Hong Leong Capital Berhad

Annual Report 2014

RM4.3 billion

Total assets
(2013: RM2.9 billion)

RM190.9 million

Revenue
(2013: RM190.7 million)

RM78.3 million

Profit before tax
(2013: RM67.9 million)

49.9 sen

Basic earnings per share
(2013: 38.4 sen)

Corporate Section

Financial Section

What's Inside...

Introduction

Hong Leong Capital Berhad, is an investment holding company and part of Hong Leong Financial Group, the holding company for Hong Leong Group's banking and financial services.

INTRODUCTION
(continued)

"Hong Leong Capital Berhad is the holding company for Hong Leong Investment Bank Berhad and Hong Leong Asset Management Bhd providing investment banking, stock and futures broking and fund management services across the region."

It aims to be a leading regional financial services institution providing diversified clients with full range of value propositions and financial solutions in the areas of investment banking, securities and investment management services.

Hong Leong Investment Bank Berhad consists of two main divisions, namely the Investment Banking division and the Stockbroking division. The core activities of the Investment Banking Division include arranging and managing debt and equity fund raising, private debt securities ("PDS") issuances, syndicated loans, initial public offerings ("IPOs"), rights issues, restricted issues, special issues and private placements. Other corporate-related advisory works include corporate restructuring, merger and acquisitions, asset and investment valuation, takeovers and privatisations and capital market instruments. At the same time, the Bank also offers debt and equity underwriting, deposit taking, treasury-related solutions as well as trading and distribution.

The Stockbroking Division provides a range of broking services for a wide range of clients ranging from institutional to high net worth and retail investors. Supported by a dedicated client centric sales team that is committed to providing timely advice and good trade execution as well as a research team that is headed by a rated analyst and other professionals who are industry specialists, Hong Leong Investment Bank Berhad strives to deliver groundbreaking insights and fresh perspectives on investing ideas.

HLG Unit Trust Bhd, one of the pioneers in the Malaysian Unit Trust industry, after a merger with HLG Asset Management Sdn Bhd is today known as Hong Leong Asset Management Bhd ("Hong Leong Asset Management"). Hong Leong Asset Management offers a comprehensive range of managed solutions across segregated assets and unit trust funds for state governments, insurance companies, endowments, family offices, corporations and high net worth individuals. Supported by efficient customer support and communication, Hong Leong Asset Management helps its customers achieve superior long term risk-adjusted returns.

FIVE YEAR GROUP FINANCIAL HIGHLIGHTS

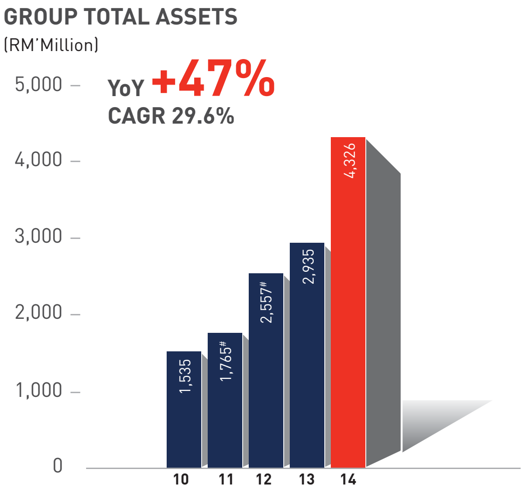
The Group	2010 RM'Million	2011# RM'Million	2012# RM'Million	2013 RM'Million	2014 RM'Million
Statement of Financial Position					
Total Assets	1,535	1,765	2,557	2,935	**4,326**
Net Loans	118	109	257	174	**431**
Total Liabilities	1,231	1,424	2,164	2,454	**3,724**
Deposits from customers	31	395	634	470	**632**
Shareholders' Funds	304	341	393	482	**602**
Commitments and contingencies	3,493	4,359	6,793	6,179	**6,115**
Statements of Income					
Revenue	85	127	137	191	**191**
Profit before taxation	20	51	52	68	**78**
Net Profit	14	39	39	90	**119**
Key Performance Indicators					
Book Value per Share (RM)	1.29	1.45	1.68	2.05	**2.53**
Earnings per Share (sen)	6.0	16.4	16.5	38.4	**49.9**
Net Dividend per Share (sen)	–	–	–	–	**15.0**
Financial Ratios (%)					
Profitability Ratios					
Return on Equity	4.7%	11.3%	9.9%	18.7%	**19.7%**
Return on average assets	1.3%	2.3%	1.8%	3.3%	**3.3%**
Cost/income ratio	74.9%	61.0%	65.8%	63.3%	**58.8%**
Asset Quality/Loan Ratios					
Gross loans to deposits ratio	392.1%	28.9%	40.8%	37.3%	**68.5%**
Gross impaired loans ratio	2.2%	8.6%	0.5%	0.6%	**0.2%**

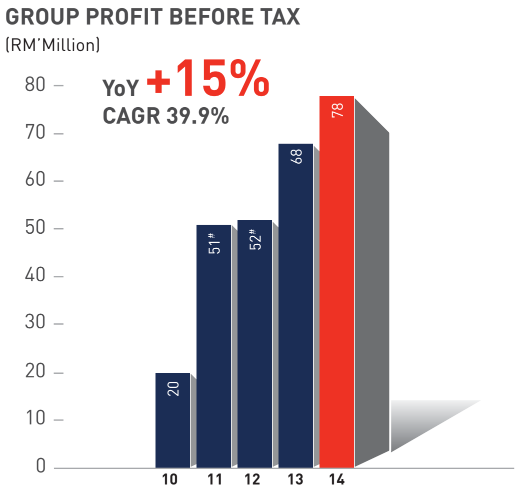
Restated with retrospective application of MFRS and changes in accounting policies. For FYE 2011, only relevant balance sheet items have been restated to position as at 1 July 2012.

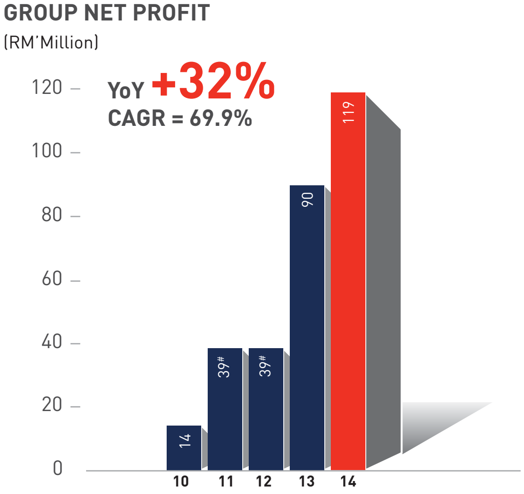
FIVE YEAR GROUP FINANCIAL HIGHLIGHTS

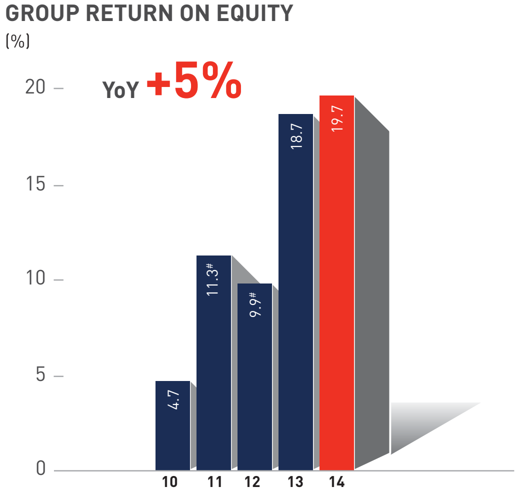
(continued)

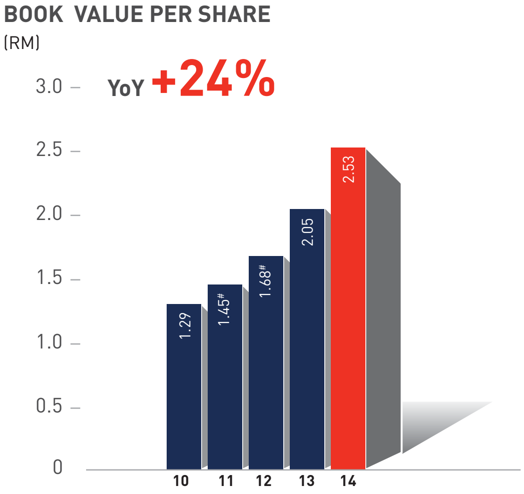
FIVE YEAR PERFORMANCE CHART (% GROWTH)

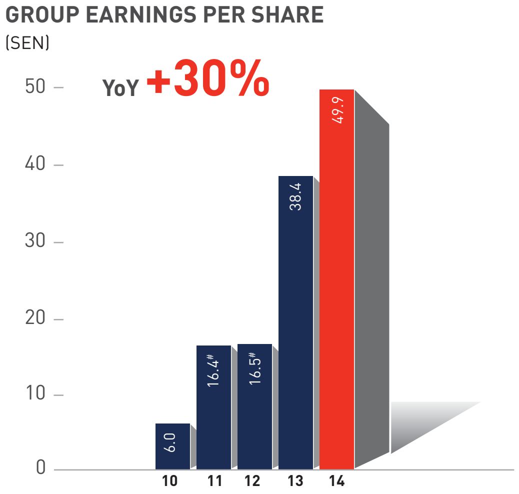












Restated with retrospective application of MFRS and changes in accounting policies. For FYE 2011, only relevant balance sheet items have been restated to position as at 1 July 2012.

LIST OF AWARDS AND ACCOLADES

THE ASSET TRIPLE A ISLAMIC FINANCE AWARDS 2014
– Best Islamic Privatisation Deal

THE ASSET TRIPLE A ISLAMIC FINANCE AWARDS 2014
– Most Innovative Deal, Highly Commended

ISLAMIC FINANCE NEWS AWARDS 2013
– Islamic Perpetual Deal of the Year

ISLAMIC FINANCE NEWS AWARDS 2013
– Musharakah Deal of the Year

LIST OF AWARDS AND ACCOLADES
(continued)

WORLD FINANCE BANKING AWARDS 2013
– Best Investment Bank, Malaysia

ALPHA SOUTHEAST ASIA DEAL & SOLUTION AWARDS 2013
– Best Equity-linked Deal of the Year

THE EDGE BILLION RINGGIT CLUB AWARDS 2014
– Best Performing Stock (Finance)

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT
(continued)

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 ("FY") ended 30 June 2014.

OVERALL BUSINESS ENVIRONMENT

The Malaysian economy grew at a more moderate pace of 4.7% in the calendar year 2013, down from 5.60% in 2012, mainly due to the sluggish external demand in the first half of 2013. Domestic demand continued to be the main growth driver, underpinned by sustained private consumption and private investments. In the first half of 2014, real Gross Domestic Product ("GDP") growth increased to 6.3%, up from 5.1% in the second half of 2013, due to export recovery and private sector expenditure amidst government's fiscal consolidation plan. Nevertheless GDP growth is expected to moderate at 5.6% for the remaining part of 2014, attributable to factors such as a higher base one year ago, the slowing down of export boosters, the impact of interest rate hikes and potential rationalisation of subsidies.

The FBM KLCI staged a strong performance during the financial year, closing at 1,883 as at 30 June 2014, up from 1,774 as at the same time last year. This was achieved despite net foreign outflow of RM13.1 billion (versus net buying of RM22.6 billion last year) as domestic liquidity remained ample.

The local fund management industry continued to grow with total assets under management of RM628.38 billion as at 30 June 2014 (Source: Securities Commission Malaysia). The industry is poised for further growth with the introduction of liberalisation measures by the Malaysian Government, to offer retail investors a wider choice of unit trust products and funds management companies to invest with. Hong Leong Asset Management Bhd which manages unit trust products and private mandates, had total assets under management of RM5.55 billion as at 30 June 2014 (Source: Lipper and Hong Leong Asset Management Bhd).

FINANCIAL PERFORMANCE

The Group recorded a profit before tax ("PBT") of RM78.3 million for the financial year ended 30 June 2014 as compared to RM67.9 million in the previous corresponding year, an increase of RM10.4 million or 15.3% year-on-year ("y-o-y").

The investment banking subsidiary of the Group, Hong Leong Investment Bank Berhad ("HLIB") recorded a PBT of RM68.4 million during the current reporting year compared to RM73.0 million last year. However, the normalised PBT for FY2014, after adjusting for a non-recurring ESOS charge-off, would be RM73.5 million.

The stockbroking business division of HLIB recorded a higher revenue of RM78.6 million (FY2013: RM63.0 million) and a PBT of RM28.4 million; an increase of 95.9% compared to last year's PBT of RM14.5 million, driven by more robust brokerage income contribution. The higher brokerage income was attributable to improvement in the volumes traded from the retail segment and also supported by the stronger contribution from our Institutional stockbroking division, a business segment that HLIB has strategically focused on building over the last few years. HLIB's traded volume increased to RM42.4 billion in FY2014 from RM31.6 billion recorded in FY2013.

CHAIRMAN'S STATEMENT

(continued)

The Asset Management business registered a PBT of RM2.7 million for the year as compared to a PBT of RM1.5 million in the last year, mainly due to lower overheads incurred at RM16.9 million versus RM18.8 million in the prior year.

Overall, the Group's earnings per share ("EPS") increased to 49.9 sen per share from 38.4 sen per share in the previous financial year. Apart from the increase in pretax profit, the higher EPS was also attributable to the recognition of deferred tax assets by HLIB in this financial year.

The Group had taken the decision to strengthen its capital base in anticipation of growth opportunities that may arise, and to prepare itself ahead of a stricter regulatory capital environment. Nevertheless, the Company has declared a single-tier final dividend of 15.0 sen per share for the financial year 2014.

HLIB's total capital ratio stands at a healthy 16.6% as at 30 June 2014.

CORPORATE DEVELOPMENTS

Malaysian Rating Corporation Berhad ("MARC") had reaffirmed the AA-/MARC-1 financial institution ratings of HLIB with a stable outlook in July 2014.

For the financial year under review, the investment banking division continued to demonstrate its capability in branding, market positioning, market share and product innovation. These efforts were measured and recognised by its achievement in notable league table and award winning deals, not only in the arena of conventional bond markets but also in the Sukuk markets in terms of issue size, number of issues, product superiority and innovation.

In the equity capital market segment, the Equity Markets team had a record year, in particular with the Initial Public Offering of the largest Special Purpose Acquisition Company, Reach Energy Berhad, by raising RM750 million to date.

Below is a summary of the various league table achievements and awards won by both the Debt Markets and the Equity Markets teams of HLIB:-

League Table Achievements

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

Full Year 2013	1H- Year 2014
• Ranked 2nd for conventional PDS by amount issued • Ranked 3rd for conventional PDS by number of issues • Ranked 5th for all PDS by amount issued • Ranked 7th for all PDS by number of issues	• Ranked 1st for conventional PDS by amount issued • Ranked 4th for conventional PDS by number of issues issued • Ranked 1st for conventional PDS by facility limit • Ranked 2nd for conventional PDS by number of facility issued • Ranked 4th for all PDS by amount issued • Ranked 6th for all PDS by number of issues • Ranked 2nd for all PDS by facility limit

(B) International Financial Review Asia

Full Year 2013	1H- Year 2014
• Ranked 6th as top book runner for Malaysian Ringgit Bonds	• Ranked 10th as top book runner for APAC Securitisation

(C) Bloomberg

Full Year 2013	1H- Year 2014
• Ranked 6th on RM Debt Underwriter • Ranked 8th on RM Islamic Bonds Underwriter	• Ranked 7th on RM Debt Underwriter

(D) Dealogic

Full Year 2013	1H- Year 2014
• Ranked 6th on RM Debt Bookrunner	• Ranked 6th on RM Debt Bookrunner

CHAIRMAN'S STATEMENT
(continued)

Awards For Deal Innovation

As Principal Advisor/Lead Arranger

- Best Equity-Linked Deal of the Year in Southeast Asia 2013 awarded by Alpha Southeast Asia
- Musharakah Deal of the Year 2013 awarded by Islamic Finance News
- Perpetual Deal of the Year 2013 awarded by Islamic Finance News
- Most Innovative Deal – Highly Commended of the Year 2013 awarded by The Asset Triple A Islamic Finance

As Independent Advisor

- Best Islamic Privatisation Deal of the Year 2013 awarded by The Assets Triple A Islamic Finance

OUTLOOK AND PROSPECTS

In summary, HLIB's efforts to strengthen the institutional segment of the stockbroking business and to balance the retail segment, had started to yield positive results. Efforts were also made to strengthen its electronic stockbroking platform to grow this segment of the business.

Having gained recognition for the innovative financial solutions and products for its investment banking business in the domestic market, HLIB is now well positioned to scale up its operations and expand its presence in the regional markets, leveraging on the Hong Leong Group's presence in the South East Asia region. Presently, the internet had yet to impact the financial services industry in a big way. But this is set to change. The Group will continue to leverage on technology to enable efficient, real-time access to content and communities to transform passive client relationships and to become more engaging and collaborative. With the support of technology, the Group will strive to build sustainable and trusted relationships with clients through its people.

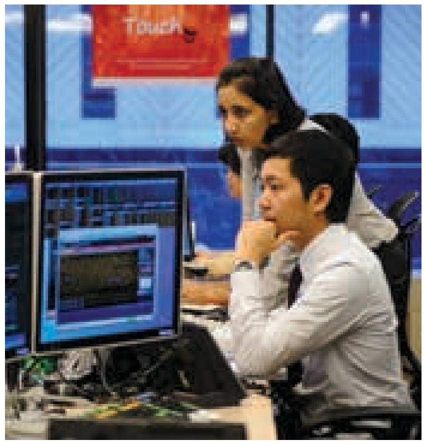
As such, the strengthening of operations efficiency with technology, developing human capital resources and the retention of talents will remain as the Group's top priorities in order to create value and stay in the forefront of an intensely competitive industry.

ACKNOWLEDGEMENTS

The long-term success of the Group is attributed to the support and commitment from our Board of Directors, management and staff. I also wish to extend our appreciation to our clients, business partners, regulatory authorities, bankers, advisors and auditors and look forward to another rewarding year with you.

QUEK LENG CHAN
Chairman

18 September 2014



WORKPLACE

ENVIRONMENT

MARKETPLACE

COMMUNITY

CSR

CORPORATE SOCIAL RESPONSIBILITY

Guided by our corporate value of Social Responsibility, we are committed to meeting the highest standards of corporate citizenship that go beyond complying with statutory laws and legal requirements. We treat all our stakeholders with respect and uphold the principles of integrity in all our dealings. We also go beyond the basics of responsible stakeholder engagement to give back to the communities where we conduct our business.

Our community outreach programmes involve promoting education, providing aid to marginalised communities, and supporting and developing local talent. In addition, we believe in playing our part in preserving the environment by ensuring sustainable operations along our entire supply chain. As a result of our efforts, Hong Leong Capital Berhad feels proud to have been able to contribute significantly to the socio-economic development of the nation.

CORPORATE SOCIAL RESPONSIBILITY
(continued)

"At Hong Leong Capital Berhad ("HLCB"), we believe that serving our communities is not only integral to being a responsible corporate citizen, but that it also forms a critical component to running a business successfully. In supporting our communities, we enhance our relationship and reputation with employees, customers, business partners and other stakeholders, thus strengthening our sustainability."

Details of our commitment to each of our four CSR focus areas, namely the Workplace, Environment, Marketplace and Community, are provided below.

WORKPLACE

HLCB believes it is critical to attract the best talent and to retain them by creating an inspiring and conducive work environment in which the rights of each employee are respected and their well-being is taken care of.

We also identify and hire local talent through our Graduate Development Programme through which fresh graduates undergo two years of classroom training, on-the-job familiarisation, learning assignments as well as mentoring. At the end of the programme, each graduate is assigned to a position within the group suited to his or her skills as well as our needs. For non-executives, various in-house and external programmes are conducted to enhance their technical competencies as well as supervisory skills in order to develop a competent workforce that is knowledgeable and highly motivated.

In tandem with our growth and expansion throughout the region, we have acquired a diverse workforce of talented people who bring with them different experiences, perspectives and cultures. Acknowledging the advantages of diversity, we fully embrace employees from different ethnic and social backgrounds to nurture an inclusive and innovative environment which helps the organisation to realise its full potential. We abide by best work environment practices to maintain a workplace that is free from discrimination; and comply with all applicable laws pertaining to non-discrimination and equal opportunity.

We have been able to benefit from the expanded knowledge base, collective skills and cross-cultural understanding brought by our employees, by being able to better understand, relate and respond to a diverse and changing global customer profile.

CORPORATE SOCIAL RESPONSIBILITY
(continued)

ENVIRONMENT

In view of climate change issues, and the pressing need to protect our environment for future generations, HLCB is committed to minimising our environmental impact and encouraging greater sustainability throughout our business. We endeavour to identify and minimise our environmental footprint as well as that of our vendors. Our environmental initiatives include the smart and careful consumption of resources such as water and energy, while reducing as far as possible carbon emissions and waste generation.

CORPORATE SOCIAL RESPONSIBILITY

(continued)

MARKETPLACE

HLCB is committed to good business ethics and integrity. For many years now, HLCB has had in place internally generated best practices to ensure the economic sustainability of all its companies. Some of these best practices are:

- Established Financial Management Disciplines intended to drive excellence in financial management with the objective of preserving and enhancing the quality of the business as an on-going concern.
- An established Enterprise Risk Management structure to ensure that a systematic process and delegation of responsibility is clearly set out to guide management.
- A code of business conduct and ethics of financial reports which contains disclosures that are true and fair.
- In choosing its directors, the Group seeks individuals of high integrity, and with shareholder orientation and a genuine interest in their respective company's businesses. They are tasked with the responsibility of exercising their business judgment to act in what they reasonably believe to be in the best interest of the company and the shareholders they represent.
- The practice of responsible selling and marketing of products and services.

"They are tasked with the responsibility of exercising their business judgment to act in what they reasonably believe to be in the best interest of the company and the shareholders they represent.

CORPORATE SOCIAL RESPONSIBILITY
(continued)

COMMUNITY

The Group conducts most of its philanthropic activities through Hong Leong Foundation, the charitable arm of the Hong Leong Group.

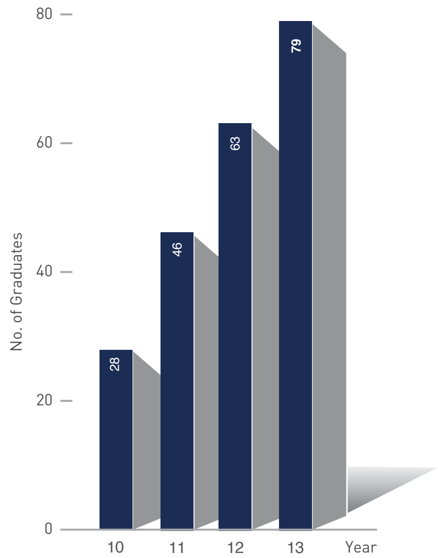
Incorporated in 1992, Hong Leong Foundation is a corporate foundation driven by the interest and passion of the Hong Leong Group. It is funded by contributions from Hong Leong Group Malaysia's (the "Group") companies and is, effectively, its charitable arm through which most of the Group's philanthropic activities are conducted. The Foundation expended a total of RM20 million over the last three years and has the following programmes in place working with our Community Partners:

- Community Welfare Programme to address the daily needs of homes, shelters and community centres
- Towards Self-Sufficiency:
  - Tertiary Scholarship Programme
  - Reach out and Rise Education Development Programme
  - The Hong Leong Masters Scholarship Programme
  - After School Care Programme
- Community Partner Programme, through which it has contributed to the charity's following mission and vision:
  - Good Jobs: Employment Development Programme
  - Better Homes: Welfare Home Transformation Programme
  - HLF NGO Accelerator Programme

In FY2013/14, the Foundation disbursed a total of RM12 million benefiting 30 charity organisations. Of this sum, RM3.7 million was channelled towards scholarships to benefit around 200 scholars from financially-challenged families studying in various universities; and RM4.0 million was presented to four major private universities under a new partnership programme. To bridge opportunity gaps that exist along the entire spectrum of education development, the Foundation has set up a comprehensive programme to empower its scholars comprising enrichment camps and workshops, internships, mentorships and other support mechanisms to help them excel in their formative years at university and beyond.

Since 1993, Hong Leong Foundation has awarded more than RM26.3 million in scholarships to 1,204 scholars to pursue diplomas as well as Bachelor's and Master's degrees.

HLF Scholarship Graduates by Year:



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CORPORATE SOCIAL RESPONSIBILITY
(continued)

In addition to supporting the Hong Leong Group's CSR initiatives, HLCB plays its part as a responsible company that has people at our heart.

During the year, HLCB participated in the 'Do Good Week' under which all operating companies within the Group were given three weeks to plan community outreach programmes to reinforce the spirit of volunteerism among employees. During the week, HLCB organised an effort themed 'Glasses for Orphans'. The programme aimed to improve the eye health of orphans by providing free eye examinations as well as sponsoring spectacles for children who needed them. Under the programme, we have successfully helped 31 children to arrange for eye check and sponsored 15 pairs of spectacles for children from Rumah K.I.D.S who required eyesight correction.

