

Hong Leong Capital Records a Net Profit of RM49.9 Million for its Financial Year Ended 30 June 2023

KUALA LUMPUR, 30 AUGUST 2023 - Hong Leong Capital Berhad (“HLCB” or the “Company”) today announced the results of the Company and its subsidiaries for the financial year ended 30 June 2023 (“FY23”).

- HLCB recorded a net profit after tax of RM49.9 million, a decrease of 31.2% year-on-year (“y-o-y”) due to lower profit contribution from its key operating subsidiaries; Hong Leong Investment Bank Berhad (“HLIB” or the “Bank”) and Hong Leong Asset Management Bhd (“HLAM”) in the current financial year.
- Book value per share increased from RM4.01 as at 30 June 2022 to RM4.09 as at 30 June 2023.
- The Board of Directors had declared a final dividend of 17 sen per ordinary share amounting to RM42.0 million for the financial year of 2023.

Hong Leong Capital Berhad’s Chairman, Tan Kong Khoon commented, “FY2023 proved to be a challenging year for us as we navigated a volatile operating environment following geopolitical tensions, aggressive interest rate hikes and concerns over risks of a potential recession in the United States. The vulnerability nature of our businesses to external factors such as Bursa volumes and interest rate movements had made an adverse impact on HLCB as we ended the year with a weakened performance of 36.8% drop in our PBT from RM97.2 million to RM61.4 million.

We expect the growth of the global economy to continue to be weighed down by higher interest rates expectation due to persistent core inflation and weaker than expected economic data from China. Despite these headwinds, the Malaysian economy is anticipated to remain on a positive trajectory albeit at a moderate pace underpinned by favorable labor market conditions and further recovery in our tourism activity and domestic demand.

We remain cautious on the business environment that are susceptible to these external headwinds and will remain vigilant by constantly exercising discipline in managing our capital, liquidity and costs efficiency to deliver sustainable results to our stakeholders.”

Investment Banking

- Our investment banking subsidiary, HLIB, reported a net profit after tax of RM33.7 million, a decrease of 38.0% y-o-y arising from lower profit contribution from both our investment banking and stockbroking division.

- Our investment banking division's performance was negatively impacted by the rising interest rate environment for FY2023 with escalations in funding costs compressing the bank's net interest margin, causing our net interest income to drop by 39.6% y-o-y. The equity markets space was also challenging with lower market activities and noticeably, lacking the larger corporate and IPO deals during the financial year.

However, our debt markets' performance staged a recovery following the completion of a few key mandated deals that were disrupted during the earlier pandemic year in FY2022.

- Our stockbroking division's financial performance continued to be affected by the subdued Bursa market activity with traded value contracting by 25.5% y-o-y, similar to the headwinds faced by our investment banking division.
- Notwithstanding these challenging conditions, HLIB continues to raise its brand value in the market through quality investment banking and stockbroking solutions for our clients, as evidenced by our multiple awards and accolades received. Some of our notable awards are the Best Domestic M&A Deal of the Year in Malaysia awarded by Alpha Southeast Asia for the completion of the disposal of concession highways for Gamuda Berhad, and eight prestigious awards accorded by Alpha Southeast, Islamic Finance News, Malaysian Rating Corporation and The Assets for the issuance for RM5.5 billion Sustainability Sukuk Murabahah Programme by Amanat Lebuhraya Rakyat Berhad. In addition, HLIB was named 2nd runner up for Best Retail Equities Participating Organisation – Investment Bank in the Bursa Excellence Awards 2022 for the 4th year consecutively.
- We continue to make good progress in our digitalization efforts following the successful implementation of the initial phase of our data warehouse project allowing improved business processes, reporting and decision making with actionable insights.
- The Bank's capital position remained robust with Common Equity Tier 1, Tier 1 and Total Capital Ratios at 35.7%, 35.7% and 46.0% respectively as at 30 June 2023.

Fund Management and Unit Trust Management

- The fund management business of HLCB, undertaken via our subsidiary, HLAM and its subsidiary, Hong Leong Islamic Asset Management Sdn Bhd ("HLISAM") reported a net profit after tax of RM7.6 million, a decrease of 60.0% y-o-y mainly due to a lower average asset under management ("AUM"). The average AUM declined by 30.9% y-o-y mainly impacted by the removal of tax exemption for money market funds and a contraction in our fixed income funds AUM amidst a rising interest rate environment.

- We are continuously executing new strategies to drive and diversify our AUM base with the key focus being in the digital space offering a seamless on-boarding experience for our clients. Additionally, we are expanding on product offerings such as Private Retirement Schemes (PRS) and ESG funds to cater to the varying needs of our customers.

Sustainability Journey

HLCB has been accelerating sustainability agenda over the recent years and is committed to grow our businesses in a sustainable and meaningful way. We marked a key milestone earlier this financial year with HLCB inclusion into Bursa Malaysia FTSE4Good Index on the 19th December 2022.

As we enter the new financial year, we are refreshing our assessment on sustainability material matters to deliver priorities which are aligned to our stakeholders' expectations. Additionally, HLCB is expanding the measurement of the greenhouse gas ("GHG") emissions to include employees commuting under Scope 3 enabling a holistic view in managing climate risks.

HLCB will continue to expand in the ESG/sustainability space by leveraging on its innovative capability to develop new products that caters to the needs of our customers. To date, HLIB has been honoured with a total of eight prestigious awards for advising and arranging the issuance of RM5.5 billion Sustainability Sukuk Murabahah Programme for Amanat Lebuh raya Rakyat Berhad.

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About Hong Leong Capital Group

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

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

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

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