome in estimating ECL:

Base case: This represents 'most likely outcome' of future economic conditions which are backed by consensus forecast from various sources.

Best and worst case: This represent the 'upside' and 'downside' outcome of future economic conditions by making references to past historical cyclical conditions together with incorporation of best estimates and judgements on an unbiased basis.

I DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Group tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition). Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

Collateral furnished by the Group under standard repurchase agreements transactions is not derecognised because the Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

J OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

K SALE AND REPURCHASE AGREEMENTS

Securities purchased under resale agreements are securities which the Group has purchased with a commitment to resell at future dates. The commitment to resell the securities is reflected as an asset on the statements of financial position.

Conversely, obligations on securities sold under repurchase agreements are securities which the Group has sold from its portfolio, with a commitment to repurchase at future dates. Such financing and the obligation to repurchase the securities is reflected as a liability on the statements of financial position.

The difference between sale and repurchase price as well as purchase and resale price are amortised as interest income and interest expense respectively on an effective yield method.

L CLIENTS' AND BROKERS' BALANCES

In accordance with the Rules of Bursa Malaysia Securities Berhad ("Bursa Securities"), clients' accounts are classified as impaired accounts (previously referred to as non-performing) under the following circumstances:

Types	Criteria for classification as impaired
Contra losses	When an account remains outstanding from more than 16 calendar days from the date of contra transaction
Overdue purchase contracts	When an account remains outstanding from T+5 market days onwards (non- margin purchase) and T+9 market days onwards (discretionary financing)

Bad debts are written-off when identified. Impairment allowances are made for balances due from clients and brokers which are considered doubtful or which have been classified as impaired, after taking into consideration collateral held by the Group and deposits of and amounts due to dealer representative in accordance with the Rules of Bursa Securities.

Summary of Significant Accounting Policies

for the financial year ended 30 June 2021

M DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair values at the end of each reporting period. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of any derivatives that do not qualify for hedge accounting are recognised immediately in the income statements.

The best evidence of fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of the instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group recognises the fair value of derivatives in income statements immediately.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designated certain derivatives as hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

At the inception of the transaction, the Group documents the relationship between hedging instruments and hedged items, as well as their risk management objective and strategy for undertaking various hedge transactions. The Group also documents their assessments, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statements of income, together with any changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to statements of income over the period to maturity using a recalculated effective interest rate.

(ii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the statements of income.

N MANAGER'S STOCKS AND CONSUMABLES

Manager's stocks represent units in the unit trust funds managed by the unit trust management subsidiary. Manager's stocks are classified as a financial asset at fair value through profit or loss. Consumables for future use are stated at cost and are written off when they are not foreseen to be used.

O CASH AND CASH EQUIVALENTS

Cash and cash equivalents are cash and short-terms funds held for the purpose of meeting short-term commitments and readily convertible into cash without significant risk of changes in value.

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash and short-term funds and deposits and placements with financial institutions, with original maturity of three months or less.

Summary of Significant Accounting Policies

for the financial year ended 30 June 2021

P BORROWINGS

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost, any difference between initial recognised amount and the redemption value is recognised in the income statements over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statements of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in income statements within interest expense.

Where the terms of a financial liability are renegotiated and the Company issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in income statements, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

All other borrowing costs are recognised in income statements in the period in which they are incurred.

Q INCOME TAXES

Tax expense for the period comprises current and deferred tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in income statements, except to the extent that its relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries operate and generate taxable income.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from initial recognition of goodwill. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

Deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the parent and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the deductible temporary difference can be utilised.

Summary of Significant Accounting Policies

for the financial year ended 30 June 2021

Q INCOME TAXES (CONTINUED)

Deferred income tax related to fair value re-measurement of financial investments at FVOCI, which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the income statements together with the deferred gain or loss.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balance on a net basis.

R PROVISIONS

Provisions are recognised when the Group and the Company have a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Where the Group and the Company expect a provision to be reimbursed by another party, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present values of management's best estimate of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

S RECOGNITION OF INTEREST INCOME

Interest income and expense for all interest-bearing financial instruments are recognised within "interest income" and "interest expense" in the income statements using the effective interest method. Interest income for financial assets at FVTPL is disclosed as separate line item in income statements.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Summary of Significant Accounting Policies

for the financial year ended 30 June 2021

T RECOGNITION OF FEES AND OTHER INCOME

Loan arrangement fees and commissions are recognised as income when all conditions precedent are fulfilled. Commitment fees and guarantee fees which are material are recognised as income based on time apportionment. Service charges and other fee income are recognised as income when the services are rendered.

Dividends from financial assets at FVTPL, financial investments at FVOCI and subsidiary companies are recognised when the rights to receive payment is established.

Net profit from financial assets at FVTPL and financial investments at FVOCI are recognised upon disposal of the financial instruments, as the difference between net disposal proceeds and the carrying amount of the financial instruments.

Brokerage income is recognised when contracts are executed. Fees that constitute single performance obligation is recognised upon completion of transactions such as rollover fees, nominees services and handling charges.

Corporate advisory fees are recognised as income after fullfilling each of the performance obligation.

Management fees charged for management of clients' and unit trust funds is recognised over the period of time in accordance with the rates provided for in the prospectuses of unit trust funds and investment mandate with private customers. Other management fees charged for underwriting, placement and advisory fees are recognised over the period during which the related service is provided or credit risk is undertaken.

Service charge from sales of unit trust comprises gross proceeds from sales of unit trust less direct cost of unit trust created, net of cancellations. Such revenue is recognised upon the allotment of unit trust.

Commission from futures clients is recognised upon the execution of trade on behalf of clients.

U EMPLOYEE BENEFITS

Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The Group and the Company recognise a liability and an expense for bonuses. The Group and the Company recognise a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Defined contribution plan

A defined contribution plan is a pension plan under which the Group and the Company pay fixed contributions into a separate entity (fund) on mandatory, contractual or voluntary basis and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

Summary of Significant Accounting Policies

for the financial year ended 30 June 2021

U EMPLOYEE BENEFITS (CONTINUED)

Defined contribution plan (continued)

The Group and the Company contribute to a national defined contribution plan (the Employee Provident Fund) on a mandatory basis and the amounts contributed to the plan are charged to the income statements in the period to which they relate. Once the contributions have been paid, the Group and the Company have no further payment obligations.

Share-based compensation

The Group operates an equity-settled, share-based compensation plan under which the entity receives services from employees as consideration for equity instruments (share options) of the Group. The fair value of the employee services received in exchange for the grant of the share options is recognised as an expense in the income statements over the vesting periods of the grant with a corresponding increase in equity.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each reporting date, the Company revises its estimates of the number of share options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statements, with a corresponding adjustment to share option reserve in equity.

A trust has been set up for the Employee Share Option Scheme ("ESOS") and is administered by an appointed trustee. The trustee will be entitled from time to time to accept financial assistance from the Company upon such terms and conditions as the Company and the trustee may agree to purchase the Company's stocks from the open market for the purposes of this trust, recognised as treasury shares in the equity.

When the options are exercised, the Company delivers the treasury shares to the employees. The proceeds received net of any directly attributable transaction costs are credited to equity when the options are exercised. When options are not exercised and lapsed, the share option reserve is transferred to retained profits. The difference between the net proceeds received and the cost of treasury shares is recorded as an adjustment to retained profits.

V IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the income statements unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in the income statements unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus reserve.

Summary of Significant Accounting Policies

for the financial year ended 30 June 2021

W CURRENCY TRANSLATIONS

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's and the Company's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia, which is the Group's presentation currency and the Company's functional and presentation currency.

(b) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statements.

Changes in the fair value of monetary securities denominated in foreign currency classified as FVOCI are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in income statements, and other changes in the carrying amount are recognised in other comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as financial investments at FVOCI are included in other comprehensive income.

X SHARE CAPITAL

(a) Classification

Ordinary shares are classified as equity. Other shares, if any, are classified as equity and/or liability according to the substance of the contractual arrangement of the particular instrument.

(b) Share issue costs

Incremental external costs directly attributable to the issue of new shares or options are deducted against equity.

(c) Dividends

Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period.

Distributions to holders of an equity instrument are charged directly to equity.

Summary of Significant Accounting Policies
for the financial year ended 30 June 2021

Y SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity.

Segment revenue, expense, assets and liabilities are those amount resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

Z FINANCIAL GUARANTEE CONTRACTS

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans and other banking facilities.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where financial guarantees in relation to loans or payables of subsidiaries are provided by the Company for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of investment in subsidiaries.

Financial guarantee contracts are subsequently measured at the higher of the amount determined in accordance with the ECL model under MFRS 9 'Financial instruments' and the amount initially recognised less cumulative amount of income recognised in accordance with the principles of MFRS 15 'Revenue from Contracts with Customers', where appropriate.

AA CONTINGENT ASSETS AND LIABILITIES

The Group and the Company do not recognise contingent assets and liabilities other than those arising from business combination, but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Company. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

AB TRANSACTION WITH OWNERS

Transaction with owners in their capacity as owners are recognised in statements of changes in equity and are presented separately from non-owner changes in equity.

AC EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares; and
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Notes to the Financial Statements

for the financial year ended 30 June 2021

1 GENERAL INFORMATION

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are investment banking, stockbroking business, futures broking, related financial services, nominees and custodian services, unit trust management, fund management and sale of unit trusts as disclosed in Note 12 to the financial statements.

The Company is a public limited company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The immediate holding and ultimate holding companies are Hong Leong Financial Group Berhad ("HLFG") and Hong Leong Company (Malaysia) Berhad respectively, both incorporated in Malaysia. HLFG is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Level 30, Menara Hong Leong, No 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur.

2 CASH AND SHORT-TERM FUNDS

	The Group		The Company	
	30.06.2021 RM'000	30.06.2020 RM'000	30.06.2021 RM'000	30.06.2020 RM'000
Cash and balances with banks and other financial institutions	**125,735**	152,964	**1,160**	713
Money at call and deposit placements maturing within one month	**44,298**	205,198	**-**	-
	170,033	358,162	**1,160**	713

Inclusive in cash and short-term funds of the Group are accounts in trust for dealer's representative amounting to RM16,392,000 (30.06.2020: RM13,465,000).

Cash and short term funds of the Group also include restricted cash which could be utilized only for the creation and cancellation of units of the funds management by the Group in accordance with Section 111 of the Capital Markets and Services Act 2007. The total restricted cash of the Group amounted to RM23,850,000 (2020: RM58,415,000).

3 CLIENTS' AND BROKERS' BALANCES

Clients' and brokers' balances represent amounts receivable from outstanding purchase contracts in respect of the Group's stockbroking business entered on behalf of clients, amounts due from brokers and contra losses.

	The Group	
	30.06.2021 RM'000	30.06.2020 RM'000
Performing accounts	**200,673**	261,268
Impaired accounts	**5,247**	3,651
	205,920	264,919
Less: Expected credit losses	**(1,188)**	(2,026)
	204,732	262,893

Movements of impaired accounts are as follows:

At 1 July	**3,651**	602
New financial assets originated	**1,071**	358
Financial assets derecognised	**(1,450)**	(331)
Impaired during the financial year	**24,049**	7,126
Written back during the financial year	**(22,074)**	(4,104)
At 30 June	**5,247**	3,651

Movements in expected credit losses on clients' and brokers' balances are as follows:

The Group	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 1 July 2020	**30**	**1,996**	**2,026**
New financial assets originated	**175**	**2,691**	**2,866**
Financial assets derecognised	**(152)**	**(2,138)**	**(2,290)**
Allowance made	**101**	**1,762**	**1,863**
Allowance written-back	**(69)**	**(3,208)**	**(3,277)**
At 30 June 2021	**85**	**1,103**	**1,188**
At 1 July 2019	4	216	220
New financial assets originated	113	391	504
Financial assets derecognised	(130)	(338)	(468)
Allowance made	49	2,247	2,296
Allowance written-back	(6)	(520)	(526)
At 30 June 2020	30	1,996	2,026

Notes to the Financial Statements

for the financial year ended 30 June 2021

4 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group	
	30.06.2021 RM'000	30.06.2020 RM'000
Licensed banks	**31,139**	-

5 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

	The Group		The Company	
	30.06.2021 RM'000	30.06.2020 RM'000	30.06.2021 RM'000	30.06.2020 RM'000
Money market instruments				
Malaysian Government Securities	**20,953**	-	**-**	-
Malaysian Government Investment Issues	**31,180**	-	**-**	-
Negotiable instruments of deposits	**398,979**	588,325	**-**	-
Cagamas bonds	**15,015**	-	**-**	-
	466,127	588,325	**-**	-
Quoted securities				
In Malaysia:				
Shares	**63,281**	45,642	**56,533**	27,696
Unit trust investment	**212,698**	228,284	**212,501**	228,196
	275,979	273,926	**269,034**	255,892
Unquoted securities				
Shares	**-**	1,432	**-**	-
Corporate bond and/or sukuk	**49,712**	43,794	**-**	-
	49,712	45,226	**-**	-
	791,818	907,477	**269,034**	255,892

6 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")

	The Group	
	30.06.2021 RM'000	30.06.2020 RM'000
Money market instruments		
Malaysian Government Securities	**32,232**	41,229
Malaysian Government Investment Issues	**283,907**	52,982
Cagamas bonds	**75,488**	30,358
	391,627	124,569
Unquoted securities		
Foreign currency bonds	**105,169**	72,260
Corporate bond and/or sukuk	**854,024**	1,069,700
	959,193	1,141,960
	1,350,820	1,266,529

The carrying amount of debt instruments at FVOCI is equivalent to their fair value. The expected credit losses is recognised in other comprehensive income and does not reduce the carrying amount in the statements of financial position.

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

The Group	12 Months ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total ECL RM'000
At 1 July 2020	**341**	**-**	**-**	**341**
Allowances made	**37**	**-**	**-**	**37**
Amount written-back	**(38)**	**-**	**-**	**(38)**
New financial assets originated or purchased	**148**	**-**	**-**	**148**
Financial assets derecognised	**(89)**	**-**	**-**	**(89)**
Exchange differences	**(27)**	**-**	**-**	**(27)**
At 30 June 2021	**372**	**-**	**-**	**372**
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	341	-	-	341

Notes to the Financial Statements
for the financial year ended 30 June 2021

7 FINANCIAL INVESTMENTS AT AMORTISED COST

	The Group	
	30.06.2021 RM'000	30.06.2020 RM'000
Money market instruments		
Malaysian Government Securities	**462,996**	291,869
Malaysian Government Investment Issues	**515,821**	534,018
	978,817	825,887
Unquoted securities		
Foreign currency bonds	**16,639**	16,964
Corporate bond and/or sukuk	**63,842**	25,298
	80,481	42,262
Less: Expected credit losses	**(12)**	(15)
	1,059,286	868,134

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

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

Notes to the Financial Statements

for the financial year ended 30 June 2021

8 LOANS AND ADVANCES

	The Group	
	30.06.2021 RM'000	30.06.2020 RM'000
Term loan financing	**41,986**	93,935
Share margin financing	**294,054**	225,398
Staff loans	**37**	44
Other loans	**265**	281
Gross loans and advances	**336,342**	319,658
Less: Expected credit losses	**(583)**	(3,635)
Total net loans and advances	**335,759**	316,023

(i) The maturity structure of loans and advances is as follows:

Maturity within one year	**322,201**	265,733
One year to three years	**-**	48,006
Three years to five years	**8,163**	44
Over five years	**5,978**	5,875
Gross loans and advances	**336,342**	319,658

(ii) The loans and advances are disbursed to the following types of customers:

Domestic business enterprises:		
- small and medium enterprises	**60,590**	57,941
- others	**90,417**	124,759
Individuals	**181,065**	133,221
Foreign entities	**4,270**	3,737
Gross loans and advances	**336,342**	319,658

(iii) Loans and advances analysed by interest rate sensitivity are as follows:

Fixed rate:		
- staff housing loans	**37**	44
- other fixed rate loans	**265**	281
Variable rate:		
- cost plus	**336,040**	319,333
Gross loans and advances	**336,342**	319,658

Notes to the Financial Statements

for the financial year ended 30 June 2021

8 LOANS AND ADVANCES (CONTINUED)

	The Group	
	30.06.2021 RM'000	**30.06.2020 RM'000**
(iv) Loans and advances analysed by their economic purposes are as follows:		
Purchase of securities	**302,180**	265,451
Working capital	**33,860**	53,882
Purchase of transport vehicles	**126**	126
Purchase of landed property	**176**	199
Gross loans and advances	**336,342**	319,658
(v) Loans and advances analysed by geographical distribution are as follows:		
Malaysia	**336,342**	319,658
(vi) Impaired loans and advances		
Movements in the impaired loans and advances are as follows:		
At 1 July	**6,522**	6,898
Impaired during the financial year	**-**	34,066
Amount written-back during the financial year	**(6,257)**	(34,442)
At 30 June	**265**	6,522
Impaired loans and advances analysed by their economic purposes are as follows:		
Purchase of transport vehicles	**126**	126
Purchase of landed properties	**139**	155
Purchase of securities	**-**	366
Working capital	**-**	5,875
	265	6,522
Impaired loans and advances analysed by geographical distribution are as follows:		
Malaysia	**265**	6,522

8 LOANS AND ADVANCES (CONTINUED)

(vii) Movements in expected credit losses of loans and advances:

The Group	12 Months ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total ECL RM'000
At 1 July 2020	**656**	**1**	**2,978**	**3,635**
Transferred to Stage 1	**223**	**(13)**	**(210)**	**-**
Transferred to Stage 2	**(13)**	**2,342**	**(2,329)**	**-**
New financial assets originated	**12**	**1**	**-**	**13**
Financial assets derecognised	**(3)**	**-**	**-**	**(3)**
Allowance made	**105**	**79**	**2**	**186**
Allowance written-back	**(717)**	**(2,216)**	**(315)**	**(3,248)**
At 30 June 2021	**263**	**194**	**126**	**583**
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

(viii) Movement in the gross carrying amount of financial assets that contributed to changes in the expected credit losses:

The Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 July 2020	**309,522**	**3,614**	**6,522**	**319,658**
Transferred to Stage 1	**27,908**	**(27,700)**	**(208)**	**-**
Transferred to Stage 2	**(23,012)**	**28,867**	**(5,855)**	**-**
New financial assets originated	**289,273**	**7,475**	**-**	**296,748**
Financial assets derecognised	**(277,506)**	**(2,364)**	**(194)**	**(280,064)**
At 30 June 2021	**326,185**	**9,892**	**265**	**336,342**

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8 LOANS AND ADVANCES (CONTINUED)

(viii) Movement in the gross carrying amount of financial assets that contributed to changes in the expected credit losses: (continued)

The Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 July 2019	200,212	1,535	6,898	208,645
Transferred to Stage 1	9,404	(9,404)	-	-
Transferred to Stage 2	(14,762)	14,762	-	-
Transferred to Stage 3	(27,748)	-	27,748	-
New financial assets originated	355,165	2,418	6,318	363,901
Financial assets derecognised	(212,749)	(5,697)	(34,442)	(252,888)
At 30 June 2020	309,522	3,614	6,522	319,658

9 OTHER ASSETS

	The Group		The Company	
	30.06.2021 RM'000	30.06.2020 RM'000	30.06.2021 RM'000	30.06.2020 RM'000
Amounts due from related companies (a)	**3**	-	**-**	-
Deposits	**11,122**	11,545	**5**	5
Prepayments	**2,106**	1,492	**19**	29
Fee income receivables	**5,202**	6,175	**-**	-
Cash collaterals pledged for derivative transactions	**7,227**	17,673	**-**	-
Treasury related receivables	**20,624**	-	**-**	-
Other receivables	**13,554**	10,884	**195**	639
Manager's stocks and consumables	**364**	1,007	**-**	-
	60,202	48,776	**219**	673
Less: Expected credit losses	**(1,942)**	(1,428)	**-**	-
	58,260	47,348	**219**	673

9 OTHER ASSETS (CONTINUED)

(a) The amounts due from subsidiaries and related companies are unsecured, interest free and repayable on demand.