In addition, HLCB participated with volunteers from Hong Leong Bank, Hong Leong Islamic Bank, Hong Leong Financial Group, Hong Leong Assurance and Hong Leong MSIG Takaful to visit underprivileged and cancer-stricken children, plant trees and restore old homes, in addition to carrying out other meaningful activities. In total, 35 charity-driven activities were conducted with various NGOs and homes.

Firm in our conviction in the importance of education, HLCB participated in The Community Chest (TCC) programme jointly coordinated by the Group's CSR Department and TCC, an independent, non-profit and non-governmental charitable organisation. Once again joining forces with volunteers within the Group, HLCB helped impoverished schools nationwide by: 1) setting up new buildings and facilities and equipping these with essential furniture, fittings and equipment; 2) refurbishing, repairing, extending, renovating and rewiring old buildings and facilities to provide a safer environment for the students and teachers; and 3) setting up e-classrooms. In total, HLCB deployed 10 volunteers to assist four schools across five states in Malaysia during the project period.

This Corporate Social Responsibility Statement is made in accordance with the resolution of the Board of Directors.

CORPORATE INFORMATION

DIRECTORS

YBhg Tan Sri Quek Leng Chan
(Chairman)

YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman

YBhg Dato' Ahmad Fuaad bin Mohd Dahalan

YBhg Dato' Mohamed Nazim bin Abdul Razak

Mr Choong Yee How

Mr Quek Kon Sean

GROUP COMPANY SECRETARY

Ms Christine Moh Suat Moi
MAICSA 7005095

AUDITORS

Messrs PricewaterhouseCoopers
Chartered Accountants
Level 10, 1 Sentral
Jalan Travers
Kuala Lumpur Sentral
50706 Kuala Lumpur
Tel: 03-2173 1188
Fax: 03-2173 1288

REGISTRAR

Hong Leong Share Registration Services Sdn Bhd
Level 5, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur
Tel: 03-2164 1818
Fax: 03-2164 3703

REGISTERED OFFICE

Level 8, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur
Tel : 03-2164 8228
Fax : 03-2164 2503

WEBSITE

www.hlcap.com.my


Menara HLA

BOARD OF DIRECTORS' PROFILE

YBHG TAN SRI QUEK LENG CHAN

Chairman/Non-Executive/
Non-Independent

Aged 71, YBhg Tan Sri Quek Leng Chan, a Malaysian, qualified as a Barrister-at-Law from Middle Temple, United Kingdom. He has extensive business experience in various business sectors, including financial services, manufacturing and real estate.

YBhg Tan Sri Quek is the Chairman of Hong Leong Capital Berhad ("HLCB") and was appointed to the Board of Directors ("Board") of HLCB on 25 February 1991. He is also a member of the Nominating Committee ('NC") and Remuneration Committee ("RC") of HLCB.

He is the Chairman & Chief Executive Officer of Hong Leong Company (Malaysia) Berhad, a public company; Chairman of Hong Leong Financial Group Berhad ("HLFG"), Hong Leong Bank Berhad ("HLB") and Guocoland (Malaysia) Berhad, companies listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"); and Chairman of Hong Leong Assurance Berhad ("HLA") and Hong Leong Foundation; and a member of the Board of Trustees of the Community Chest, all public companies.

YBHG TAN SRI DATO' SERI KHALID AHMAD BIN SULAIMAN

Non-Executive Director/Independent

Aged 78, YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman, a Malaysian, was educated in England and was called to the English Bar at Middle Temple in 1964. He is a Consultant in a legal firm in Penang in which he was a Senior Partner from 1969 till June 2008. He was the Chairman of the Advocates and Solicitors Disciplinary Board from 2005 to 2013. He was in the Penang State Executive Council from 1974 to 1982 and has served on various statutory boards.

YBhg Tan Sri Khalid was appointed to the Board of HLCB on 5 August 1991. He is also the Chairman of the Board Audit and Risk Management Committee ("BARMC") and NC of HLCB.

YBhg Tan Sri Khalid is also a Director of HLFG, a company listed on the Main Market of Bursa Securities and Hong Leong Investment Bank Berhad ("HLIB"), a public company.

BOARD OF DIRECTORS' PROFILE
(continued)

YBHG DATO' AHMAD FUAAD BIN MOHD DAHALAN
Non-Executive Director/Independent

Aged 64, YBhg Dato' Ahmad Fuaad bin Mohd Dahalan, a Malaysian, holds a Bachelor of Arts (Hons) degree from the University of Malaya.

YBhg Dato' Ahmad Fuaad was attached to Wisma Putra, Ministry of Foreign Affairs as Malaysian Civil Service Officer in April 1973 before joining Malaysia Airlines in July 1973. While in Malaysia Airlines, he served various posts and his last position was as the Managing Director. YBhg Dato' Ahmad Fuaad was formerly a Director of Lembaga Penggalakan Pelancongan Malaysia, Director for Malaysian Industry-Government Group for High Technology and Director of Malaysia Airports Holdings Berhad.

YBhg Dato' Ahmad Fuaad was appointed to the Board of HLCB on 12 December 2005. He is a member of the BARMC, NC and RC of HLCB.

YBhg Dato' Ahmad Fuaad is a Director of Tokio Marine Insurans (Malaysia) Berhad, a public company and YTL e-Solutions Berhad, a company listed on the ACE Market of Bursa Securities.

YBHG DATO' MOHAMED NAZIM BIN ABDUL RAZAK
Non-Executive Director/Independent

Aged 52, YBhg Dato' Mohamed Nazim bin Abdul Razak, a Malaysian, an architect by profession, graduated from the Architectural Association, School of Architecture, London. He served with YRM Architects in London, a multi-disciplinary building design consultancy and has more than 20 years experience in the architectural field, 18 of which were in Kuala Lumpur. YBhg Dato' Mohamed Nazim is the Chief Executive Officer of NRY Architects Sdn Bhd.

YBhg Dato' Mohamed Nazim was appointed to the Board of HLCB on 4 October 2005. He is also the Chairman of the RC and a member of the NC and BARMC of HLCB.

YBhg Dato' Mohamed Nazim is a Director of HLB, XiDeLang Holdings Ltd and 7-Eleven Malaysia Holdings Berhad (formerly known as Seven Convenience Berhad), companies listed on the Main Market of Bursa Securities. YBhg Dato' Mohamed Nazim is also a Director of Hong Leong Islamic Bank Berhad and The Legends Golf and Country Resort Berhad, all public companies.

BOARD OF DIRECTORS' PROFILE
(continued)

MR CHOONG YEE HOW
Non-Executive Director/Non-Independent

Aged 58, Mr Choong Yee How, a Malaysian, obtained a Bachelor of Science in Biochemistry (Honours) degree in 1979 and a Master of Business Administration in 1981 from the University of Otago, New Zealand. Mr Choong has over 28 years of experience in banking, of which 23 were with Citibank in Malaysia. Mr Choong started his career with Citibank Malaysia as a Management Associate and was promoted to assume various senior positions within the Citibank Group; the last being President and Chief Executive Officer of Citibank Savings Inc, Philippines. Mr Choong is currently the President & Chief Executive Officer of HLFG.

Mr Choong was appointed to the Board of HLCB on 1 December 2005. He is a member of the NC of HLCB.

Mr Choong is also a Director of HLFG and HLB, companies listed on the Main Market of Bursa Securities and HLA, Hong Leong MSIG Takaful Berhad, HLIB and Hong Leong Asset Management Bhd, all public companies.

MR QUEK KON SEAN
Non-Executive Director/Non-Independent

Aged 34, Mr Quek Kon Sean, a Malaysian, obtained a Bachelor of Science degree and Master of Science in Economics from the London School of Economics and Political Science. He started his career in investment banking prior to assuming the role of Executive Director of HLFG. He is currently Managing Director, Centre for Business Value of HL Management Co Sdn Bhd.

Mr Quek was appointed to the Board of HLCB on 28 February 2006.

Mr Quek is also a Director of HLFG and HLB, companies listed on the Main Market of Bursa Securities, and HLA, a public company.

Notes:

1. **Family Relationship with Director and/or Major Shareholder**
   YBhg Tan Sri Quek Leng Chan and Mr Quek Leng Chye, a deemed major shareholder of HLCB, are brothers. YBhg Tan Sri Quek Leng Chan is the father of Mr Quek Kon Sean. Save as disclosed herein, 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 in the past 10 years.
4. **Attendance of Directors**
   Details of Board meeting attendance of each Director are disclosed in the Statement on Corporate Governance, Risk Management and Internal Control in the Annual Report.

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT

CONSTITUTION

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

COMPOSITION OF BARMC

YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman
(Chairman, Independent Non-Executive Director)

YBhg Dato' Ahmad Fuaad bin Mohd Dahalan
(Independent Non-Executive Director)

YBhg Dato' Mohamed Nazim bin Abdul Razak
(Independent Non-Executive Director)

SECRETARY

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

TERMS OF REFERENCE

- To nominate and recommend for the approval of the Board of Directors ("Board"), a person or persons as external auditor(s).
- To review the external audit fees.
- To review, with the external auditors, the audit scope and plan.
- To review, with the external auditors, the audit reports, audit findings and the management's responses thereto.
- To review the assistance given by the officers of HLCB and its subsidiaries ("the Group") to the external auditors.
- To review the quarterly reports and annual financial statements of the Company and of the Group prior to the approval by the Board.
- To review the adequacy of the internal audit scope and plan, functions, competency and resources of the internal audit function.
- To review the report and findings of the internal audit function including any findings of internal investigations and the management's response thereto.
- To review and report to the Board measures taken to:-
  - a) identify and examine principal risks faced by the Company
  - b) implement appropriate systems and internal controls to manage these risks
- To evaluate and recommend to the Board, risk management policies and strategies proposed by management.
- To review any related party transactions that may arise within the Company or the Group.
- Other functions as might be agreed to by the BARMC and the Board.

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 Head of Operations, Head of Compliance of Hong Leong Investment Bank, Group Financial Controller, Chief Internal Auditor, Chief Risk Officer and external auditors are invited to attend the BARMC Meetings whenever required. At least twice a year, the BARMC will have a separate session with the external auditors without the presence of Executive Directors and management.

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT
(continued)

MEETINGS (CONTINUED)

Issues raised, discussion, 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 abstains from reviewing and deliberating on the subject matter.

Two (2) members of the BARMC, who shall be independent, shall constitute a quorum.

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.

ACTIVITIES

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

During the financial year ended 30 June 2014 ("FYE 2014"), four (4) BARMC meetings were held and the attendance of the BARMC members was as follows:

Members	Attendance
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman	4/4
YBhg Dato' Ahmad Fuaad bin Mohd Dahalan	4/4
YBhg Dato' Mohamed Nazim bin Abdul Razak	4/4

The main activities undertaken by the BARMC during the financial year are summarised as follows:

a) Reviewed the quarterly unaudited financial results and annual audited financial statements of the Group.

b) Met with the external auditors and discussed the nature and scope of the audit, considered any significant changes in accounting and auditing issues, reviewed the management letter and management's response, reviewed pertinent issues which had significant impact on the results of the Group and discussed applicable accounting and auditing standards.

c) Had two (2) separate sessions with the external auditors without the presence of Executive Directors and Management.

d) Assessed the objectivity and independence of the external auditors prior to the appointment of the external auditors for ad-hoc non-audit services.

e) Evaluated the performance of the external auditors and made the recommendation to the Board for consideration in relation to their appointment and audit fees.

f) Reviewed and approved the annual internal audit plan to ensure adequacy of scope and coverage of the auditable areas including staff requirements.

g) Reviewed the Internal Auditor's audit findings and recommendations, regulatory authorities' inspection and examination reports.

h) Reviewed the adequacy and integrity of internal control systems, including risk management and relevant management information system. It also reviewed the processes put in place to identify, evaluate and manage the significant risks encountered by the Group.

i) Reviewed various related party transactions carried out by the Group and approved credit transactions and exposure with connected parties.

INTERNAL AUDIT

The Internal Audit function is outsourced to Group Internal Audit Division of Hong Leong Bank through a service agreement. Group Internal Audit Division employs a risk-based assessment approach in auditing the Company's business and operational activities. The high risk activities are given due attention and audited on a more regular basis while the rest are prioritised accordingly to the potential risk exposure and impact.

During the FYE 2014, the Group Internal Audit Division carried out its duties which are in line with the BNM Guidelines on Internal Audit Function.

The cost incurred for the Internal Audit function in respect of the FYE 2014 was RM608,561.

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

CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL

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

~ Finance Committee on Corporate Governance

The Board of Directors ("Board") has reviewed the manner in which the Malaysian Code on Corporate Governance 2012 (the "Code") is applied in the Group as set out below. The Board is pleased to report compliance of the Group with the principles and recommendations as set out in the Code except where otherwise stated.

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.

The roles and responsibilities of the Board are set out in the Board Charter which is published on the Company's website, and broadly cover formulation of 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.

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

The Group continues to operate in a sustainable manner and seeks to contribute positively to the well-being of stakeholders. The Group's key corporate social responsibility activities are set out in the Corporate Social Responsibility Statement of this Annual Report.

The Board observes the Company Directors' Code of Ethics established by the Companies Commission of Malaysia. In addition, the Group also has a Code of Ethics that sets out sound principles and standards of good practice which are observed by the employees.

CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL
(continued)

B. BOARD COMPOSITION

The Board comprises six (6) directors, all of whom are non-executive whilst three (3) are independent. The profiles of the members of the Board are provided in the Annual Report.

The Company adheres to 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 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 duties and responsibilities effectively.

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 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 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) Board Audit & Risk Management Committee ("BARMC")

The composition of the BARMC, its TOR and a summary of its activities are set out in the BARMC Report of this Annual Report.

(b) Nominating Committee ("NC")

The NC has been established on 30 October 2008 and the members are as follows:-

YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman
(Chairman, Independent Non-Executive Director)

YBhg Tan Sri Quek Leng Chan
(Non-Independent Non-Executive Director)

YBhg Dato' Ahmad Fuaad bin Mohd Dahalan
(Independent Non-Executive Director)

YBhg Dato' Mohamed Nazim bin Abdul Razak
(Independent Non-Executive Director)

Mr Choong Yee How
(Non-Independent Non-Executive Director)

The NC's functions and responsibilities are set out in the TOR as follows:-

- Recommend to the Board the minimum requirements for appointments to the Board, Board committees and for the position of Chief Executive Officer.
- Review and recommend to the Board all Board appointments and re-appointments and removals including of the Chief Executive Officer.
- Review annually the overall composition of the Board in terms of the appropriate size and skills, the balance between executive directors, non-executive and independent directors, and mix of skills and other core competencies required.
- Assess annually the effectiveness of the Board and key senior management officers as a whole and the contribution by each individual director to the effectiveness of the Board and various Board committees based on criteria approved by the Board.
- Oversee the appointment, management succession planning and performance evaluation of key senior management officers and recommend their removal if they are found ineffective, errant and negligent in discharging their responsibilities.
- Ensure that the Board receives an appropriate continuous training programme.

CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL
(continued)

C. BOARD COMMITTEES (CONTINUED)

(b) Nominating Committee ("NC") (continued)

The NC carried out its duties in accordance with its TOR.

The Company has in place the process and procedure for assessment of new appointment, re-appointment and re-election of directors and the appointment of Chief Executive Officer, and the criteria used in such assessment.

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.

Having reviewed the assessments in respect of the financial year ended 30 June 2014 ("FYE 2014"), the NC is satisfied that the Board as a whole, Board committees and individual directors have effectively discharged their duties and responsibilities, and are suitably qualified to hold their positions.

In connection with the appointment and re-appointment of directors and Chief Executive Officer of the Company, the NC is guided by a Fit and Proper Policy.

The Fit and Proper Policy includes a policy in relation to the tenure for independent directors of the Company ("Tenure Policy"). Pursuant to the Tenure Policy, an independent director who had served on the Board of Directors of any company under Hong Leong Financial Group for a period of 12 years continuously or more shall submit a Letter of Intent to the NC informing of his intention to continue in office or to retire from the Board as an independent director, upon the due date for his retirement either by rotation pursuant to the Articles of Association of the Company or pursuant to Section 129(2) of the Companies Act, 1965 as the case may be.

If the intention of the independent director is to continue in office, the NC shall consider the re-appointment based on the assessment criteria and guidelines set out in the Fit and Proper Policy and make the appropriate recommendation to the Board.

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

During the FYE 2014, one (1) NC meeting was held and the attendance of the NC members was as follows:

Member	Attendance
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman	1/1
YBhg Tan Sri Quek Leng Chan	1/1
YBhg Dato' Ahmad Fuaad bin Mohd Dahalan	1/1
YBhg Dato' Mohamed Nazim bin Abdul Razak	1/1
Mr Choong Yee How	1/1

The NC had considered and reviewed the following:

- composition of the Board and Board Committees;
- professional qualification and experience of the directors;
- independence of independent directors and their tenure; and
- appointment, re-appointment and re-election of directors

and was satisfied that the Board composition in terms of size, the balance between executive, non-executive and independent directors and mix of skills was adequate. The NC also reviewed the performance of the Board against its TOR and was satisfied that the Board was competent and effective in discharging its functions.

CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL
(continued)

C. BOARD COMMITTEES (CONTINUED)

(c) Remuneration Committee ("RC")

The RC has been established on 30 October 2008 and the members are as follows:-

YBhg Dato' Mohamed Nazim bin Abdul Razak
(Chairman, Independent Non-Executive Director)

YBhg Tan Sri Quek Leng Chan
(Non-Independent Non-Executive Director)

YBhg Dato' Ahmad Fuaad bin Mohd Dahalan
(Independent Non-Executive Director)

The RC's functions and responsibilities are set out in the TOR as follows:-

- Recommend to the Board the framework governing the remuneration of the:
  - Directors;
  - Chief Executive Officer; and
  - Key senior management officers.
- Review and recommend to the Board the specific remuneration packages of executive directors and the Chief Executive Officer.
- Review the remuneration packages of key senior management officers.

During the FYE 2014, one (1) RC meeting was held and the attendance of the RC members was as follows:

Member	Attendance
YBhg Dato' Mohamed Nazim bin Abdul Razak	1/1
YBhg Tan Sri Quek Leng Chan	1/1
YBhg Dato' Ahmad Fuaad bin Mohd Dahalan	1/1

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 level of responsibilities undertaken by them.

The RC, 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, including non-executive directors, are recommended and endorsed by the Board for approval by the shareholders of the Company at its Annual General Meeting ("AGM").

The aggregate remuneration of directors (including remuneration earned as directors of subsidiaries) for the FYE 2014 is as follows:

	Fees (RM)	Salaries & Other Emoluments (RM)	Total (RM)
Executive Directors	–	–	–
Non-Executive Directors	250,000	125,000	375,000

The number of directors whose remuneration falls into the following bands is as follows:

Range of Remuneration (RM)	Executive	Non-Executive
50,001 – 100,000	–	2
100,001 – 200,000	–	1

CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL

(continued)

D. INDEPENDENCE

The Board takes cognisance of Recommendations 3.2 and 3.3 of the Code that the tenure of an independent director should not exceed a cumulative term of 9 years. The Board seeks to strike an appropriate balance between tenure of service, continuity of experience and refreshment of the Board. Although a longer tenure of directorship may be perceived as relevant to the determination of a director's independence, the Board recognises that an individual's independence should not be determined solely based on tenure of service. Further, the continued tenure of directorship brings considerable stability to the Board, and the Company benefits from directors who have, over time, gained valuable insight into the Group, its market and the industry.

The independent directors have declared their independence, and the NC and the Board have determined, at the annual assessment carried out, that YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman and YBhg Dato' Mohamed Nazim bin Abdul Razak, who have served on the Board for more than 9 years remain objective and have continued to bring independent and objective judgment to Board deliberations and decision making. In this regard, the NC is guided by the Fit and Proper Policy of the Company.

Both the independent directors and non-independent directors are required to submit themselves for re-election at the AGM every 3 years under the MMLR and Articles of Association of the Company. In addition, the re-appointment of directors who have attained 70 years of age and above is subject to shareholders' approval at the AGM under Section 129 of the Companies Act, 1965. In respect of the independent directors who have served a tenure of 9 years and above, and who are due for re-election or re-appointment, justification for their re-election or re-appointment, as the case may be, will be set out in the explanatory notes of the notice of AGM.

E. COMMITMENT

The directors are aware of their responsibilities and will 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 on 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. 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. Board reports are circulated prior to Board 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 and internal auditors. All directors also have access to independent professional advice 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 deliberation and voting on the same during the meetings.

CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL
(continued)

E. COMMITMENT (CONTINUED)

The Board met five (5) times during FYE 2014 with timely notices of issues to be discussed. Details of attendance of each director are as follows:-

Director	Attendance
YBhg Tan Sri Quek Leng Chan	5/5
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman	5/5
YBhg Dato' Ahmad Fuaad bin Mohd Dahalan	5/5
YBhg Dato' Mohamed Nazim bin Abdul Razak	3/5
Mr Choong Yee How	5/5
Mr Quek Kon Sean	5/5

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 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 and continuing professional development which encompasses areas related to the industry or business of the Company, governance, risk management and regulations through a combination of courses and conferences.

All directors of the Company have completed the Mandatory Accreditation Programme.

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 and/or statutory/regulatory compliance, be recommended and arranged for the directors to enhance their contributions to the Board.

During the FYE 2014, the directors received regular briefings and updates on the Group's businesses, operations, risk management, internal controls, corporate governance, finance and any changes relevant legislation, rules and regulations from in-house professionals. The Company also organised an in-house programme for its directors and senior management.

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.

During the FYE 2014, the directors of the Company, collectively or on their own, attended various training programmes, seminars, briefings and/or workshops including:

- BNM – Roles and Responsibilities of Nominating Committee Members of Licensed Institutions
- ICLIF – Leadership Energy Summit Asia (LESA)
- Goods & Services Tax
- Integrating Corporate Governance with Business Acumen and Corporate Disclosure

CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL
(continued)

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 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 determines the remuneration of the external auditors. The BARMC reviews the suitability and independence of the external auditors annually.

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 Executive Directors and 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 website after release to Bursa.

CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL
(continued)

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 website, Bursa website, in the media and by post to shareholders. This allows shareholders to make the necessary arrangements to attend and participate either in person, by corporate representative, by proxy or by attorney.

Shareholders have the right to demand to vote by way of a poll at the general meetings for substantive resolutions and the voting results will be announced at the meetings and through Bursa.

The Company has a website at 'www.hlcap.com.my' which the shareholders can access for information which includes the Board Charter, corporate information, announcements/press releases/briefings, financial information and investor relations.

The Board has identified YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman, the Chairman of the BARMC, as the Independent Non-Executive Director 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 can have a channel of communication with the Group Financial Controller to direct queries and provide feedback to the Group.

Queries may be conveyed to the Group Financial Controller at:

Tel No : 03-2168 1168
Fax No : 03-2161 6311
e-mail address : YSLau@hlib.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.

I. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

I The Responsibilities of the Board

The Board recognises the practice of good governance is an important continuous process and has established the BARMC to ensure maintenance of a sound system of internal controls and good risk management practices. The processes for risks and controls assessment and improvement are on-going continuously and are reviewed in accordance with the guidelines on 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 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, and therefore only provide reasonable assurance and not absolute assurance, against material misstatements, losses or frauds.

The system of risk management and internal control that is instituted throughout the Group is updated from time to time to align with the dynamic changes in the business environment as well as process improvement initiatives undertaken. The Board confirms that its management team responsibly implements the Board policies, procedures and guidelines on risks and controls.

CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL
(continued)

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

I The Responsibilities of the Board (continued)

The Board has received assurance from the Group Chief Operating Officer and Group Financial Controller 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.

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 Framework

The Risk Management Framework established by the Board is to assist it in:

- identifying the significant risks faced by the Group in the operating environment, as well as evaluating the impact of such risks;
- developing and approving the necessary measures to manage these risks; and
- monitoring the effectiveness of such measures and to develop, approve and monitor any corrective actions as may be deemed necessary.

These processes have been in place throughout the FYE 2014 and have continued up to the date this statement was approved.

The Board has entrusted the BARMC with the responsibility to oversee the implementation of the Risk Management Framework of the Group.

A Chief Risk Officer has been appointed to administer the Risk Management Framework of the Group. The primary responsibilities of the Chief Risk Officer are:

- periodically evaluate all identified risks for their relevance in the operating environment and inclusion in the Risk Management Framework;
- oversee and monitor the implementation of appropriate systems and controls to manage these risks;
- assess the adequacy of existing action plans and control systems developed to manage these risks;
- monitor the performance of management in executing the action plans and operating the control systems; and
- report to the BARMC on the state of internal controls and the efficacy of management of risks throughout the Group.

In discharging the above responsibilities, the Chief Risk Officer is guided by but not limited to the Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers.

b. Internal Control Review and Regulatory Compliance Procedures

The Group Internal Audit Department ("GIAD"), under the direction of the BARMC, provides the BARMC and the Board the assurance it requires regarding the adequacy and integrity of the system of internal controls.

The GIAD undertakes periodic and systematic reviews of internal control systems and the review of compliance with the business objectives, policies, reporting standards and control procedures of the Group. This is to provide reasonable assurance to the Board on the proper functioning of the Risk Management Framework.

CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL
(continued)

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 and are kept informed of the causes and the status of remedial measures taken.

d. Other Major Internal Controls

- The Board receives and reviews reports from the management on the key operating statistics, business dynamics, legal matters and regulatory issues.
- The BARMC reviews and holds discussions with management on the actions taken on internal control issues identified in reports prepared by the GIAD, external auditors and regulatory authorities.
- Policies on delegation and authority limits are strictly imposed to ensure a culture that respects integrity and honesty.
- Policies and procedures are set out in operation manuals and disseminated for easy reference and in support of a learning environment.
- The competencies and professionalism of the Group's human resources are developed and maintained through rigorous recruitment process, training programs and a performance appraisal system. Proper guidelines are in place for the recruitment, promotion and termination of staff.

J. DIRECTORS' RESPONSIBILITY IN FINANCIAL REPORTING

The MMLR requires the directors to prepare financial statements for each financial year which give a true and fair view of the financial position of the Group and of the Company as at the end of the financial year and of its financial performance and cash flow 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 FYE 2014, 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, Risk Management and Internal Control is made in accordance with the resolution of the Board.

DIRECTORS' REPORT

for the financial year ended 30 June 2014

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 2014.

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/(loss) for the financial year	**118,810**	**(30,790)**

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year.

The Directors now recommend a final single-tier dividend of 15.00 sen per share on the Company's issued and paid-up share capital of RM246,896,668 comprising 246,896,668 shares, amounting to RM37,034,500 for the financial year ended 30 June 2014.

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.

CORPORATE GOVERNANCE

Disclosures on:
- Statement on Corporate Governance
- The Board of Directors ("Board") responsibility and oversight
- Risk Management
- Internal Audit and Internal Control Activities

The above are disclosed in the annual report.

DIRECTORS' REPORT

for the financial year ended 30 June 2014
(continued)

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 44 to the financial statements.

SIGNIFICANT EVENT AFTER THE FINANCIAL YEAR

Significant event after the financial year is disclosed in Note 45 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.

DIRECTORS

The Directors who have held office since the date of the last report and at the date of this report are as follows:

YBhg Tan Sri Quek Leng Chan	(Chairman, Non-Independent Non-Executive Director)
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman	(Independent Non-Executive Director)
YBhg Dato' Mohamed Nazim bin Abdul Razak	(Independent Non-Executive Director)
YBhg Dato' Ahmad Fuaad bin Mohd Dahalan	(Independent Non-Executive Director)
Mr Choong Yee How	(Non-Independent Non-Executive Director)
Mr Quek Kon Sean	(Non-Independent Non-Executive Director)

STATEMENTS OF DIRECTORS' RESPONSIBILITY

In preparing the financial statements, the Directors have ensured that the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 1965, have been complied with and reasonable and prudent judgements and estimates have been made.

It is the responsibility of the Directors to ensure that the financial statements of the Group and of the Company present a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2014 and of the results and cash flows of the Group and of the Company for financial year ended on that date.

The financial statements are prepared on a going concern basis and the Directors have ensured that proper accounting records are kept so as to enable the preparation of the financial statements with reasonable accuracy.

The Directors also have overall responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the Group and of the Company and for the implementation and continued operation of adequate accounting and internal control systems for the prevention and detection of fraud and other irregularities. The system of internal controls is designed to provide reasonable and not absolute assurance for achieving certain internal control standards and helps the Group and the Company manage the risk of failure to achieve business.

The Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965 is set out on page 148.

DIRECTORS' REPORT

for the financial year ended 30 June 2014
(continued)

DIRECTORS' INTERESTS

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 options over ordinary shares of the Company and/or its related corporations during the financial year ended 30 June 2014, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 are as follows:

	Shareholdings in which Directors have direct interests Number of ordinary shares/preference shares/*shares issued or to be issued or acquired arising from the exercise of options				
	Nominal value per share RM	As at 01.07.2013	Acquired	(Sold)	As at 30.06.2014
Interests of YBhg Tan Sri Quek Leng Chan in:					
Hong Leong Company (Malaysia) Berhad	1.00	390,000	–	–	390,000
Hong Leong Financial Group Berhad	1.00	4,989,600	–	–	4,989,600
Narra Industries Berhad	1.00	8,150,200	–	(8,150,200)	–
Guoco Group Limited	USD0.50	1,056,325	–	–	1,056,325
GuocoLand Limited	[1]	13,333,333	–	–	13,333,333
GuocoLand (Malaysia) Berhad	0.50	19,506,780	–	–	19,506,780
GuocoLeisure Limited	USD0.20	735,000	–	–	735,000
The Rank Group Plc	GBP13$^{8/9}$p	–	285,207[10]	–	285,207
Interests of YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman in:					
Hong Leong Financial Group Berhad	1.00	5,544,000	–	–	5,544,000
Hong Leong Bank Berhad	1.00	400,000	–	–	400,000
Hong Leong Industries Berhad	0.50	52,800	–	–	52,800
Malaysian Pacific Industries Berhad	0.50	20,800	–	–	20,800
Interest of Mr Choong Yee How in:					
Hong Leong Financial Group Berhad	1.00	4,784,000 4,396,000*	2,646,000[12] –	(4,330,000) (2,646,000)[12]	3,100,000 1,750,000*
Interest of Mr Quek Kon Sean in:					
Hong Leong Financial Group Berhad	1.00	1,495,000 2,080,000*	1,180,000[12] –	(500,000) (1,180,000)[12]	2,175,000 900,000*

DIRECTORS' REPORT

for the financial year ended 30 June 2014
(continued)

DIRECTORS' INTERESTS (CONTINUED)

	Shareholdings in which Directors have direct interests Number of ordinary shares/preference shares/*shares issued or to be issued or acquired arising from the exercise of options				
	Nominal value per share RM	As at 01.07.2013	Acquired	(Sold)	As at 30.06.2014
Interests of YBhg Tan Sri Quek Leng Chan in:					
Hong Leong Company (Malaysia) Berhad	1.00	13,069,100	–	–	13,069,100
Hong Leong Financial Group Berhad	1.00	824,437,300	–	–	824,437,300
Hong Leong Capital Berhad	1.00	200,805,058	–	–	200,805,058
Hong Leong Bank Berhad	1.00	1,160,619,285	–	(70,000)	1,160,549,285
Hong Leong MSIG Takaful Berhad	1.00	65,000,000	–	–	65,000,000
Hong Leong Assurance Berhad	1.00	140,000,000	–	–	140,000,000
Hong Leong Industries Berhad	0.50	246,136,603[(6)]	–	–	246,136,603[(6)]
Hong Leong Yamaha Motor Sdn Bhd	1.00	17,352,872	–	–	17,352,872
	1.00	6,941[(7)]	–	–	6,941[(7)]
Guocera Tile Industries (Meru) Sdn Bhd	1.00	19,600,000	–	–	19,600,000
Hong Leong Maruken Sdn Bhd (In members' voluntary liquidation)	1.00	1,750,000	–	–	1,750,000
Century Touch Sdn Bhd (In members' voluntary liquidation)	1.00	6,545,001	–	–	6,545,001
Varinet Sdn Bhd (In members' voluntary liquidation)	1.00	10,560,627	–	–	10,560,627
RZA Logistics Sdn Bhd (In members' voluntary liquidation)	1.00	7,934,247	–	–	7,934,247
Malaysian Pacific Industries Berhad	0.50	107,782,357[(6)]	4,169,000	–	111,951,357[(6)]
Carter Realty Sdn Bhd	1.00	7	5,640,600	–	5,640,607
Carsem (M) Sdn Bhd	1.00	84,000,000	–	–	84,000,000
	100.00	22,400[(7)]	–	–	22,400[(7)]
Narra Industries Berhad	1.00	38,314,000	–	(460,900)	37,853,100
Guoco Group Limited	USD0.50	244,415,930	–	(7,291,000)	237,124,930
GuocoLand Limited	[(1)]	819,244,363[(6)]	–	–	819,244,363[(6)]
Southern Steel Berhad	1.00	301,541,202	–	–	301,541,202
Southern Pipe Industry (Malaysia) Sdn Bhd	1.00	118,822,953	–	–	118,822,953
	1.00	50,000[(8)]	–	–	50,000[(8)]

DIRECTORS' REPORT

for the financial year ended 30 June 2014
(continued)

DIRECTORS' INTERESTS (CONTINUED)

	Shareholdings in which Directors have direct interests Number of ordinary shares/preference shares/*shares issued or to be issued or acquired arising from the exercise of options				
	Nominal value per share RM	As at 01.07.2013	Acquired	(Sold)	As at 30.06.2014
Interests of YBhg Tan Sri Quek Leng Chan in (continued):					
Belmeth Pte. Ltd.	[1]	40,000,000	–	–	40,000,000
Guston Pte. Ltd.	[1]	8,000,000	–	–	8,000,000
Perfect Eagle Pte. Ltd.	[1]	24,000,000	–	–	24,000,000
First Garden Development Pte Ltd	[1]	63,000,000	–	–	63,000,000
Sanctuary Land Pte Ltd	[1]	90,000	–	–	90,000
Beijing Minghua Property Development Co., Ltd (In members'voluntary liquidation)	[2]	150,000,000	–	–	150,000,000
Nanjing Mahui Property Development Co., Ltd	[2]	271,499,800	–	–	271,499,800
Nanjing XinHaoFu Economic Information Consultants Co., Ltd (formerly known as Nanjing Xinhaoning Property Development Co., Ltd	[3]	98,010,000	–	(98,010,000)	–
Nanjing Xinhaoxuan Property Development Co., Ltd	[3]	11,800,800	119,200	–	11,920,000[9]
Shanghai Xinhaojia Property Development Co., Ltd	[2]	3,150,000,000	–	–	3,150,000,000
Shanghai Xinhaozhong Property Development Co., Ltd	[3]	19,600,000	–	–	19,600,000
Beijing Cheng Jian Dong Hua Real Estate Development Company Limited	[2]	50,000,000	–	–	50,000,000
Lam Soon (Hong Kong) Limited	[5]	140,008,659	–	–	140,008,659
Kwok Wah Hong Flour Company Limited	[5]	9,800	–	–	9,800
Guangzhou Lam Soon Food Products Limited	[4]	6,570,000	–	–	6,570,000
GuocoLand (Malaysia) Berhad	0.50	456,055,616	–	–	456,055,616
Guoman Hotel & Resort Holdings Sdn Bhd	1.00	277,000,000	–	–	277,000,000

DIRECTORS' REPORT

for the financial year ended 30 June 2014
(continued)

DIRECTORS' INTERESTS (CONTINUED)

	Shareholdings in which Directors have direct interests Number of ordinary shares/preference shares/*shares issued or to be issued or acquired arising from the exercise of options				
	Nominal value per share RM	As at 01.07.2013	Acquired	(Sold)	As at 30.06.2014
Interests of YBhg Tan Sri Quek Leng Chan in (continued):					
JB Parade Sdn Bhd	1.00	28,000,000	–	–	28,000,000
	0.01	68,594,000[7]	–	–	68,594,000[7]
GuocoLeisure Limited	USD0.20	923,255,425	–	–	923,255,425
The Rank Group Plc ("Rank")	GBP13 8/9p	291,046,540	65,992,300[10]	(88,843,871)[11]	268,194,969
Interests of YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman in:					
Hong Leong Financial Group Berhad	1.00	3,600[13]	–	–	3,600[13]
Interests of Mr Quek Kon Sean in:					
Hong Leong Industries Berhad	0.50	750,000	–	–	750,000
Malaysian Pacific Industries Berhad	0.50	281,250	–	–	281,250

Legend:

(1) Concept of par value was abolished with effect from 30 January 2006 pursuant to the Singapore Companies (Amendment) Act, 2005
(2) Capital contribution in RMB
(3) Capital contribution in USD
(4) Capital contribution in HKD
(5) Concept of par value was abolished with effect from 3 March 2014 pursuant to the New Companies Ordinance (Chapter 622), Hong Kong
(6) Inclusive of interest pursuant to Section 134(12)(c) of the Companies Act, 1965 in shares held by family member
(7) Redeemable Preference Shares
(8) Redeemable Convertible Cumulative Preference Shares
(9) Became a wholly-owned subsidiary during the financial year
(10) Entitlement pursuant to the distribution of shares in Rank by GGL to its shareholders as special interim dividend in specie ("Distribution of Rank shares")
(11) Inclusive of Distribution of Rank shares
(12) Exercise of share options
(13) Interest pursuant to Section 134(12)(c) of the Companies Act, 1965 in shares held by family member

DIRECTORS' REPORT

for the financial year ended 30 June 2014
(continued)

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors of the Company received or became entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments 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 except for YBhg Tan Sri Quek Leng Chan, who may be deemed to derive a benefit by virtue of those transactions, contracts and agreements for the acquisitions and/or disposal of stocks and shares, stocks-in-trade, products, parts, accessories, plants, chattels, fixtures, buildings, land and other properties or any interest in any properties; and/or the provision of services including but not limited to project and sales management and any other management and consultancy services; and/or for construction, development, leases, tenancy, licensing, dealership and distributorship; and/or for the provision of treasury functions, advances in the conduct of normal trading, banking, insurance, investment, stockbroking and/or other businesses between the Company or its related corporations and corporations in which YBhg Tan Sri Quek Leng Chan is deemed to have interests.

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.

EXECUTIVE SHARE OPTION SCHEME

The Executive Share Option Scheme ("ESOS") of up to fifteen percent (15%) of the issued and paid-up ordinary share capital of the Company which was approved by the shareholders of the Company on 8 November 2005, was established on 23 January 2006 and would be in force for a period of ten (10) years.

On 18 January 2006, the Company announced that Bursa Malaysia Securities Berhad has approved-in-principle the listing of new ordinary shares of the Company to be issued pursuant to the exercise of options under the ESOS at any time during the existence of the ESOS.

The ESOS would provide an opportunity for eligible executives who had contributed to the growth and development of the Company and its subsidiaries ("HLCB Group") to participate in the equity of the Company. The aggregate number of shares to be issued under the ESOS shall not exceed 15% of the issued and paid-up ordinary share capital of the Company for the time being ("Aggregate Maximum Allocation").

A trust has been set up for the ESOS and it is administered by an appointed trustee. This 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 shares from the open market for the purposes of this trust. In accordance with MFRS 132, the shares purchased for the benefit of the ESOS holdings are recorded as "Treasury Shares for ESOS Scheme" in equity on the statements of financial position. The cost of operating the ESOS is charged to the statements of income.

The trustee will manage the trust in accordance with the trust deed. Upon termination of the trust, the trustee will dispose all remaining trust shares, if any, and deal with any surplus or deficit of the trust in accordance with the instructions of the Company.

There were no options granted under the ESOS of the Company during the financial year ended 30 June 2014.

DIRECTORS' REPORT

for the financial year ended 30 June 2014
(continued)

EXECUTIVE SHARE OPTION SCHEME (CONTINUED)

As at 30 June 2014, a total of 6,775,000 options had been granted under the ESOS, out of which 4,890,000 options had been exercised, with 1,330,000 options remaining outstanding. The aggregate options granted to Directors and chief executive of the HLCB Group under the ESOS amounted to 3,500,000, out of which 2,975,000 options had been exercised, with 525,000 options outstanding.

Since the commencement of the ESOS, the maximum allocation applicable to Directors and senior management of the HLCB Group is 50% of the Aggregate Maximum Allocation.

As at 30 June 2014, the actual percentage of total options granted to Directors and senior management of the HLCB Group under the ESOS was 2.18% of the issued and paid up ordinary share capital of the Company.

For further details on the ESOS, refer to Notes to the Financial Statements on Equity Compensation Benefits.

SHARE CAPITAL

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

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 made out, 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; or
- 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 2013 are not likely to be substantially affected by any item, transaction or event of a material and unusual nature.
- there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, to affect substantially the results of the operation of the Group or the Company for the financial year in which this report is made; 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.

DIRECTORS' REPORT

for the financial year ended 30 June 2014
(continued)

STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (CONTINUED)

(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.

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.

AUDITORS

The auditors, Messrs PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 23 July 2014.

TAN SRI DATO' SERI KHALID AHMAD BIN SULAIMAN
Director

CHOONG YEE HOW
Director

Kuala Lumpur
18 September 2014

STATEMENTS OF FINANCIAL POSITION

as at 30 June 2014

		The Group		The Company	
	Note	30.06.2014 RM'000	30.06.2013 RM'000	30.06.2014 RM'000	30.06.2013 RM'000
Assets					
Cash and short-term funds	2	**782,208**	665,574	**2,293**	77,386
Clients' and brokers' balances	3	**287,756**	150,509	**–**	–
Reverse repurchase agreements		**280,176**	274,388	**–**	–
Deposits and placements with banks and other financial institutions	4	**331,160**	325,561	**–**	360
Financial assets held-for-trading	5	**870,437**	660,864	**–**	414
Financial investments available-for-sale	6	**745,288**	265,333	**59,975**	–
Financial investments held-to-maturity	7	**358,413**	253,911	**–**	–
Loans and advances	8	**431,414**	174,184	**–**	–
Other assets	9	**47,007**	12,855	**7,807**	14
Derivative financial assets	20	**23,541**	28,785	**–**	–
Statutory deposits with Bank Negara Malaysia	10	**30,750**	24,500	**–**	–
Tax recoverable		**180**	1,464	**173**	1,365
Deferred tax assets	11	**98,195**	56,322	**–**	–
Investment in subsidiary companies	12	**–**	–	**342,720**	372,659
Property and equipment	14	**5,765**	6,888	**–**	–
Intangible assets – computer software	15	**1,057**	1,070	**–**	–
Goodwill	16	**33,059**	33,059	**–**	–
Total assets		**4,326,406**	2,935,267	**412,968**	452,198
Liabilities					
Clients' and brokers' balances		**337,686**	140,353	**–**	–
Deposits from customers	17	**631,566**	470,169	**–**	–
Deposits and placements of banks and other financial institutions	18	**2,054,960**	1,542,975	**–**	–
Repurchased agreements		**179,087**	177,033	**–**	–
Other liabilities	19	**495,735**	89,664	**523**	1,887
Derivative financial liabilities	20	**24,773**	32,773	**–**	12,156
Current tax liabilities		**187**	735	**–**	–
Deferred tax liabilities	11	**7**	–	**4**	–
Total liabilities		**3,724,001**	2,453,702	**527**	14,043
Equity					
Share capital	21	**246,896**	246,896	**246,896**	246,896
Reserves	22	**363,432**	245,175	**173,468**	200,637
Treasury shares for ESOS scheme	23	**(7,923)**	(10,506)	**(7,923)**	(9,378)
Total equity		**602,405**	481,565	**412,441**	438,155
Total equity and liabilities		**4,326,406**	2,935,267	**412,968**	452,198
Commitments and contingencies	34	**6,115,116**	6,178,687	**–**	2,858

INCOME STATEMENTS

for the financial year ended 30 June 2014

		The Group		The Company	
	Note	30.06.2014 RM'000	30.06.2013 RM'000	30.06.2014 RM'000	30.06.2013 RM'000
Interest income	24	**98,665**	79,776	**170**	1,063
Interest expense	25	**(69,052)**	(49,401)	**–**	(5,187)
Net interest income		**29,613**	30,375	**170**	(4,124)
Non-interest income	26	**161,263**	160,292	**20,487**	193,005
		190,876	190,667	**20,657**	188,881
Overhead expenses	27	**(112,233)**	(120,730)	**(1,111)**	(1,852)
Operating profit before allowances		**78,643**	69,937	**19,546**	187,029
Allowance for impairment losses on loans and advances and other losses	28	**(360)**	(245)	**(49,939)**	(40)
Impairment losses on securities	29	**–**	(1,759)	**–**	–
Profit/(loss) before taxation		**78,283**	67,933	**(30,393)**	186,989
Taxation	31	**40,527**	22,288	**(397)**	(10,368)
Net profit/(loss) for the financial year		**118,810**	90,221	**(30,790)**	176,621
Earnings per share (sen)					
– Basic	32	**49.9**	38.4		
– Diluted	32	**49.7**	37.8		

STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 30 June 2014

		The Group		The Company	
	Note	30.06.2014 RM'000	30.06.2013 RM'000	30.06.2014 RM'000	30.06.2013 RM'000
Net profit/(loss) for the financial year		**118,810**	90,221	**(30,790)**	176,621
Other comprehensive income/(expenses):					
Items that will be reclassified subsequently to profit or loss					
Net fair value changes on financial investments available-for-sale		**(2,167)**	(7,148)	**15**	–
Income tax relating to net fair value changes on financial investments available-for-sale	11	**542**	1,787	**(4)**	–
Currency translation differences in respect of foreign operation		**–**	(2)	**–**	–
Other comprehensive (expense)/income for the financial year, net of tax		**(1,625)**	(5,363)	**11**	–
Total comprehensive income/(expense) for the financial year		**117,185**	84,858	**(30,779)**	176,621

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 30 June 2014

		Attributable to owners of the parent								
The Group	Note	Share capital RM'000	Treasury shares for ESOS scheme RM'000	Statutory reserve RM'000	Share options reserve RM'000	Fair value reserve RM'000	General reserve RM'000	Exchange fluctuation reserve RM'000	Retained profits RM'000	Total RM'000
At 1 July 2013		**246,896**	**(10,506)**	**69,712**	**965**	**956**	**543**	**12**	**172,987**	**481,565**
Net profit for the financial year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**118,810**	**118,810**
Other comprehensive expense, net of tax		**–**	**–**	**–**	**–**	**(1,625)**	**–**	**–**	**–**	**(1,625)**
Total comprehensive (expense)/income		**–**	**–**	**–**	**–**	**(1,625)**	**–**	**–**	**118,810**	**117,185**
Transfer to statutory reserve		**–**	**–**	**27,382**	**–**	**–**	**–**	**–**	**(27,382)**	**–**
ESOS exercised		**–**	**2,557**	**–**	**(574)**	**–**	**–**	**–**	**1,166**	**3,149**
Option charge arising from ESOS granted		**–**	**–**	**–**	**159**	**–**	**–**	**–**	**–**	**159**
Disposal of treasury shares		**–**	**26**	**–**	**–**	**–**	**–**	**–**	**321**	**347**
At 30 June 2014		**246,896**	**(7,923)**	**97,094**	**550**	**(669)**	**543**	**12**	**265,902**	**602,405**
At 1 July 2012		246,896	(13,203)	47,352	884	6,317	543	14	104,196	392,999
Net profit for the financial year		–	–	–	–	–	–	–	90,221	90,221
Other comprehensive expense, net of tax		–	–	–	–	(5,361)	–	(2)	–	(5,363)
Total comprehensive (expense)/income		–	–	–	–	(5,361)	–	(2)	90,221	84,858
Transfer to statutory reserve		–	–	22,360	–	–	–	–	(22,360)	–
ESOS exercised		–	2,697	–	(338)	–	–	–	930	3,289
Option charge arising from ESOS granted		–	–	–	419	–	–	–	–	419
At 30 June 2013		246,896	(10,506)	69,712	965	956	543	12	172,987	481,565

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 30 June 2014
(continued)

	Non-distributable		Distributable			
The Company	Share capital RM'000	Treasury shares for ESOS scheme RM'000	Call option reserve RM'000	Fair value reserve RM'000	Retained profits RM'000	Total RM'000
At 1 July 2013	**246,896**	**(9,378)**	**–**	**–**	**200,637**	**438,155**
Net loss for the financial year	**–**	**–**	**–**	**–**	**(30,790)**	**(30,790)**
Other comprehensive income	**–**	**–**	**–**	**11**	**–**	**11**
Total comprehensive expense	**–**	**–**	**–**	**11**	**(30,790)**	**(30,779)**
Call options written for subsidiary	**–**	**–**	**3,289**	**–**	**–**	**3,289**
Call options exercised by the subsidiary during the year	**–**	**–**	**(2,142)**	**–**	**2,142**	**–**
Treasury shares transferred to trustee of subsidiary	**–**	**1,429**	**–**	**–**	**–**	**1,429**
Disposal of treasury shares	**–**	**26**	**–**	**–**	**321**	**347**
At 30 June 2014	**246,896**	**(7,923)**	**1,147**	**11**	**172,310**	**412,441**
At 1 July 2012	246,896	(13,203)	–	–	24,016	257,709
Net profit for the financial year	–	–	–	–	176,621	176,621
Total comprehensive income	–	–	–	–	176,621	176,621
Treasury shares transferred to trustee of subsidiary	–	3,825	–	–	–	3,825
At 30 June 2013	246,896	(9,378)	–	–	200,637	438,155