(b) Movements of expected credit losses on fee income receivables is as follows:

The Group	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 1 July 2020	**5**	**1,423**	**1,428**
New financial assets originated	**1**	**-**	**1**
Financial assets derecognised	**(2)**	**-**	**(2)**
Allowance made	**-**	**515**	**515**
At 30 June 2021	**4**	**1,938**	**1,942**
At 1 July 2019	5	1,365	1,370
New financial assets originated	3	-	3
Financial assets derecognised	(4)	-	(4)
Allowance made	1	58	59
At 30 June 2020	5	1,423	1,428

10 STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA ("BNM")

The non-interest bearing statutory deposits are maintained by the banking subsidiary with BNM in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act 2009, the amount of which is determined at set percentages of total eligible liabilities.

As annouced by BNM on 15 May 2020, effective 16 May 2020, banking institutions are allowed to use Malaysian Government Securities ("MGS") and Malaysian Government Investment Issues ("MGII") to fully meet the Statutory Reserve Requirement ("SRR") compliance.

BNM has updated Appendix 3 of the Policy Document (PD) on 16 March 2021 to reflect the extension of the flexibility granted to banking institutions on 15 May 2020 to 31 December 2022.

Notes to the Financial Statements

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11 DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statements of financial position:

	Note	The Group 30.06.2021 RM'000	The Group 30.06.2020 RM'000
Deferred tax assets		**123,234**	87,822
At 1 July		**87,822**	82,556
Credited to income statements	34	**33,511**	5,695
Credited/(Charged) to equity		**1,901**	(429)
At 30 June		**123,234**	87,822
Deferred tax assets			
- settled more than 12 months		**91,120**	72,729
- settled within 12 months		**37,530**	22,636
Deferred tax liabilities			
- settled more than 12 months		**(3,746)**	(6,094)
- settled within 12 months		**(1,670)**	(1,449)
		123,234	87,822

The movements in deferred tax assets and liabilities during the financial year comprise the following:

The Group	Note	Property and equipment RM'000	Financial investments at FVOCI RM'000	Unutilised tax credits RM'000	Provisions RM'000	ROU assets RM'000	Lease liabilities RM'000	Total RM'000
At 1 July 2020		**(429)**	**(2,846)**	**82,512**	**8,489**	**(4,268)**	**4,364**	**87,822**
Credited/(Charged) to income statements	34	**103**	**-**	**28,144**	**5,187**	**122**	**(45)**	**33,511**
Charged to equity		**-**	**1,901**	**-**	**-**	**-**	**-**	**1,901**
At 30 June 2021		**(326)**	**(945)**	**110,656**	**13,676**	**(4,146)**	**4,319**	**123,234**
At 1 July 2019		(112)	(2,417)	79,982	5,103	(5,072)	5,072	82,556
(Charged)/Credited to income statements	34	(317)	-	2,530	3,386	804	(708)	5,695
Charged to equity		-	(429)	-	-	-	-	(429)
At 30 June 2020		(429)	(2,846)	82,512	8,489	(4,268)	4,364	87,822

11 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

Unrecognised deferred tax assets

	The Group	
	30.06.2021 RM'000	30.06.2020 RM'000
Tax losses		
Unutilised tax losses for which the related tax credit has not been recognised in the financial statements	**162**	198
Tax credit		
Tax credit which has not been recognised in the financial statements	**-**	68,021
Capital allowances		
Unutilised capital allowances for which the related tax credit has not been recognised in the financial statements	**391**	391

Deferred tax assets of certain subsidiaries have not been recognised in respect of these items as it is not probable that taxable profits will be available against which the unutilised tax losses, tax credit and capital allowances can be utilised.

The Group's unutilised tax credit and capital allowances have no expiration date under current tax legislation.

Under the Malaysia Finance Act 2018 which was gazetted on 27 December 2018, the Group's unutilised tax losses with no expiry period amounting to RM162,000 as at 30 June 2021 will be imposed with a time limit of utilisation. Any accumulated unutilised tax losses brought forward from year of assessment 2019 can be carried forward for another 7 consecutive years of assessment (i.e. from year of assessments 2020 to 2026).

12 INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	30.06.2021 RM'000	30.06.2020 RM'000
Subsidiary companies:		
Unquoted shares at cost (a)	**374,256**	374,256
Less: Accumulated impairment losses (b)	**(127,682)**	(127,682)
	246,574	246,574

(a) On 6 March 2019, HLG Capital Markets Sdn Bhd and HLCB Assets Sdn Bhd were placed under member's voluntary liquidation. As a result, the capital return to the Company amounts to RM70,850,000.

(b) The impairment allowance was due to reduction in a subsidiary's estimated future cash flows. In determining the impairment allowance, management has assessed the recoverable amount, being the higher of the fair value less costs to sell and value in use.

The investment in subsidiary is included within the reportable segment of 'Investment holding and others'.

Notes to the Financial Statements

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12 INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

Details of the subsidiary companies are as follows:

Name of companies	Country of incorporation	Effective equity interest 2021 %	Effective equity interest 2020 %	Principal activities
Hong Leong Investment Bank Berhad ("HLIB") and its subsidiaries	Malaysia	**100**	100	Investment banking, stockbroking business, futures broking and related financial services
- HLIB Nominees (Tempatan) Sdn. Bhd.	Malaysia	**100**	100	Nominee and custodian services for Malaysia clients
- HLIB Nominees (Asing) Sdn. Bhd.	Malaysia	**100**	100	Nominee and custodian services for foreign clients
- SSSB Jaya (1987) Sdn Bhd	Malaysia	**100**	100	In creditors' voluntary liquidation
HLG Capital Markets Sdn Bhd	Malaysia	**100**	100	In member's voluntary liquidation
HLG Securities Sdn Bhd	Malaysia	**100**	100	In member's voluntary liquidation
HLCB Assets Sdn Bhd	Malaysia	**100**	100	In member's voluntary liquidation
Hong Leong Asset Management Bhd and its subsidiary	Malaysia	**100**	100	Unit trust management, fund management and sale of unit trusts
- Hong Leong Islamic Asset Management Sdn Bhd (formerly known as Hong Leong Fund Management Sdn Bhd)	Malaysia	**100**	100	Islamic fund management service
Unincorporated trust for ESOS	Malaysia	**-**	-	Special purpose vehicle for ESOS purpose

12 INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

Significant judgements and assumptions used to determine the scope of the consolidation

Determining whether the Group has control of an entity is generally straightforward based on ownership of the majority of the voting capital. However, in certain instances this determination will involve significant judgement, particularly in the case of structured entities where voting rights are often not the determining factor in decisions over the relevant activities. This judgement may involve assessing the purpose and design of the entity. It will also often be necessary to consider whether the group, or another involved party with power over the relevant activities, is acting as a principal in its own right or as an agent on behalf of others.

There is also often considerable judgement involved in the ongoing assessment of control over structured entities. In this regard, where market conditions have deteriorated such that the other investors' exposures to the structure's variable returns have been substantively eliminated, the Group may conclude that the Group which acts as managers of the structured entity are acting as its principal and therefore will consolidate the structured entity.

An interest in equity voting rights exceeding 50% would typically indicate that the Group has control of an entity. However certain entities are excluded from consolidation because the Group does not have exposure to their variable returns.

13 STRUCTURED ENTITIES

A structured entity ("SE") is an entity in which voting or similar rights are not the dominant factor in deciding control. SEs are generally created to achieve a narrow and well defined objective with restrictions around their on going activities. Depending on the Group's power over the activities of the entity and its exposure to and ability to influence its own returns, it may consolidate the entity. In other cases it may sponsor or have exposure to such an entity but not consolidate it.

Unconsolidated structured entities in which the Group has an interest

An interest in a SE is any form of contractual or non-contractual involvement which creates variability in returns arising from the performance of the entity for the Group. Such interests include holdings of debt securities, lending and derivatives.

The Group's banking subsidiary, HLIB has been involved in the setting up of the SEs to facilitate the sell down of the debt securities originated and arranged by HLIB. HLIB has power over the relevant activities but no significant exposure to these SEs.

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13 STRUCTURED ENTITIES (CONTINUED)

The carrying amounts of assets and liabilities recognised in the Group's statements of financial position relating to the interests in unconsolidated SEs is summarised as below:

	The Group	
	30.06.2021 RM'000	30.06.2020 RM'000
Liabilities		
Other liabilities	44	44

The Group's income and expenses in relation to unconsolidated SEs recognised is summarised as below:

	The Group	
	30.06.2021 RM'000	30.06.2020 RM'000
Non-interest income		
- Unrealised loss on revaluation of derivative financial assets and derivative financial liabilities - call options	-	(15)
- interest rate swaps	-	(466)
Interest expense		
- Interest rate swaps	-	303

The Group's maximum exposure to loss is the total of its on-balance sheet positions. Exposure to loss is mitigated through collateral held.

14 PROPERTY AND EQUIPMENT

The Group 30.06.2021	Freehold land RM'000	Office and computer equipment RM'000	Furniture and fittings RM'000	Renovations RM'000	Motor vehicles RM'000	Total RM'000
Cost						
At 1 July 2020	350	22,431	2,666	22,400	911	48,758
Additions	-	2,195	48	167	-	2,410
Write-off	-	-	-	(27)	-	(27)
At 30 June 2021	350	24,626	2,714	22,540	911	51,141
Accumulated depreciation						
At 1 July 2020	-	21,537	2,214	13,341	626	37,718
Charge for the financial year	-	935	166	2,431	96	3,628
Write-off	-	-	-	(5)	-	(5)
At 30 June 2021	-	22,472	2,380	15,767	722	41,341
Net book value						
At 30 June 2021	350	2,154	334	6,773	189	9,800

14 PROPERTY AND EQUIPMENT (CONTINUED)

The Group 30.06.2020	Freehold land RM'000	Office and computer equipment RM'000	Furniture and fittings RM'000	Renovations RM'000	Motor vehicles RM'000	Total RM'000
Cost						
At 1 July 2019	350	22,267	2,647	21,953	911	48,128
Additions	-	184	19	447	-	650
Write-off	-	(20)	-	-	-	(20)
At 30 June 2020	350	22,431	2,666	22,400	911	48,758
Accumulated depreciation						
At 1 July 2019	-	20,871	2,055	10,912	529	34,367
Charge for the financial year	-	686	159	2,429	97	3,371
Write-off	-	(20)	-	-	-	(20)
At 30 June 2020	-	21,537	2,214	13,341	626	37,718
Net book value						
At 30 June 2020	350	894	452	9,059	285	11,040

15 RIGHT-OF-USE ("ROU") ASSETS

The Group 30.06.2021	Leasehold Land RM'000	Leasehold Building RM'000	Properties RM'000	Equipment RM'000	Total RM'000
Cost					
At 1 July 2020	**783**	**871**	**23,662**	**526**	**25,842**
Additions	**-**	**-**	**1,369**	**9**	**1,378**
End of lease term	**-**	**-**	**(158)**	**(23)**	**(181)**
At 30 June 2021	**783**	**871**	**24,873**	**512**	**27,039**
Accumulated depreciation					
At 1 July 2020	**66**	**192**	**3,831**	**166**	**4,255**
Charge for the financial year	**8**	**16**	**3,824**	**151**	**3,999**
End of lease term	**-**	**-**	**(158)**	**(23)**	**(181)**
At 30 June 2021	**74**	**208**	**7,497**	**294**	**8,073**
Net book value					
At 30 June 2021	**709**	**663**	**17,376**	**218**	**18,966**

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15 RIGHT-OF-USE ("ROU") ASSETS (CONTINUED)

The Group 30.06.2020	Leasehold Land RM'000	Leasehold Building RM'000	Properties RM'000	Equipment RM'000	Total RM'000
Cost					
At 1 July 2019	783	871	23,626	526	25,806
Additions	-	-	36	-	36
At 30 June 2020	783	871	23,662	526	25,842
Accumulated depreciation					
At 1 July 2019	58	175	-	-	233
Charge for the financial year	8	17	3,831	166	4,022
At 30 June 2020	66	192	3,831	166	4,255
Net book value					
At 30 June 2020	717	679	19,831	360	21,587

16 OTHER INTANGIBLE ASSETS

	The Group	
Computer software	**30.06.2021 RM'000**	**30.06.2020 RM'000**
Cost		
At 1 July	**26,583**	24,997
Additions	**1,689**	1,608
Disposal	**-**	(22)
At 30 June	**28,272**	26,583
Amortisation		
At 1 July	**(23,575)**	(21,895)
Charge for the financial year	**(1,528)**	(1,702)
Disposal	**-**	22
At 30 June	**(25,103)**	(23,575)
Net book value		
At 30 June	**3,169**	3,008

17 GOODWILL

	The Group	
	30.06.2021 RM'000	30.06.2020 RM'000
Cost		
At 1 July/30 June	**33,059**	33,059

Allocation of goodwill to cash-generating units

Goodwill has been allocated to the following cash-generating units ("CGUs"):

	The Group	
CGUs	30.06.2021 RM'000	30.06.2020 RM'000
Investment banking and stockbroking	**28,986**	28,986
Unit trust management	**4,073**	4,073
	33,059	33,059

Impairment test on goodwill

The recoverable amount of CGUs have been determined based on value in use calculation. These calculations use pre-tax cash flows projections based on financial budgets approved by Directors covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rates of 3.3% (30.06.2020: 3.6%), based on historical Gross Domestic Product ("GDP") growth rate of Malaysia on perpetual basis and discounted using pre-tax discount rates which reflect the specific risks relating to CGU.

The cash flows projections are derived based on a number of key factors including the past performance and management's expectations of the market development. The following are the discount rates used in determining the recoverable amount of each CGUs:

	The Group	
	30.06.2021 %	30.06.2020 %
CGUs		
Investment banking and stockbroking	**10.1**	11.7
Unit trust management	**10.2**	12.0

The discount rates used are pre-tax and reflect specific risks relating to the relevant CGUs.

For the current financial year, impairment was not required for goodwill arising from investment banking and stockbroking, and unit trust management. Management believes that any reasonable possible change to the assumptions applied is not likely to cause the recoverable amount to be lower than carrying amount.

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18 DEPOSITS FROM CUSTOMERS

	The Group	
	30.06.2021 RM'000	30.06.2020 RM'000
Fixed deposits	**701,538**	737,747
(i) Maturity structure of fixed deposits is as follows:		
Due within:		
- six months	**701,538**	720,239
- six months to one year	**-**	17,508
	701,538	737,747
(ii) The deposits are sourced from the following customers:		
Government and statutory bodies	**530,754**	515,109
Business enterprises	**157,569**	207,466
Individual	**13,215**	15,172
	701,538	737,747

19 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group	
	30.06.2021 RM'000	30.06.2020 RM'000
Licensed banks	**209,916**	228,601
Licensed investment banks	**101,016**	75,304
Other financial institutions	**1,738,490**	1,769,306
	2,049,422	2,073,211

20 LEASE LIABILITIES

	The Group	
	30.06.2021 RM'000	30.06.2020 RM'000
At 1 July	**20,286**	23,746
Additions	**1,249**	35
Interest expense	**1,009**	1,051
Lease payment	**(4,475)**	(4,538)
Adjustment due to lease reassessment	**-**	(8)
At 30 June	**18,069**	20,286

21 OTHER LIABILITIES

	Note	The Group 30.06.2021 RM'000	The Group 30.06.2020 RM'000	The Company 30.06.2021 RM'000	The Company 30.06.2020 RM'000
Amount due to holding company	(a)	**232**	109	**29**	-
Amount due to other related companies	(a)	**734**	12	**11**	-
Remisiers' trust deposits		**16,392**	13,465	**-**	-
Treasury related payables		**42,465**	40,099	**-**	-
Advance payments received for corporate exercise		**-**	248	**-**	-
Other payables and accrued liabilities		**88,302**	74,447	**1,481**	698
Post employment benefits obligation:					
- defined contribution plan		**218**	215	**-**	-
		148,343	128,595	**1,521**	698

(a) The amount due to holding company and other related companies is unsecured, interest free and repayable on demand.

22 DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

The table below shows the Group's derivative financial instruments as at the reporting date. The contractual or underlying principal amounts of these derivative financial instruments and their corresponding gross positive (derivative assets) and gross negative (derivative liabilities) fair values at the reporting date are analysed below.