STATEMENTS OF CASH FLOWS

for the financial year ended 30 June 2014

	The Group	
	30.06.2014 RM'000	30.06.2013 RM'000
Cash flows from operating activities		
Profit before taxation	**78,283**	67,933
Adjustments for:		
Depreciation of property and equipment	**2,028**	2,322
Amortisation of intangible assets – computer software	**553**	665
Option charge arising from ESOS granted	**159**	419
Loss/(gain) on disposal of property and equipment	**1**	(55)
Gain on liquidation of a subsidiary	**(201)**	–
Property and equipment written off	**1**	209
Intangible assets written off	**–**	37
Impairment on securities	**–**	1,759
Allowance for impairment for losses on loans and advances	**511**	153
Writeback of allowance for losses on clients' and brokers' balances	**(26)**	(399)
Net unrealised (gain)/loss on revaluation of:		
– Financial assets held-for-trading	**(3,359)**	3,221
– Derivative financial instruments	**(3,128)**	(19,718)
Interest income from:		
– Financial assets held-for-trading	**(19,554)**	(28,301)
– Financial investments available-for-sale	**(19,127)**	(5,246)
– Financial investments held-to-maturity	**(13,758)**	(13,415)
– Derivative financial instruments	**(2,729)**	(3,092)
Interest expense from:		
– Derivative financial instruments	**6,650**	4,307
– Borrowings	**–**	1,829
Dividend income from:		
– Financial assets held-for-trading	**(798)**	(2,048)
– Financial investments available-for-sale	**(2,472)**	(118)
	(55,249)	(57,471)
Operating profit before working capital changes	**23,034**	10,462
(Increase)/decrease in operating assets		
Reverse repurchase agreements	**(5,788)**	(274,388)
Deposits and placements with banks and other financial institutions	**(5,599)**	(233,394)
Financial assets held-for-trading	**(205,194)**	37,244
Derivative financial instruments	**(21)**	66
Loans and advances	**(257,741)**	82,241
Clients' and brokers' balances	**(137,221)**	25,765
Other assets	**(34,650)**	65,350
Statutory deposits with Bank Negara Malaysia	**(6,250)**	(4,950)
	(652,464)	(302,066)

STATEMENTS OF CASH FLOWS

for the financial year ended 30 June 2014
(continued)

		The Group	
	Note	30.06.2014 RM'000	30.06.2013 RM'000
Increase/(decrease) in operating liabilities			
Deposits from customers		**161,397**	(163,456)
Deposits and placements of banks and other financial institutions		**511,985**	569,331
Repurchased agreements		**2,054**	61,866
Clients' and brokers' balances		**197,333**	1,862
Other liabilities		**406,071**	4,878
		1,278,840	474,481
Cash generated from operations		**649,410**	182,877
Net income tax refund/(paid)		**437**	(803)
Net cash generated from operating activities		**649,847**	182,074
Cash flows from investing activities			
Net (purchase)/disposal of:			
– Financial investments available-for-sale		**(479,484)**	73,955
– Financial investments held-to-maturity		**(104,174)**	14,065
Dividends received from:			
– Financial assets held-for-trading		**798**	2,023
– Financial investments available-for-sale		**2,472**	113
Interest received from financial assets held-for-trading, financial investments available-for-sale, financial investments held-to-maturity and derivatives		**48,453**	59,221
Interest paid on derivative financial instruments		**(3,528)**	(4,165)
Cash received from liquidation of a subsidiary		**201**	–
Proceeds from disposal of property and equipment		**–**	59
Purchase of property and equipment		**(907)**	(1,317)
Purchase of intangible assets		**(540)**	(637)
Net cash (used in)/generated from investing activities		**(536,709)**	143,317
Cash flows from financing activities			
Interest paid on borrowings		**–**	(1,880)
Repayments of borrowings		**–**	(165,000)
Cash received from ESOS exercised		**3,149**	3,289
Cash received from disposal of treasury shares		**347**	–
Net cash generated from/(used in) financing activities		**3,496**	(163,591)
Net increase in cash and cash equivalents during the financial year		**116,634**	161,800
Effect of exchange rate changes		**–**	(2)
Cash and cash equivalents at beginning of the financial year		**665,574**	503,776
Cash and cash equivalents at end of the financial year		**782,208**	665,574
Cash and cash equivalents comprise:			
Cash and short-term funds	2	**782,208**	665,574

STATEMENTS OF CASH FLOWS

for the financial year ended 30 June 2014
(continued)

	The Company	
	30.06.2014 RM'000	30.06.2013 RM'000
Cash flows from operating activities		
(Loss)/profit before taxation	(30,393)	186,989
Adjustments for:		
Unrealised loss/(gain) on financial assets held-for-trading	8	(6)
Unrealised (gain)/loss on derivative financial instruments	(8,867)	8,867
Interest expense on borrowings	–	1,829
Interest income	(170)	(1,063)
Dividend income from:		
– Financial assets held-for-trading	(77)	–
– Financial investments available-for-sale	(1,947)	–
– Subsidiary companies	(9,133)	(46,800)
Gain on capital reduction of a subsidiary	–	(155,063)
Gain on liquidation of a subsidiary	(201)	–
Allowance for impairment on subsidiary	49,939	–
	29,552	(192,236)
Operating loss before working capital changes	(841)	(5,247)
Decrease/(increase) in deposits and placements with banks and other financial institutions	360	(360)
Decrease in financial assets held-for-trading	406	1
(Increase)/decrease in receivables	(798)	19,032
Decrease in payables	(1,364)	(90,472)
Cash used in operating activities	(2,237)	(77,046)
Income tax refund	1,333	860
Interest received	170	1,063
Net cash used in operating activities	(734)	(75,123)
Cash flows from investing activities		
Increase in financial investments available-for-sale	(59,960)	–
Dividends received from:		
– Financial assets held-for-trading	77	–
– Financial investments available-for-sale	1,947	–
– Subsidiary companies	1,600	35,100
Cash received from liquidation of a subsidiary	201	278,167
Investment in a subsidiary	(20,000)	–
Net cash (used in)/generated from investing activities	(76,135)	313,267
Cash flows from financing activities		
Interest paid on borrowings	–	(1,880)
Repayment of borrowings	–	(165,000)
Cash received from treasury shares transferred to trustee of subsidiary	1,429	3,825
Cash received from disposal of treasury shares	347	–
Net cash generated from/(used in) financing activities	1,776	(163,055)

STATEMENTS OF CASH FLOWS

for the financial year ended 30 June 2014
(continued)

		The Company	
	Note	30.06.2014 RM'000	30.06.2013 RM'000
Net (decrease)/increase in cash and cash equivalents during the financial year		**(75,093)**	75,089
Cash and cash equivalents at beginning of the financial year		**77,386**	2,297
Cash and cash equivalents at end of the financial year		**2,293**	77,386
Cash and cash equivalents comprise:			
Cash and short-term funds	2	**2,293**	77,386

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2014

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, 1965.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial investments available-for-sale, and financial assets and 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 all the unutilised tax credits to the extent that it is probable that future taxable profit will be available against which the tax credits can be utilised. Management 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.

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

The relevant new accounting standards, amendments and improvements to published standards that are effective for the Group's and the Company's financial year beginning on or after 1 July 2013 are as follows:

- MFRS 10 "Consolidated Financial Statements"
- MFRS 12 "Disclosures of Interests in Other Entities"
- MFRS 13 "Fair Value Measurement"
- The revised MFRS 127 "Separate Financial Statements"
- Amendment to MFRS 7 "Financial Instruments: Disclosures"
- Amendments to MFRS 10, 11 & 12 "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance"
- Annual improvements 2009-2011 Cycle

The adoption of the above accounting standards and amendments to published standards does not give rise to any material financial impact to the Group and the Company.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2014
(continued)

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

(b) Standards early adopted by the Group

The amendments to MFRS 136 "Impairment of assets" removed certain disclosures of the recoverable amount of CGUs which had been included in MFRS 136 by the issuance of MFRS 13. The amendment is not mandatory for the Group until 1 July 2014, however the Group has decided to early adopt the amendment as of 1 July 2013.

(c) 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 annual periods beginning after 1 July 2014. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- MFRS 9 Financial Instruments "Classification and Measurement of Financial Assets and Financial Liabilities" will replace MFRS 139 "Financial instruments: Recognition and measurement". MFRS 9 has two measurement categories – amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

  MFRS 9 Financial Instruments "Hedge accounting" brings into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. The revised standard establishes a more principle-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in MFRS 139.

- IC Interpretation 21 "Levies" sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation clarifies that a liability to pay a levy is recognised when the obligating event occurs. Obligating event is the event identified by the legislation that triggers the payment of levy.

The Group is in the process of reviewing the financial impact of IC Interpretation 21 and requirements of MFRS 9 and expects this process to be completed prior to the effective date.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2014
(continued)

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 over 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 Company 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 Company.

The Group applies the acquisition method to account for business combinations. 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. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are 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 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. 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 earnings. No additional goodwill is recognised. Acquisition-related costs are expensed as incurred. The Group incorporates the subsidiary's results, assets and liabilities prospectively 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 before the transaction occurred and the corresponding amounts for the previous year are also not restated.

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 statement.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2014
(continued)

B CONSOLIDATION (CONTINUED)

(i) Subsidiaries (continued)

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 139 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances on transactions between group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(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 equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the Group ceases to have control over a subsidiary, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is 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 profit or loss.

(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 profit or loss.

On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2014
(continued)

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 profit or loss 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:

Leasehold land	Over the remaining period of the lease or 100 years whichever is shorter
Buildings on leasehold land	Over the remaining period of the lease or 50 years whichever is shorter
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

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 circumtances 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 profit or loss. 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 profit or loss.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2014
(continued)

D INTANGIBLE ASSETS (CONTINUED)

(b) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

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 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 to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

E LEASES

(a) Finance Lease

Assets purchased under lease which in substance transfers the risks and benefits of ownership of the assets to the Group or the Company are capitalised under property and equipment. The assets and the corresponding lease obligations are recorded at the lower of the present value of the minimum lease payments or the fair value of the leased assets at the beginning of the lease term. Such leased assets are subject to depreciation on the same basis as other property and equipment.

Leases which do not meet such criteria are classified as operating lease and the related rentals are charged to the profit or loss.

(b) Operating Lease

Leases of assets under which the significant portion of the risks and benefits of ownership are retained by the lessor are classified as operating leases. Payment made under operating lease are charged to the profit or loss on a straight line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2014
(continued)

F FINANCIAL ASSETS

(a) Classification

The Group and the Company classify their financial assets into the following categories: at fair value through profit or loss, loans and receivables, available-for-sale and held-to-maturity. Management determines the classifications of its financial assets up-front at the point when transactions are entered into.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise financial assets held-for-trading and other financial assets designated by the Group and the Company as fair value through profit or loss upon initial recognition.

A financial asset 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.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

(iii) Financial investments held-to-maturity

Financial investments held-to-maturity are non-derivative instruments with fixed or determinable payments and fixed maturities that the Group's and the Company's management has the positive intent and ability to hold to maturity. If the Group and the Company sell other than an insignificant amount of financial investments held-to-maturity, the entire category will be tainted and reclassified as financial investments available-for-sale.

(iv) Financial investments available-for-sale

Financial investments available-for-sale are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rate, exchange rates or equity prices or that are not classified as financial assets at fair value through profit or loss, loans and receivables and financial investments held-to-maturity.

(b) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the settlement date, the date an asset is delivered to or by the Group.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Transaction costs for securities carried at fair value through profit or loss are taken directly to the profit or loss.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2014
(continued)

F FINANCIAL ASSETS (CONTINUED)

(c) Subsequent measurement

Financial assets at fair value through profit or loss and financial investments available-for-sale are subsequently carried at fair value, except for investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured in which case the investments are stated at cost. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss are included in the profit or loss in the period which they arise. Gains and losses arising from changes in fair value of financial investments available-for-sale are recognised directly in other comprehensive income, until the securities are derecognised or impaired at which time the cumulative gains or losses previously recognised in equity are recognised in the profit or loss. Foreign exchange gains or losses of financial investments available-for-sale are recognised in the profit and loss in the period it arises.

Financial investments held-to-maturity are subsequently measured at amortised cost using the effective interest method. Gains or losses arising from de-recognition or impairment of the securities are recognised in the profit or loss.

Interest from financial assets held at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity is calculated using the effective interest method and is recognised in the profit or loss. Dividends from available-for-sale equity instruments are recognised in the profit or loss when the entity's right to receive payment is established.

Loans and receivables are initially recognised at fair value – which is the cash consideration to originate or purchase the loan including the transaction costs, and measured subsequently at amortised cost using the effective interest rate method. Interest on loans is included in the profit or loss. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognised in the profit or loss.

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 profit or loss. 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 2014
(continued)

H IMPAIRMENT OF FINANCIAL ASSETS

(a) Assets carried at amortised cost

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

The criteria the Group and the Company use to determine that there is objective evidence of impairment loss include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation, default of delinquency in interest or principal payments and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The Group and the Company first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group and the Company determine that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, they include the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Group and the Company and historical loss experience for assets with credit risk characteristics similar to those in the Group and in the Company. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the financial period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from financial period to financial period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Company and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group and the Company to reduce any differences between loss estimates and actual loss experience.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in profit or loss. If 'loans and receivables' or a 'held-to-maturity investment' has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written-off after taking into consideration the realisable value of collateral, if any, when in the judgement of the management, there is no prospect of recovery.

If in a subsequent period, the amount of impairment losses decreases and the decrease can be related objectively to an event occuring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2014
(continued)

H IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

(b) Assets carried at available-for-sale

The Group assesses at each reporting date whether there is objective evidence that the financial asset is impaired.

For debt securities, the Group uses criteria and measurement of impairment loss applicable for "assets carried at amortised cost" above. If in a subsequent period, the fair value of a debt instrument classified as financial investments available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

In the case of equity instruments classified as financial investments available-for-sale, in addition to the criteria for assets carried at amortised cost above, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If there is an objective evidence that an impairment loss on financial investments available-for-sale has been incurred, the cumulative loss that has been recognised directly in equity is removed from equity and recognised in the profit or loss. The amount of cumulative loss that is reclassified to profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through the profit or loss.

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 statement 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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2014
(continued)

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.

M DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are initially recognised at fair values on the date on which derivative contracts are entered into and are subsequently re-measured at their fair values. 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 values are positive and as liabilities when fair values are negative. Changes in the fair value of any derivatives that do not quality for hedge accounting are recognised immediately in the profit or loss.

The best evidence of the 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 that 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 which variables include only data from observable markets. When such evidence exists, the banking subsidiary recognise the fair value of derivatives in profit or loss immediately.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2014
(continued)

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 profit or loss over the period of the borrowings using the effective interest method.

Q INCOME TAXES

The tax expense for the financial year comprises current and deferred tax. Tax is recognised in profit or loss, 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 income tax is recognised, 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 income 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 reporting date 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 income 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 can be controlled by the parent and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax related to fair value re-measurement of financial investments available-for-sale, 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 and 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 by the Group and the Company when all of the following conditions have been met:

(i) the Group and the Company have a present legal or constructive obligation as a result of past events;
(ii) it is probable that an outflow of resources to settle the obligation will be required; and
(iii) a reliable estimate of the amount of obligation can be made.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2014
(continued)

R PROVISIONS (CONTINUED)

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 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 profit or loss using the effective interest method.

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 recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

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 held-for-trading, financial investments available-for-sale, financial investments held-to-maturity and subsidiary companies are recognised when the rights to receive payment is established.

Net profit from financial assets held-for-trading and financial investments available-for-sale 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. Rollover fees, nominees services and handling charges are recognised on an accrual basis.

Corporate advisory fees are recognised as income on completion of each stage of the engagement and issuance of invoice.

Management fees charged for management of clients' and unit trust funds is recognised on an accrual basis 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 on an accrual basis.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2014
(continued)

T RECOGNITION OF FEES AND OTHER INCOME (CONTINUED)

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

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.

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group and the Company.

Defined contribution plan

A defined contribution plan is a pension plan under which the Group and the Company pays fixed contributions into a fund 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.

The Group and the Company contributes 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 profit or loss in the period to which they relate. Once the contributions have been paid, the Group and the Company has 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 profit or loss 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 profit or loss, 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2014
(continued)

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 profit or loss 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 profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus reserve.

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 and the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 profit or loss.

(b) Foreign currency transactions and balances

Changes in the fair value of monetary financial assets denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the financial asset and other changes in the carrying amount of the financial asset. Translation differences related to changes in the amortised cost are recognised in the profit or loss, and other changes in the carrying amount are recognised in other comprehensive income.

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 available-for-sale are included in the fair value reserve in other comprehensive income.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2014
(continued)

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 contractual substance of the particular instrument. Distributions to holders of a financial instrument classified as an equity instrument are charged directly to equity.

(b) Share issue costs

Incremental external costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(c) Dividends

Dividends on ordinary shares is recognised as a liability when the shareholders' right to receive the dividend is established.

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 and subsequently at the higher of the amount determined in accordance with MFRS 137 "Provisions, contingent liabilities and contingent assets" and the amount initially recognised less cumulative amortisation, where appropriate.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2014
(continued)

AA CONTINGENT ASSETS AND LIABILITIES

The Group and the Company do not recognise contingent assets and liabilities, 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 statement of changes in equity and are presented separately from non-owner changes in equity.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014

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 Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Level 8, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur.

The financial statements were authorised for issue by the Board of Directors of the Company in accordance with a resolution of the Directors on 23 July 2014.

2 CASH AND SHORT-TERM FUNDS

	The Group		The Company	
	30.06.2014 RM'000	**30.06.2013 RM'000**	**30.06.2014 RM'000**	**30.06.2013 RM'000**
Cash and balances with banks and other financial institutions	**200,282**	98,207	**1,322**	2,827
Money at call and deposit placements maturing within one month	**581,926**	567,367	**971**	74,559
	782,208	665,574	**2,293**	77,386

Inclusive in cash and short-term funds of the Group are accounts in trust for dealer's representative amounting to RM13,777,000 (30.06.2013: RM15,482,000).

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

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	
	30.06.2014 RM'000	**30.06.2013 RM'000**
Performing accounts	**287,185**	150,115
Impaired accounts	**956**	805
	288,141	150,920
Less: Allowance for bad and doubtful debts:		
– individual assessment allowance	**(370)**	(378)
– collective assessment allowance	**(15)**	(33)
	287,756	150,509
Movements of impaired accounts are as follows:		
At 1 July	**805**	1,403
Impaired during the financial year	**562**	–
Written back during the financial year	**(411)**	(221)
Amount written off during the financial year	**–**	(377)
At 30 June	**956**	805
Movements in the allowance for losses on clients' and brokers' balances are as follows:		
Individual assessment allowance		
At 1 July	**378**	752
Allowance made during the financial year	**119**	352
Allowance written back during the financial year	**(127)**	(640)
Amount written off during the financial year	**–**	(86)
At 30 June	**370**	378
Collective assessment allowance		
At 1 July	**33**	144
Allowance written back during the financial year	**(18)**	(111)
At 30 June	**15**	33

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

4 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group		The Company	
	30.06.2014 RM'000	30.06.2013 RM'000	30.06.2014 RM'000	30.06.2013 RM'000
Licensed banks	**301,157**	275,548	**–**	360
Licensed investment banks	**30,003**	50,013	**–**	–
	331,160	325,561	**–**	360

Included in deposits placed with banks and other financial institutions of the Group and the Company is Nil (30.06.2013: RM360,000) pledged with licensed banks for revolving credit facilities of the Group and the Company.

5 FINANCIAL ASSETS HELD-FOR-TRADING

	The Group		The Company	
	30.06.2014 RM'000	30.06.2013 RM'000	30.06.2014 RM'000	30.06.2013 RM'000
Money market instruments				
Malaysian Government Securities	**–**	20,107	**–**	–
Negotiable instruments of deposits	**403,428**	150,372	**–**	–
Bankers' acceptances	**316,639**	219,476	**–**	–
	720,067	389,955	**–**	–
Quoted securities				
In Malaysia:				
Shares	**8,360**	9,570	**–**	–
Unit trust investment	**2,173**	3,666	**–**	414
	10,533	13,236	**–**	414
Unquoted securities				
Foreign currency bonds	**33,777**	63,074	**–**	–
Private and Islamic debt securities	**106,060**	194,599	**–**	–
	139,837	257,673	**–**	–
	870,437	660,864	**–**	414

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

6 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	The Group		The Company	
	30.06.2014 RM'000	30.06.2013 RM'000	30.06.2014 RM'000	30.06.2013 RM'000
Money market instruments				
Malaysian Government Securities	30,512	20,205	–	–
Malaysian Government Investment Issues	139,398	59,669	–	–
Cagamas bonds	15,063	5,122	–	–
	184,973	84,996	–	–
Quoted securities				
In Malaysia:				
Unit trust investment	108,703	695	59,975	–
Unquoted securities				
Shares	245	686	–	–
Foreign currency bonds	72,619	86,476	–	–
Private and Islamic debt securities	378,748	92,480	–	–
	451,612	179,642	–	–
	745,288	265,333	59,975	–

7 FINANCIAL INVESTMENTS HELD-TO-MATURITY

	The Group	
	30.06.2014 RM'000	30.06.2013 RM'000
Money market instruments		
Malaysian Government Securities	51,316	–
Malaysian Government Investment Issues	25,517	5,107
Negotiable instruments of deposits	51,499	–
Cagamas bonds	–	10,161
	128,332	15,268
Unquoted securities		
Foreign currency bonds	194,666	192,912
Private and Islamic debt securities	35,415	45,731
	230,081	238,643
	358,413	253,911

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

8 LOANS AND ADVANCES

	The Group	
	30.06.2014 RM'000	**30.06.2013 RM'000**
Term loan financing	**140,112**	33,533
Share margin financing	**291,384**	139,049
Revolving credit	**–**	60
Staff loans	**100**	458
Other loans	**1,319**	2,074
Gross loans and advances	**432,915**	175,174
Less:		
Allowance for losses on loans and advances:		
– individual assessment allowance	**(194)**	(252)
– collective assessment allowance	**(1,307)**	(738)
Total net loans and advances	**431,414**	174,184

(i) The maturity structure of loans and advances is as follows:

	30.06.2014 RM'000	30.06.2013 RM'000
Maturity within one year	**365,350**	172,658
One year to three years	**3**	149
Three years to five years	**67,479**	119
Over five years	**83**	2,248
Gross loans and advances	**432,915**	175,174

(ii) The loans and advances are disbursed to the following types of customers:

	30.06.2014 RM'000	30.06.2013 RM'000
Domestic business enterprises:		
– small and medium enterprises	**72,653**	26,600
– others	**115,866**	52,708
Individuals	**244,144**	95,563
Foreign entities	**252**	303
Gross loans and advances	**432,915**	175,174

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

8 LOANS AND ADVANCES (CONTINUED)

		The Group	
		30.06.2014 RM'000	30.06.2013 RM'000
(iii)	Loans and advances analysed by interest rate sensitivity are as follows:		
	Fixed rate:		
	– staff housing loans	**83**	388
	– other fixed rate loans	**47,353**	51,237
	Variable rate:		
	– cost plus	**385,479**	123,482
	Non-interest bearing	**–**	67
	Gross loans and advances	**432,915**	175,174
(iv)	Loans and advances analysed by their economic purposes are as follows:		
	Purchase of securities	**291,384**	139,049
	Working capital	**140,112**	33,592
	Purchase of transport vehicles	**157**	235
	Purchase of landed property	**1,256**	2,298
	Others	**6**	–
	Gross loans and advances	**432,915**	175,174
(v)	Loans and advances analysed by geographical distribution are as follows:		
	Malaysia	**432,915**	175,174
(vi)	Movements in the impaired loans and advances are as follows:		
	At 1 July	**1,123**	1,256
	Impaired during the financial year	**156**	1,123
	Amount written back during the financial year	**(426)**	–
	Amount written off during the financial year	**–**	(1,256)
	At 30 June	**853**	1,123
	Ratio of impaired loans to total loans and advances net of individual assessment allowance	**0.2%**	0.6%

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

8 LOANS AND ADVANCES (CONTINUED)

	The Group	
	30.06.2014 RM'000	**30.06.2013 RM'000**
(vii) Movements in the allowance for losses on loans and advances are as follows:		
Individual assessment allowance		
At 1 July	**252**	1,256
Allowance made during the financial year	**2**	252
Amount written back during the financial year	**(60)**	–
Amount written off during the financial year	**–**	(1,256)
At 30 June	**194**	252
Collective assessment allowance		
At 1 July	**738**	837
Allowance made/(written back) during the financial year	**569**	(99)
At 30 June	**1,307**	738
(viii) Impaired loans and advances analysed by their economic purposes are as follows:		
Purchase of transport vehicles	**115**	156
Purchase of landed properties	**738**	967
	853	1,123
(ix) Impaired loans and advances analysed by geographical distribution are as follows:		
Malaysia	**853**	1,123

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

9 OTHER ASSETS

	The Group		The Company	
	30.06.2014 RM'000	30.06.2013 RM'000	30.06.2014 RM'000	30.06.2013 RM'000
Amounts due from subsidiary companies (a)	–	–	7,400	3
Amounts due from related companies (a)	49	171	49	–
Deposits	4,555	3,864	5	5
Prepayments	1,012	900	8	6
Fee income receivable	33,943	3,910	–	–
Other receivables	7,161	3,851	345	–
Manager's stocks and consumables	287	159	–	–
	47,007	12,855	7,807	14

(a) The amounts due from subsidiaries and related companies are unsecured, interest free and repayable on demand.

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.

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:

		The Group		The Company	
	Note	30.06.2014 RM'000	30.06.2013 RM'000	30.06.2014 RM'000	30.06.2013 RM'000
Deferred tax assets	11(a)	98,924	57,558	–	–
Deferred tax liabilities	11(b)	(736)	(1,236)	(4)	–
		98,188	56,322	(4)	–

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

11 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

		The Group		The Company	
	Note	30.06.2014 RM'000	30.06.2013 RM'000	30.06.2014 RM'000	30.06.2013 RM'000
At 1 July		**56,322**	32,283	**–**	–
Transfer from income statements	31	**61,110**	42,215	**–**	–
Transfer from equity		**542**	1,787	**(4)**	–
Reversal against taxation payable		**(19,786)**	(19,963)	**–**	–
At 30 June		**98,188**	56,322	**(4)**	–
Deferred tax assets					
– settled more than 12 months		**74,626**	39,416	**–**	–
– settled within 12 months		**24,298**	18,142	**–**	–
		98,924	57,558	**–**	–
Deferred tax liabilities					
– settled more than 12 months		**(349)**	(876)	**(4)**	–
– settled within 12 months		**(387)**	(360)	**–**	–
		(736)	(1,236)	**(4)**	–
		98,188	56,322	**(4)**	–

The movements in deferred tax assets and liabilities during the financial year comprise the following:

(a) Deferred tax assets

The Group	Collective assessment allowance RM'000	Financial investments available-for-sale RM'000	Unutilised tax credits RM'000	Provisions RM'000	Total RM'000
At 1 July 2013	**–**	**–**	**49,140**	**8,418**	**57,558**
Credited to income statements	**–**	**–**	**59,828**	**1,101**	**60,929**
Reversal against taxation payable	**–**	**–**	**(19,786)**	**–**	**(19,786)**
Reclassified from deferred tax liabilities	**–**	**223**	**–**	**–**	**223**
At 30 June 2014	**–**	**223**	**89,182**	**9,519**	**98,924**

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

11 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

(a) Deferred tax assets (continued)

The Group	Collective assessment allowance RM'000	Financial investments available-for-sale RM'000	Unutilised tax credits RM'000	Provisions RM'000	Total RM'000
At 1 July 2012	3	–	35,060	520	35,583
(Charged)/credited to income statements	(3)	–	34,043	7,898	41,938
Reversal against taxation payable	–	–	(19,963)	–	(19,963)
At 30 June 2013	–	–	49,140	8,418	57,558

(b) Deferred tax liabilities

The Group	Property and equipment RM'000	Financial investments available-for-sale RM'000	Other temporary differences RM'000	Total RM'000
At 1 July 2013	**917**	**319**	**–**	**1,236**
Credited to income statements	**(181)**	**–**	**–**	**(181)**
Credited to equity	**–**	**(542)**	**–**	**(542)**
Reclassified to deferred tax assets	**–**	**223**	**–**	**223**
At 30 June 2014	**736**	**–**	**–**	**736**
At 1 July 2012	903	2,106	291	3,300
Charged/(credited) to income statements	14	–	(291)	(277)
Credited to equity	–	(1,787)	–	(1,787)
At 30 June 2013	917	319	–	1,236

The Company				
At 1 July 2013	**–**	**–**	**–**	**–**
Charged to equity	**–**	**4**	**–**	**4**
At 30 June 2014	**–**	**4**	**–**	**4**

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

12 INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	30.06.2014 RM'000	30.06.2013 RM'000
Subsidiary companies:		
Unquoted shares at cost	**397,736**	377,736
Less: Accumulated impairment losses (a)	**(55,016)**	(5,077)
	342,720	372,659

(a) The Company had recognised an additional allowance for impairment of investment in subsidiary companies of RM49,939,000 during the financial year ended 30 June 2014.

The impairment allowance was due to reduction in a subsidiary's estimated future cash flows. The recoverable amount is determined using value in use calculation based on discount rate of 17.0% which is consistent with the pre-tax cost of equity adopted for the goodwill impairment testing.

The investment in subsidiary is included within the reportable segment of 'Investment holding and others'.

Details of the subsidiary companies are as follows:

		Effective equity interest		
Name of companies	Country of incorporation	2014 %	2013 %	Principal activities
Hong Leong Investment Bank Berhad and its subsidiaries	Malaysia	**100**	100	Investment banking, stockbroking business, futures broking and related financial services
– HLG Nominee (Tempatan) Sdn Bhd	Malaysia	**100**	100	In member's voluntary liquidation
– HLG Nominee (Asing) Sdn Bhd	Malaysia	**100**	100	In member's voluntary liquidation
– RC Nominees (Asing) Sdn Bhd	Malaysia	**100**	100	In member's voluntary liquidation
– RC Nominees (Tempatan) Sdn Bhd	Malaysia	**100**	100	In member's voluntary liquidation
– RC Research Sdn Bhd	Malaysia	**100**	100	In member's voluntary liquidation
– ECS Jaya (1969) Sdn Bhd	Malaysia	**100**	100	In member's voluntary liquidation
– MIMB Nominees (Tempatan) Sendirian Berhad[1]	Malaysia	**–**	100	Dissolved
– MIMB Nominees (Asing) Sendirian Berhad[1]	Malaysia	**–**	100	Dissolved

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

12 INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

Details of the subsidiary companies are as follows (continued):

		Effective equity interest		
Name of companies	**Country of incorporation**	**2014 %**	**2013 %**	**Principal activities**
– 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 and its subsidiaries	Malaysia	**100**	100	In creditors' voluntary liquidation
– SSSB Nominees (Tempatan) Sdn Bhd[2]	Malaysia	**–**	100	Dissolved
– SSSB Nominees (Asing) Sdn Bhd[2]	Malaysia	**–**	100	Dissolved
HLG Asset Management Sdn Bhd[3]	Malaysia	**–**	100	Dissolved
HLG Capital Markets Sdn Bhd and its subsidiary	Malaysia	**100**	100	Investment holding
– HLG Principal 132Investments (L) Limited	Labuan	**100**	100	Dormant
HLG Securities Sdn Bhd	Malaysia	**100**	100	Investment holding
HLG Futures Sdn Bhd	Malaysia	**100**	100	Investment holding
Hong Leong Asset Management Bhd and its subsidiary	Malaysia	**100**	100	Unit trust management, fund management and sale of unit trusts
– HL Asset Management Pte Ltd	Singapore	**100**	100	Dormant
Promilia Berhad[4]	Malaysia	**–**	100	Dormant
Unincorporated trust for ESOS	Malaysia	**–**	–	Special purpose vehicle for ESOS purpose
Hong Leong Islamic Institutional Income Management Fund	Malaysia	**100**	–	Unit trust funds
Hong Leong Islamic Cash Fund	Malaysia	**100**	–	Unit trust funds
Hong Leong Enhanced Cash Fund	Malaysia	**100**	–	Unit trust funds

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

12 INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

Details of the subsidiary companies are as follows (continued):

		Effective equity interest		
Name of companies	Country of incorporation	2014 %	2013 %	Principal activities
Hong Leong Islamic Enhanced Cash Fund	Malaysia	100	–	Unit trust funds

[1] The subsidiaries were dissolved on 19 May 2014.

[2] The subsidiary was dissolved on 12 December 2013.

[3] The subsidiary was dissolved on 30 January 2014.

[4] The subsidiary was disposed on 11 October 2013.

Significant judgments 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 judgment, particularly in the case of structured entities where voting rights are often not the determining factor in decisions over the relevant activities. This judgment 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 judgment 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.

Significant restrictions

Capital requirements

The Group's banking subsidiary, Hong Leong Investment Bank Berhad ("HLIB") is required to maintain minimum capital adequacy ratios in accordance with BNM Capital Adequacy Framework guidelines. In line with the transitional arrangements under BNM's Capital Adequacy Framework (Capital Components), the minimum capital adequacy requirement for common equity Tier 1 (CET 1) capital ratio and Tier 1 capital ratio are 4.0% and 5.5% respectively for financial year 2014. The minimum regulatory capital adequacy requirement remains at 8.0% for capital ratio. Please refer to Note 38.

Liquidity requirements

HLIB is required to maintain liquidity pools to meet BNM's Liquidity Framework requirement.

Statutory requirements

HLIB is required to maintain non-interest bearing statutory deposits with BNM in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009. The amount is determined at set percentages of total eligible liabilities.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

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.

The carrying amounts of assets and liabilities recognised in the Group's statement of financial position relating to the interests in unconsolidated SEs is summarised as below:

30.06.2014	RM'000
Assets	
Loans and advances	**40,652**
Derivative financial assets	**3,851**
Liabilities	
Other liabilities	**12,267**
Derivative financial liabilities	**11,276**

The Group's income and expenses in relation to unconsolidated SEs recognised during the financial year is summarised as below:

30.06.2014	RM'000
Interest income	
– Loans and advances	**1,743**
Non-interest income	
– Arranger fees	**1,830**
– Other fee income	**611**
– Upfront income on interest rate swaps ("IRS")	**8,550**
– Unrealised loss on revaluation of derivative financial assets – call options	**(1,011)**
Interest expense	
– IRS	**1,977**

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

13 STRUCTURED ENTITIES (CONTINUED)

Unconsolidated structured entities in which the Group has an interest (continued)

The principal amount of the derivative financial instruments relating to unconsolidated SEs is summarised as below:

30.06.2014	RM'000
Commitments and contingencies	
Interest rate related contracts:	
– IRS	156,000
Equity related contracts:	
– Call options	11,500

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 30.06.2014	Freehold land RM'000	Leasehold land more than 50 years RM'000	Leasehold building 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 2013	350	783	871	20,282	3,066	14,091	637	40,080
Additions	–	–	–	596	107	204	–	907
Disposals	–	–	–	(166)	–	–	–	(166)
Write-off	–	–	–	(1,928)	(270)	(454)	–	(2,652)
At 30 June 2014	350	783	871	18,784	2,903	13,841	637	38,169
Accumulated depreciation								
At 1 July 2013	–	4	79	18,738	2,302	11,635	434	33,192
Charge for the financial year	–	14	16	755	287	862	94	2,028
Disposals	–	–	–	(165)	–	–	–	(165)
Write-off	–	–	–	(1,927)	(270)	(454)	–	(2,651)
At 30 June 2014	–	18	95	17,401	2,319	12,043	528	32,404
Net book value								
At 30 June 2014	350	765	776	1,383	584	1,798	109	5,765

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

14 PROPERTY AND EQUIPMENT (CONTINUED)

The Group 30.06.2013	Freehold land RM'000	Leasehold land more than 50 years RM'000	Leasehold building 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 2012	350	783	871	19,704	2,788	14,006	782	39,284
Additions	–	–	–	768	295	254	–	1,317
Disposals	–	–	–	(12)	(10)	(18)	(145)	(185)
Write-off	–	–	–	(178)	(7)	(151)	–	(336)
At 30 June 2013	350	783	871	20,282	3,066	14,091	637	40,080
Accumulated depreciation								
At 1 July 2012	–	4	63	17,836	2,051	10,742	482	31,178
Charge for the financial year	–	–	16	993	263	953	97	2,322
Disposals	–	–	–	(11)	(8)	(17)	(145)	(181)
Write-off	–	–	–	(80)	(4)	(43)	–	(127)
At 30 June 2013	–	4	79	18,738	2,302	11,635	434	33,192
Net book value								
At 30 June 2013	350	779	792	1,544	764	2,456	203	6,888

15 INTANGIBLE ASSETS – COMPUTER SOFTWARE

	The Group	
	30.06.2014 RM'000	**30.06.2013 RM'000**
Cost		
At 1 July	**13,499**	12,922
Additions	**540**	637
Write-off	**(1,618)**	(60)
At 30 June	**12,421**	13,499
Amortisation		
At 1 July	**(12,429)**	(11,787)
Charge for the financial year	**(553)**	(665)
Write-off	**1,618**	23
At 30 June	**(11,364)**	(12,429)
At end of the financial year	**1,057**	1,070

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

16 GOODWILL

	The Group	
	30.06.2014 RM'000	30.06.2013 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	
	30.06.2014 RM'000	30.06.2013 RM'000
CGUs		
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 4.5% (30.06.2013: 4.0%) 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:

	30.06.2014 %	30.06.2013 %
CGUs		
Investment banking and stockbroking	**15.00**	16.00
Unit trust management	**17.02**	20.23

The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

17 DEPOSITS FROM CUSTOMERS

	The Group	
	30.06.2014 RM'000	30.06.2013 RM'000
Fixed deposits	**631,566**	470,169
(i) Maturity structure of fixed deposits is as follows:		
Due within six months	**631,566**	470,169
(ii) The deposits are sourced from the following customers:		
Government and statutory bodies	**534,103**	429,322
Business enterprises	**96,453**	40,847
Individual	**1,010**	–
	631,566	470,169

18 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group	
	30.06.2014 RM'000	30.06.2013 RM'000
Bank Negara Malaysia	**96,343**	316,207
Licensed banks	**553,736**	128,060
Licensed investment banks	**52,804**	105,866
Other financial institutions	**1,352,077**	992,842
	2,054,960	1,542,975

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

19 OTHER LIABILITIES

		The Group		The Company	
	Note	30.06.2014 RM'000	30.06.2013 RM'000	30.06.2014 RM'000	30.06.2013 RM'000
Amounts due to:					
– immediate holding company	(a)	–	2	–	2
– subsidiary company	(a)	–	–	–	1,001
– other related companies	(a)	177	142	7	–
Remisiers' trust deposits		13,777	15,482	–	–
Advance payments received for corporate exercise		416,545	–	–	–
Other payables and accrued liabilities		64,935	73,742	516	884
Post employment benefits obligation:					
– defined contribution plan		301	296	–	–
		495,735	89,664	523	1,887

(a) The amount due to the immediate holding company, subsidiary and other related companies, are unsecured, interest free and repayable on demand.

20 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 30.06.2014	Contract or underlying principal amount RM'000	Year-end positive fair value RM'000	Year-end negative fair value RM'000
Interest rate related contracts:			
– interest rate swaps	2,411,000	9,769	(18,537)
– futures	494,816	489	–
– cross currency swaps	64,220	195	(36)
Foreign exchange related contracts:			
– foreign currency swaps	1,432,090	9,204	(5,969)
– foreign currency forwards	57,314	14	(207)
– foreign currency spots	48,165	19	(24)
Equity related contracts:			
– call options	11,500	3,851	–
	4,519,105	23,541	(24,773)

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

20 DERIVATIVE FINANCIAL ASSETS/(LIABILITIES) (CONTINUED)

The Group 30.06.2013	Contract or underlying principal amount RM'000	Year-end positive fair value RM'000	Year-end negative fair value RM'000
Interest rate related contracts:			
– interest rate swaps	1,888,500	6,615	(11,778)
– futures	894,809	2,239	(942)
– cross currency swaps	94,809	222	(278)
Foreign exchange related contracts:			
– foreign currency swaps	2,064,470	14,835	(19,645)
– foreign currency forwards	19,011	–	(128)
– foreign currency spots	12,642	12	(2)
Equity related contracts:			
– call options	10,000	4,862	–
	4,984,241	28,785	(32,773)
The Company			
30.06.2013			
Equity related contracts:			
– put options	2,858	–	(12,156)

21 SHARE CAPITAL

	The Group and The Company	
	30.06.2014 RM'000	30.06.2013 RM'000
Authorised:		
Ordinary shares of RM1.00 each		
At beginning/end of the financial year	**500,000**	500,000
Issued and fully paid:		
Ordinary shares of RM1.00 each		
At beginning/end of the financial year	**246,896**	246,896

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

22 RESERVES

		The Group		The Company	
	Note	30.06.2014 RM'000	30.06.2013 RM'000	30.06.2014 RM'000	30.06.2013 RM'000
Retained profits	(i)	**265,902**	172,987	**172,310**	200,637
Statutory reserve	(ii)	**97,094**	69,712	**–**	–
Share options reserve	(iii)	**550**	965	**–**	–
Fair value reserve	(iv)	**(669)**	956	**11**	–
Call options reserve	(v)	**–**	–	**1,147**	–
General reserve		**543**	543	**–**	–
Exchange fluctuation reserve	(vi)	**12**	12	**–**	–
		363,432	245,175	**173,468**	200,637

(i) Retained profits

Pursuant to the Finance Act, 2007 which was gazetted on 28 November 2007, dividends paid, credited or distributed to shareholders are not tax deductible by the Company, but are exempted from tax to the shareholders ('single tier system'). The Company's unutilised tax credits as at 31 December 2013, under Section 108 of the Income Tax Act, 1967, was disregarded with effect from 1 January 2014. As at 30 June 2014, the Company has tax exempt income of approximately RM2,734,795 (30.06.2013: RM787,522) available for future distribution of tax exempt dividends.

(ii) Statutory reserve

The statutory reserve is maintained by the banking subsidiary which is in compliance with Section 47 of the Financial Services Act 2013 and is not distributable as cash dividend.

(iii) Share options reserve

Share option reserve relates to the equity-settled share based compensation plan granted to the employees of the Group. This reserve is made up of the estimated fair value of the share options based on the cumulative services received from employees over the vesting period.

(iv) Fair value reserve

Fair value reserve arises from a change in the fair value of financial investments available-for-sale. The gains or losses are transferred to the profit or loss upon de-recognition or impairment of such financial investments.

(v) Call options reserve

The Company has written 4,200,000 call options to the banking subsidiary for the purpose of ESOS with an exercise price of RM1.075 each. The amount is initially recognised at fair value in the shareholders' equity and are not subsequently re-measured.

A total of 2,590,000 call options were exercised, 280,000 call options were lapsed and 1,330,000 call options remained unexercised as at reporting date. The remaining call options will expire on 19 January 2015.

(vi) Exchange fluctuation reserve

Exchange fluctuation reserve arises from the translation of net assets of foreign subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

23 TREASURY SHARES

Treasury shares for ESOS scheme

The Company has entered into a Trust for ESOS purposes established via the signing of a Trust Deed on 23 January 2006 with AmTrustee Berhad in conjunction with the establishment of Executive Share Option Schemes ("ESOS"). 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 shares from the open market for the purposes of this trust.

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:

	The Group		The Company	
	30.06.2014 RM'000	30.06.2013 RM'000	30.06.2014 RM'000	30.06.2013 RM'000
Number of shares held by the appointed trustee ('000)	**7,373**	9,777	**7,373**	8,727
Carrying value inclusive of transaction costs (RM'000)	**7,923**	10,506	**7,923**	9,378

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

24 INTEREST INCOME

	The Group		The Company	
	30.06.2014 RM'000	**30.06.2013 RM'000**	**30.06.2014 RM'000**	**30.06.2013 RM'000**
Loans and advances	**16,627**	15,495	**–**	–
Money at call and deposit placements with financial institutions	**25,825**	13,013	**170**	921
Financial assets held-for-trading	**19,554**	28,301	**–**	–
Financial investments available-for-sale	**19,127**	5,246	**–**	–
Financial investments held-to-maturity	**13,758**	13,415	**–**	–
Derivative financial instruments	**2,729**	3,092	**–**	–
Others	**1,045**	1,214	**–**	142
	98,665	79,776	**170**	1,063

25 INTEREST EXPENSE

	The Group		The Company	
	30.06.2014 RM'000	**30.06.2013 RM'000**	**30.06.2014 RM'000**	**30.06.2013 RM'000**
Deposits and placements of banks and other financial institutions	**15,979**	10,221	**–**	–
Deposits from customers	**45,946**	33,280	**–**	–
Derivative financial instruments	**6,650**	4,307	**–**	–
Borrowings	**–**	1,829	**–**	1,829
Others	**477**	(236)	**–**	3,358
	69,052	49,401	**–**	5,187

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

26 NON-INTEREST INCOME

	The Group		The Company	
	30.06.2014 RM'000	30.06.2013 RM'000	30.06.2014 RM'000	30.06.2013 RM'000
Fee income				
Brokerage income	**60,576**	43,511	**–**	–
Unit trust fee income	**19,437**	19,534	**–**	–
Commissions from future contracts	**1,090**	1,052	**–**	–
Fees on loans and advances	**1,284**	1,459	**–**	–
Arranger fees	**15,295**	11,667	**–**	–
Placement fees	**24,521**	30,861	**–**	–
Corporate advisory fees	**8,058**	7,455	**–**	–
Underwriting commissions	**2,274**	1,420	**–**	–
Guarantee fees	**1,314**	880	**–**	–
Other fee income	**19,193**	18,144	**–**	–
	153,042	135,983	**–**	–
Net income from securities				
Net realised gain/(loss) arising from sale/redemption of:				
– Financial assets held-for-trading	**(5,116)**	15	**109**	–
– Financial investments available-for-sale	**4,480**	16,048	**(33)**	–
– Financial investments held-to-maturity	**12**	–	**–**	–
– Derivative financial instruments	**9,624**	(25,996)	**–**	–
Net unrealised gain/(loss) on revaluation of:				
– Financial assets held-for-trading	**3,359**	(3,221)	**(8)**	6
– Derivative financial instruments	**3,128**	19,718	**8,867**	(8,867)
Dividend income from:				
– Financial assets held-for-trading	**798**	2,048	**77**	–
– Financial investments available-for-sale	**2,472**	118	**1,947**	–
– Subsidiary companies	**–**	–	**9,133**	46,800
	18,757	8,730	**20,092**	37,939
Other income				
(Loss)/gain on disposal of property and equipment	**(1)**	55	**–**	–
Gain on capital reduction of a subsidiary	**–**	–	**–**	155,063
Gain on liquidation of a subsidiary	**201**	–	**201**	–
Foreign exchange (loss)/gain	**(11,571)**	15,172	**–**	–
Other non-operating income	**835**	352	**194**	3
	(10,536)	15,579	**395**	155,066
	161,263	160,292	**20,487**	193,005

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

27 OVERHEAD EXPENSES

	The Group		The Company	
	30.06.2014 RM'000	30.06.2013 RM'000	30.06.2014 RM'000	30.06.2013 RM'000
Personnel costs	**72,302**	75,749	**335**	342
Establishment costs	**18,967**	19,087	**102**	78
Marketing expenses	**3,667**	2,337	**11**	40
Administration and general expenses	**17,297**	23,557	**663**	1,392
	112,233	120,730	**1,111**	1,852

(i) Personnel costs comprise the following:

	The Group		The Company	
	30.06.2014 RM'000	30.06.2013 RM'000	30.06.2014 RM'000	30.06.2013 RM'000
Salaries, bonus and allowances	**63,664**	64,523	**90**	149
Option charge arising from ESOS granted	**159**	419	**–**	–
Other employees benefits	**8,479**	10,807	**245**	193
	72,302	75,749	**335**	342

(ii) Establishment costs comprise the following:

	The Group		The Company	
	30.06.2014 RM'000	30.06.2013 RM'000	30.06.2014 RM'000	30.06.2013 RM'000
Depreciation of property and equipment	**2,028**	2,322	**–**	–
Amortisation of intangible assets – computer software	**553**	665	**–**	–
Rental of premises	**6,498**	6,293	**–**	–
Information technology expenses	**6,459**	6,162	**28**	24
Others	**3,429**	3,645	**74**	54
	18,967	19,087	**102**	78

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
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27 OVERHEAD EXPENSES (CONTINUED)

(iii) Marketing expenses comprise the following:

	The Group		The Company	
	30.06.2014 RM'000	30.06.2013 RM'000	30.06.2014 RM'000	30.06.2013 RM'000
Advertisement and publicity	**1,068**	650	**5**	35
Travelling and accomodation	**420**	1,245	**5**	4
Others	**2,179**	442	**1**	1
	3,667	2,337	**11**	40

(iv) Administration and general expenses comprise the following:

	The Group		The Company	
	30.06.2014 RM'000	30.06.2013 RM'000	30.06.2014 RM'000	30.06.2013 RM'000
Communication expenses	**1,609**	1,976	**9**	8
Stationery and printing expenses	**830**	839	**5**	23
Management fees	**3,898**	3,584	**267**	180
Professional fees	**4,015**	9,958	**8**	476
Property and equipment written off	**1**	209	**–**	–
Intangible asset written off	**–**	37	**–**	–
Auditors' remuneration:				
– statutory audit				
– current financial year	**383**	438	**64**	63
– tax compliance fees				
– current financial year	**13**	40	**4**	4
– other fees				
– current financial year	**249**	46	**12**	10
Others	**6,299**	6,430	**294**	628
	17,297	23,557	**663**	1,392

Included in the overhead expenses of the Group and the Company are Directors' remuneration amounting to RM375,000 (2013: RM375,000) and RM300,000 (2013: RM300,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

28 ALLOWANCE FOR IMPAIRMENT LOSSES ON LOANS AND ADVANCES AND OTHER LOSSES

	The Group		The Company	
	30.06.2014 RM'000	30.06.2013 RM'000	30.06.2014 RM'000	30.06.2013 RM'000
Allowance for losses on loans and advances:				
(a) Individual assessment allowance:				
– made during the financial year	2	252	–	–
– written back during the financial year	(60)	–	–	–
(b) Collective assessment allowance:				
– made/(written back) during the financial year	569	(99)	–	–
	511	153	–	–
Bad debts on loans and advances – written off	–	2	–	–
Writeback of allowance for losses on clients' and brokers' balances				
(a) Individual assessment allowance:				
– made during the financial year	119	352	–	–
– written back during the financial year	(127)	(640)	–	–
(b) Collective assessment allowance:				
– written back during the financial year	(18)	(111)	–	–
	(26)	(399)	–	–
Bad debts on clients and brokers' balances – recovered	(57)	(309)	–	–
Allowance/(write back) for losses on other assets				
(a) Individual assessment allowance:				
– made during the financial year	85	415	–	–
– written back during the financial year	(153)	(70)	–	–
	(68)	345	–	–
Bad debts on other assets – written off	–	453	–	40
Allowance for impairment on subsidiary	–	–	49,939	–
	360	245	49,939	40

29 IMPAIRMENT LOSSES ON SECURITIES

	The Group	
	30.06.2014 RM'000	30.06.2013 RM'000
Financial investments available-for-sale	–	1,759

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

30 DIRECTORS' REMUNERATION

	The Group		The Company	
	30.06.2014 RM'000	30.06.2013 RM'000	30.06.2014 RM'000	30.06.2013 RM'000
Directors of the Company				
Non-Executive Directors:				
Fee:				
YBhg Tan Sri Quek Leng Chan[1]	**–**	–	**–**	–
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman	**179**	179	**104**	104
YBhg Dato' Mohamed Nazim bin Abdul Razak	**98**	98	**98**	98
YBhg Dato' Ahmad Fuaad bin Mohd Dahalan	**98**	98	**98**	98
Mr Choong Yee How[1]	**–**	–	**–**	–
Mr Quek Kon Sean[1]	**–**	–	**–**	–
	375	375	**300**	300

The movements and details of the Directors in office and interests in shares and share options are reported in the Directors' report.