The Group 30.06.2021	Note	Contract or underlying principal amount RM'000	Year-end positive fair value RM'000	Year-end negative fair value RM'000
Derivatives at FVTPL:				
(i) Interest rate related contracts:				
- interest rate swaps		**3,515,000**	**26,970**	**(38,673)**
- cross currency swaps		**82,995**	**2,791**	**-**
(ii) Foreign exchange related contracts:				
- foreign currency swaps		**1,048,158**	**2,814**	**(238)**
- foreign currency forwards		**311,456**	**1,812**	**(501)**
- foreign currency spots		**23,611**	**23**	**-**
(iii) Equity related contracts:				
- call options		**200**	**84**	**-**
Derivatives designated as fair value hedge:				
- Interest rate swap	(a)	**70,000**	**-**	**(1,644)**
		5,051,420	**34,494**	**(41,056)**

22 DERIVATIVE FINANCIAL ASSETS/(LIABILITIES) (CONTINUED)

The Group 30.06.2020	Note	Contract or underlying principal amount RM'000	Year-end positive fair value RM'000	Year-end negative fair value RM'000
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	(a)	70,000	-	(2,510)
		5,989,609	54,957	(81,620)

(a) Fair value hedge

The Group's fair value hedges principally consist of interest rate swaps that are used to protect against changes in the fair value of financial assets due to movement in interest rates. The Group has undertaken fair value hedges on interest rate risk of RM70,000,000 (2020: RM70,000,000) on certain receivables using interest rate swaps. The total fair value loss of the said interest rate swaps related to these hedges amounted to RM1,516,000 (2020: RM2,477,000) at the Group.

Included in the net non-interest income is the net losses arising from fair value hedges that were effective during the financial year as follows:

	The Group	
	30.06.2021 RM'000	30.06.2020 RM'000
Gain/(Loss) on hedging instruments	**961**	(2,477)
(Loss)/Gain on hedged items attributable to the hedged risks	**(3,029)**	1,919
	(2,068)	(558)

23 SUBORDINATED OBLIGATIONS

	The Group	
	30.06.2021 RM'000	30.06.2020 RM'000
RM100.0 million Tier 2 subordinated notes, at par	**100,000**	100,000
Add: Interest payable	**197**	185
	100,197	100,185
Less: Unamortised discounts	**(5)**	(7)
	100,192	100,178

On 6 November 2014, 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.

24 SHARE CAPITAL

	The Group and The Company			
	30.06.2021		30.06.2020	
	Number of ordinary shares '000	RM'000	Number of ordinary shares '000	RM'000
Ordinary share issued and fully paid:				
At 1 July/30 June - Ordinary shares	**246,896**	**246,896**	246,896	246,896

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25 RESERVES

	Note	The Group		The Company	
		30.06.2021 RM'000	30.06.2020 RM'000	30.06.2021 RM'000	30.06.2020 RM'000
Retained profits	(i)	**724,739**	578,020	**299,389**	262,330
Regulatory reserve	(ii)	**13,149**	12,076	**-**	-
Fair value reserve	(iii)	**3,364**	9,349	**-**	-
		741,252	599,445	**299,389**	262,330

(i) Retained profits

The Company can distribute dividends out of its entire retained earnings under the single-tier system.

(ii) Regulatory reserve

Regulatory reserves represent the Group's banking subsidiary, HLIB, compliance with BNM's Revised Policy Documents on Financial Reporting with effect from 27 September 2019, whereby HLIB and its domestic banking subsidiaries must maintain, in aggregate, loss allowance for non-credit impaired exposures and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.

However, with reference to the letter from BNM dated 24 March 2020, HLIB is allowed to reduce their regulatory reserves held against expected losses to 0%. BNM expects that, subject to public health concerns abating and economic conditions improving thereafter, banking institutions should be in a position to restore their regulatory reserves to the minimum regulatory requirements by 30 September 2021. HLIB has not reversed the regulatory reserve as at 30 June 2021.

(iii) Fair value reserve

Movement of the fair value reserve is as follows:

	Note	The Group		The Company	
		30.06.2021 RM'000	30.06.2020 RM'000	30.06.2021 RM'000	30.06.2020 RM'000
At 1 July		**9,349**	7,794	**-**	-
Net (loss)/gain from change in fair value		**(7,917)**	1,786	**-**	-
Net changes in expected credit losses		**31**	198	**-**	-
Deferred taxation	11	**1,901**	(429)	**-**	-
Net change in fair value reserve		**(5,985)**	1,555	**-**	-
At 30 June		**3,364**	9,349	**-**	-

26 TREASURY SHARES

Treasury shares for ESOS scheme

MFRS 132 - Financial Instruments: Presentation and Disclosure requires that if an entity reacquires its own equity instruments, those instruments shall be deducted from equity and are not recognised as a financial asset regardless of the reason for which they are reacquired.

In accordance with MFRS 132 - Financial Instruments: Presentation and Disclosure, the shares purchased for the benefit of the ESOS holders are recorded as "Treasury Shares for ESOS Scheme" in the equity on the statements of financial position. As at reporting date, the number of shares held by the appointed trustee for the Group and the Company are as follows:

	30.06.2021		30.06.2020	
The Group	**Number of trust shares held '000**	**Cost RM'000**	**Number of trust shares held '000**	**Cost RM'000**
As at 1 July	**5,613**	**6,031**	5,613	6,031
Purchase of treasury shares	**5,498**	**25,126**	-	-
As at 30 June	**11,111**	**31,157**	5,613	6,031
The Company				
As at 1 July	**5,508**	**5,918**	5,508	5,918
Purchase of treasury shares	**5,498**	**25,126**	-	-
As at 30 June	**11,006**	**31,044**	5,508	5,918

27A INTEREST INCOME

	The Group		The Company	
	30.06.2021 RM'000	**30.06.2020 RM'000**	**30.06.2021 RM'000**	**30.06.2020 RM'000**
Loans and advances	**14,302**	14,012	**-**	-
Money at call and deposit placements with financial institutions	**5,018**	9,885	**13**	11
Financial investments at FVOCI	**35,464**	40,309	**-**	-
Financial investments at amortised cost	**31,157**	29,261	**-**	-
Others	**17,126**	18,200	**-**	-
	103,067	111,667	**13**	11

Notes to the Financial Statements
for the financial year ended 30 June 2021

27B INTEREST INCOME FOR FINANCIAL ASSETS AT FVTPL

	The Group	
	30.06.2021 RM'000	30.06.2020 RM'000
Financial assets at FVTPL	**37,423**	39,188

28 INTEREST EXPENSE

	The Group	
	30.06.2021 RM'000	30.06.2020 RM'000
Deposits and placements of banks and other financial institutions	**5,120**	19,259
Deposits from customers	**38,982**	60,027
Derivative financial instruments	**41,500**	18,655
Subordinated obligations	**4,232**	5,262
Lease liabilities	**1,009**	1,051
Others	**6**	103
	90,849	104,357

Notes to the Financial Statements
for the financial year ended 30 June 2021

29 NON-INTEREST INCOME

	The Group		The Company	
	30.06.2021 RM'000	30.06.2020 RM'000	30.06.2021 RM'000	30.06.2020 RM'000
Fee income				
Brokerage income	**135,265**	76,541	**-**	-
Unit trust fee income	**57,269**	56,899	**-**	-
Commission for futures contracts	**821**	1,611	**-**	-
Fees on loans and advances	**494**	925	**-**	-
Arranger fees	**3,856**	3,365	**-**	-
Placement fees	**13,726**	8,353	**-**	-
Corporate advisory fees	**6,626**	3,385	**-**	-
Underwriting commissions	**129**	188	**-**	-
Other fee income	**8,062**	8,865	**-**	-
	226,248	160,132	**-**	-
Net income from securities				
Net realised gain/(loss) arising from sale of:				
- Financial assets at FVTPL	**9,539**	4,235	**4,534**	327
- Financial investments at FVOCI	**12,931**	26,819	**-**	-
- Derivative financial instruments	**(27,187)**	39,562	**-**	-
Net unrealised (loss)/gain on revaluation of:				
- Financial assets at FVTPL	**(4,451)**	(3,027)	**533**	(2,921)
- Derivative financial instruments	**19,532**	(17,758)	**-**	-
Dividend income from:				
- Financial assets at FVTPL	**6,314**	8,820	**5,453**	7,320
- Subsidiary companies	**-**	-	**84,000**	46,000
Net unrealised loss on fair value changes arising from fair value hedges	**(2,068)**	(558)	**-**	-
	14,610	58,093	**94,520**	50,726
Other income				
Foreign exchange gain/(loss)	**23,830**	(32,245)	**(47)**	-
Other non-operating income	**1,296**	247	**856**	195
	25,126	(31,998)	**809**	195
	265,984	186,227	**95,329**	50,921

Notes to the Financial Statements

for the financial year ended 30 June 2021

30 OVERHEAD EXPENSES

	The Group		The Company	
	30.06.2021 RM'000	30.06.2020 RM'000	30.06.2021 RM'000	30.06.2020 RM'000
Personnel costs	**95,678**	92,873	**219**	416
Establishment costs	**21,563**	17,585	**71**	63
Marketing expenses	**1,305**	2,572	**-**	38
Administration and general expenses	**23,051**	21,734	**1,213**	1,056
	141,597	134,764	**1,503**	1,573

(i) Personnel costs comprise the following:

	The Group		The Company	
	30.06.2021 RM'000	30.06.2020 RM'000	30.06.2021 RM'000	30.06.2020 RM'000
Salaries, allowances and bonuses	**83,212**	79,513	**-**	-
Other employees benefits	**12,466**	13,360	**219**	416
	95,678	92,873	**219**	416

(ii) Establishment costs comprise the following:

	The Group		The Company	
	30.06.2021 RM'000	30.06.2020 RM'000	30.06.2021 RM'000	30.06.2020 RM'000
Depreciation of property and equipment	**3,628**	3,371	**-**	-
Depreciation of ROU assets	**3,999**	4,022	**-**	-
Amortisation of intangible assets - computer software	**1,528**	1,702	**-**	-
Rental of premises	**97**	78	**-**	-
Information technology expenses	**9,483**	6,221	**25**	2
Others	**2,828**	2,191	**46**	61
	21,563	17,585	**71**	63

(iii) Marketing expenses comprise the following:

	The Group		The Company	
	30.06.2021 RM'000	30.06.2020 RM'000	30.06.2021 RM'000	30.06.2020 RM'000
Advertisement and publicity	**653**	1,027	-	-
Travelling and accomodation	**116**	375	-	-
Others	**536**	1,170	-	38
	1,305	2,572	-	38

30 OVERHEAD EXPENSES (CONTINUED)

(iv) Administration and general expenses comprise the following:

	The Group		The Company	
	30.06.2021 RM'000	30.06.2020 RM'000	30.06.2021 RM'000	30.06.2020 RM'000
Communication expenses	**1,344**	1,240	**8**	6
Stationery and printing expenses	**387**	383	**19**	10
Management fees	**7,282**	4,921	**504**	400
Professional fees	**3,061**	4,139	**22**	20
Property and equipment written off	**22**	-	**-**	-
Auditors' remuneration:				
- statutory audit fees	**472**	371	**79**	79
- regulatory related fees	**54**	54	**11**	11
- tax compliance fees	**33**	25	**-**	-
- other fees	**120**	20	**-**	-
Others	**10,276**	10,581	**570**	530
	23,051	21,734	**1,213**	1,056

Included in the overhead expenses of the Group and the Company are Directors' remuneration amounting to RM385,000 (2020: RM379,000) and RM385,000 (2020: RM379,000) respectively.

There was no indemnity given or insurance effected for any auditor of the Group and the Company during the annual financial year and its comparative financial year.

31 WRITE-BACK OF/(ALLOWANCE FOR) IMPAIRMENT LOSSES ON LOANS AND ADVANCES

	The Group	
	30.06.2021 RM'000	30.06.2020 RM'000
Expected credit losses on:		
- Loans and advances	**3,052**	(280)
Impaired loans and advances written-off	**(26)**	-
	3,026	(280)

Notes to the Financial Statements
for the financial year ended 30 June 2021

32 WRITE-BACK OF/(ALLOWANCE FOR) IMPAIRMENT LOSSES ON FINANCIAL INVESTMENTS AND OTHER FINANCIAL ASSETS

	The Group	
	30.06.2021 RM'000	30.06.2020 RM'000
Expected credit losses on:		
(a) Financial investments:		
- Financial investments at FVOCI	**(31)**	(198)
- Financial investments at amortised cost	**3**	21
	(28)	(177)
(b) Other financial assets:		
(i) Clients' and brokers' balances:		
- Expected credit losses	**838**	(1,806)
- Impaired clients' and brokers' balances recovered	**-**	110
(ii) Other assets	**(514)**	(58)
	324	(1,754)
	296	(1,931)

33 DIRECTORS' REMUNERATION

30.06.2021	The Group			The Company		
	Director fees RM'000	Salaries, bonuses, allowances and defined contribution retirement plan RM'000	Total RM'000	Director fees RM'000	Salaries, bonuses, allowances and defined contribution retirement plan RM'000	Total RM'000
Non-Executive Directors:						
Tan Kong Khoon	**-**	**-**	**-**	**-**	**-**	**-**
Tai Siew Moi	**115**	**12**	**127**	**115**	**12**	**127**
Leong Ket Ti	**115**	**12**	**127**	**115**	**12**	**127**
Peter Ho Kok Wai	**120**	**11**	**131**	**120**	**11**	**131**
	350	**35**	**385**	**350**	**35**	**385**
Directors of subsidiaries	**714**	**2,998**	**3,712**	**-**	**-**	**-**
Total directors' remuneration	**1,064**	**3,003**	**4,097**	**350**	**35**	**385**

The movements and details of the Directors of the Company in office and interests in shares and share options are reported in the Directors' report.

33 DIRECTORS' REMUNERATION (CONTINUED)

30.06.2020	The Group Director fees RM'000	The Group Salaries, bonuses, allowances and defined contribution retirement plan RM'000	The Group Total RM'000	The Company Director fees RM'000	The Company Salaries, bonuses, allowances and defined contribution retirement plan RM'000	The Company Total RM'000
Non-Executive Directors:						
Tan Kong Khoon	-	-	-	-	-	-
Tai Siew Moi	115	10	125	115	10	125
Leong Ket Ti	115	10	125	115	10	125
Peter Ho Kok Wai	120	9	129	120	9	129
	350	29	379	350	29	379
Directors of subsidiaries	713	1,973	2,686	-	-	-
Total directors' remuneration	1,063	2,002	3,065	350	29	379

The Directors' Remuneration in the current financial year represents remuneration for Directors of the Group, the Company and its subsidiaries to comply with the requirements of the Companies Act 2016. The names of directors of subsidiaries and their remuneration details are set out in the respective subsidiary's statutory accounts and the said information is deemed incorporated herein by such reference and made a part thereof.

During the financial year, Directors and Officers of the Group are covered under the Directors' & Officers' Liability Insurance in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors and Officers of the Group subject to the terms of the policy. The total amount of Directors' & Officers' Liability Insurance effected for the Directors & Officers of the immediate holding company and its subsidiaries was RM10 million. The total amount of premium paid for the Directors' & Officers' Liability Insurance by the immediate holding company and its subsidiaries was RM71,250 (2020: RM67,688) and the apportioned amount of the said premium paid by Hong Leong Investment Bank Berhad was RM665 (2020: RM960).

Notes to the Financial Statements

for the financial year ended 30 June 2021

34 TAXATION

	The Group		The Company	
	30.06.2021 RM'000	30.06.2020 RM'000	30.06.2021 RM'000	30.06.2020 RM'000
Malaysian income tax:				
- current financial year's charge	**7,653**	7,243	**1,261**	122
- (over)/under provision in prior financial years	**(79)**	15	**-**	(14)
	7,574	7,258	**1,261**	108
Deferred taxation (Note 11):				
- relating to origination and reversal of temporary differences	**(33,511)**	(5,695)	**-**	-
	(33,511)	(5,695)	**-**	-
	(25,937)	1,563	**1,261**	108

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and the Company is as follows:

	The Group		The Company	
	30.06.2021 RM'000	30.06.2020 RM'000	30.06.2021 RM'000	30.06.2020 RM'000
Profit before taxation	**177,350**	95,750	**93,839**	49,359
Tax calculated at a rate of 24%	**42,564**	22,980	**22,521**	11,846
Tax effects of:				
- Income not subject to tax	**(1,714)**	(1,522)	**(21,599)**	(12,096)
- Expenses not deductible for tax purposes	**1,496**	1,752	**339**	372
- Recognition of unutilised tax credit previously not recognised	**(68,021)**	(21,303)	**-**	-
- Origination of temporary differences previously not recognised	**(318)**	(495)	**-**	-
- Current year tax losses not recognised	**135**	63	**-**	-
- Origination of temporary differences not recognised during the financial year	**-**	73	**-**	-
- (Over)/Under provision in prior financial years	**(79)**	15	**-**	(14)
Tax expense for the financial year	**(25,937)**	1,563	**1,261**	108

35 EARNINGS PER SHARE

The basic earnings per share has been calculated by dividing the net profit for the financial year of the Group by the number of ordinary shares in issue excluding the weighted average shares held by ESOS Trust during the financial year as follows:

	The Group	
	30.06.2021	**30.06.2020**
(a) Basic earnings per share		
Net profit attributable to equity holders of the Company (RM'000)	**203,287**	94,187
Weighted average number of ordinary shares in issue ('000)	**237,698**	241,283
Basic earnings per share (sen)	**85.5**	39.0

(b) Diluted earnings per share

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

36 DIVIDENDS

Dividends declared as follows:-

	The Group and the Company			
	30.06.2021		30.06.2020	
	Single-tier dividend per share Sen	Amount of dividend RM'000	Single-tier dividend per share Sen	Amount of dividend RM'000
Ordinary shares	**26.0**	**64,193**	23.0	56,786

The Directors of the Company have declared the payment of a final single-tier dividend of 26.0 sen per share on the Company's issued and paid-up ordinary shares of RM246,896,668 comprising 246,896,668 of ordinary shares amounting to RM64.2 million for the financial year ended 30 June 2021, to be paid on a date to be determined.