Note:

[1] The directors' compensation is paid by the immediate holding company, which makes no recharge to the Company.

31 TAXATION

	The Group		The Company	
	30.06.2014 RM'000	30.06.2013 RM'000	30.06.2014 RM'000	30.06.2013 RM'000
Malaysian income tax:				
– current financial year's charge	**21,044**	19,483	**361**	10,368
– (over)/under provision in prior financial years	**(461)**	444	**36**	–
	20,583	19,927	**397**	10,368
Deferred taxation (Note 11):				
– relating to origination and reversal of temporary differences	**(61,110)**	(42,215)	**–**	–
	(61,110)	(42,215)	**–**	–
	(40,527)	(22,288)	**397**	10,368

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

31 TAXATION (CONTINUED)

A reconciliation of income tax expense applicable to profit/(loss) 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	
	30.06.2014 RM'000	30.06.2013 RM'000	30.06.2014 RM'000	30.06.2013 RM'000
Profit/(loss) before taxation	**78,283**	67,933	**(30,393)**	186,989
Tax calculated at a rate of 25% (2013: 25%)	**19,571**	16,983	**(7,598)**	46,747
Tax effects of:				
– Income not subject to tax	**(736)**	(390)	**(4,566)**	(36,551)
– Expenses not deductible for tax purposes	**769**	4,666	**12,525**	172
– Effect of change in tax rate	**3**	–	**–**	–
– Origination of temporary differences previously not recognised	**(59,673)**	(43,991)	**–**	–
– (over)/under provision in prior financial years	**(461)**	444	**36**	–
Tax (income)/expense for the financial year	**(40,527)**	(22,288)	**397**	10,368

Unrecognised deferred tax assets

	The Group	
	30.06.2014 RM'000	30.06.2013 RM'000
Tax losses		
Tax losses for which the related tax credit has not been recognised in the financial statements	**23,127**	23,127
Tax credit		
Tax credit which has not been recognised in the financial statements	**174,908**	204,825
Capital allowances		
Deductible temporary differences and 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 unused tax losses, tax credit and capital allowances can be utilised.

The unused tax losses, tax credit and capital allowances do not expire under current tax legislation.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

32 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	
	30.06.2014	30.06.2013
(a) Basic earnings per share		
Net profit attributable to equity holders of the Company (RM'000)	**118,810**	90,221
Weighted average number of ordinary shares in issue ('000)	**237,963**	235,104
Basic earnings per share (sen)	**49.9**	38.4

(b) Diluted earnings per share

The diluted earnings per share has been calculated by dividing the net profit for the financial year of the Group by the number of shares in issue including the dilutive potential ordinary shares held in respect of ESOS shares for eligible executives.

	The Group	
	30.06.2014	30.06.2013
Basic weighted average number of shares in issue ('000)	**237,963**	235,104
Number of potential ordinary shares ('000)	**1,330**	3,710
Diluted weighted average number of shares ('000)	**239,293**	238,814
Net profit attributable to equity holders of the Group (RM'000)	**118,810**	90,221
Diluted weighted average number of shares ('000)	**239,293**	238,814
Diluted earnings per share (sen)	**49.7**	37.8

33 DIVIDENDS

No dividend has been paid by the Company since the end of the previous financial year.

The Directors of the Company recommend the payment of a final single-tier dividend of 15.00 sen per share on the Company's issued and paid-up ordinary shares comprising 246,896,668 of ordinary shares amounting to RM37,034,500 for the financial year ended 30 June 2014.

Dividends declared and proposed as follows:-

	The Group and The Company			
	30.06.2014		30.06.2013	
	Single-tier dividend per share Sen	Amount of dividend RM'000	Single-tier dividend per share Sen	Amount of dividend RM'000
Ordinary shares	**15.00**	**37,035**	–	–

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

34 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	30.06.2014 Principal amount RM'000	30.06.2013 Principal amount RM'000
Commitments and contingencies		
Direct credit substitutes	**20,625**	50,750
Obligations under underwriting agreement	**299,154**	–
Any commitment that are unconditionally cancelled at any time by the Group without prior notice		
– maturity less than one year	**627,233**	507,022
Other commitments, such as formal standby facilities and credit lines		
– maturity less than one year	**23**	–
– maturity more than one year	**–**	69
Others		
– monies held in trust for stockbroking clients	**648,976**	636,606
	1,596,011	1,194,447
Derivative financial instruments		
Interest rate related contracts:		
– One year or less	**724,036**	716,412
– Over one year to five years	**2,246,000**	2,161,706
Foreign exchange related contracts:		
– One year or less	**1,537,569**	2,096,122
Equity related contracts:		
– Over one year to five years	**11,500**	10,000
	4,519,105	4,984,240
	6,115,116	6,178,687
The Company		
Derivative financial instruments		
Equity related contracts:		
– One year or less	**–**	1,429
– Over one year to five years	**–**	1,429
	–	2,858

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

34 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.

The size of the funds was above the minimum of RM1,000,000 as at 30 June 2014.

35 CAPITAL COMMITMENTS

	The Group	
	30.06.2014 RM'000	30.06.2013 RM'000
Property and equipment:		
– Approved and contracted but not provided for	**7,603**	1,104
– Approved but not contracted for	**188**	3,583
	7,791	4,687

36 LEASE COMMITMENTS

The Group has lease commitments in respect of rented premises and hired equipment, all of which are classified as operating leases. A summary of the future minimum lease payments, net of sublease, under non-cancellable operating lease commitment are as follows:

	The Group	
	30.06.2014 RM'000	30.06.2013 RM'000
Less than one year	**6,766**	6,543
More than one year but less than five years	**3,838**	8,912
More than five years	**–**	5

37 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 Group's Capital Management framework for maintaining appropriate capital levels is in line with the Bank Negara Malaysia's Revised Risk Weighted Capital Adequacy Framework.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
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38 CAPITAL ADEQUACY

The Group's banking subsidiary's regulatory capital is governed by BNM Capital Adequacy Framework guidelines. With effect from 1 January 2013, the capital adequacy ratios of the banking subsidiary are computed in accordance with BNM's Capital Adequacy Framework issued on 28 November 2012. The Framework sets out the approach for computing the regulatory capital adequacy ratios, as well as the levels of the ratios at which banking institutions are required to operate. The Framework is to strengthen capital adequacy standards, in line with the requirements set forth under Basel III. In line with the transitional arrangements under the BNM's Capital Adequacy Framework (Capital Components), the minimum capital adequacy requirement for common equity Tier I (CET I) capital ratio and Tier I capital ratio are 4.0% and 5.5% respectively for year 2014. The minimum regulatory capital adequacy requirement remains at 8.0% (2013: 8.0%) for total capital ratio.

The risk-weighted assets ("RWA") of the banking subsidiary has adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk computation.

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

	HLIB	
	30.06.2014	**30.06.2013**
Before deducting proposed dividends:		
Common equity tier 1 ("CET1") capital ratio	**20.108%**	33.077%
Tier 1 capital ratio	**20.108%**	33.077%
Total capital ratio	**20.259%**	33.172%
After deducting proposed dividends:		
CET1 capital ratio	**16.401%**	29.982%
Tier 1 capital ratio	**16.401%**	29.982%
Total capital ratio	**16.552%**	30.076%

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

38 CAPITAL ADEQUACY (CONTINUED)

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

	HLIB	
	30.06.2014 RM'000	**30.06.2013 RM'000**
CET1 capital		
Paid-up ordinary share capital	**165,000**	165,000
Share premium	**87,950**	87,950
Other reserves	**218,692**	138,810
	471,642	391,760
Regulatory adjustments:		
– Goodwill and intangibles	**(29,978)**	(30,040)
– Deferred tax assets	**(103,671)**	(61,978)
– Other regulatory adjustments	**(77)**	(525)
Total CET1 capital	**337,916**	299,217
Tier 1 capital	**337,916**	299,217
Tier 2 capital		
Redeemable preference shares	**1,631**	1,631
Collective assessment allowance for losses on loans and advances[1]	**1,204**	678
Regulatory adjustments:		
– Investment in subsidiaries	**(306)**	(1,455)
Total Tier 2 capital	**2,529**	854
Total capital	**340,445**	300,071

Note:
[1] Excludes collective assessment allowance attributable to loans and advances classified as impaired.

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

	HLIB	
	30.06.2014 RM'000	**30.06.2013 RM'000**
Credit risk	**896,087**	464,961
Market risk	**571,557**	321,448
Operational risk	**212,853**	118,189
	1,680,497	904,598

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for the financial year ended 30 June 2014
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39 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 Company – Key management personnel of the Company who are in charge of the Group
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

NOTES TO THE FINANCIAL STATEMENTS

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(continued)

39 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Related parties transactions

Transactions with related parties are as follows:

The Group 30.06.2014	Parent company RM'000	Other related companies RM'000	Key management personnel RM'000
Income			
Interest income	–	23,332	–
Non-interest income from derivatives	–	8,025	–
Brokerage income	–	4,263	725
Corporate advisory fee	40	1,530	–
Arranger fee	–	1,830	–
Placement fee	–	750	–
Other fee income	45	831	–
	85	40,561	725
Expenses			
Interest expense	–	25,611	–
Rental	–	3,777	–
Management fees	793	2,358	–
Option charge arising from ESOS granted	–	–	63
Others	–	3,891	92
	793	35,637	155
Amounts due from:			
Cash and short-term funds	–	384,565	–
Financial assets held-for-trading	–	259,133	–
Financial investments held-to-maturity	–	49,047	–
Loans and advances	–	40,652	–
Derivative financial assets	–	2,664	–
Clients' and brokers' balances	–	–	44
Other assets	–	332	–
	–	736,393	44
Amounts due to:			
Deposits from customers	–	20,535	–
Deposits and placements of banks and other financial institutions	–	498,109	–
Derivative financial liabilities	–	11,969	–
Clients' and brokers' balances	–	4,243	1,724
Other liabilities	40	7	313
	40	534,863	2,037
Commitments and contingencies			
Monies held in trust for stockbroking client	–	–	57,924

NOTES TO THE FINANCIAL STATEMENTS

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(continued)

39 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Related party transactions (continued)

The Company 30.06.2014	Parent company RM'000	Subsidiaries RM'000	Other related companies RM'000	Key management personnel RM'000
Income				
Dividends	–	9,133	–	–
Guarantee fee	–	2	–	–
Others	–	8,867	–	–
	–	18,002	–	–
Expenses				
Management fees	267	–	–	–
Others	–	–	92	–
	267	–	92	–
Amounts due from:				
Cash and short-term funds	–	–	895	–
Investment in subsidiary companies	–	342,720	–	–
Other assets	–	7,400	49	–
	–	350,120	944	–
Amounts due to:				
Other liabilities	–	–	7	313
	–	–	7	313

NOTES TO THE FINANCIAL STATEMENTS

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(continued)

39 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Related party transactions (continued)

Transactions with related parties are as follows:

The Group 30.06.2013	Parent company RM'000	Other related companies RM'000	Key management personnel RM'000
Income			
Interest income	171	13,937	–
Non-interest income from derivatives	13	(3,138)	–
Brokerage income	–	2,608	271
Corporate advisory fee	40	90	–
Arranger fee	–	1,000	–
Placement fee	–	525	–
Other fee income	57	178	–
	281	15,200	271
Expenses			
Interest expense	–	16,447	–
Rental	–	3,759	–
Management fees	1,348	1,982	–
Commission	–	3,140	–
Option charge arising from ESOS granted	–	–	237
Others	–	5,869	–
	1,348	31,197	237
Amounts due from:			
Cash and short-term funds	–	142,049	–
Deposits and placements with bank and financial institutions	–	10,672	–
Financial assets held-for-trading	–	59,652	–
Financial investments held-to-maturity	–	48,471	–
Derivative financial assets	–	1,535	–
Clients' and brokers' balances	–	535	193
Other assets	–	776	–
	–	263,690	193
Amounts due to:			
Deposits and placements of banks and other financial institutions	–	258,717	–
Derivative financial liabilities	–	912	–
Other liabilities	51	608	497
	51	260,237	497
Commitments and contingencies			
Monies held in trust for stockbroking client	–	10	70,939

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

39 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Related party transactions (continued)

The Company 30.06.2013	Parent company RM'000	Subsidiaries RM'000	Other related companies RM'000	Key management personnel RM'000
Income				
Interest income	–	142	559	–
Dividends	–	46,800	–	–
Guarantee fee	–	3	–	–
Others	–	155,063	–	–
	–	202,008	559	–
Expenses				
Interest expense	–	3,358	–	–
Management fees	180	–	–	–
Others	–	8,868	77	–
	180	12,226	77	–
Amounts due from:				
Cash and short-term funds	–	–	2,503	–
Investment in subsidiary companies	–	372,659	–	–
Other assets	–	3	–	–
	–	372,662	2,503	–
Amounts due to:				
Derivative financial liabilities	–	12,156	–	–
Other liabilities	2	1,001	–	497
	2	13,157	–	497

(c) Key management personnel

Key management compensation

	The Group		The Company	
	30.06.2014 RM'000	30.06.2013 RM'000	30.06.2014 RM'000	30.06.2013 RM'000
Fees	**375**	375	**300**	300
Option charge arising from ESOS granted	**63**	237	**–**	–
	438	612	**300**	300

Included in the above is the Directors' remuneration which is disclosed in Note 30.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

40 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 stock broking	– 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 2014
(continued)

40 SEGMENTAL INFORMATION (CONTINUED)

The Group 30.06.2014	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
Revenue					
External revenue	167,667	19,993	3,216	–	190,876
Inter-segment revenue	25,414	(2)	46,145	(71,557)	–
Total revenue	193,081	19,991	49,361	(71,557)	190,876
Overhead expenses	(124,340)	(16,907)	(1,365)	30,379	(112,233)
Net impairment losses on loans and advances and other losses	(360)	–	–	–	(360)
Results					
Segment results from operations	68,381	3,084	47,996	(41,178)	78,283
Tax expense for the financial year					40,527
Net profit for the financial year					118,810
Assets					
Segment assets	4,121,928	109,868	466,464	(371,854)	4,326,406
Liabilities					
Segment liabilities	3,648,655	97,011	849	(22,514)	3,724,001
Other informations					
Capital expenditure	1,180	267	–	–	1,447
Depreciation of property and equipment	1,899	129	–	–	2,028
Amortisation of intangible assets – computer software	523	30	–	–	553
Allowance for losses on loans and advances	511	–	–	–	511
Writeback of allowance for losses on clients' and brokers' balances	(26)	–	–	–	(26)
Bad debts on clients' and brokers' balances recovered	(57)	–	–	–	(57)
Writeback of allowance for losses on other assets	(68)	–	–	–	(68)

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 2014
(continued)

40 SEGMENTAL INFORMATION (CONTINUED)

The Group 30.06.2013	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
Revenue					
External revenue	170,106	20,257	304	–	190,667
Inter-segment revenue	12,088	3	50,319	(62,410)	–
Total revenue	182,194	20,260	50,623	(62,410)	190,667
Overhead expenses	(107,043)	(18,771)	(2,250)	7,334	(120,730)
Net impairment losses on loans and advances and other assets	(347)	–	(40)	142	(245)
Impairment losses on securities	(1,759)	–	–	–	(1,759)
Result					
Segment results from operations	73,045		48,333	(54,934)	67,933
Taxation					22,288
Net profit for the financial year					90,221
Assets					
Segment assets	2,835,915	35,912	480,249	(416,809)	2,935,267
Liabilities					
Segment liabilities	2,442,522	18,417	14,653	(21,890)	2,453,702
Other informations					
Capital expenditure	1,844	110	–	–	1,954
Depreciation of property and equipment	2,153	169	–	–	2,322
Amortisation of intangible assets – computer software	616	49	–	–	665
Allowance for losses on loans and advances	153	–	–	–	153
Bad debts on loans and advances written off	2	–	–	–	2
Writeback of allowance for losses on clients' and brokers' balances	(399)	–	–	–	(399)
Bad debts on clients' and brokers' balances recovered	(309)	–	–	–	(309)
Allowance for losses on other assets	345	–	–	–	345
Bad debts on other assets written off	453	–	–	–	453
Impairment on securities	1,759	–	–	–	1,759

Note:

1. Total segment revenue comprises of net interest income and non-interest income.

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

41 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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

41 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 Bank 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.

	The Group		The Company	
	Impact on profit after tax RM'000	Impact on equity RM'000	Impact on profit after tax RM'000	Impact on equity RM'000
30.06.2014				
+100 bps	**10,983**	**(13,878)**	**–**	**–**
–100 bps	**(10,983)**	**13,878**	**–**	**–**
30.06.2013				
+100 bps	(16,544)	(8,220)	–	–
–100 bps	16,544	8,220	–	–

(ii) Foreign currency sensitivity analysis

The foreign currency sensitivity represents the effect of the appreciation or depreciation of the foreign currency rates on the consolidated currency position, while other variables remain constant.

Impact of profit after tax by currency

	30.06.2014		30.06.2013	
The Group	+1% RM'000	-1% RM'000	+1% RM'000	-1% RM'000
USD	**141**	**(141)**	(128)	128
SGD	**(160)**	**160**	(1)	1
Others	**14**	**(14)**	8	(8)
	(5)	**5**	(121)	121

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

41 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 assets and 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 30.06.2014	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	581,927	–	–	–	–	200,281	–	782,208
Clients' and brokers' balances	–	–	–	–	–	287,756	–	287,756
Reverse repurchase agreements	280,176	–	–	–	–	–	–	280,176
Deposits and placements with banks and other financial institutions	–	161,148	170,012	–	–	–	–	331,160
Financial assets held-for-trading	–	–	–	–	–	–	870,437	870,437
Financial investments available-for-sale	–	93,643	147,064	385,497	10,136	108,948	–	745,288
Financial investments held-to-maturity	5,084	66,761	57,458	229,110	–	–	–	358,413
Loans and advances	319,747	30,562	15,042	67,481	83	(1,501)	–	431,414
Derivative financial assets	–	–	–	–	–	–	23,541	23,541
Other assets*	–	–	–	–	–	216,013	–	216,013
Total assets	1,186,934	352,114	389,576	682,088	10,219	811,497	893,978	4,326,406

* Include statutory deposits with Bank Negara Malaysia, tax recoverable, deferred tax assets, property and equipment, goodwill and intangible assets.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

41 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest rate risk (continued)

	Non-trading book							
The Group 30.06.2014	**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	–	–	–	–	–	337,686	–	337,686
Deposits from customers	627,766	3,165	635	–	–	–	–	631,566
Deposits and placements of banks and other financial institutions	1,624,568	333,191	97,201	–	–	–	–	2,054,960
Repurchased agreements	50,231	128,856	–	–	–	–	–	179,087
Derivative financial liabilities	–	–	–	–	–	–	24,773	24,773
Other liabilities**	–	–	–	–	–	495,929	–	495,929
Total liabilities	2,302,565	465,212	97,836	–	–	833,615	24,773	3,724,001
Total equity	–	–	–	–	–	602,405	–	602,405
Total liabilities and equity	2,302,565	465,212	97,836	–	–	1,436,020	24,773	4,326,406
Net interest sensitivity gap	(1,115,631)	(113,098)	291,740	682,088	10,219			
Direct credit substitutes	–	–	–	–	–	20,625		
Credit related commitments and contingencies	–	–	–	–	–	1,575,386		
Net interest sensitivity gap	–	–	–	–	–	1,596,011		

** Include current tax liabilities and deferred tax liabilities.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

41 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest rate risk (continued)

	Non-trading book							
The Group 30.06.2013	**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	580,729	–	–	–	–	84,845	–	665,574
Clients' and brokers' balances	–	–	–	–	–	150,509	–	150,509
Reverse repurchase agreements	80,271	194,117	–	–	–	–	–	274,388
Deposits and placements with banks and other financial institutions	–	261,658	63,903	–	–	–	–	325,561
Financial assets held-for-trading	–	–	–	–	–	–	660,864	660,864
Financial investments available-for-sale	–	5,102	5,071	173,904	79,875	1,381	–	265,333
Financial investments held-to-maturity	–	–	15,225	238,686	–	–	–	253,911
Loans and advances	172,644	–	12	269	2,249	(990)	–	174,184
Derivative financial assets	–	–	–	–	–	–	28,785	28,785
Other assets*	–	–	–	–	–	136,158	–	136,158
Total assets	833,644	460,877	84,211	412,859	82,124	371,903	689,649	2,935,267

* Include statutory deposits with Bank Negara Malaysia, tax recoverable, deferred tax assets, property and equipment, goodwill and intangible assets.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

41 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest rate risk (continued)

	Non-trading book							
The Group 30.06.2013	**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	–	–	–	–	–	140,353	–	140,353
Deposits from customers	470,169	–	–	–	–	–	–	470,169
Deposits and placements of banks and other financial institutions	1,149,591	350,803	42,581	–	–	–	–	1,542,975
Repurchased agreements	–	129,625	47,408	–	–	–	–	177,033
Derivative financial liabilities	–	–	–	–	–	–	32,773	32,773
Other liabilities**	–	–	–	–	–	90,399	–	90,399
Total liabilities	1,619,760	480,428	89,989	–	–	230,752	32,773	2,453,702
Total equity	–	–	–	–	–	481,565	–	481,565
Total liabilities and equity	1,619,760	480,428	89,989	–	–	712,317	32,773	2,935,267
Net interest sensitivity gap	(786,116)	(19,551)	(5,778)	412,859	82,124			
Direct credit substitutes	–	–	–	–	–	50,750		
Credit related commitments and contingencies	–	–	–	–	–	1,143,697		
Net interest sensitivity gap	–	–	–	–	–	1,194,447		

** Include current tax liabilities.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

41 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest rate risk (continued)

	Non-trading book							
The Company 30.06.2014	**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	971	–	–	–	–	1,322	–	2,293
Financial investments available-for-sale	–	–	–	–	–	59,975	–	59,975
Other assets	–	–	–	–	–	7,807	–	7,807
Tax recoverable	–	–	–	–	–	173	–	173
Investment in subsidiary companies	–	–	–	–	–	342,720	–	342,720
Total assets	971	–	–	–	–	411,997	–	412,968
Liabilities								
Other liabilities	–	–	–	–	–	523	–	523
Deferred tax liabilities	–	–	–	–	–	4	–	4
Total liabilities	–	–	–	–	–	527	–	527
Total equity	–	–	–	–	–	412,441	–	412,441
Total liabilities and equity	–	–	–	–	–	412,968	–	412,968
Net interest sensitivity gap	971	–	–	–	–			
Direct credit substitutes	–	–	–	–	–	–		
Credit related commitments and contingencies	–	–	–	–	–	–		
Net interest sensitivity gap	–	–	–	–	–	–		

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

41 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest rate risk (continued)

The Company 30.06.2013	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
	Non-trading book							
Assets								
Cash and short-term funds	74,559	–	–	–	–	2,827	–	77,386
Deposits and placements with banks and other financial institutions	–	–	360	–	–	–	–	360
Financial assets held-for-trading	–	–	–	–	–	–	414	414
Other assets	–	–	–	–	–	14	–	14
Tax recoverable	–	–	–	–	–	1,365	–	1,365
Investment in subsidiary companies	–	–	–	–	–	372,659	–	372,659
Total assets	74,559	–	360	–	–	376,865	414	452,198
Liabilities								
Other liabilities	–	–	–	–	–	1,887	–	1,887
Derivative financial instruments	–	–	–	–	–	–	12,156	12,156
Total liabilities	–	–	–	–	–	1,887	12,156	14,043
Total equity	–	–	–	–	–	438,155	–	438,155
Total liabilities and equity	–	–	–	–	–	440,042	12,156	452,198
Net interest sensitivity gap	74,559	–	360	–	–			
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 2014
(continued)

41 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 wtihdrawals of deposits, repayments of purchased funds at maturity, extensions of credit and working capital needs. The Group and the Company seek the project, monitor and manage its liquidity needs under normal as well as adverse circumstances.

The table below analyses the carrying amount of assets and liabilites (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 30.06.2014	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	656,884	125,324	–	–	–	–	–	782,208
Clients' and brokers' balances	287,756	–	–	–	–	–	–	287,756
Reverse repurchase agreements	–	280,176	–	–	–	–	–	280,176
Deposits and placements with banks and other financial institutions	–	–	161,148	170,012	–	–	–	331,160
Financial assets held-for-trading	109,499	475,845	134,722	–	–	139,838	10,533	870,437
Financial investments available-for-sale	–	–	93,643	–	147,064	395,633	108,948	745,288
Financial investments held-to-maturity	–	5,084	66,761	–	57,458	229,110	–	358,413
Loans and advances	318,697	–	30,422	–	14,985	67,310	–	431,414
Derivative financial assets	822	286	2,948	2,056	3,586	13,843	–	23,541
Other assets*	49	–	–	–	46,669	–	169,295	216,013
Total assets	1,373,707	886,715	489,644	172,068	269,762	845,734	288,776	4,326,406
Liabilities								
Clients' and brokers' balances	337,686	–	–	–	–	–	–	337,686
Deposits from customers	215,869	411,897	3,165	635	–	–	–	631,566
Deposits and placements of banks and other financial institutions	1,253,823	370,745	333,191	97,201	–	–	–	2,054,960
Repurchased agreements	–	50,231	128,856	–	–	–	–	179,087
Derivative financial liabilities	68	236	1,544	3,154	1,244	18,527	–	24,773
Other liabilities**	13,978	301	–	2,665	473,239	5,559	187	495,929
Total liabilities	1,821,424	833,410	466,756	103,655	474,483	24,086	187	3,724,001
Total equity	–	–	–	–	–	–	602,405	602,405
Total liabilities and equity	1,821,424	833,410	466,756	103,655	474,483	24,086	602,592	4,326,406

* Includes statutory deposits with Bank Negara Malaysia, property and equipment, intangible assets, tax recoverable, deferred tax assets and goodwill.

** Includes current tax liabilities and deferred tax liabilities.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

41 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilites (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 30.06.2013	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	323,713	341,861	–	–	–	–	–	665,574
Clients' and brokers' balances	150,509	–	–	–	–	–	–	150,509
Reverse repurchase agreements	–	80,271	194,117	–	–	–	–	274,388
Deposits and placements with banks and other financial institutions	–	–	261,658	15,935	47,968	–	–	325,561
Financial assets held-for-trading	27,845	171,193	170,802	–	–	277,788	13,236	660,864
Financial investments available-for-sale	–	–	5,103	–	5,071	253,778	1,381	265,333
Financial investments held-to-maturity	–	–	–	–	15,225	238,686	–	253,911
Loans and advances	138,375	–	–	33,593	2	2,214	–	174,184
Derivative financial assets	648	2,760	3,625	6,819	3,315	11,618	–	28,785
Other assets*	171	–	–	–	12,684	–	123,303	136,158
Total assets	641,261	596,085	635,305	56,347	84,265	784,084	137,920	2,935,267
Liabilities								
Clients' and brokers' balances	140,353	–	–	–	–	–	–	140,353
Deposits from customers	236,013	234,156	–	–	–	–	–	470,169
Deposits and placements of banks and other financial institutions	915,545	234,047	350,802	42,581	–	–	–	1,542,975
Repurchased agreements	–	–	129,625	47,408	–	–	–	177,033
Derivative financial liabilities	1,382	5,966	6,549	3,401	2,886	12,589	–	32,773
Other liabilities**	98	15,778	–	2,665	55,092	11,727	5,039	90,399
Total liabilities	1,293,391	489,947	486,976	96,055	57,978	24,316	5,039	2,453,702
Total equity	–	–	–	–	–	–	481,565	481,565
Total liabilities and equity	1,293,391	489,947	486,976	96,055	57,978	24,316	486,604	2,935,267

* Includes statutory deposits with Bank Negara Malaysia, property and equipment, intangible assets, tax recoverable, deferred tax assets and goodwill.

** Includes current tax liabilities.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

41 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 30.06.2014	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	1,322	971	–	–	–	–	–	2,293
Financial investment available-for-sale	–	–	–	–	–	–	59,975	59,975
Other assets	7,449	–	–	–	358	–	–	7,807
Tax recoverable	–	–	–	–	–	–	173	173
Investment in subsidiary companies	–	–	–	–	–	–	342,720	342,720
Total assets	**8,771**	**971**	**–**	**–**	**358**	**–**	**402,868**	**412,968**
Liabilities								
Other liabilities	7	–	–	–	516	–	–	523
Deferred tax liabilities	–	–	–	–	4	–	–	4
Total liabilities	**7**	**–**	**–**	**–**	**520**	**–**	**–**	**527**
Total equity	**–**	**–**	**–**	**–**	**–**	**–**	**412,441**	**412,441**
Total liabilities and equity	**7**	**–**	**–**	**–**	**520**	**–**	**412,441**	**412,968**

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

41 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilites (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 30.06.2013	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	2,827	74,559	–	–	–	–	–	77,386
Deposits and placements with banks and other financial institutions	–	–	–	–	360	–	–	360
Financial assets held-for-trading	–	–	–	–	–	–	414	414
Other assets	3	–	–	–	11	–	–	14
Tax recoverable	–	–	–	–	–	–	1,365	1,365
Investment in subsidiary companies	–	–	–	–	–	–	372,659	372,659
Total assets	2,830	74,559	–	–	371	–	374,438	452,198
Liabilities								
Other liabilities	1,003	–	–	–	884	–	–	1,887
Derivative financial liabilities	–	–	–	–	6,078	6,078	–	12,156
Total liabilities	1,003	–	–	–	6,962	6,078	–	14,043
Total equity	–	–	–	–	–	–	438,155	438,155
Total liabilities and equity	1,003	–	–	–	6,962	6,078	438,155	452,198

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

41 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 30.06.2014	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	**337,686**	**–**	**–**	**–**	**–**	**–**	**337,686**
Deposits from customers	**628,437**	**3,830**	**–**	**–**	**–**	**–**	**632,267**
Deposits and placements of banks and other financial institutions	**1,625,244**	**432,364**	**–**	**–**	**–**	**–**	**2,057,608**
Repurchased agreements	**50,243**	**128,972**	**–**	**–**	**–**	**–**	**179,215**
Derivative financial liabilities							
– Gross settled derivatives							
– Inflow	**(496,450)**	**(839,458)**	**(215,395)**	**–**	**–**	**–**	**(1,551,303)**
– Outflow	**495,766**	**840,975**	**210,785**	**–**	**–**	**–**	**1,547,526**
– Net settled derivatives	**33**	**2,566**	**2,864**	**9,994**	**1,957**	**–**	**17,414**
Other liabilities	**14,466**	**2,665**	**473,239**	**5,559**	**–**	**–**	**495,929**
Total financial liabilities	**2,655,425**	**571,914**	**471,493**	**15,553**	**1,957**	**–**	**3,716,342**

The Group 30.06.2013	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	140,353	–	–	–	–	–	140,353
Deposits from customers	470,515	–	–	–	–	–	470,515
Deposits and placements of banks and other financial institutions	1,149,865	394,150	–	–	–	–	1,544,015
Repurchased agreements	–	177,139	–	–	–	–	177,139
Derivative financial liabilities							
– Gross settled derivatives							
– Inflow	(637,390)	(1,115,505)	(364,159)	(62,381)	–	–	(2,179,435)
– Outflow	640,950	1,116,145	364,101	63,587	–	–	2,184,783
– Net settled derivatives	85	1,524	1,881	6,534	1,344	–	11,368
Other liabilities	17,641	2,665	45,447	19,745	–	4,901	90,399
Total financial liabilities	1,782,019	576,118	47,270	27,485	1,344	4,901	2,439,137

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

41 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
30.06.2014							
Liabilities							
Other liabilities	**7**	**–**	**516**	**–**	**–**	**–**	**523**
Total financial liabilities	**7**	**–**	**516**	**–**	**–**	**–**	**523**
30.06.2013							
Liabilities							
Derivative financial liabilities							
– Net settled derivatives	–	–	6,078	6,078	–	–	12,156
Other liabilities	1,003	–	884	–	–	–	1,887
Total financial liabilities	1,003	–	6,962	6,078	–	–	14,043

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

41 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		
	Less than 1 year RM'000	**Over 1 year RM'000**	**Total RM'000**
30.06.2014			
Direct credit substitutes	**–**	**20,625**	**20,625**
Obligations under underwriting agreement	**299,154**	**–**	**299,154**
Other commitments, such as formal standby facilities and credit lines	**23**	**–**	**23**
Any commitment that are unconditionally cancelled at anytime by the Group without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	**627,233**	**–**	**627,233**
Others			
– monies held in trust for stockbroking clients	**648,976**	**–**	**648,976**
	1,575,386	**20,625**	**1,596,011**
30.06.2013			
Direct credit substitutes	–	50,750	50,750
Obligations under underwriting agreement	–	–	–
Other commitments, such as formal standby facilities and credit lines	–	69	69
Any commitment that are unconditionally cancelled at anytime by the Group without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	507,022	–	507,022
Others			
– monies held in trust for stockbroking clients	636,606	–	636,606
	1,143,628	50,819	1,194,447

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

41 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 statements 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	
	30.06.2014 RM'000	30.06.2013 RM'000	30.06.2014 RM'000	30.06.2013 RM'000
Credit risk exposure relating to on-balance sheet assets:				
Short-term funds (exclude cash in hand)	**782,196**	665,559	**2,293**	77,386
Clients' and brokers' balances	**287,756**	150,509	**–**	–
Reverse repurchase agreements	**280,176**	274,388	**–**	–
Deposits and placements with banks and other financial institutions	**331,160**	325,561	**–**	360
Financial assets and investments portfolios (exclude shares and unit trust investment)				
– financial assets held-for-trading	**859,904**	647,628	**–**	–
– financial investments available-for-sale	**636,340**	263,952	**–**	–
– financial investments held-to-maturity	**358,413**	253,911	**–**	–
Loans and advances	**431,414**	174,184	**–**	–
Other assets	**45,995**	11,955	**7,799**	8
Derivative financial assets	**23,541**	28,785	**–**	–
	4,036,895	2,796,432	**10,092**	77,754
Credit risk exposure relating to off-balance sheet items:				
Commitments and contingencies	**1,596,011**	1,194,447	**–**	–
Total maximum credit risk exposure	**5,632,906**	3,990,879	**10,092**	77,754

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

41 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(ii) Collaterals

The main type of collaterals obtained by the Group are as follows:

(a) Fixed deposits, foreign currency deposits and cash deposits/margins
(b) Land and buildings
(c) Quoted shares

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 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 2014 for the Group is 91.7% (30 June 2013: 99.0%). The financial effect of collateral held for the other financial assets is not significant.

(iii) Credit Quality

(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.

Loans and advances are summarised as follows:

	The Group	
	30.06.2014 RM'000	**30.06.2013 RM'000**
Neither past due nor impaired	**432,062**	174,051
Past due but not impaired	**–**	–
Individually impaired	**853**	1,123
Gross loans and advances	**432,915**	175,174
Less: Allowance for impaired loans, advances and financing:		
– individual assessment allowance	**(194)**	(252)
– collective assessment allowance	**(1,307)**	(738)
Total net loans and advances	**431,414**	174,184

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

41 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iii) 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	30.06.2014 RM'000	30.06.2013 RM'000
Grading classification:		
– Good	**432,062**	174,051
– Fair	**–**	–
Total neither past due nor impaired	**432,062**	174,051

The definition of the grading classification can be summarised as follows:

Good:
Refers to loans and advances which have never been past due in the last 6 months and have never undergone any restructuring or rescheduling exercise previously.

Fair:
Refers to loans and advances which have been past due at some point within the last 6 months, or have undergone restructuring or rescheduling exercise previously.

(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.

(iii) Loans and advances that are individually determined to be impaired as at reporting date are as follows:

The Group	30.06.2014 RM'000	30.06.2013 RM'000
Gross amount of individually impaired loans	**853**	1,123
Less: Individual assessment allowance	**(194)**	(252)
Total net amount of individually impaired loans	**659**	871

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

41 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iii) Credit Quality (continued)

(b) 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

(b) Short-term funds and deposits and placements with banks and other financial institutions, reverse repurchase agreements, financial assets and investments portfolios, clients' and brokers' balances, other assets and derivative financial assets.

Short-term funds and deposits and placements with banks and other financial institutions, reverse repurchase agreements, financial assets and investments portfolios, clients' and brokers' balances, other assets and derivative financial assets are summarised as follows:-

The Group	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Clients' and brokers' balances RM'000	Reverse repurchase agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Other assets RM'000	Derivative financial assets RM'000
30.06.2014								
Neither past due nor impaired	**1,113,356**	**287,185**	**280,176**	**859,904**	**636,340**	**358,413**	**45,995**	**23,541**
Individually impaired	**–**	**956**	**–**	**–**	**–**	**–**	**375**	**–**
Less: Impairment losses	**–**	**(385)**	**–**	**–**	**–**	**–**	**(375)**	**–**
	1,113,356	**287,756**	**280,176**	**859,904**	**636,340**	**358,413**	**45,995**	**23,541**
30.06.2013								
Neither past due nor impaired	991,120	150,115	274,388	647,628	263,952	253,911	11,955	28,785
Individually impaired	–	805	–	–	–	–	443	–
Less: Impairment losses	–	(411)	–	–	–	–	(443)	–
	991,120	150,509	274,388	647,628	263,952	253,911	11,955	28,785

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

41 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iii) Credit Quality (continued)

(b) Short-term funds and deposits and placements with banks and other financial institutions, reverse repurchase agreements, financial assets and investments portfolios, clients' and brokers' balances, other assets and derivative financial assets. (continued)

Short-term funds and deposits and placements with banks and other financial institutions, reverse repurchase agreements, financial assets and investments portfolios, clients' and brokers' balances, other assets and derivative financial assets are summarised as follows:- (continued)

The Company	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Other assets RM'000
30.06.2014		
Neither past due nor impaired	**2,293**	**7,799**
Individually impaired	**–**	**–**
Less: Impairment losses	**–**	**–**
	2,293	**7,799**
30.06.2013		
Neither past due nor impaired	77,746	8
Individually impaired	–	–
Less: Impairment losses	–	–
	77,746	8

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

41 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iii) Credit Quality (continued)

(b) Short-term funds and deposits and placements with banks and other financial institutions, reverse repurchase agreements, financial assets and investments portfolios, clients' and brokers' balances, other assets and derivative financial assets. (continued)

Analysis of short-term funds and deposits and placements with banks and other financial institutions, reverse repurchase 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	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Clients' and brokers' balances RM'000	Reverse repurchase agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Other assets RM'000	Derivative financial assets RM'000
30.06.2014								
AAA to AA3	104,885	–	–	459,579	337,990	20,316	–	17,225
A1 to A3	1	–	–	64,265	44,006	103,895	–	1,963
Baa1 to Baa3	–	–	–	19,420	28,613	142,272	–	–
P1 to P3	926,867	–	–	316,639	–	–	1,068	–
Non-rated, of which:								
– Bank Negara Malaysia	43	–	280,176	–	–	–	–	–
– Malaysia Government Investment Issues	–	–	–	–	139,398	25,517	–	–
– Government Guaranteed Private Debt Securities	–	–	–	–	86,333	66,413	–	–
– Others	81,560	287,756	–	1	–	–	44,927	4,353
	81,603	287,756	280,176	1	225,731	91,930	44,927	4,353
	1,113,356	287,756	280,176	859,904	636,340	358,413	45,995	23,541

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

41 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iii) Credit Quality (continued)

(b) Short-term funds and deposits and placements with banks and other financial institutions, reverse repurchase agreements, financial assets and investments portfolios, clients' and brokers' balances, other assets and derivative financial assets. (continued)

Analysis of short-term funds and deposits and placements with banks and other financial institutions, reverse repurchase 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	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Clients' and brokers' balances RM'000	Reverse repurchase agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Other assets RM'000	Derivative financial assets RM'000
30.06.2013								
AAA to AA3	31,852	–	–	294,762	87,380	35,702	3	19,429
A1 to A3	14	–	–	84,291	46,297	52,205	1,280	2,256
Baa1 to Baa3	–	–	–	28,988	40,179	140,707	–	–
P1 to P3	688,609	–	–	219,475	–	–	171	–
Non-rated, of which:								
– Bank Negara Malaysia	220,632	–	274,388	–	–	–	–	–
– Malaysia Government Investment Issues	–	–	–	–	59,669	5,107	–	–
– Government Guaranteed Private Debt Securities	–	–	–	20,107	30,427	20,190	–	–
– Others	50,013	150,509	–	5	–	–	10,501	7,100
	270,645	150,509	274,388	20,112	90,096	25,297	10,501	7,100
	991,120	150,509	274,388	647,628	263,952	253,911	11,955	28,785

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

41 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iii) Credit Quality (continued)

(b) Short-term funds and deposits and placements with banks and other financial institutions, reverse repurchase agreements, financial assets and investments portfolios, clients' and brokers' balances, other assets and derivative financial assets. (continued)

Analysis of short-term funds and deposits and placements with banks and other financial institutions, reverse repurchase 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 Company	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Other assets RM'000
30.06.2014		
AAA to AA3	**–**	**–**
P1 to P3	**2,293**	**–**
Non-rated, of which:		
– Others	**–**	**7,799**
	–	**7,799**
	2,293	**7,799**
30.06.2013		
AAA to AA3	–	–
P1 to P3	77,746	–
Non-rated, of which:		
– Others	–	8
	–	8
	77,746	8

(iv) 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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

41 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iii) Credit Quality (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 30.06.2014	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Clients' and brokers' balances RM'000	Reverse repurchase agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for sale RM'000	Financial investments held-to-maturity 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	–	–	–	–	24,871	10,035	–	–	–	34,906	–
Manufacturing	–	–	–	–	–	5,055	30,005	635	–	35,695	700
Electricity, gas and water	–	–	–	–	–	–	27,480	26,015	–	53,495	140,000
Construction	–	–	–	35,218	15,128	–	17,082	4,814	–	72,242	68,321
Wholesale and retail	–	–	–	19,419	29,938	15,261	–	–	–	64,618	–
Transport, storage and communications	–	–	–	–	12,394	–	–	–	–	12,394	–
Finance, insurance, real estate and business services	1,113,313	–	–	779,861	384,098	251,229	120,515	10,528	23,541	2,683,085	781,096
Government and government agencies	43	–	280,176	–	169,911	76,833	–	–	–	526,963	–
Education, health and others	–	–	–	–	–	–	232,775	44	–	232,819	591,635
Purchase of securities	–	287,756	–	–	–	–	–	–	–	287,756	–
Others	–	–	–	25,406	–	–	3,557	3,959	–	32,922	14,259
	1,113,356	287,756	280,176	859,904	636,340	358,413	431,414	45,995	23,541	4,036,895	1,596,011

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

41 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iii) Credit Quality (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 30.06.2013	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Clients' and brokers' balances RM'000	Reverse repurchase agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for sale RM'000	Financial investments held-to-maturity 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	–	–	–	16,227	–	10,040	–	–	–	26,267	–
Manufacturing	–	–	–	30,499	–	10,158	661	207	–	41,525	96
Electricity, gas and water	–	–	–	5,788	–	–	33,332	2,010	–	41,130	–
Construction	–	–	–	15,143	–	–	481	379	4,862	20,865	53,267
Wholesale and retail	–	–	–	45,106	15,414	15,383	–	–	–	75,903	–
Transport, storage and communications	–	–	–	6,797	19,971	5,065	–	140	–	31,973	–
Finance, insurance, real estate and business services	770,488	–	–	482,239	148,693	208,158	41,020	4,009	23,923	1,678,530	669,746
Government and government agencies	220,632	–	274,388	20,108	79,874	5,107	–	2,724	–	602,833	–
Education, health and others	–	–	–	–	–	–	92,839	–	–	92,839	458,226
Purchase of securities	–	150,509	–	–	–	–	–	–	–	150,509	–
Others	–	–	–	25,721	–	–	5,851	2,486	–	34,058	13,112
	991,120	150,509	274,388	647,628	263,952	253,911	174,184	11,955	28,785	2,796,432	1,194,447

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

41 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	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Other assets RM'000	On-balance sheet total RM'000
30.06.2014			
Finance, insurance, real estate and business services	**2,293**	**7,449**	**9,742**
Others	**–**	**350**	**350**
	2,293	**7,799**	**10,092**
30.06.2013			
Finance, insurance, real estate and business services	77,746	3	77,749
Others	–	5	5
	77,746	8	77,754

(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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

41 FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement (continued)

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 leval 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 2013 - Nil).

(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 30.06.2014	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Financial assets held-for-trading	10,533	859,904	–	870,437
– money market instruments	–	720,067	–	720,067
– quoted securities	10,533	–	–	10,533
– unquoted securities	–	139,837	–	139,837
Financial investments available-for-sale	108,703	636,340	245	745,288
– money market instruments	–	184,973	–	184,973
– quoted securities	108,703	–	–	108,703
– unquoted securities	–	451,367	245	451,612
Derivative financial assets	–	23,541	–	23,541
	119,236	1,519,785	245	1,639,266
Financial liability				
Derivative financial liabilities	–	24,773	–	24,773

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

41 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 Group 30.06.2013	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Financial assets held-for-trading	13,236	647,628	–	660,864
– money market instruments	–	389,955	–	389,955
– quoted securities	13,236	–	–	13,236
– unquoted securities	–	257,673	–	257,673
Financial investments available-for-sale	695	263,952	686	265,333
– money market instruments	–	84,996	–	84,996
– quoted securities	695	–	–	695
– unquoted securities	–	178,956	686	179,642
Derivative financial assets	–	28,785	–	28,785
	13,931	940,365	686	954,982
Financial liability				
Derivative financial liabilities	–	32,773	–	32,773

The Company	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
30.06.2014				
Financial assets				
Financial investments available-for-sale				
– quoted securities	**59,975**	**–**	**–**	**59,975**
30.06.2013				
Financial assets				
Financial assets held-for-trading				
– quoted securities	414	–	–	414
Financial liability				
Derivative financial liabilities	–	12,156	–	12,156

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

41 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)

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

	Financial investments	
The Group	**30.06.2014 RM'000**	**30.06.2013 RM'000**
As at 1 July	**686**	2,445
Redeemed during the year	**(441)**	–
Impaired during the year	**–**	(1,759)
As at 30 June	**245**	686

(ii) The table below summarises the carrying amount and analyses the fair value within the fair value hierachy 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:

		Fair Value			
The Group	**Carrying Amount RM'000**	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
30.06.2014					
Financial assets					
Financial investments held-to-maturity					
– money market instruments	**128,332**	**–**	**128,204**	**–**	**128,204**
– unquoted securities	**230,081**	**–**	**234,087**	**–**	**234,087**
	358,413	**–**	**362,291**	**–**	**362,291**
30.06.2013					
Financial assets					
Financial investments held-to-maturity					
– money market instruments	15,268	–	15,315	–	15,315
– unquoted securities	238,643	–	243,131	–	243,131
	253,911	–	258,446	–	258,446

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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

41 FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement (continued)

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 held-to-maturity

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.

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 individual assessment allowance, 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

42 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 balance sheet 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 balance sheet; and
- All derivative financial instruments and reverse repurchase and repurchased 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 balance sheet netting.