Notes to the Financial Statements
for the financial year ended 30 June 2021

36 DIVIDENDS (CONTINUED)

Dividends recognised as distribution to ordinary equity holders of the Group and the Company:

	The Group			
	30.06.2021		30.06.2020	
	Single-tier dividend per share Sen	Amount of dividend RM'000	Single-tier dividend per share Sen	Amount of dividend RM'000
Ordinary shares	**23.0**	**55,495**	22.0	53,082

	The Company			
	30.06.2021		30.06.2020	
	Single-tier dividend per share Sen	Amount of dividend RM'000	Single-tier dividend per share Sen	Amount of dividend RM'000
Ordinary shares	**23.0**	**55,519**	22.0	53,105

In respect of the financial year ended 30 June 2020, dividend paid on the shares held in trust pursuant to the Company's Executive Share Option Scheme ("ESOS") which are classified as treasury shares held for ESOS scheme are not accounted for in the total equity. An amount of RM1,290,921 (Group) and RM1,266,771 (Company), being dividend paid for these shares was added back to the appropriation of retained profits.

37 COMMITMENTS AND CONTINGENCIES

(a) Investment banking subsidiary company related commitments and contingencies

In the normal course of business, the investment banking subsidiary make various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions. These commitments and contingencies are also not secured over the assets of the Group.

The commitments and contingencies are as follows:

The Group	30.06.2021 Principal amount RM'000	30.06.2020 Principal amount RM'000
Commitments and contingencies		
Direct credit substitutes	**1,000**	1,000
Lending of banks' securities or the posting of securities as collateral by banks, 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 commitment that are unconditionally cancelled at any time by the Group without prior notice		
- maturity less than one year	**911,550**	894,438
	942,550	977,790
Derivative financial instruments		
Interest rate related contracts^:		
- One year or less	**1,592,995**	1,365,000
- Over one year to five years	**2,075,000**	3,030,700
- Over five years	**-**	110,000
Foreign exchange related contracts^:		
- One year or less	**1,383,225**	1,483,909
Equity related contracts^:		
- Over one year to five years	**200**	-
	5,051,420	5,989,609
	5,993,970	6,967,399

^ These derivatives are revalued at gross position basis and the fair value have been reflected in Note 22 to the financial statements as derivative financial assets or derivatives financial liabilities.

Notes to the Financial Statements
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37 COMMITMENTS AND CONTINGENCIES (CONTINUED)

(b) Other commitments and contingencies - unsecured

Hong Leong Asset Management Bhd, a wholly owned subsidiary of the Company, is the Manager of Hong Leong Consumer Products Sector Fund ("Funds"). The Company provided a guarantee to Deutsche Trustees Malaysia Berhad, the trustee of the Funds, that if the funds falls below the minimum fund size of RM1,000,000, the Company would invest cash, equivalent to the shortfall, into the relevant fund.

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

38 CAPITAL COMMITMENTS

	The Group	
	30.06.2021 RM'000	30.06.2020 RM'000
Property and equipment		
- approved and contracted but not provided for	**4,602**	3,017

39 CAPITAL MANAGEMENT

The Group's capital is in relation to its risk profile and strategic objectives set by the Board to meet shareholders' requirements and expectations. The components of the total capital are disclosed in Note 24 and 25. The Group's banking subsidiary's Capital Management framework for maintaining appropriate capital levels has complied with the requirements of Bank Negara Malaysia's Revised Risk Weighted Capital Adequacy Framework. The capital adequacy ratios of the banking subsidiary are disclosed in Note 40.

40 CAPITAL ADEQUACY

The Group's banking subsidiary's regulatory capital is governed by BNM's Capital Adequacy Framework guidelines. The capital adequacy ratios of the Group's banking subsidiary are computed in accordance with BNM's Capital Adequacy Framework (Capital Components) (the "Framework"). The Framework sets out the approach for computing the regulatory capital adequacy ratios, the minimum levels of the ratios at which banking institutions are required to operate as well as requirement on Capital Conservation Buffer ("CCB") and Counter Cyclical Buffer ("CCyB"). The Group's banking subsidiary is also required to maintain CCB of up to 2.500% of total risk weighted assets ("RWA"), which is phased in starting with 0.625% in year 2016, 1.250% in year 2017, 1.875% in year 2018 and 2.500% in year 2019. The CCyB which ranges from 0% up to 2.500% is determined as the weighted average of prevailing CCyB rates applied in the jurisdictions in which a financial institution has credit exposures.

The minimum capital adequacy including CCB for Common Equity Tier I (CETI) capital ratio, Tier I capital ratio and Total capital ratio are 7.000%, 8.500% and 10.500% respectively.

The Group's banking subsidiary has adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk computation in deriving the RWA.

40 CAPITAL ADEQUACY (CONTINUED)

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

	HLIB	
	30.06.2021	30.06.2020
Before deducting proposed dividends:		
Common equity tier 1 ("CET1") capital ratio	**50.575%**	42.128%
Tier 1 capital ratio	**50.575%**	42.128%
Total capital ratio	**61.409%**	52.768%
After deducting proposed dividends: (1)		
CET1 capital ratio	**34.419%**	35.500%
Tier 1 capital ratio	**34.419%**	35.500%
Total capital ratio	**45.253%**	46.139%

Note:
(1) Proposed dividends of RM156,750,000 (2020: RM66,000,000).

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

	HLIB	
	30.06.2021 RM'000	30.06.2020 RM'000
CET1 capital		
Paid-up ordinary share capital	**252,950**	252,950
Retained profits	**389,376**	279,828
Other reserves	**3,364**	9,349
Less: goodwill and intangibles	**(31,745)**	(31,380)
Less: deferred tax assets	**(121,199)**	(85,925)
Less: investment in subsidiary companies	**(200)**	(200)
Less: 55% of cumulative gains of financial instruments at FVOCI	**(1,850)**	(5,142)
Total CET1 capital	**490,696**	419,480
Tier 1 capital	**490,696**	419,480
Tier 2 capital		
Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves (2)	**5,115**	5,940
Subordinated obligations	**100,000**	100,000
Total Tier 2 capital	**105,115**	105,940
Total capital	**595,811**	525,420

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

Notes to the Financial Statements

for the financial year ended 30 June 2021

40 CAPITAL ADEQUACY (CONTINUED)

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

	HLIB	
	30.06.2021 RM'000	30.06.2020 RM'000
Credit risk	**409,205**	476,122
Market risk	**248,108**	257,167
Operational risk	**312,925**	262,434
	970,238	995,723

41 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Related parties and relationships

The related parties and their relationships with the Company are as follows:

Related parties	Relationship
Hong Leong Company (Malaysia) Berhad ("HLCM")	Ultimate holding company
Hong Leong Financial Group Berhad ("HLFG")	Immediate holding company
Subsidiary companies of the Company as disclosed in Note 12	Subsidiaries
Subsidiary companies of HLCM	Subsidiaries of ultimate holding company
Subsidiary companies of HLFG	Subsidiaries of immediate holding company
Key management personnel	The key management personnel of the Group and the Company consists of: - All Directors of the Group and the Company - Key management personnel of the Group and the Company who have the authority and responsibility for planning, directing and controlling the activities of the Group and the Company either directly or indirectly
Related parties of key management personnel (deemed as related to the Company)	(i) Close family members and dependents of key management personnel (ii) Entities that are controlled, jointly controlled or for which significant voting power in such entity resides with, directly or indirectly by key management personnel or its close family members

41 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Related party transactions

Transactions with related parties are as follows:

The Group	Parent company RM'000	Other related companies RM'000	Key management personnel RM'000
30.06.2021			
Income			
Interest income	-	9,205	-
Brokerage income	-	22,635	267
Arranger fee	-	200	-
Placement fee	1,598	600	-
Other fee income	60	1,960	-
Gain on securities and derivatives	-	3,380	-
	1,658	37,980	267
Expenses			
Interest expense	-	43,385	312
Management fees	1,299	5,982	-
Depreciation of ROU assets	-	3,663	-
Interest on lease liabilities	-	934	-
Others	59	3,993	-
	1,358	57,957	312
Amounts due from:			
Cash and short-term funds	-	35,411	-
Financial assets at FVTPL	-	3,444	-
Derivative financial assets	-	2,859	-
Clients' and brokers' balances	-	4,754	-
ROU assets	-	17,038	-
Other assets	-	1,369	-
	-	64,875	-
Amounts due to:			
Deposits from customers	-	-	13,216
Deposits and placements of banks and other financial institutions	-	168,468	-
Derivative financial liabilities	-	1,554	-
Clients' and brokers' balances	-	1,201	-
Lease liabilities	-	17,726	-
Other liabilities	232	734	379
	232	189,683	13,595
Commitments and contingencies			
Derivative financial instruments	-	210,000	-

Notes to the Financial Statements

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41 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Related party transactions (continued)

Transactions with related parties are as follows: (continued)

The Company	Parent company RM'000	Subsidiaries RM'000	Other related companies RM'000	Key management personnel RM'000
30.06.2021				
Income				
Interest income	-	-	13	-
Dividends	-	84,000	-	-
Guarantee fee	-	2	-	-
Others	-	854	-	-
	-	84,856	13	-
Expenses				
Management fees	209	-	295	-
Others	-	-	49	-
	209	-	344	-
Amounts due from:				
Cash and short-term funds	-	-	323	-
Amounts due to:				
Other liabilities	29	-	11	379

41 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Related party transactions (continued)

Transactions with related parties are as follows: (continued)

The Group	Parent company RM'000	Other related companies RM'000	Key management personnel RM'000
30.06.2020			
Income			
Interest income	-	17,625	-
Brokerage income	5	20,279	99
Arranger fee	-	720	-
Placement fee	-	350	-
Other fee income	105	1,386	-
Gain on securities and derivatives	14	1,080	-
	124	41,440	99
Expenses			
Interest expense	-	45,097	514
Rental	-	16	-
Management fees	4,921	-	-
Depreciation of ROU assets	-	3,624	-
Others	9	4,816	-
	4,930	53,553	514
Amounts due from:			
Cash and short-term funds	-	19,490	-
Financial assets at FVTPL	-	104,347	-
Derivative financial assets	-	4,506	-
Clients' and brokers' balances	-	1,925	-
Other assets	-	1,194	-
	-	131,462	-
Amounts due to:			
Deposits from customers	-	951	15,172
Deposits and placements of banks and other financial institutions	-	149,905	-
Derivative financial liabilities	-	2,170	-
Clients' and brokers' balances	-	1,335	-
Other liabilities	126	70	383
	126	154,431	15,555
Commitments and contingencies			
Derivative financial instruments	-	281,425	-

Notes to the Financial Statements

for the financial year ended 30 June 2021

41 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Related party transactions (continued)

Transactions with related parties are as follows: (continued)

The Company	Parent company RM'000	Subsidiaries RM'000	Other related companies RM'000	Key management personnel RM'000
30.06.2020				
Income				
Interest income	-	-	11	-
Dividends	-	46,000	-	-
Guarantee fee	-	2	-	-
Others	-	193	-	-
	-	46,195	11	-
Expenses				
Management fee	400	-	63	-
Others	-	-	50	-
	400	-	113	-
Amounts due from:				
Cash and short-term funds	-	-	60	-
Amounts due to:				
Other liabilities	17	-	-	383

(c) Key management personnel

Key management compensation

	The Group		The Company	
	30.06.2021 RM'000	30.06.2020 RM'000	30.06.2021 RM'000	30.06.2020 RM'000
Salaries, allowances and other short-term employee benefits	**10,110**	8,937	**75**	94
Fees	**350**	350	**350**	350
	10,460	9,287	**425**	444

Included in the above is the Directors' remuneration which is disclosed in Note 33.

42 SEGMENTAL INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined its Group Chief Operating Officer as its chief operating decision-maker.

No analysis by geographical segments is presented as the Group's operations are substantially carried out in Malaysia.

Inter-segment pricing is determined based on negotiated terms. These transactions are eliminated on consolidation.

Segment results, assets and liabilities include items directly attributable to the segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total costs incurred during the period to acquire segment assets that are expected to be used for more than one period.

Business segments

The Group comprises the following main business segments:

Investment banking and stockbroking	- Investment banking, stockbroking business, futures broking and related financial services
Fund management and unit trust management	- Unit trust management, fund management and sale of unit trusts
Investment holding and others	- Investment holdings and others

Notes to the Financial Statements

for the financial year ended 30 June 2021

42 SEGMENTAL INFORMATION (CONTINUED)

The Group	Investment banking and stockbroking RM'000	Fund management and unit trust management RM'000	Investment holding and others RM'000	Elimination RM'000	Consolidated RM'000
30.06.2021					
Revenue					
External revenue	246,236	57,763	11,626	-	315,625
Inter-segment revenue	573	(2)	84,002	(84,573)	-
Total revenue [1]	246,809	57,761	95,628	(84,573)	315,625
Overhead expenses	(106,883)	(33,049)	(1,665)	-	(141,597)
Net write-back of allowance for impairment losses on loans and advances and other losses	3,322	-	-	-	3,322
Results					
Segment results from operations	143,248	24,712	93,963	(84,573)	177,350
Tax expense for the financial year					25,937
Net profit for the financial year					203,287
Assets					
Segment assets	3,874,852	77,429	519,294	(246,978)	4,224,597
Liabilities					
Segment liabilities	3,216,013	48,265	3,468	(140)	3,267,606
Other informations					
Capital expenditure	3,743	356	-	-	4,099
Depreciation of property and equipment	3,003	625	-	-	3,628
Depreciation of ROU assets	3,409	590	-	-	3,999
Amortisation of intangible assets - computer software	1,202	326	-	-	1,528
Allowance for impairment losses on loans and advances	(3,026)	-	-	-	(3,026)
Allowance for impairment losses on financial investments	(28)	-	-	-	(28)
Allowance for impairment losses on clients' and brokers' balances	838	-	-	-	838
Allowance for impairment losses on other financial assets	(514)	-	-	-	(514)

Note:

[1] Total segment revenue comprises of net interest income and non-interest income.

Notes to the Financial Statements

for the financial year ended 30 June 2021

42 SEGMENTAL INFORMATION (CONTINUED)

The Group	Investment banking and stockbroking RM'000	Fund management and unit trust management RM'000	Investment holding and others RM'000	Elimination RM'000	Consolidated RM'000
30.06.2020					
Revenue					
External revenue	169,910	57,899	4,916	-	232,725
Inter-segment revenue	(3)	(2)	46,302	(46,297)	-
Total revenue [1]	169,907	57,897	51,218	(46,297)	232,725
Overhead expenses	(102,789)	(30,229)	(1,746)	-	(134,764)
Net allowance written-back for impairment losses on loans and advances and other losses	(2,211)	-	-	-	(2,211)
Result					
Segment results from operations	64,907	27,668	49,472	(46,297)	95,750
Taxation for the financial year					(1,563)
Net profit for the financial year					94,187
Assets					
Segment assets	3,898,338	127,046	505,971	(242,977)	4,288,378
Liabilities					
Segment liabilities	3,344,135	101,895	2,181	(143)	3,448,068
Other informations					
Capital expenditure	2,153	105	-	-	2,258
Depreciation of property and equipment	2,653	718	-	-	3,371
Depreciation of ROU assets	3,436	586	-	-	4,022
Amortisation of intangible assets - computer software	1,327	375	-	-	1,702
Allowance for impairment losses on loans and advances	280	-	-	-	280
Allowance for impairment losses on financial investments	(177)	-	-	-	(177)
Allowance for impairment losses on clients' and brokers' balances	(1,806)	-	-	-	(1,806)
Impaired clients' and brokers' balances recovered	110	-	-	-	110
Allowance for impairment losses on other financial assets	(58)	-	-	-	(58)

Note:

[1] Total segment revenue comprises of net interest income and non-interest income.

Notes to the Financial Statements
for the financial year ended 30 June 2021

43 FINANCIAL INSTRUMENTS

(a) Risk management objectives and policies

Risk management is one of the core activities of the Group to strike a balance between sound practices and risk-return. An effective risk management is therefore vital to ensure that the Group conducts its business in a prudent manner to ensure that the risk of potential losses is reduced.

Credit risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, credit limits and monitoring procedures. Credit risk includes settlement risk, default risk and concentration risk. Exposure to credit risk arises mainly from financing, underwriting, securities and derivative exposures of the Group.

The Group has set out Board approved policies and guidelines for the management of credit risk. To oversee all credit related matters of the Group, the Management Credit and Underwriting Committee ("MCUC") was setup in 2011 in addition to an independent Credit Department.

The Board has delegated appropriate Delegation of Authority to the MCUC and senior management for the approval of credit facilities. Credit limit setting for Treasury activities are endorsed by the MCUC and approved by the Board at least annually. Adherence to established credit policies, guidelines and limits is monitored daily by the Credit Control Department, Credit Department and the Risk Management Department.

Market risk

Market risk is the risk of loss arising from adverse fluctuation in market prices, such as interest rates, equity prices and foreign currency. The Group monitors all such exposures arising from trading activities of the treasury and stockbroking business activities on a daily basis and management is alerted on the financial impact of these risks. To mitigate market risk, the Group also uses derivative financial instruments.

The Group has in place a set of policies, guidelines, measurement methodologies and control limits which includes Value-at-Risk ("VaR"), Present-Value-Basis-Point ("PVBP"), Management Action Trigger ("MAT"), notional limits and concentration limits to mitigate market risk.

Stress testing is also employed to capture the potential market risk exposures from unexpected market movements. Concerns and significant findings are communicated to the senior management at the Assets and Liabilities Management Committee ("ALMCO") and to the Board.

Liquidity risk

Liquidity risk is the risk of financial loss arising from the inability to fund increases in assets and/or meet obligations as they fall due. Financial obligations arises from the withdrawal of deposits, funding of loans committed and repayment of borrowed funds. It is the Group's policy to ensure that there is adequate liquidity across all business units to sustain ongoing operations, as well as sufficient liquidity to fund asset growth and strategic opportunities.

43 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk

Market risk sensitivity assessment is based on the changes in key variables, such as interest rates and foreign currency rates, while all other variables remain constant. The sensitivity factors used are assumptions based on parallel shifts in the key variables to project the impact on the assets and liabilities position of the Group as at reporting date.

The scenarios used are simplified whereby it is assumed that all key variables for all maturities move at the same time and by the same magnitude and do not incorporate actions that would be otherwise taken by the business unit and risk management to mitigate the effect of this movement in key variables. In reality, the Group and the Company proactively seek to ensure that the interest rate risk profile is managed to minimise losses and optimise net revenues.

(i) Interest rate sensitivity analysis

The following table shows the sensitivity of the Group's profit after tax and its equity to an immediate up and down +/-100 basis points ("bps") parallel shift in the interest rate.

	30.06.2021		30.06.2020	
The Group	**Impact on profit after tax RM'000**	**Impact on equity RM'000**	**Impact on profit after tax RM'000**	**Impact on equity RM'000**
+100 bps	**7,139**	**(34,406)**	6,301	(30,506)
-100 bps	**(7,139)**	**34,406**	(6,301)	30,506

(ii) Foreign currency sensitivity analysis

The foreign currency sensitivity represents the effect of the appreciation or depreciation of the foreign currency rates against Ringgit Malaysia on the consolidated currency position, while other variables remain constant.

Impact of profit after tax by currency

	30.06.2021		30.06.2020	
The Group	**+1% RM'000**	**-1% RM'000**	**+1% RM'000**	**-1% RM'000**
USD	**158**	**(158)**	93	(93)
SGD	**17**	**(17)**	(2)	2
Others	**34**	**(34)**	22	(22)
	209	**(209)**	113	(113)

(iii) Equity prices sensitivity analysis

The Group and the Company's exposure to equity securites price risk arises from investments held by the Group and classified in the statements of financial position as financial assets at FVTPL and financial investments at FVOCI. The Group and the Company does not have significant exposure to equity price risks.

Notes to the Financial Statements

for the financial year ended 30 June 2021

43 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest rate risk

The tables below summarise the Group's and the Company's exposure to interest rate risks. Included in the tables are the Group's and the Company's financial assets and financial liabilities at their carrying amounts, categorised by the earlier of contractual repricing or maturity dates. As interest rates and yield curves change over time, the Group and the Company may be exposed to loss in earnings due to the effects of interest rates on the structure of the statement of financial position. Sensitivity to interest rates arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liabilities funding.

	Non-trading book							
The Group 30.06.2021	**Up to 1 month RM'000**	**1 - 3 months RM'000**	**3 - 12 months RM'000**	**1 - 5 years RM'000**	**Over 5 years RM'000**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Assets								
Cash and short-term funds	27,374	-	-	-	-	142,659	-	170,033
Clients' and brokers' balances	-	-	-	-	-	204,732	-	204,732
Deposits and placements with banks and other financial institutions	-	31,136	-	-	-	3	-	31,139
Financial assets at FVTPL	-	-	-	-	-	-	791,818	791,818
Financial investments at FVOCI	20,004	40,077	199,575	721,874	354,673	14,617	-	1,350,820
Financial investments at amortised cost	30,013	40,055	41,623	745,249	188,997	13,349	-	1,059,286
Loans and advances	294,005	-	27,944	8,017	5,656	137	-	335,759
Other financial assets	-	-	-	-	-	56,154	-	56,154
Derivative financial assets	-	-	-	-	-	-	34,494	34,494
Total assets	**371,396**	**111,268**	**269,142**	**1,475,140**	**549,326**	**431,651**	**826,312**	**4,034,235**

Notes to the Financial Statements
for the financial year ended 30 June 2021

43 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest rate risk (continued)

The Group 30.06.2021	Non-trading book Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Liabilities								
Clients' and brokers' balances	-	-	-	-	-	207,183	-	207,183
Deposits from customers	593,632	107,146	-	-	-	760	-	701,538
Deposits and placements of banks and other financial institutions	1,925,251	111,052	12,484	-	-	635	-	2,049,422
Lease liabilities	342	612	2,627	12,844	1,644	-	-	18,069
Other financial liabilities	-	-	-	-	-	148,343	-	148,343
Derivative financial liabilities	-	-	-	1,643	-	-	39,413	41,056
Subordinated obligations	-	-	-	-	99,995	197	-	100,192
Total liabilities	2,519,225	218,810	15,111	14,487	101,639	357,118	39,413	3,265,803
Net interest sensitivity gap	(2,147,829)	(107,542)	254,031	1,460,653	447,687			
Direct credit substitutes	-	-	-	-	-	1,000		
Credit related commitments and contingencies	-	-	-	-	-	941,550		
Net interest sensitivity gap	-	-	-	-	-	942,550		

Notes to the Financial Statements
for the financial year ended 30 June 2021

43 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest rate risk (continued)

The Group 30.06.2020	Non-trading book Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Assets								
Cash and short-term funds	188,000	-	-	-	-	170,162	-	358,162
Clients' and brokers' balances	-	-	-	-	-	262,893	-	262,893
Securities purchased under resale agreements	-	-	49,851	-	-	321	-	50,172
Financial assets at FVTPL	-	-	-	-	-	-	907,477	907,477
Financial investments at FVOCI	20,002	40,100	287,871	605,534	300,342	12,680	-	1,266,529
Financial investments at amortised cost	-	110,007	50,054	550,960	145,384	11,729	-	868,134
Loans and advances	280,224	34,952	-	45	-	802	-	316,023
Other financial assets	-	-	-	-	-	45,856	-	45,856
Derivative financial assets	-	-	-	-	-	-	54,957	54,957
Total assets	488,226	185,059	387,776	1,156,539	445,726	504,443	962,434	4,130,203

Notes to the Financial Statements

for the financial year ended 30 June 2021

43 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest rate risk (continued)

The Group 30.06.2020	Non-trading book Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Liabilities								
Clients' and brokers' balances	-	-	-	-	-	305,385	-	305,385
Deposits from customers	674,189	38,967	22,875	-	-	1,716	-	737,747
Deposits and placements of banks and other financial institutions	1,882,128	181,742	8,508	-	-	833	-	2,073,211
Lease liabilities	325	592	2,703	12,531	4,135	-	-	20,286
Other financial liabilities	-	-	-	-	-	128,595	-	128,595
Derivative financial liabilities	-	-	-	2,510	-	-	79,110	81,620
Subordinated obligations	-	-	-	-	99,993	185	-	100,178
Total liabilities	2,556,642	221,301	34,086	15,041	104,128	436,714	79,110	3,447,022
Net interest sensitivity gap	(2,068,416)	(36,242)	353,690	1,141,498	341,598			
Direct credit substitutes	-	-	-	-	-	1,000		
Credit related commitments and contingencies	-	-	-	-	-	976,790		
Net interest sensitivity gap	-	-	-	-	-	977,790		

Notes to the Financial Statements

for the financial year ended 30 June 2021

43 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest rate risk (continued)

The Company 30.06.2021	Non-trading book Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Assets								
Cash and short-term funds	-	-	-	-	-	1,160	-	1,160
Financial assets at FVTPL	-	-	-	-	-	-	269,034	269,034
Other financial assets	-	-	-	-	-	200	-	200
Total assets	-	-	-	-	-	1,360	269,034	270,394
Liabilities								
Other financial liabilities	-	-	-	-	-	1,521	-	1,521
Total liabilities	-	-	-	-	-	1,521	-	1,521
Net interest sensitivity gap	-	-	-	-	-			
Direct credit substitutes	-	-	-	-	-	-		
Credit related commitments and contingencies	-	-	-	-	-	-		
Net interest sensitivity gap	-	-	-	-	-	-		

Notes to the Financial Statements
for the financial year ended 30 June 2021

43 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest rate risk (continued)

The Company 30.06.2020	Non-trading book Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Assets								
Cash and short-term funds	-	-	-	-	-	713	-	713
Financial assets at FVTPL	-	-	-	-	-	-	255,892	255,892
Other financial assets	-	-	-	-	-	644	-	644
Total assets	-	-	-	-	-	1,357	255,892	257,249
Liabilities								
Other financial liabilities	-	-	-	-	-	698	-	698
Total liabilities	-	-	-	-	-	698	-	698
Net interest sensitivity gap	-	-	-	-	-			
Direct credit substitutes	-	-	-	-	-	-		
Credit related commitments and contingencies	-	-	-	-	-	-		
Total interest rate sensitivity gap	-	-	-	-	-	-		

Notes to the Financial Statements

for the financial year ended 30 June 2021

43 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk

Liquidity risk is defined as the current and prospective risk arising from the inability of the Group and the Company to meet its contractual or regulatory obligations when they fall due without incurring substantial losses. Liquidity obligations arise from withdrawal of deposits, repayments of purchased funds at maturity, extensions of credit and working capital needs. The Group and the Company seek to project, monitor and manage its liquidity needs under normal as well as adverse circumstances.

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) as at reporting date based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM Guideline:

The Group 30.06.2021	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	156,533	13,500	-	-	-	-	-	170,033
Clients' and brokers' balances	204,732	-	-	-	-	-	-	204,732
Deposits and placements with banks and other financial institutions	-	-	31,139	-	-	-	-	31,139
Financial assets at FVTPL	-	99,929	334,022	24,745	-	57,143	275,979	791,818
Financial investments at FVOCI	20,453	-	40,565	53,330	136,980	1,099,492	-	1,350,820
Financial investments at amortised cost	-	30,589	40,511	21,639	20,337	946,210	-	1,059,286
Loans and advances	294,142	-	-	-	27,944	13,673	-	335,759
Derivative financial assets	516	285	3,589	2,118	3,704	24,282	-	34,494
Other assets *	130	-	-	-	58,644	-	187,742	246,516
Total assets	676,506	144,303	449,826	101,832	247,609	2,140,800	463,721	4,224,597

* Includes property and equipment, ROU assets, other intangible assets, tax recoverable, deferred tax assets and goodwill.

Notes to the Financial Statements

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43 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) as at reporting date based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM Guideline: (continued)

The Group 30.06.2021	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Clients' and brokers' balances	207,183	-	-	-	-	-	-	207,183
Deposits from customers	341,180	252,856	107,502	-	-	-	-	701,538
Deposits and placements of banks and other financial institutions	1,587,371	338,478	111,085	8,330	4,158	-	-	2,049,422
Derivative financial liabilities	135	59	637	7,418	4,419	28,388	-	41,056
Subordinated obligations	-	-	-	197	-	99,995	-	100,192
Lease liabilities	2	351	601	910	1,683	14,522	-	18,069
Other liabilities **	-	16,587	-	-	133,341	218	-	150,146
Total liabilities	2,135,871	608,331	219,825	16,855	143,601	143,123	-	3,267,606
Total equity	-	-	-	-	-	-	956,991	956,991
Total liabilities and equity	2,135,871	608,331	219,825	16,855	143,601	143,123	956,991	4,224,597

** Includes current tax liabilities.

Notes to the Financial Statements
for the financial year ended 30 June 2021

43 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) as at reporting date based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM Guideline: (continued)

The Group 30.06.2020	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	271,540	86,622	-	-	-	-	-	358,162
Clients' and brokers' balances	262,893	-	-	-	-	-	-	262,893
Securities purchased under resale agreements	-	-	-	50,172	-	-	-	50,172
Financial assets at FVTPL	-	389,658	99,716	98,950	-	43,795	275,358	907,477
Financial investments at FVOCI	20,446	-	40,691	83,019	206,376	915,997	-	1,266,529
Financial investments at amortised cost	-	-	111,515	50,216	-	706,403	-	868,134
Loans and advances	225,832	55,195	34,952	-	-	44	-	316,023
Derivative financial assets	664	1,924	3,050	2,375	3,628	43,316	-	54,957
Other assets *	130	-	-	-	38,010	-	165,891	204,031
Total assets	781,505	533,399	289,924	284,732	248,014	1,709,555	441,249	4,288,378

* Includes property and equipment, ROU assets, other intangible assets, tax recoverable, deferred tax assets and goodwill.

Notes to the Financial Statements

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43 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) as at reporting date based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM Guideline: (continued)

The Group 30.06.2020	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Clients' and brokers' balances	305,385	-	-	-	-	-	-	305,385
Deposits from customers	376,946	298,833	39,042	5,419	17,507	-	-	737,747
Deposits and placements of banks and other financial institutions	1,329,077	553,761	181,834	6,528	2,011	-	-	2,073,211
Derivative financial liabilities	657	2,133	2,102	2,927	4,504	69,297	-	81,620
Subordinated obligations	-	-	-	-	-	100,178	-	100,178
Lease liabilities	-	283	634	892	1,811	16,666	-	20,286
Other liabilities **	-	13,659	-	-	103,242	215	12,525	129,641
Total liabilities	2,012,065	868,669	223,612	15,766	129,075	186,356	12,525	3,448,068
Total equity	-	-	-	-	-	-	840,310	840,310
Total liabilities and equity	2,012,065	868,669	223,612	15,766	129,075	186,356	852,835	4,288,378

** Includes current tax liabilities.

Notes to the Financial Statements

for the financial year ended 30 June 2021

43 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) as at reporting date based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM Guideline: (continued)

The Company 30.06.2021	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	1,160	-	-	-	-	-	-	1,160
Financial assets at FVTPL	-	-	-	-	-	-	269,034	269,034
Other assets	-	-	-	-	219	-	-	219
Investment in subsidiary companies	-	-	-	-	-	-	246,574	246,574
Total assets	1,160	-	-	-	219	-	515,608	516,987
Liabilities								
Other liabilities	-	-	-	-	1,521	-	-	1,521
Current tax liabilities	-	-	-	-	225	-	-	225
Total liabilities	-	-	-	-	1,746	-	-	1,746
Total equity	-	-	-	-	-	-	515,241	515,241
Total liabilities and equity	-	-	-	-	1,746	-	515,241	516,987

Notes to the Financial Statements
for the financial year ended 30 June 2021

43 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) as at reporting date based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM Guideline: (continued)

The Company 30.06.2020	**Up to 1 week RM'000**	**1 week to 1 month RM'000**	**1 to 3 months RM'000**	**3 to 6 months RM'000**	**6 to 12 months RM'000**	**Over 1 year RM'000**	**No specific maturity RM'000**	**Total RM'000**
Assets								
Cash and short-term funds	713	-	-	-	-	-	-	713
Financial assets at FVTPL	-	-	-	-	-	-	255,892	255,892
Other assets	-	-	-	-	673	-	-	673
Tax recoverable	-	-	-	-	-	-	154	154
Investment in subsidiary companies	-	-	-	-	-	-	246,574	246,574
Total assets	713	-	-	-	673	-	502,620	504,006
Liabilities								
Other liabilities	-	-	-	-	698	-	-	698
Total liabilities	-	-	-	-	698	-	-	698
Total equity	-	-	-	-	-	-	503,308	503,308
Total liabilities and equity	-	-	-	-	698	-	503,308	504,006

Notes to the Financial Statements

for the financial year ended 30 June 2021

43 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The following tables show the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturities. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows.

The Group 30.06.2021	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Liabilities							
Clients' and brokers' balances	207,183	-	-	-	-	-	207,183
Deposits from customers	594,123	107,770	-	-	-	-	701,893
Deposits and placements of banks and other financial institutions	1,926,241	119,472	4,176	-	-	-	2,049,889
Derivative financial liabilities							
- Gross settled derivatives							
- Inflow	(758,157)	(626,075)	-	-	-	-	(1,384,232)
- Outflow	758,004	623,459	-	-	-	-	1,381,463
- Net settled derivatives	770	8,207	3,554	932	(746)	-	12,717
Lease liabilities	383	1,859	2,063	7,288	7,133	1,714	20,440
Other liabilities	16,587	-	133,108	-	-	218	149,913
Subordinated obligations	-	2,132	2,109	8,472	8,460	112,702	133,875
Total financial liabilities	2,745,134	236,824	145,010	16,692	14,847	114,634	3,273,141

Notes to the Financial Statements
for the financial year ended 30 June 2021

43 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The following tables show the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturities. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows. (continued)

The Group 30.06.2020	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Liabilities							
Clients' and brokers' balances	305,385	-	-	-	-	-	305,385
Deposits from customers	676,033	44,613	17,738	-	-	-	738,384
Deposits and placements of banks and other financial institutions	1,883,339	188,627	2,042	-	-	-	2,074,008
Derivative financial liabilities							
- Gross settled derivatives							
- Inflow	(998,380)	(486,098)	-	-	-	-	(1,484,478)
- Outflow	490,857	475,168	-	-	-	-	966,025
- Net settled derivatives	(102)	388	2,231	18,621	1,470	(570)	22,038
Lease liabilities	356	1,926	2,232	8,385	6,093	4,280	23,272
Other liabilities	13,660	-	103,235	-	-	12,740	129,635
Subordinated obligations	-	2,121	2,109	8,460	8,471	116,932	138,093
Total financial liabilities	2,371,148	226,745	129,587	35,466	16,034	133,382	2,912,362

Notes to the Financial Statements

for the financial year ended 30 June 2021

43 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The following tables show the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturities. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows. (continued)

The Company	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
30.06.2021							
Liabilities							
Other liabilities	**-**	**-**	**1,521**	**-**	**-**	**-**	**1,521**
Total financial liabilities	**-**	**-**	**1,521**	**-**	**-**	**-**	**1,521**
30.06.2020							
Liabilities							
Other liabilities	-	-	698	-	-	-	698
Total financial liabilities	-	-	698	-	-	-	698

Notes to the Financial Statements
for the financial year ended 30 June 2021

43 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The following table presents the contractual expiry by maturity of the Group's commitments and contingencies:

The Group **30.06.2021**	**Less than 1 year RM'000**	**Over 1 year RM'000**	**Total RM'000**
Direct credit substitutes	**1,000**	**-**	**1,000**
Other commitments, such as formal standby facilities and credit lines	**-**	**30,000**	**30,000**
Any commitment that are unconditionally cancelled at anytime by the Group without prior notice	**911,550**	**-**	**911,550**
	912,550	**30,000**	**942,550**
30.06.2020			
Direct credit substitutes	1,000	-	1,000
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	52,352	-	52,352
Other commitments, such as formal standby facilities and credit lines	-	30,000	30,000
Any commitment that are unconditionally cancelled at anytime by the Group without prior notice	894,438	-	894,438
	947,790	30,000	977,790

Notes to the Financial Statements
for the financial year ended 30 June 2021

43 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk

(i) Maximum exposure to credit risk

The maximum exposure to credit risk at the statements of financial position is the amounts on the statement of financial position as well as off-balance sheet financial instruments, without taking into account of any collateral held or other credit enhancements. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Group and the Company would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers. The table below shows the maximum exposure to credit risk for the Group and the Company:

	The Group		The Company	
	30.06.2021 RM'000	30.06.2020 RM'000	30.06.2021 RM'000	30.06.2020 RM'000
Credit risk exposure relating to on-balance sheet assets:				
Short-term funds (exclude cash in hand)	**170,019**	358,148	**1,160**	713
Clients' and brokers' balances	**204,732**	262,893	**-**	-
Securities purchased under resale agreements	**-**	50,172	**-**	-
Deposits and placements with banks and other financial institutions	**31,139**	-	**-**	-
Financial assets and investments portfolios (exclude shares and unit trust investment)				
- financial assets at FVTPL	**515,839**	632,119	**-**	-
- financial investments at FVOCI	**1,350,820**	1,266,529	**-**	-
- financial investments at amortised cost	**1,059,286**	868,134	**-**	-
Loans and advances	**335,759**	316,023	**-**	-
Other assets	**56,154**	45,856	**200**	644
Derivative financial assets	**34,494**	54,957	**-**	-
	3,758,242	3,854,831	**1,360**	1,357
Credit risk exposure relating to off-balance sheet items:				
Commitments and contingencies	**942,550**	977,790	**-**	-
Total maximum credit risk exposure	**4,700,792**	4,832,621	**1,360**	1,357

43 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(ii) Collaterals

The main type of collaterals obtained by the Group are as follows:

(a) Fixed deposits, Mudharabah General Investment Account, negotiable instrument of deposits, foreign currency deposits and cash deposits/margins
(b) Land and buildings
(c) Aircrafts, vessels and automobiles
(d) Quoted shares, unit trust, Malaysian Governments Bonds and securities and private debt securities
(e) Other tangible business assets, such as inventory and equipment

The Group also accept non-tangible securities such as support, guarantees from individuals, corporates and institutions, bank guarantees, debentures, assignment of contract payments, which are subject to internal guidelines on eligibility.