The table identifies the amounts that have been offset in the balance sheet and also those amounts that are covered by enforceable netting aggrangements (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 balance sheet			Related amounts not offset		
The Group As at 30.06.2014	**Gross Amount RM'000**	**Amounts Offset RM'000**	**Net amount reported on the balance sheet RM'000**	**Financial instruments RM'000**	**Financial collateral RM'000**	**Net Amount RM'000**
Financial assets						
Clients' and brokers' balances	554,372	(266,616)	287,756	–	–	287,756
Derivative financial assets	23,541	–	23,541	(6,132)	(2,592)	14,817
Reverse repurchase agreement	280,176	–	280,176	(284,423)	–	(4,247)
Total assets	858,089	(266,616)	591,473	(290,555)	(2,592)	298,326
Financial liabilities						
Clients' and brokers' balances	604,302	(266,616)	337,686	–	–	337,686
Derivative financial liabilities	24,773	–	24,773	(6,132)	–	18,641
Repurchased agreement	179,087	–	179,087	(184,815)	(1,068)	(6,796)
Total liabilities	808,162	(266,616)	541,546	(190,947)	(1,068)	349,531

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

42 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

	Effects of offsetting on balance sheet			Related amounts not offset		
The Group As at 30.06.2013	Gross Amount RM'000	Amounts Offset RM'000	Net amount reported on the balance sheet RM'000	Financial instruments RM'000	Financial collateral RM'000	Net Amount RM'000
Financial assets						
Clients' and brokers' balances	372,113	(221,604)	150,509	–	–	150,509
Derivative financial assets	28,785	–	28,785	(3,929)	(2,026)	22,830
Reverse repurchase agreement	274,388	–	274,388	(264,121)	–	10,267
Total assets	675,286	(221,604)	453,682	(268,050)	(2,026)	183,606
Financial liabilities						
Clients' and brokers' balances	361,957	(221,604)	140,353	–	–	140,353
Derivative financial liabilities	32,773	–	32,773	(3,929)	–	28,844
Repurchased agreement	177,033	–	177,033	(179,118)	(1,280)	(3,365)
Total liabilities	571,763	(221,604)	350,159	(183,047)	(1,280)	165,832

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 repurchase 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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

43 EQUITY COMPENSATION BENEFITS

Executive Share Option Scheme

The Executive Share Option Scheme ("ESOS") of up to fifteen percent (15%) of the issued and paid-up ordinary share capital of the Company which was approved by the shareholders of the Company on 8 November 2005, was established on 23 January 2006 and would be in force for a period of ten (10) years.

On 18 January 2006, the Company announced that Bursa Malaysia Securities Berhad has approved-in-principle the listing of new ordinary shares of the Company to be issued pursuant to the exercise of options under the ESOS at any time during the existence of the ESOS.

The ESOS would provide an opportunity for eligible executives who had contributed to the growth and development of the Company and its subsidiaries ("HLCB Group") to participate in the equity of the Company.

The main features of the ESOS are, inter alia, as follows:-

1. Eligible executives are persons as defined under the ESOS Bye-Laws.
2. The maximum allowable allotments for the full time Executive Directors had been approved by the shareholders of the Company in a general meeting. The Board, as defined under the ESOS Bye-Laws, may from time to time at its discretion select and identify suitable eligible executives to be offered options.
3. The aggregate number of shares to be issued under the ESOS shall not exceed 15% of the issued and paid-up ordinary share capital of the Company for the time being.
4. The ESOS shall be in force for a period of ten (10) years from 23 January 2006.
5. The option price shall not be at a discount of more than ten percent (10%) (or such discount as the relevant authorities shall permit) from the 5-day weighted average market price of the shares of the Company preceding the Date of Offer, as defined under the ESOS Bye-Laws and shall in no event be less than the par value of the shares of the Company.
6. The option granted to an option holder under the ESOS is exercisable by the option holder only during his employment with the HLCB Group and within the option exercise period subject to any maximum limit as may be determined by the Board under the Bye-Laws of the ESOS.
7. The exercise of the options may, at the absolute discretion of the Board, be satisfied by way of issuance of new shares; transfer of existing shares purchased by a trust established for the ESOS; or a combination of both new shares and existing shares.

A trust has been set up for the ESOS and it is administered by an appointed trustee. This 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 shares from the open market for the purposes of this trust. In accordance with MFRS 132, the shares purchased for the benefit of the ESOS holdings are recorded as "Treasury Shares for ESOS Scheme" in equity on the statements of financial position. The cost of operating the ESOS is charged to the statements of income.

The trustee will manage the trust in accordance with the trust deed. Upon termination of the trust, the trustee will dispose all remaining trust shares, if any, and deal with any surplus or deficit of the trust in accordance with the instructions of the Company.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

43 EQUITY COMPENSATION BENEFITS (CONTINUED)

Executive Share Option Scheme (continued)

The ordinary share options granted under the ESOS are as follows:

(a) On 19 January 2011, the Company's wholly owned subsidiary, Hong Leong Investment Bank Berhad ("the Bank") granted 4,475,000 conditional incentive share options of the Company's shares (Affirmative Action Bonus ("AAB")) options to eligible executives of the Bank pursuant to ESOS at exercise price of RM1.42.

Grant date	Vesting date	Expiry date	As at 01.07.2013	Exercised	As at 30.06.2014
19 January 2011	19 January 2014	18 April 2014^	1,330,000	(1,330,000)	**–**
19 January 2011	19 January 2015	18 April 2015^	1,330,000	–	**1,330,000**
			2,660,000	(1,330,000)	**1,330,000**

^ The exercise period is up to 3 months from the Vesting Date.

The estimated fair value of each share option granted is between RM0.36 to RM0.48 per option. This was calculated using the Black-Scholes model. The model inputs were the share price at grant date of RM1.39, exercise price of RM1.42, expected volatility of 36.7%, expected yield of 0% and a risk free interest rate of 3.8%.

The options outstanding at reporting date had an exercise price of RM1.42 and weighted average remaining contractual life (from grant date to the end of exercise period) of 0.8 year (2013: 1 year).

(b) On 16 January 2013, the Company's wholly owned subsidiary, Hong Leong Investment Bank Berhad ("the Bank") granted 2,300,000 conditional incentive share options of the Company's shares (AAB) options to eligible executives of the Bank pursuant to ESOS at exercise price of RM1.20.

Grant date	Vesting date	Expiry date	As at 01.07.2013	Exercised	As at 30.06.2014
16 January 2013	16 January 2013	20 January 2016	1,050,000	(1,050,000)	**–**

There were no options outstanding at reporting date.

The number and market values of the ordinary shares held by the Trustee are as follows:

	30.06.2014		30.06.2013	
	Number of trust shares held '000	Market value RM'000	Number of trust shares held '000	Market value RM'000
The Group	**7,373**	**104,254**	9,777	53,774
The Company	**7,373**	**104,254**	8,727	47,999

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

44 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) Public Shareholdings Spread

On 26 July 2013, HLCB announced that as the public shareholding spread of HLCB was more than 10% of the total HLCB shares in issue, the suspension of the trading of HLCB shares on 12 August 2013 pursuant to paragraph 16.02(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") shall no longer apply.

(b) Status update on compliance with the required public shareholding spread pursuant to Section 4.3 of Practice Note 19 of the Main Market Listing Requirements

On 3 April 2014, HLCB announced that Bursa Securities had vide its letter dated 2 April 2014:

(i) granted the Company a further extension of time of 6 months from 1 March 2014 until 31 August 2014 ("Extended Time Frame") to comply with the 25% public shareholding spread requirement pursuant to paragraph 8.02(1) of the Main Market Listing Requirements of Bursa Securities; and

(ii) in the event the Company fails to comply with the public shareholding spread requirement on or before the Extended Time Frame, Bursa Securities may exercise its discretion to impose trading suspension of HLCB shares and in which case a 5 market days notice shall be given to HLCB and the market.

Based on the Company's Record of Depositors as at 30 June 2014, the public shareholding spread of the Company was 10.41%.

The Company has yet to identify a satisfactory plan to address the non-compliance with the 25% public shareholding spread requirement.

45 SUBSEQUENT EVENT AFTER THE FINANCIAL YEAR

On 3 September 2014, HLCB announced that Bursa Securities had vide its letter dated 3 September 2014 granted the Company a further extension of time of 3 months until 30 November 2014 to comply with the 25% public shareholding spread requirement pursuant to paragraph 8.02(1) of the Main Market Listing Requirements of Bursa Securities.

The public shareholding spread of the Company as at 29 August 2014 was 18.67%.

The Company has not identified a satisfactory plan to address the non-compliance with the 25% public shareholding spread requirement.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014
(continued)

46 REALISED AND UNREALISED PROFITS

The determination of realised and unrealised profits is based on the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants on 20 December 2010 and the directive of Bursa Malaysia Securities Berhad.

	30.06.2014 RM'000	30.06.2013 RM'000
The Group		
Total retained profits of Hong Leong Capital Berhad and its subsidiaries		
– Realised	**232,928**	174,154
– Unrealised – in respect of deferred tax recognised in the profit or loss	**98,188**	56,322
– in respect of other items of income and expenses	**25,752**	36,337
	356,868	266,813
Less: Consolidation adjustments	**(90,966)**	(93,826)
Total Group's retained profits	**265,902**	172,987
The Company		
Total retained profits of Hong Leong Capital Berhad		
– Realised	**172,310**	200,623
– Unrealised – in respect of other items of income and expenses	**–**	14
	172,310	200,637

The disclosure of realised and unrealised profits or losses above is solely for compliance with the directive issued by the Bursa Malaysia Securities Berhad and should not be used for any other purpose.

STATEMENT BY DIRECTORS

pursuant to Section 169(15) of the Companies Act, 1965

We, Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman and Choong Yee How, 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 44 to 147 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2014 and of the results and cash flows of the Group and the Company for the year then ended on that date, in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act, 1965 in Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution dated 23 July 2014.

TAN SRI DATO' SERI KHALID AHMAD BIN SULAIMAN
Director

CHOONG YEE HOW
Director

Kuala Lumpur
18 September 2014

STATUTORY DECLARATION

pursuant to Section 169(16) of the Companies Act, 1965

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 44 to 147 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
Kuala Lumpur in Wilayah Persekutuan on
18 September 2014

Before me,

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

to the members of Hong Leong Capital Berhad
(Incorporated in Malaysia)
(Company no: 213006-U)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Hong Leong Capital Berhad on pages 44 to 146 which comprise the statements of financial position as at 30 June 2014 of the Group and of the Company, and the statements of income, comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 45.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 30 June 2014 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

INDEPENDENT AUDITORS' REPORT

to the members of Hong Leong Capital Berhad
(Incorporated in Malaysia)
(Company no: 213006-U)
(continued)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(c) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 46 on page 147 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

ONG CHING CHUAN
(No. 2907/11/15(J))
Chartered Accountant

Kuala Lumpur
18 September 2014

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-third Annual General Meeting of Hong Leong Capital Berhad ("Company") will be held at the Theatrette, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Thursday, 30 October 2014 at 10.00 a.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 2014.

2. To declare a final single-tier dividend of 15 sen per share for the financial year ended 30 June 2014 to be paid on 19 November 2014 to members registered in the Record of Depositors on 5 November 2014. **(Resolution 1)**

3. To approve the payment of Directors' fees of RM180,000 for the financial year ended 30 June 2014 (2013: RM180,000), to be divided amongst the Directors in such manner as the Directors may determine. **(Resolution 2)**

4. To re-elect the following retiring Directors:-

   (a) YBhg Dato' Mohamed Nazim bin Abdul Razak **(Resolution 3)**

   (b) Mr Choong Yee How **(Resolution 4)**

5. To pass the following motions as Ordinary Resolutions:-

   (a) "**THAT** YBhg Tan Sri Quek Leng Chan, a Director who retires in compliance with Section 129 of the Companies Act, 1965, be and is hereby re-appointed a Director of the Company to hold office until the conclusion of the next Annual General Meeting." **(Resolution 5)**

   (b) "**THAT** YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman, a Director who retires in compliance with Section 129 of the Companies Act, 1965, be and is hereby re-appointed a Director of the Company to hold office until the conclusion of the next Annual General Meeting." **(Resolution 6)**

6. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and authorise the Directors to fix their remuneration. **(Resolution 7)**

SPECIAL BUSINESS

As special business, to consider and, if thought fit, pass the following motions:-

7. **Ordinary Resolution**
   Authority to Directors to Issue Shares

   "**THAT** pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby empowered to issue shares in the Company, 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 pursuant to this resolution does not exceed 10% of the issued capital 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 issued on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." **(Resolution 8)**

NOTICE OF ANNUAL GENERAL MEETING

(continued)

8. **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") and Persons Connected with HLCM

   "**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(A) and (C) of the Company's Circular to Shareholders dated 8 October 2014 ("the Circular") with HLCM and persons connected with HLCM ("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;

   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 143(1) of the Companies Act, 1965 (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); 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 9)**

9. **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 8 October 2014 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;

NOTICE OF ANNUAL GENERAL MEETING

(continued)

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 143(1) of the Companies Act, 1965 (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); 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 10)**

10. To consider any other business of which due notice shall have been given.

FURTHER NOTICE IS HEREBY GIVEN that a depositor shall qualify for entitlement to the final dividend only in respect of:

(a) shares transferred into the depositor's securities account before 4:00 p.m. on 5 November 2014 in respect of ordinary transfers; and

(b) shares bought on the Bursa Securities on a cum entitlement basis according to the Rules of the Bursa Securities.

By Order of the Board

CHRISTINE MOH SUAT MOI
(MAICSA 7005095)
Group Company Secretary

Kuala Lumpur
8 October 2014

NOTES:

1. For the purpose of determining members' eligibility to attend this meeting, only members whose name appear in the Record of Depositors as at 24 October 2014 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.

2. 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 and vote in his stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to 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.

3. Where two (2) or more proxies are appointed, the proportions of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which the appointments shall be invalid.

4. The Form of Proxy must be deposited at the Registered Office of the Company at Level 8, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than 48 hours before the time and date of the meeting or adjourned meeting.

NOTICE OF ANNUAL GENERAL MEETING

(continued)

EXPLANATORY NOTES

1. **Resolution 3 on Re-election of YBhg Dato' Mohamed Nazim bin Abdul Razak**

   The Company has in place a Tenure Policy for Independent Directors as detailed in the Corporate Governance Statement and an annual assessment is conducted on the independence of independent directors by the Nominating Committee ("NC") and Board of Directors ("Board") in accordance with the criteria set out in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

   Based on the annual assessment carried out by the NC, the Board has determined that YBhg Dato' Mohamed Nazim bin Abdul Razak who has served on the Board for more than 9 years remains objective and continues to bring independent and objective judgment to Board deliberations and decision making. The Board is of the view that YBhg Dato' Mohamed Nazim bin Abdul Razak remains independent notwithstanding his tenure on the Board.

2. **Resolution 6 on Re-appointment of YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman**

   The Company has in place a Tenure Policy for Independent Directors as detailed in the Corporate Governance Statement and an annual assessment is conducted on the independence of independent directors by the Nominating Committee ("NC") and Board of Directors ("Board") in accordance with the criteria set out in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

   Based on the annual assessment carried out by the NC, the Board has determined that YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman who has served on the Board for more than 9 years remains objective and continues to bring independent and objective judgment to Board deliberations and decision making. The Board is of the view that YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman remains independent notwithstanding his tenure on the Board.

EXPLANATORY NOTES ON SPECIAL BUSINESS

1. **Resolution 8 on Authority to Directors to Issue Shares**

   The proposed Ordinary Resolution, if passed, will give a renewed mandate to the Directors of the Company to issue ordinary shares of the Company from time to time provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being ("Renewed Mandate"). The Renewed Mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting ("AGM") of the Company.

   As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last AGM held on 29 October 2013 and which will lapse at the conclusion of the Twenty-third AGM.

   The Renewed 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 issue of new shares and to avoid delay and cost in convening general meetings to approve such issue of shares.

2. **Resolutions 9 and 10 on Proposed Renewal of Shareholders' Mandate for 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 Renewal of Shareholders' Mandate").

   Detailed information on the Proposed Renewal of Shareholders' Mandate is set out in the Circular to Shareholders dated 8 October 2014 which is despatched together with the Company's 2014 Annual Report.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

- **Details of individuals who are standing for election as Directors**
  No individual is seeking election as a Director at the forthcoming Twenty-third Annual General Meeting of the Company.

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 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 29 AUGUST 2014

Authorised share capital	:	RM500,000,000
Issued & paid-up capital	:	RM246,896,668
Class of shares	:	Ordinary shares of RM1.00 each
Voting rights		
• on show of hands	:	1 vote
• on a poll	:	1 vote for each share held

Distribution Schedule of Shareholders as at 29 August 2014

Size of Holdings	No. of Shareholders	%	No. of Shares	%
Less than 100	54	7.63	1,947	0.00
100 – 1,000	223	31.50	172,794	0.07
1,001 – 10,000	281	39.69	1,104,387	0.45
10,001 – 100,000	91	12.85	4,090,832	1.66
100,001 – less than 5% of issued shares	58	8.19	40,721,650	16.49
5% and above of issued shares	1	0.14	200,805,058	81.33
	708	**100.00**	**246,896,668**	**100.00**

List of Thirty Largest Shareholders as at 29 August 2014

Name of Shareholders	No. of Shares	%
1. Assets Nominees (Tempatan) Sdn Bhd *– Hong Leong Financial Group Berhad*	200,805,058	81.33
2. AmTrustee Berhad *– Exempt AN for Hong Leong Capital Berhad (ESOS)*	6,036,900	2.45
3. AIBB Nominees (Tempatan) Sdn Bhd *– Pledged Securities Account for Yu Kuan Chon*	3,481,000	1.41
4. AllianceGroup Nominees (Tempatan) Sdn Bhd *– Pledged Securities Account for Ho Swee Ming (8080176)*	2,681,500	1.09
5. AllianceGroup Nominees (Tempatan) Sdn Bhd *– Pledged Securities Account for Yu Kuan Chon (8076930)*	1,695,000	0.69
6. Koh Liong Boon	1,567,000	0.63
7. RHB Capital Nominees (Tempatan) Sdn Bhd *– Pledged Securities Account for Chan Weng Fui (CEB)*	1,365,900	0.55
8. Kenanga Nominees (Tempatan) Sdn Bhd *– Pledged Securities Account for Yu Kuan Chon*	1,360,400	0.55

OTHER INFORMATION
(continued)

2. ANALYSIS OF SHAREHOLDINGS AS AT 29 AUGUST 2014 (CONTINUED)

List of Thirty Largest Shareholders as at 29 August 2014 (continued)

Name of Shareholders	No. of Shares	%
9. HSBC Nominees (Asing) Sdn Bhd – *Exempt AN for Credit Suisse (SG BR-TST-Asing)*	1,305,000	0.53
10. RHB Nominees (Tempatan) Sdn Bhd – *Pledged Securities Account for Yu Kuan Chon*	1,099,800	0.45
11. RHB Capital Nominees (Tempatan) Sdn Bhd – *Pledged Securities Account for Yu Kuan Chon (CEB)*	1,019,600	0.41
12. JF Apex Nominees (Tempatan) Sdn Bhd – *Pledged Securities Account for Chan Yan Meng (Margin)*	986,500	0.40
13. Kenanga Nominees (Tempatan) Sdn Bhd – *Pledged Securities Account for Ho Swee Ming*	965,000	0.39
14. Ng Bing Tiam @ Goh Kee Sang	893,000	0.36
15. MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd – *Pledged Securities Account for Yu Kuan Chon (MGN-YKC0008M)*	863,400	0.35
16. Kenanga Nominees (Tempatan) Sdn Bhd – *For Ding Ming Hea*	818,000	0.33
17. RHB Capital Nominees (Tempatan) Sdn Bhd – *Pledged Securities Account for Lim Fung Neng*	795,000	0.32
18. RHB Capital Nominees (Tempatan) Sdn Bhd – *Pledged Securities Account for Ho Swee Ming (CEB)*	788,500	0.32
19. AIBB Nominees (Tempatan) Sdn Bhd – *Pledged Securities Account for Ho Swee Ming*	763,000	0.31
20. AllianceGroup Nominees (Tempatan) Sdn Bhd – *Pledged Securities Account for Chan Weng Fui (8082361)*	762,700	0.31
21. Kenanga Nominees (Tempatan) Sdn Bhd – *Pledged Securities Account for Lim Fung Neng*	640,000	0.26
22. Public Nominees (Tempatan) Sdn Bhd – *Pledged Securities Account for Yu Kuan Chon (E-TAI/KMT)*	623,500	0.25
23. Hong Kee Kok	555,000	0.23
24. MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd – *Pledged Securities Account for Lim Fung Neng (MGN-LFN0001M)*	542,900	0.22
25. Kenanga Nominees (Tempatan) Sdn Bhd – *Pledged Securities Account for Lee Chun Weng*	500,000	0.20
26. RHB Capital Nominees (Tempatan) Sdn Bhd – *Pledged Securities Account for Liew Kok Tze*	490,000	0.20
27. Vooi Chuan Choon @ Goe Doong Choon	490,000	0.20
28. PM Nominees (Tempatan) Sdn Bhd – *Pledged Securities Account for Yu Kuan Chon (A)*	464,800	0.19
29. Kenanga Nominees (Tempatan) Sdn Bhd – *Pledged Securities Account for Ding Chee Ling (PCS)*	418,300	0.17
30. AllianceGroup Nominees (Tempatan) Sdn Bhd – *Pledged Securities Account for Yu Kuan Chon (8100841)*	405,000	0.16
	235,181,758	**95.26**

OTHER INFORMATION

(continued)

2. ANALYSIS OF SHAREHOLDINGS AS AT 29 AUGUST 2014 (CONTINUED)

Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 29 August 2014 are as follows:-

	Direct Interest		Indirect Interest	
Names of Shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**
Hong Leong Financial Group Berhad	200,805,058	81.33	–	–
Tan Sri Quek Leng Chan	–	–	200,805,058[B]	81.33
Hong Leong Company (Malaysia) Berhad	–	–	200,805,058[A]	81.33
HL Holdings Sdn Bhd	–	–	200,805,058[B]	81.33
Kwek Holdings Pte Ltd	–	–	200,805,058[B]	81.33
Kwek Leng Beng	–	–	200,805,058[B]	81.33
Hong Realty (Private) Limited	–	–	200,805,058[B]	81.33
Hong Leong Investment Holdings Pte Ltd	–	–	200,805,058[B]	81.33
Davos Investment Holdings Private Limited	–	–	200,805,058[B]	81.33
Kwek Leng Kee	–	–	200,805,058[B]	81.33
Quek Leng Chye	–	–	200,805,058[B]	81.33
Guoco Assets Sdn Bhd	–	–	200,805,058[A]	81.33
Guoco Group Limited	–	–	200,805,058[A]	81.33
GuoLine Overseas Limited	–	–	200,805,058[A]	81.33
GuoLine Capital Assets Limited	–	–	200,805,058[A]	81.33

Notes:

[A] Held through Hong Leong Financial Group Berhad
[B] Held through Hong Leong Company (Malaysia) Berhad

3. DIRECTORS' INTERESTS AS AT 29 AUGUST 2014

Subsequent to the financial year end, there is no change, as at 29 August 2014, 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 pages 37 to 40 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 except for the changes set out below:

Indirect Interest	**No. of ordinary shares/ preference shares**	**%**
YBhg Tan Sri Quek Leng Chan in:		
Narra Industries Berhad ("Narra")	17,387,700[(1)]	55.92
Continental Estates Sdn Bhd		
– Ordinary shares	30,691,583[(2)]	60.66
– Redeemable preference shares	110,694,889[(2)]	63.48

Notes:

[(1)] Pursuant to the capital reduction of the issued and paid-up share capital of Narra via cancellation of RM0.50 of the par value of every existing ordinary share of RM1.00 each in Narra and thereafter, consolidation of 2 ordinary shares of RM0.50 each into 1 ordinary share of RM1.00 each
[(2)] Became a related corporation

OTHER INFORMATION
(continued)

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	20	1,903	31/12/1993

FORM OF PROXY

Hong Leong Capital Berhad (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 Twenty-third Annual General Meeting of the Company to be held at the Theatrette, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Thursday, 30 October 2014 at 10.00 a.m. and at any adjournment thereof.

My/Our proxy/proxies is/are to vote either on a show of hands or on a poll as indicated below with an "X":

	RESOLUTIONS	FOR	AGAINST
1.	To declare a final single-tier dividend of 15 sen per share		
2.	To approve the payment of Directors' fees		
3.	To re-elect YBhg Dato' Mohamed Nazim bin Abdul Razak as a Director		
4.	To re-elect Mr Choong Yee How as a Director		
5.	To re-appoint YBhg Tan Sri Quek Leng Chan as a Director pursuant to Section 129 of the Companies Act, 1965		
6.	To re-appoint YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman as a Director pursuant to Section 129 of the Companies Act, 1965		
7.	To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and authorise the Directors to fix their remuneration		
Special Business			
8.	To approve the ordinary resolution on authority to Directors to issue shares		
9.	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 ("HLCM") and persons connected with HLCM		
10.	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 2014

______________________ ______________________

Number of shares held Signature(s) of Member

Notes:-

1. For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 24 October 2014 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.
2. 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.
3. 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.
4. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
5. 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 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.
6. Where two (2) or more proxies are appointed, the proportions 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 9 below).
7. 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.
8. All Forms of Proxy must be duly executed and deposited at the Registered Office of the Company at Level 8, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than 48 hours before the time and date of the meeting or adjourned meeting.
9. In the event two (2) or more proxies are appointed, please fill in the ensuing section:

Name of Proxies	% of shareholdings to be represented

Fold This Flap For Sealing

Then Fold Here

AFFIX
STAMP

The Group Company Secretary

HONG LEONG CAPITAL BERHAD
(Company No. 213006-U)

Level 8, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur
Malaysia

1st Fold Here

Hong Leong Capital Berhad (213006-U)
Level 8, Wisma Hong Leong
18 Jalan Perak, 50450 Kuala Lumpur
Tel : 03-2164 8228
Fax : 03-2164 2503

www.hlcap.com.my