The outstanding balance for loans and advances for which no allowances is recognised because of collaterals at 30 June 2021 amounted to RM0.1 million (30 June 2020: RM0.2 million) for the Group.

The financial effect of collateral (quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held for loans and advances as at 30 June 2021 for the Group is 99.2% (30 June 2020: 99.3%). The financial effect of collateral held for the other financial assets is not significant.

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for net loans and advances that are credit impaired as at 30 June 2021 for the Group is 100.0% (30 June 2020: 100.0%).

(iii) Credit exposure by stage

Financial assets of the Group are classified into three stages as below:

Stages	Description
Stage 1: 12 months ECL – not credit impaired	Stage 1 includes financial assets which have not had a significant increase in credit risk since initial recognition or which have low credit risk at reporting date. 12-months ECL is recognised and interest income is calculated on the gross carrying amount of the financial assets.
Stage 2: Lifetime ECL – not credit impaired	Stage 2 includes financial assets which have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but do not have objective evidence of impairment. Lifetime ECL is recognised and interest income is calculated on the gross carrying amount of the financial assets.
Stage 3: Lifetime ECL – credit impaired	Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. Lifetime ECL is recognised and interest income is calculated on the net carrying amount of the financial assets.

For further details on the stages, refer to accounting policy Note H.

Notes to the Financial Statements
for the financial year ended 30 June 2021

43 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality

The Group and the Company assess credit quality of loans and advances using internal rating techniques tailored to the various categories of products and counterparties. These techniques have been developed internally and combine statistical analysis with credit officers judgement.

Credit quality description is summarised as follows:

Credit Quality	Description
Good	Exposures demonstrate a strong capacity to meet financial commitments, with negligible or low probability of default and/or levels of expected loss to the Group
Fair	Exposures demonstrate fairly acceptable capacity to meet financial commitments and may require varying degrees of concern to the Group
Un-graded	Counterparties which do not satisfy the criteria to be graded based on internal credit rating system
Credit impaired	Exposures that have been assessed as credit-impaired

The credit quality of financial assets other than loans and advances are determined based on the ratings of counterparties as defined by Moody's or equivalent ratings of other internationals rating agencies as defined below:

Credit Quality	Rating
Good	AAA to AA3
Good	A1 to A3
Fair	Baa1 to Baa3
Fair	P1 to P3
Un-graded	Non-rated
Credit impaired	Default

43 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality (continued)

The following table shows an analysis of the credit exposure by stages, together with the ECL allowance provision:

The Group 30.06.2021	(Stage 1) 12 Months ECL RM'000	(Stage 2) Lifetime ECL not credit impaired RM'000	(Stage 3) Lifetime ECL credit impaired RM'000	Total ECL RM'000
Short-term funds and placements with banks and securities purchased under resale agreements				
Good	43,588	-	-	43,588
Fair	157,446	-	-	157,446
Un-graded	124	-	-	124
Gross carrying amount	201,158	-	-	201,158
Expected credit losses	-	-	-	-
Net carrying amount	201,158	-	-	201,158
Financial investments at FVOCI				
Good	666,268	-	-	666,268
Fair	45,712	-	-	45,712
Un-graded	638,840	-	-	638,840
Gross carrying amount	1,350,820	-	-	1,350,820
Expected credit losses	-	-	-	-
Net carrying amount	1,350,820	-	-	1,350,820

Notes to the Financial Statements
for the financial year ended 30 June 2021

43 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality (continued)

The following table shows an analysis of the credit exposure by stages, together with the ECL allowance provision: (continued)

The Group 30.06.2021	(Stage 1) 12 Months ECL RM'000	(Stage 2) Lifetime ECL not credit impaired RM'000	(Stage 3) Lifetime ECL credit impaired RM'000	Total ECL RM'000
Financial investments at amortised cost				
Good	**5,011**	**-**	**-**	**5,011**
Fair	**16,640**	**-**	**-**	**16,640**
Un-graded	**1,037,647**	**-**	**-**	**1,037,647**
Gross carrying amount	**1,059,298**	**-**	**-**	**1,059,298**
Expected credit losses	**(12)**	**-**	**-**	**(12)**
Net carrying amount	**1,059,286**	**-**	**-**	**1,059,286**
Loans and advances				
Fair	**41,986**	**-**	**-**	**41,986**
Un-graded	**284,199**	**9,892**	**-**	**294,091**
Credit impaired	**-**	**-**	**265**	**265**
Gross carrying amount	**326,185**	**9,892**	**265**	**336,342**
Expected credit losses	**(263)**	**(194)**	**(126)**	**(583)**
Net carrying amount	**325,922**	**9,698**	**139**	**335,759**
The Group 30.06.2020				
Short-term funds and placements with banks and securities purchased under resale agreements				
Good	224,987	-	-	224,987
Fair	182,809	-	-	182,809
Un-graded	524	-	-	524
Gross carrying amount	408,320	-	-	408,320
Expected credit losses	-	-	-	-
Net carrying amount	408,320	-	-	408,320

43 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality (continued)

The following table shows an analysis of the credit exposure by stages, together with the ECL allowance provision: (continued)

The Group 30.06.2020	(Stage 1) 12 Months ECL RM'000	(Stage 2) Lifetime ECL not credit impaired RM'000	(Stage 3) Lifetime ECL credit impaired RM'000	Total ECL RM'000
Financial investments at FVOCI				
Good	658,315	-	-	658,315
Fair	65,642	-	-	65,642
Un-graded	542,572	-	-	542,572
Gross carrying amount	1,266,529	-	-	1,266,529
Expected credit losses	-	-	-	-
Net carrying amount	1,266,529	-	-	1,266,529
Financial investments at amortised cost				
Good	5,001	-	-	5,001
Fair	16,964	-	-	16,964
Un-graded	846,184	-	-	846,184
Gross carrying amount	868,149	-	-	868,149
Expected credit losses	(15)	-	-	(15)
Net carrying amount	868,134	-	-	868,134
Loans and advances				
Good	40,054	-	-	40,054
Fair	48,006	-	-	48,006
Un-graded	221,462	3,614	-	225,076
Credit impaired	-	-	6,522	6,522
Gross carrying amount	309,522	3,614	6,522	319,658
Expected credit losses	(656)	(1)	(2,978)	(3,635)
Net carrying amount	308,866	3,613	3,544	316,023

Notes to the Financial Statements
for the financial year ended 30 June 2021

43 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality (continued)

The following table shows an analysis of the credit exposure by stages, together with the ECL allowance provision: (continued)

The Company 30.06.2021	(Stage 1) 12 Months ECL RM'000	(Stage 2) Lifetime ECL not credit impaired RM'000	(Stage 3) Lifetime ECL credit impaired RM'000	Total ECL RM'000
Short-term funds and placements with banks and securities purchased under resale agreements				
Fair	**1,160**	**-**	**-**	**1,160**
Gross/Net carrying amount	**1,160**	**-**	**-**	**1,160**
The Company 30.06.2020				
Short-term funds and placements with banks and securities purchased under resale agreements				
Fair	713	-	-	713
Gross/Net carrying amount	713	-	-	713

(a) Loans and advances

All loans and advances are categorised as either:
- neither past due nor impaired;
- past due but not impaired; or
- impaired

Past due loans and advances refers to loans that are overdue by one day or more. Impaired loans and advances are loans and advances with months-in-arrears more than 90 days or with impaired allowances.

The Group	30.06.2021 RM'000	30.06.2020 RM'000
Neither past due nor impaired	**336,077**	313,136
Past due but not impaired	**-**	-
Individually impaired	**265**	6,522
Gross loans and advances	**336,342**	319,658
Less: Expected credit losses	**(583)**	(3,635)
Total net loans and advances	**335,759**	316,023

43 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality (continued)

(a) Loans and advances (continued)

(i) Loans and advances neither past due nor impaired

Analysis of loans, advances and financing that are neither past due nor impaired analysed based on the Group's internal credit grading system is as follows:

The Group	30.06.2021 RM'000	30.06.2020 RM'000
Grading classification:		
- Good	-	16,360
- Satisfactory	**41,986**	71,700
- Un-graded	**294,091**	225,076
	336,077	313,136

The definition of the grading classification of loans and advances can be summarised as follow:

Good:
Refers to internal credit grading from 'Favourable' to 'Prime Quality', indicating strong ability to repay principal and interest.

Satisfactory:
Refers to internal credit grading of 'Satisfactory', indicating adequate ability and no difficulty to repay principal and interest.

Loans and advances classified as un-graded mainly comprise of share margin financing and staff loans.

(ii) Loans and advances past due but not impaired

A financial asset is defined as "past due" when the counterparty has failed to make a principal or interest payment when contractually due.

Late processing and other administrative delays on the side of the borrower can lead to a financial asset being past due but not impaired. Therefore, loans and advances less than 90 days past due are not usually considered impaired, unless other information is available to indicate the contrary.

There were no loans and advances past due but not impaired for the Group.

Notes to the Financial Statements

for the financial year ended 30 June 2021

43 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality (continued)

(a) Loans and advances (continued)

(iii) Loans and advances that are individually determined to be impaired as at reporting date are as follows:

The Group	30.06.2021 RM'000	30.06.2020 RM'000
Gross amount of individually impaired loans	**265**	6,522
Less: Expected credit losses	**(126)**	(2,978)
Total net amount of individually impaired loans	**139**	3,544

(b) Other financial assets

The credit quality of financial assets other than loans and advances are determined based on the ratings of counterparties as defined by Moody's or equivalent ratings of other international rating agencies as defined belows:

- AAA to AA3
- A1 to A3
- Baa1 to Baa3
- P1 to P3

Notes to the Financial Statements

for the financial year ended 30 June 2021

43 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality (continued)

(b) Other financial assets (continued)

Short-term funds and deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investments portfolios, clients' and brokers' balances, other assets and derivative financial assets are summarised as follows:-

The Group 30.06.2021	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Clients' and brokers' balances RM'000	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Financial investments at amortised cost RM'000	Other assets RM'000	Derivative financial assets RM'000
Neither past due nor impaired	201,158	200,673	515,839	1,350,820	1,059,298	56,158	34,494
Individually impaired	-	5,247	-	-	-	1,938	-
Less: Impairment losses	-	(1,188)	-	-	(12)	(1,942)	-
	201,158	204,732	515,839	1,350,820	1,059,286	56,154	34,494

Notes to the Financial Statements

for the financial year ended 30 June 2021

43 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality (continued)

(b) Other financial assets (continued)

Short-term funds and deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investments portfolios, clients' and brokers' balances, other assets and derivative financial assets are summarised as follows:- (continued)

The Group 30.06.2020	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Clients' and brokers' balances RM'000	Securities purchased under resale agreements RM'000	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Financial investments at amortised cost RM'000	Other assets RM'000	Derivative financial assets RM'000
Neither past due nor impaired	358,148	261,268	50,172	632,119	1,266,529	868,149	45,861	54,957
Individually impaired	-	3,651	-	-	-	-	1,423	-
Less: Impairment losses	-	(2,026)	-	-	-	(15)	(1,428)	-
	358,148	262,893	50,172	632,119	1,266,529	868,134	45,856	54,957

Notes to the Financial Statements

for the financial year ended 30 June 2021

43 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality (continued)

(b) Other financial assets (continued)

Short-term funds and other assets are summarised as follows:-

The Company	Short-term funds and deposits RM'000	Other assets RM'000
30.06.2021		
Neither past due nor impaired	**1,160**	**200**
Individually impaired	**-**	**-**
Less: Impairment losses	**-**	**-**
	1,160	**200**
30.06.2020		
Neither past due nor impaired	713	644
Individually impaired	-	-
Less: Impairment losses	-	-
	713	644

Notes to the Financial Statements

for the financial year ended 30 June 2021

43 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality (continued)

(b) Other financial assets (continued)

Analysis of short-term funds and deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investments portfolios, clients' and brokers' balances, other assets and derivative financial assets that are neither past due nor impaired by rating agency designation as at reporting date are as follows:

The Group 30.06.2021	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Clients' and brokers' balances RM'000	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Financial investments at amortised cost RM'000	Other assets RM'000	Derivative financial assets RM'000
AAA to AA3	43,588	-	403,990	570,868	5,010	-	30,345
A1 to A3	-	-	-	95,400	-	-	1,248
Baa1 to Baa3	-	-	-	45,712	16,629	-	-
P1 to P3	157,446	-	59,717	-	-	3,754	-
B1	-	-	-	-	-	-	-
Non-rated, of which:							
- Bank Negara Malaysia	124	-	-	-	-	-	-
- Malaysia Government Investment Issues	-	-	31,180	283,907	424,581	20,624	-
- Malaysian Government Securities	-	-	20,952	32,232	462,996	-	-
- Government guaranteed corporate bond and/or sukuk	-	-	-	282,392	58,830	-	-
- Others	-	204,732	-	40,309	91,240	31,776	2,901
	124	204,732	52,132	638,840	1,037,647	52,400	2,901
	201,158	204,732	515,839	1,350,820	1,059,286	56,154	34,494

Notes to the Financial Statements

for the financial year ended 30 June 2021

43 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality (continued)

(b) Other financial assets (continued)

Analysis of short-term funds and deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investments portfolios, clients' and brokers' balances, other assets and derivative financial assets that are neither past due nor impaired by rating agency designation as at reporting date are as follows: (continued)

The Group 30.06.2020	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Clients' and brokers' balances RM'000	Securities purchased under resale agreements RM'000	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Financial investments at amortised cost RM'000	Other assets RM'000	Derivative financial assets RM'000
AAA to AA3	174,815	-	50,172	599,740	595,377	4,999	-	49,458
A1 to A3	-	-	-	-	62,938	-	-	2,174
Baa1 to Baa3	-	-	-	-	46,031	16,951	-	475
P1 to P3	182,809	-	-	-	19,611	-	16,971	-
Non-rated, of which:								
- Bank Negara Malaysia	524	-	-	-	-	-	-	-
- Malaysia Government Investment Issues	-	-	-	-	32,640	392,061	-	-
- Malaysian Government Securities	-	-	-	-	41,229	291,869	-	-
- Government guaranteed corporate bond and/or sukuk	-	-	-	-	432,780	20,297	-	-
- Others	-	262,893	-	32,379	35,923	141,957	28,885	2,850
	524	262,893	-	32,379	542,572	846,184	28,885	2,850
	358,148	262,893	50,172	632,119	1,266,529	868,134	45,856	54,957

Notes to the Financial Statements

for the financial year ended 30 June 2021

43 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality (continued)

(b) Other financial assets (continued)

Analysis of short-term funds and other assets that are neither past due nor impaired by rating agency designation as at reporting date are as follows:

The Company	Short-term funds RM'000	Other assets RM'000
30.06.2021		
P1 to P3	**1,160**	**-**
Non-rated, of which:		
- Others	**-**	**200**
	-	**200**
	1,160	**200**
30.06.2020		
P1 to P3	713	-
Non-rated, of which:		
- Others	-	910
	-	910
	713	910

(v) Collateral and other credit enhancements obtained

(a) Repossessed collateral

As and when required, the Group will take possession of collateral they hold as securities and will dispose of them as soon as practicable but not later than 5 years from the date they take possession, with the proceeds used to reduce the outstanding indebtedness. Repossessed collaterals are classified in the statements of financial position as other assets. There is no repossessed collateral as at the reporting date.

43 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(vi) Write-off policy

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

A write-off constitutes a derecognition event. The Group may apply enforcement activities to financial assets written off. Recoveries resulting from the Group's enforcement activities will be written back as bad debts recovered in the income statements.

There were no contractual amount outstanding on loans and advances and securities portfolio that were written off during the financial year ended 30 June 2021, and are still subject to enforcement activities for the Group.

(vii) Sensitivity analysis

The Group has performed ECL sensitivity assessment on loans and advances based on the changes in the key macroeconomic variable i.e. banking system credit while all other variables remain unchanged. The sensitivity factors used are assumptions based on parallel shifts in the macroeconomic variable to project the impact to ECL of the Group.

The table below outlines the effect of ECL on the changes in the macroeconomic variable used while other variables remain constant:

	Changes
Banking credit system	+/- 100bps

The Group	**30.06.2021 RM'000**	**30.06.2020 RM'000**
The effect of ECL on the positive changes in macroeconomic variable	**5**	9
The effect of ECL on the negative changes in macroeconomic variable	**(5)**	(9)

Notes to the Financial Statements

for the financial year ended 30 June 2021

43 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

Credit risk exposure analysed by industry in respect of the Group's and the Company's financial assets, including off-balance sheet financial instruments are set out below:

The Group 30.06.2021	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Clients' and brokers' balances RM'000	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Financial investments at amortised cost RM'000	Loans and advances RM'000	Other assets RM'000	Derivative financial assets RM'000	On-balance sheet total RM'000	Credit related commitments and contingencies RM'000
Agriculture	-	-	-	-	-	27,948	-	-	27,948	-
Electricity, gas and water	-	-	-	199,352	-	-	848	-	200,200	-
Construction	-	-	19,956	6,878	5,010	-	113	-	31,957	1,000
Transport, storage and communications	-	-	-	143,140	-	-	96	-	143,236	-
Finance, insurance, real estate and business services	201,034	-	443,751	602,739	75,459	8,106	1,227	34,494	1,366,810	-
Government and government agencies	124	-	52,132	358,402	978,817	-	-	-	1,389,475	-
Education, health and others	-	-	-	-	-	-	54	-	54	-
Purchase of securities	-	204,732	-	-	-	293,866	-	-	498,598	911,550
Others	-	-	-	40,309	-	5,839	53,816	-	99,964	30,000
	201,158	204,732	515,839	1,350,820	1,059,286	335,759	56,154	34,494	3,758,242	942,550

Notes to the Financial Statements

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43 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

Credit risk exposure analysed by industry in respect of the Group's and the Company's financial assets, including off-balance sheet financial instruments are set out below: (continued)

The Group 30.06.2020	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Clients' and brokers' balances RM'000	Securities purchased under resale agreements RM'000	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Financial investments at amortised cost RM'000	Loans and advances RM'000	Other assets RM'000	Derivative financial assets RM'000	On-balance sheet total RM'000	Credit related commitments and contingencies RM'000
Agriculture	-	-	-	-	-	-	-	1,500	-	1,500	-
Manufacturing	-	-	-	-	-	-	-	351	-	351	-
Electricity, gas and water	-	-	-	11,415	162,302	-	-	-	-	173,717	-
Construction	-	-	-	-	10,367	4,999	-	79	-	15,445	1,000
Transport, storage and communications	-	-	-	-	185,617	-	-	70	-	185,687	-
Finance, insurance, real estate and business services	357,624	-	50,172	620,704	734,893	37,249	87,559	680	54,957	1,943,838	-
Government and government agencies	524	-	-	-	157,769	825,886	-	-	-	984,179	52,352
Purchase of securities	-	262,893	-	-	-	-	224,875	-	-	487,768	894,438
Others	-	-	-	-	15,581	-	3,589	43,176	-	62,346	30,000
	358,148	262,893	50,172	632,119	1,266,529	868,134	316,023	45,856	54,957	3,854,831	977,790

Notes to the Financial Statements

for the financial year ended 30 June 2021

43 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

Credit risk exposure analysed by industry in respect of the Group's and the Company's financial assets, including off-balance sheet financial instruments are set out below (continued):

The Company **30.06.2021**	**Short-term funds and deposits** **RM'000**	**Other assets** **RM'000**	**On-balance sheet total** **RM'000**
Finance, insurance, real estate and business services	**1,160**	**-**	**1,160**
Others	**-**	**200**	**200**
	1,160	**200**	**1,360**
30.06.2020			
Finance, insurance, real estate and business services	713	-	713
Others	-	644	644
	713	644	1,357

43 FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement

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 and the Company recognise transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. Transfers between fair value hierarchy primarily due to change in the level of trading activity, change in observable market activity related to an input, reassessment of available pricing information and change in the significance of the unobservable input. There were no transfers between Level 1, 2 and 3 of the fair value hierarchy during the financial year (30 June 2020 - Nil).

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for the financial year ended 30 June 2021

43 FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement (continued)

(i) The table below summarises the fair value hierarchy of the Group's and the Company's financial assets and liabilities measured at fair values.

The Group 30.06.2021	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Financial assets at FVTPL	**275,979**	**515,839**	**-**	**791,818**
- money market instruments	**-**	**466,127**	**-**	**466,127**
- quoted securities	**275,979**	**-**	**-**	**275,979**
- unquoted securities	**-**	**49,712**	**-**	**49,712**
Financial investments at FVOCI	**-**	**1,350,820**	**-**	**1,350,820**
- money market instruments	**-**	**391,627**	**-**	**391,627**
- unquoted securities	**-**	**959,193**	**-**	**959,193**
Derivative financial assets	**-**	**34,494**	**-**	**34,494**
	275,979	**1,901,153**	**-**	**2,177,132**
Financial liability				
Derivative financial liabilities	**-**	**41,056**	**-**	**41,056**
30.06.2020				
Financial assets				
Financial assets at FVTPL	273,926	632,119	1,432	907,477
- money market instruments	-	588,325	-	588,325
- quoted securities	273,926	-	-	273,926
- unquoted securities	-	43,794	1,432	45,226
Financial investments at FVOCI	-	1,266,529	-	1,266,529
- money market instruments	-	124,569	-	124,569
- unquoted securities	-	1,141,960	-	1,141,960
Derivative financial assets	-	54,957	-	54,957
	273,926	1,953,605	1,432	2,228,963
Financial liability				
Derivative financial liabilities	-	81,620	-	81,620

43 FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement (continued)

(i) The table below summarises the fair value hierarchy of the Group's and the Company's financial assets and liabilities measured at fair values. (continued)

The Company **30.06.2021**	**Level 1** **RM'000**	**Level 2** **RM'000**	**Level 3** **RM'000**	**Total** **RM'000**
Financial asset				
Financial assets at FVTPL				
- quoted securities	**269,034**	**-**	**-**	**269,034**
30.06.2020				
Financial asset				
Financial assets at FVTPL				
- quoted securities	255,892	-	-	255,892

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

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

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

Notes to the Financial Statements

for the financial year ended 30 June 2021

43 FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement (continued)

Effect of changes in significant unobservable assumptions to reasonably possible alternatives

As at reporting date, financial instruments measured with valuation techniques using significant unobservable inputs (Level 3) mainly include unquoted shares held for socio economic purposes.

Qualitative information about the fair value measurements using significant unobservable inputs (Level 3):

Description	Fair value assets 30.06.2021 RM'000	Fair value assets 30.06.2020 RM'000	Valuation technique	Unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at FVTPL					
The Group					
Unquoted shares	-	1,432	Net tangible assets	Net tangible assets	Higher net tangible assets results in higher fair value

(ii) The table below summarises the carrying amount and analyses the fair value within the fair value hierarchy of the Group's and the Company's assets and liabilities not measured at fair value at reporting date but for which fair value is disclosed:

The Group 30.06.2021	Carrying amount RM'000	Fair value Level 1 RM'000	Fair value Level 2 RM'000	Fair value Level 3 RM'000	Fair value Total RM'000
Financial assets					
Financial investments at amortised cost					
- money market instruments	978,817	-	992,655	-	992,655
- unquoted securities	80,469	-	80,349	-	80,349
Loans and advances	335,759	-	335,767	-	335,767
	1,395,045	-	1,408,771	-	1,408,771
Financial liabilities					
Deposits from customers	701,538	-	701,538	-	701,538
Deposits and placements of banks and other financial institutions	2,049,422	-	2,049,432	-	2,049,432
Subordinated obligations	100,192	-	103,376	-	103,376
	2,851,152	-	2,854,346	-	2,854,346

43 FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement (continued)

(ii) The table below summarises the carrying amount and analyses the fair value within the fair value hierarchy of the Group's and the Company's assets and liabilities not measured at fair value at reporting date but for which fair value is disclosed: (continued)

The Group 30.06.2020	Carrying amount RM'000	Fair value Level 1 RM'000	Fair value Level 2 RM'000	Fair value Level 3 RM'000	Fair value Total RM'000
Financial assets					
Financial investments at amortised cost					
- money market instruments	825,887	-	849,493	-	849,493
- unquoted securities	42,247	-	43,220	-	43,220
Loans and advances	316,023	-	316,060	-	316,060
	1,184,157	-	1,208,773	-	1,208,773
Financial liabilities					
Deposits from customers	737,747	-	737,750	-	737,750
Deposits and placements of banks and other financial institutions	2,073,211	-	2,073,215	-	2,073,215
Subordinated obligations	100,178	-	103,743	-	103,743
	2,911,136	-	2,914,708	-	2,914,708

Other than as disclosed above, the total fair value of each financial assets and liabilities presented on the statements of financial position as at reporting date of the Group and the Company approximates the total carrying amount.

The fair values are based on the following methodologies and assumptions:

Short-term funds and placements with banks and other financial institutions

For deposits and placements with banks and other financial institutions with maturities of less than six months, the carrying value is a reasonable estimate of fair value. For deposits and placements with maturities six months and above, estimated fair value is based on discounted cash flows using prevailing money market interest rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.

Financial investments at amortised cost

The estimated fair value is generally based on quoted and observable market prices. Where there is no ready market in certain securities, the Group and the Company will establish the fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flows analysis and other valuation techniques commonly used by market participants.

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43 FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement (continued)

The fair values are based on the following methodologies and assumptions: (continued)

Loans and advances

The value of fixed rate loans with remaining maturity of less than one year and floating rate loans are estimated to approximate their carrying amounts. For fixed rate loans with remaining maturity of more than one year, the fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of loans with similar credit risks and maturities.

The fair values of impaired floating and fixed rate loans are represented by their carrying value, net of expected credit loss, being the expected recoverable amount.

Clients' and brokers' balances

The carrying amount as at reporting date approximate fair values due to relatively short-term maturity of these financial instruments.

Other assets and liabilities

The carrying value less any estimated allowance for financial assets and liabilities included in 'other assets and liabilities' are assumed to approximate their fair values as these items are short term in nature.

Deposits from customers

For deposits from customers with maturities of less than six months, the carrying amounts are reasonable estimates of their fair values. For each deposit with maturities of six months and above, fair values are estimated using discounted cash flows based on prevailing market rates for similar deposits from customers.

Deposits and placements of other financial institutions and repurchased agreements

The estimated fair values of deposits and placements of other financial institutions and repurchased agreements with maturities of less than six months approximate the carrying values. For the items with maturities six months and above, the fair values are estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturities.

Subordinated obligations

The fair value of subordinated obligations are based on quoted market prices where available.

Credit related commitment and contingencies

The net fair value of these items was not calculated as estimated fair values are not readily ascertainable. These financial instruments generally relate to credit risks and attract fees in line with market prices for similar arrangements. They are not presently sold nor traded. The fair value may be represented by the present value of fees expected to be received less associated costs.

44 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

In accordance with MFRS 132 'Financial Instrument: Presentation', the Group reports financial assets and financial liabilities on a net basis on the statements of financial position only if there is a legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The following table shows the impact of netting arrangement on:

- All financial assets and liabilities that are reported net on statements of financial position; and
- All derivative financial instruments and securities purchased under resale agreements and obligations on securities sold under repurchase agreements and other similar secured lending and borrowing agreements that are subject to enforceable master netting arrangements or similar agreements, but do not qualify for statements of financial position netting.

The table identifies the amounts that have been offset in the statements of financial position and also those amounts that are covered by enforceable netting arrangements (offsetting arrangements and financial collateral) but do not qualify for netting under the requirements of MFRS 132 described above.

The "Net amounts" presented below are not intended to represent the Group's actual exposure to credit risk, as a variety of credit mitigation strategies are employed in addition to netting and collateral arrangements.

	Effects of offsetting on statements of financial position			Related amounts not offset		
The Group 30.06.2021	**Gross amount RM'000**	**Amount offset RM'000**	**Net amount reported on statements of financial position RM'000**	**Financial instruments RM'000**	**Financial collateral RM'000**	**Net amount RM'000**
Financial assets						
Clients' and brokers' balances	388,325	(183,593)	204,732	-	-	204,732
Derivative financial assets	34,494	-	34,494	(23,515)	(6,586)	4,393
Total assets	422,819	(183,593)	239,226	(23,515)	(6,586)	209,125
Financial liabilities						
Clients' and brokers' balances	390,776	(183,593)	207,183	-	-	207,183
Derivative financial liabilities	41,056	-	41,056	(23,515)	(3,754)	13,787
Total liabilities	431,832	(183,593)	248,239	(23,515)	(3,754)	220,970

Notes to the Financial Statements

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44 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

	Effects of offsetting on statements of financial position			Related amounts not offset		
The Group 30.06.2020	**Gross amount RM'000**	**Amount offset RM'000**	**Net amount reported on statements of financial position RM'000**	**Financial instruments RM'000**	**Financial collateral RM'000**	**Net amount RM'000**
Financial assets						
Clients' and brokers' balances	567,645	(304,752)	262,893	-	-	262,893
Derivative financial assets	54,957	-	54,957	(39,594)	(6,642)	8,721
Securities purchased under resale agreements	50,172	-	50,172	-	(50,172)	-
Total assets	672,774	(304,752)	368,022	(39,594)	(56,814)	271,614
Financial liabilities						
Clients' and brokers' balances	610,137	(304,752)	305,385	-	-	305,385
Derivative financial liabilities	81,620	-	81,620	(39,594)	(16,971)	25,055
Total liabilities	691,757	(304,752)	387,005	(39,594)	(16,971)	330,440

Related amounts not offset

Derivative financial assets and liabilities

The 'Financial instruments' column identifies financial assets and liabilities that are subject to set off under netting agreements, such as the ISDA Master Agreement or derivative exchange or clearing counterparty agreements, whereby all outstanding transactions with the same counterparty can be offset and close-out netting applied across all outstanding transaction covered by the agreements if an event of default or other predetermined events occur.

Financial collateral refers to cash and non-cash collateral obtained, typically daily or weekly, to cover the net exposure between counterparties by enabling the collateral to be realised in an event of default or if other predetermined events occur.

Repurchased and reverse repurchase agreements

The 'Financial instruments' column identifies financial assets and liabilities that are subject to set off under netting agreements, such as global master repurchased agreements and global master securities lending agreements, whereby all outstanding transactions with the same counterparty can be offset and close-out netting applied across all outstanding transaction covered by the agreements if an event of default or other predetermined events occur.

Financial collateral typically comprises cash, highly liquid securities or other financial instruments which are legally transferred and can be liquidated in the event of counterparty default.

45 EQUITY COMPENSATION BENEFITS

Executive Share Scheme

HLCB had on 14 October 2020 established an executive share scheme comprising an 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”).

There were no options outstanding as at reporting date.

The number and market value of the ordinary shares held by the Trustee are as follows:

	30.06.2021		30.06.2020	
	Number of trust shares held '000	Market value RM'000	Number of trust shares held '000	Market value RM'000
The Group	**11,111**	**67,220**	5,613	4,642
The Company	**11,006**	**66,584**	5,508	4,555

46 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) Public shareholdings 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.

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46 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(b) COVID-19 pandemic

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

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

47 SUBSEQUENT EVENT AFTER THE FINANCIAL YEAR

There were no material events subsequent to the end of the financial year that require disclosure or adjustments to the financial statements.

48 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were authorised for issue by the Board of Directors of the Company in accordance with a resolution of the Directors on 22 September 2021.

Statement by Directors

pursuant to Section 251(2) of the Companies Act 2016

We, Peter Ho Kok Wai and Tan Kong Khoon, being two of the Directors of Hong Leong Capital Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 82 to 204 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2021 and financial performance of the Group and the Company for the financial year ended 30 June 2021, in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution dated 22 September 2021.

Peter Ho Kok Wai
Director

Tan Kong Khoon
Director

Kuala Lumpur
22 September 2021

Statutory Declaration

pursuant to Section 251(1) of the Companies Act 2016

I, Lau Yew Sun, the officer primarily responsible for the financial management of Hong Leong Capital Berhad, do solemnly and sincerely declare that the financial statements set out on pages 82 to 204 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the above named Lau Yew Sun (MIA No. 8752)
at Kuala Lumpur in Wilayah Persekutuan on
22 September 2021.

Before me,

Commissioner for Oaths

Independent Auditors' Report

To the Members of Hong Leong Capital Berhad
(Incorporated In Malaysia)
(Registration No. 199101002695 (213006-U))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Hong Leong Capital Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 30 June 2021, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 30 June 2021 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 82 to 204.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and of the Company. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Recognition of deferred tax assets arising from unutilised tax credit Refer to Summary of Significant Accounting Policies for the financial year ended 30 June 2021 Note A, Note Q, Note 11 and Note 34 to the financial statements. The Group recognised deferred tax assets on unutilised tax credit to the extent that is probable that future taxable profit will be available against which tax credit can be utilised. Deferred tax assets of RM123.2 million as at 30 June 2021 arose mainly from unutilised tax credit of a banking subsidiary. Significant judgement is required to estimate the amount of deferred tax assets that could be recognised were dependant on the availability of future taxable profits. Future taxable profits which are subject to future events and economic conditions which are inherently uncertain. Therefore, the extent of judgement and the amount of the deferred tax assets recognised resulted in this matter being identified as an area of audit focus.	We performed the following audit procedures: • Obtained an understanding about the local tax developments, in particular those related to changes in the statutory income tax rate and of the statutes of limitation since these were key assumptions used in determining the amount of deferred tax assets recognised. • Checked the available tax credit to correspondence between the banking subsidiary and the Inland Revenue Board. • Checked the profit projection to the budgets approved by the Board of Directors. • Compared historical profits with the budget to assess the accuracy of forecasting. • Assessed the reasonableness of assumptions used by management in determining the amount of taxable profit. Based on the procedures performed above, we concur with the Group's basis of recognition of the deferred tax assets as at 30 June 2021.

There are no key audit matters to report for the Company.

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Annual Report 2021, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

Independent Auditors' Report

To the Members of Hong Leong Capital Berhad
(Incorporated In Malaysia)
(Registration No. 199101002695 (213006-U))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon (continued)

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PricewaterhouseCoopers PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

LEE TZE WOON KELVIN
03482/01/2022 J
Chartered Accountant

Kuala Lumpur
22 September 2021

Notice of
Annual General Meeting

NOTICE IS HEREBY GIVEN that the Thirtieth Annual General Meeting ("AGM") of Hong Leong Capital Berhad ("Company") will be held on fully virtual basis through live streaming and online remote voting from the online meeting platform at https://meeting.boardroomlimited.my (Domain Registration No. with MYNIC – D6A357657) provided by Boardroom Share Registrars Sdn Bhd on Tuesday, 26 October 2021 at 2.30 p.m. in order:

1. To lay before the meeting the audited financial statements together with the reports of the Directors and Auditors thereon for the financial year ended 30 June 2021.

2. To approve the payment of Director Fees of RM385,000 for the financial year ended 30 June 2021 to be divided amongst the Directors in such manner as the Directors may determine and Directors' Other Benefits of up to an amount of RM30,000 from the 30th AGM to the 31st AGM of the Company. **(Resolution 1)**

3. To re-elect the following Directors pursuant to the Company's Constitution:
   (a) Ms Leong Ket Ti **(Resolution 2)**
   (b) Ms Lee Jim Leng **(Resolution 3)**

4. To re-appoint PricewaterhouseCoopers PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 4)**

SPECIAL BUSINESS

As special business, to consider and, if thought fit, pass the following motions as resolutions:

5. **Ordinary Resolution**
   Authority to Directors to Allot Shares

   "**THAT** subject to the Companies Act 2016, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Company's Constitution and approval of the relevant governmental regulatory authorities, if required, the Directors be and are hereby empowered pursuant to Sections 75 and 76 of the Companies Act 2016 to allot shares in the Company, grant rights to subscribe for shares in the Company, convert any security into shares in the Company, or allot shares under an agreement or option or offer at any time and from time to time, and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued and allotted, to be subscribed under any rights granted, to be issued from conversion of any security, or to be issued and allotted under an agreement or option or offer, pursuant to this resolution does not exceed 10% of the total number of issued shares (excluding treasury shares) of the Company for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so allotted on Bursa Securities and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." **(Resolution 5)**

6. **Ordinary Resolution**
   Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Hong Leong Company (Malaysia) Berhad ("HLCM"), GuoLine Capital Assets Limited ("GCA") and Persons Connected with them

   "**THAT** approval be and is hereby given for the Company and/or its subsidiaries to enter into any of the transactions falling within the types of recurrent related party transactions of a revenue or trading nature as disclosed in Sections 2.3(A) and (C) of the Company's Circular to Shareholders dated 27 September 2021 ("the Circular") with HLCM, GCA and persons connected with them ("Hong Leong Group"), as set out in Appendix II of the Circular provided that such transactions are undertaken in the ordinary course of business, on arm's length basis and on commercial terms which are not more favourable to Hong Leong Group than those generally available to and/or from the public and are not, in the Company's opinion, detrimental to the minority shareholders;

Notice of Annual General Meeting

AND THAT such approval shall continue to be in force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or

(b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or

(c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution." **(Resolution 6)**

7. **Ordinary Resolution**
Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Tower Real Estate Investment Trust ("Tower REIT")

"**THAT** approval be and is hereby given for the Company and/or its subsidiaries to enter into any of the transactions falling within the types of recurrent related party transactions of a revenue or trading nature as disclosed in Section 2.3(B) of the Company's Circular to Shareholders dated 27 September 2021 with Tower REIT provided that such transactions are undertaken in the ordinary course of business, on arm's length basis and on commercial terms which are not more favourable to Tower REIT than those generally available to and/or from the public and are not, in the Company's opinion, detrimental to the minority shareholders;

AND THAT such approval shall continue to be in force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or

(b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or

(c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution." **(Resolution 7)**

8. To consider any other business of which due notice shall have been given.

By Order of the Board

JACK LEE TIONG JIE
(MAICSA 7060133)
(SSM PC No. 202008001704)
Group Company Secretary

Kuala Lumpur
27 September 2021

Notice of Annual General Meeting

NOTES:

1. The Thirtieth AGM of the Company will be conducted on fully virtual basis through live streaming and online remote voting using remote participation and electronic voting facilities provided by Boardroom Share Registrars Sdn Bhd via its online meeting platform at https://meeting.boardroomlimited.my. Please refer to the Administrative Notes to members for the detailed steps on remote participation and electronic voting.
2. For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 18 October 2021 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.
3. Save for a member who is an exempt authorised nominee, a member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote in his stead. A proxy may but need not be a member of the Company. A member who is an authorised nominee may appoint not more than two (2) proxies in respect of each securities account it holds. A member who is an exempt authorised nominee for multiple beneficial owners in one securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.
4. Where two (2) or more proxies are appointed, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which the appointments shall be invalid.
5. The Form of Proxy must be deposited at the Registered Office of the Company at Level 30, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur or lodged electronically via email at cosec-hlfg@hongleong.com.my, not less than forty-eight (48) hours before the time appointed for holding of the meeting or adjourned meeting.
6. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Securities, all the resolutions set out in this Notice will be put to a vote by way of a poll.

EXPLANATORY NOTES

1. **Resolution 1 on Director Fees and Other Benefits**
   - Director Fees of RM385,000 are inclusive of Board Committee fees of RM140,000 and Meeting Allowances of RM35,000.
   - Directors' Other Benefits refer to Directors' training benefits of up to an amount of RM30,000.

2. **Resolution 5 on Authority to Directors to Allot Shares**
   The proposed Ordinary Resolution, if passed, will provide the general mandate to the Directors of the Company to issue ordinary shares of the Company from time to time and expand the mandate to grant rights to subscribe for shares in the Company, convert any security into shares in the Company, or allot shares under an agreement or option or offer, provided that the aggregate number of shares allotted, to be subscribed under any rights granted, to be issued from conversion of any security, or to be allotted under any agreement or option or offer, pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company for the time being ("General Mandate"). In computing the aforesaid 10% limit, shares issued or agreed to be issued or subscribed pursuant to the approval of shareholders in a general meeting where precise terms and conditions are approved shall not be counted. The General Mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

   The General Mandate will enable the Directors to take swift action in case of, inter alia, a need for corporate exercises or in the event business opportunities or other circumstances arise which involve the issuance and allotment of new shares, grant of rights to subscribe for shares, conversion of any security into shares, or allotment of shares under an agreement or option or offer, and to avoid delay and cost in convening general meetings to approve the same.

3. **Resolutions 6 and 7 on Recurrent Related Party Transactions of a Revenue or Trading Nature**
   The proposed Ordinary Resolutions, if passed, will empower the Company and its subsidiaries ("HLCB Group") to enter into recurrent related party transactions of a revenue or trading nature which are necessary for HLCB Group's day-to-day operations, subject to the transactions being in the ordinary course of business and on terms which are not more favourable to the related parties than those generally available to the public and are not, in the Company's opinion, detrimental to the minority shareholders of the Company ("Proposed Shareholders' Mandate").

   Detailed information on the Proposed Shareholders' Mandate is set out in the Circular to Shareholders dated 27 September 2021 which is available on the Company's corporate website (http://www.hlcap.com.my/agm2021).

Statement Accompanying **Notice Of Annual General Meeting**

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Securities)

- **Details of individuals who are standing for election as Directors**

  No individual is seeking election as a Director at the forthcoming Thirtieth Annual General Meeting of the Company.

- **Statement relating to general mandate for issue of securities in accordance with Paragraph 6.03(3) of the Main Market Listing Requirements of Bursa Securities**

  Details of the general mandate to issue securities in the Company pursuant to Sections 75 and 76 of the Companies Act 2016 are set out in Explanatory Note 2 of the Notice of Thirtieth Annual General Meeting.

Other **Information**

1. MATERIAL CONTRACTS

There are no material contracts (not being contracts entered into in the ordinary course of business) which had been entered into by the Company and its subsidiaries involving the interest of Directors, chief executives and major shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year pursuant to Item 21, Part A, Appendix 9C of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2021

Total number of issued shares	:	246,896,668
Class of shares	:	Ordinary shares
Voting rights	:	1 vote for each share held

Distribution Schedule of Shareholders as at 30 August 2021

Size of Holdings	No. of Shareholders	%	No. of Shares	%
Less than 100	58	1.48	1,970	0.00
100 – 1,000	1,572	40.23	1,142,288	0.46
1,001 – 10,000	1,851	47.38	7,202,752	2.92
10,001 – 100,000	341	8.73	9,994,300	4.05
100,001 – less than 5% of issued shares	84	2.15	54,750,300	22.17
5% and above of issued shares	1	0.03	173,805,058	70.40
	3,907	100.00	246,896,668	100.00

List of Thirty Largest Shareholders as at 30 August 2021

Name of Shareholders	No. of Shares	%
1. Hong Leong Financial Group Berhad	173,805,058	70.40
2. MTrustee Berhad - Exempt AN for Hong Leong Capital Berhad (ESOS)	11,005,700	4.46
3. AMSEC Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Yu Kuan Chon	7,659,400	3.10
4. AMSEC Nominees (Tempatan) Sdn Bhd - Exempt AN for KGI Securities (Singapore) Pte. Ltd (66581 T CL)	4,080,000	1.65
5. Tong Chin Hen	2,863,500	1.16
6. AMSEC Nominees (Tempatan) Sdn Bhd - AmBank (M) Berhad (Swap)	2,629,700	1.07
7. UOB Kay Hian Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Yu Kuan Chon	2,360,400	0.96
8. HSBC Nominees (Asing) Sdn Bhd - Credit Suisse (Hong Kong) Limited	1,832,200	0.74
9. CGS-CIMB Nominees (Tempatan) Sdn Bhd - Exempt AN for CGS-CIMB Securities (Singapore) Pte. Ltd. (Retail Clients)	1,685,600	0.68
10. HLB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Wong Yee Hui	1,000,000	0.40

Other Information

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2021 (CONTINUED)

List of Thirty Largest Shareholders as at 30 August 2021 (continued)

Name of Shareholders	No. of Shares	%
11. Yap Tian Tion	927,100	0.38
12. Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Chan Yan Meng	885,000	0.36
13. Maybank Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Yu Kuan Chon	831,700	0.34
14. Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Tan Kooi Ming @ Tam Kooi Ming	768,000	0.31
15. Cartaban Nominees (Asing) Sdn Bhd - SSBT Fund 59IA for Oregon Public Employees Retirement System	762,400	0.31
16. Public Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Hong Ho Aik (E-PTS)	610,400	0.25
17. Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lee Chun Weng	604,300	0.24
18. HSBC Nominees (Asing) Sdn Bhd - NTGS Lux for Stichting Pensioenfonds Ing	542,400	0.22
19. Affin Hwang Nominees (Asing) Sdn Bhd - DBS Vickers Secs (S) Pte Ltd for KGI Securities (Singapore) Pte. Ltd.	531,400	0.22
20. Sim Ah Yoong	430,000	0.17
21. Chan Yan Meng	400,800	0.16
22. CIMB Group Nominees (Tempatan) Sdn Bhd - Hong Leong Asset Management Bhd for Che King Tow (ND100-JA)	400,000	0.16
23. Chan Weng Fui	381,400	0.15
24. DB (Malaysia) Nominee (Asing) Sdn Bhd - The Bank Of New York Mellon for Hong Kong Housing Society	376,400	0.15
25. DB (Malaysia) Nominee (Asing) Sdn Bhd - The Bank Of New York Mellon for Acadian All Country World Managed Volatility Equity Fund LLC	367,000	0.15
26. HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for Missouri Education Pension Trust	359,700	0.15
27. HSBC Nominees (Asing) Sdn Bhd - TNTC for Nav Canada Pension Plan	357,100	0.14
28. Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Hong Kee Kok	349,600	0.14
29. Cartaban Nominees (Asing) Sdn Bhd - Exempt AN for Barclays Capital Securities Ltd (SBL/PB)	348,200	0.14
30. HSBC Nominees (Asing) Sdn Bhd - BNY Mellon for The Teachers' Retirement Allowances Fund	345,500	0.14
	219,499,958	88.90

Other Information

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2021 (CONTINUED)

Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 30 August 2021 are as follows:

	Direct Interest		Indirect Interest	
Name of Shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**
Hong Leong Financial Group Berhad	173,805,058	70.40	-	-
Tan Sri Quek Leng Chan	-	-	173,805,058	70.40[B]
Hong Leong Company (Malaysia) Berhad	-	-	173,805,058	70.40[A]
HL Holdings Sdn Bhd	-	-	173,805,058	70.40[B]
Kwek Holdings Pte Ltd	-	-	173,805,058	70.40[B]
Kwek Leng Beng	-	-	173,805,058	70.40[B]
Hong Realty (Private) Limited	-	-	173,805,058	70.40[B]
Hong Leong Investment Holdings Pte Ltd	-	-	173,805,058	70.40[B]
Davos Investment Holdings Private Limited	-	-	173,805,058	70.40[B]
Kwek Leng Kee	-	-	173,805,058	70.40[B]
Guoco Group Limited	-	-	173,805,058	70.40[A]
GuoLine Overseas Limited	-	-	173,805,058	70.40[A]
GuoLine Capital Assets Limited	-	-	173,805,058	70.40[A]

Notes:
[A] Held through Hong Leong Financial Group Berhad
[B] Held through Hong Leong Company (Malaysia) Berhad

3. DIRECTORS' INTERESTS AS AT 30 AUGUST 2021

Subsequent to the financial year end, there is no change, as at 30 August 2021, to the Directors' interests in the ordinary shares, preference shares and/or options over ordinary shares of the Company and/or its related corporations (other than wholly-owned subsidiaries), appearing in the Directors' Report on page 79 and as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016.

4. LIST OF PROPERTIES

Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM'000)	Date of acquisition
51-53, Persiaran Greenhill, 30450, Ipoh, Perak	Freehold & leasehold – 999 years	Branch premises	4,793	27	1,723	31/12/1993

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FORM OF PROXY

HongLeong Capital Berhad
Registration No. 199101002695 (213006-U)

I/We____

NRIC/Passport/Company No.________________________________

of ____

being a member of HONG LEONG CAPITAL BERHAD (the "Company"), hereby appoint____________________

____

NRIC/Passport No.____________________________________

of____

____

or failing him/her____________________________________

NRIC/Passport No.____________________________________

of ____

____

or failing him/her, the Chairman of the meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Thirtieth Annual General Meeting ("Thirtieth AGM") of the Company to be held on fully virtual basis through live streaming and online remote voting from the online meeting platform at https://meeting.boardroomlimited.my (Domain Registration No. with MYNIC – D6A357657) provided by Boardroom Share Registrars Sdn Bhd on Tuesday, 26 October 2021 at 2.30 p.m. and at any adjournment thereof.

My/Our proxy/proxies is/are to vote as indicated below with an "X":

	RESOLUTIONS	**FOR**	**AGAINST**
1.	To approve the payment of Director Fees and Directors' Other Benefits		
2.	To re-elect Ms Leong Ket Ti as a Director		
3.	To re-elect Ms Lee Jim Leng as a Director		
4.	To re-appoint PricewaterhouseCoopers PLT as Auditors of the Company and to authorise the Directors to fix their remuneration		
	SPECIAL BUSINESS		
5.	To approve the ordinary resolution on Authority to Directors to Allot Shares		
6.	To approve the ordinary resolution on the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Hong Leong Company (Malaysia) Berhad, GuoLine Capital Assets Limited and persons connected with them		
7.	To approve the ordinary resolution on the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Tower Real Estate Investment Trust		

Dated this__________day of____________2021

____
Number of shares held

____
Signature(s) of Member

____
CDS Account No.

Notes:-

1. *The Thirtieth AGM of the Company will be conducted on fully virtual basis through live streaming and online remote voting using remote participation and electronic voting facilities provided by Boardroom Share Registrars Sdn Bhd via its online meeting platform at https://meeting.boardroomlimited.my. Please refer to the Administrative Notes to members for the detailed steps on remote participation and electronic voting.*
2. *For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 18 October 2021 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.*
3. *If you wish to appoint other person(s) to be your proxy, insert the name(s) and address(es) of the person(s) desired in the space so provided.*
4. *If there is no indication as to how you wish your vote(s) to be cast, the proxy will vote or abstain from voting at his/her discretion.*
5. *A proxy may but need not be a member of the Company.*
6. *Save for a member who is an exempt authorised nominee, a member shall not be entitled to appoint more than two (2) proxies to attend, participate, speak and vote at the same meeting. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. A member who is an exempt authorised nominee for multiple beneficial owners in one securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.*
7. *Where two (2) or more proxies are appointed, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which the appointments shall be invalid (please see note 10 below).*
8. *In the case where a member is a corporation, this Form of Proxy must be executed under its Common Seal or under the hand of its Attorney.*
9. *All Forms of Proxy must be duly executed and deposited at the Registered Office of the Company at Level 30, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur or lodged electronically via email at cosec-hlfg@hongleong.com.my, not less than forty-eight (48) hours before the time appointed for holding of the meeting or adjourned meeting.*
10. *In the event two (2) or more proxies are appointed, please fill in the ensuing section:*

Name of Proxies	**% of shareholdings to be represented**

11. *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the notice will be put to a vote by way of a poll.*

Fold this flap for sealing

Then fold here

AFFIX STAMP

The Group Company Secretary

HONG LEONG CAPITAL BERHAD
Registration No. 199101002695 (213006-U)

Level 30, Menara Hong Leong
No. 6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Malaysia

1st fold here

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As part of Hong Leong Capital's support for environmental sustainability, this Annual Report is printed on Forest Stewardship Council (FSC) certified paper.