Hong Leong Capital Berhad

ANNUAL REPORT 2015


HongLeong

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INTRODUCTION

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

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.

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

INTRODUCTION

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 Berhad, 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 Berhad ('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.

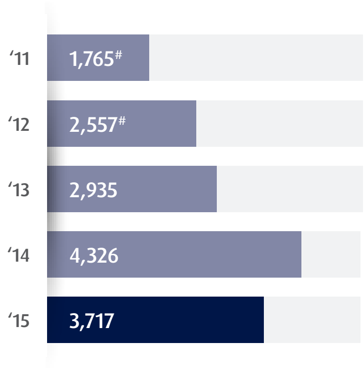
FIVE YEAR GROUP FINANCIAL HIGHLIGHTS

The Group	2011# RM 'Million	2012# RM 'Million	2013 RM 'Million	2014 RM 'Million	2015 RM 'Million
Statements of Financial Position					
Total Assets	1,765	2,557	2,935	4,326	**3,717**
Net Loans	109	257	174	431	**326**
Total Liabilities	1,424	2,164	2,454	3,724	**3,064**
Deposits from customers	395	634	470	632	**842**
Shareholders' Funds	341	393	482	602	**654**
Commitments and contingencies	4,359	6,793	6,179	5,466	**7,413**
Statements of Income					
Revenue	127	137	191	191	**183**
Profit before taxation	51	52	68	78	**79**
Net Profit	39	39	90	119	**76**
Key Performance Indicators					
Book Value per Share (RM)	1.45	1.68	2.05	2.53	**2.71**
Earnings per Share (sen)	16.4	16.5	38.4	49.9	**31.7**
Net Dividend per Share (sen)	–	–	–	15.0	**8.5**
Financial Ratios (%)					
Profitability Ratios					
Return on Equity	11.3%	9.9%	18.7%	19.7%	**11.7%**
Return on average assets	2.3%	1.8%	3.3%	3.3%	**1.9%**
Cost/income ratio	61.0%	65.8%	63.3%	58.8%	**57.6%**
Asset Quality/Loan Ratios					
Gross loans to deposits ratio	28.9%	40.8%	37.3%	68.5%	**38.8%**
Gross impaired loans ratio	8.6%	0.5%	0.6%	0.2%	**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 2011.

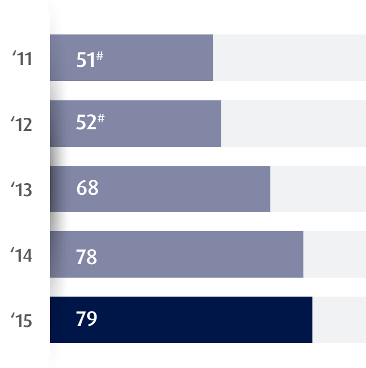
FIVE YEAR GROUP FINANCIAL HIGHLIGHTS

Group Total Assets
(RM'Million)



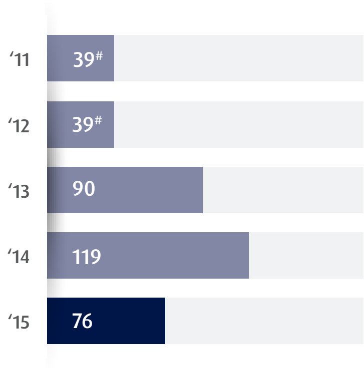
YoY -14%
CAGR = 20.5%

Group Profit before Tax
(RM'Million)



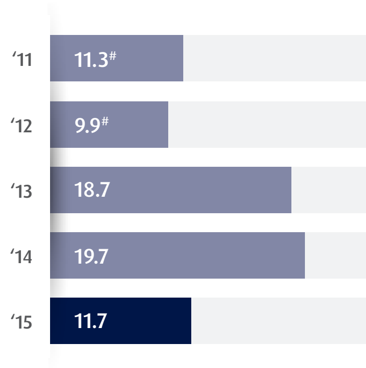
YoY +0%
CAGR = 11.7%

Group Net Profit
(RM'Million)



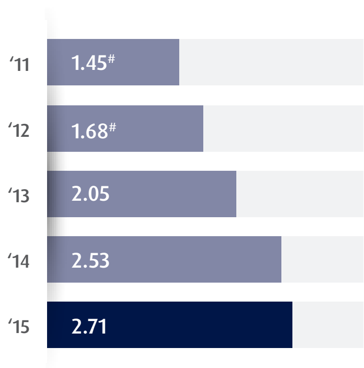
YoY -36%
CAGR = 18.6%

Group Return on Equity
(%)



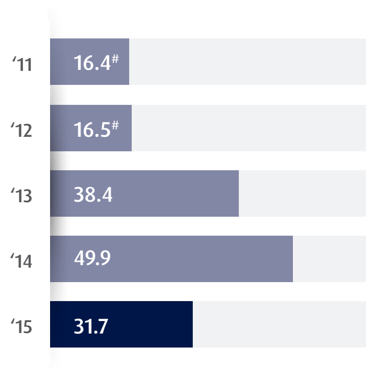
YoY -41%

Group Book Value per Share
(RM)



YoY +7%

Group Earnings per Share
(Sen)



YoY -36%

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 2011.


Muntajat
SOUTH

CHAIRMAN'S STATEMENT

> On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of Hong Leong Capital Berhad ("HLCB" or "the Group") for the financial year ("FY") ended 30 June 2015.

The Group recorded a profit before taxation of RM78.5 million for the financial year ended 30 June 2015 as compared to RM78.3 million in the previous corresponding year, an increase of RM0.2 million or 0.3% year-on-year growth.

OVERALL BUSINESS ENVIRONMENT

The Malaysian economy recorded a stronger growth of 6.0% in the calendar year 2014, up from 4.7% in 2013, driven by an improvement in external trade performance and robust domestic demand. Net exports turned around to contribute positively to growth on account of recovery in the advanced economies. Domestic demand remained strong, underpinned by sustained private consumption and investment activities. However, in the first half of 2015, real Gross Domestic Product ("GDP") growth moderated to 5.3%, down from 5.6% in the second half of 2014, due to a more modest private sector expenditure growth which was affected mainly by the Goods & Services Tax ("GST") implementation amidst the government's fiscal consolidation plan. GDP growth is expected to reduce further to 4.8% for the remaining part of 2015, attributable to factors such as continued adjustments to the GST impact, gaps in construction contract flows, lower commodity and oil prices, a protracted slowdown in China and renewed volatility in the global financial markets.

The FBM KLCI suffered from foreign sell down during the financial year, closing at 1,707 as at 30 June 2015, down from 1,883 as at the same time last year. This was mainly due to net foreign outflows of RM14.0 billion, versus net selling of RM13.1 billion last year, despite domestic liquidity remaining ample. Foreign outflows continued into July 2015 with net selling of RM2.9 billion.

Similarly, the growth of the local fund management industry was also considerably lower over the past 12 months ended 30 June 2015. Based on reported statistics from the Securities Commission Malaysia, total assets under management during this period was at RM657.4 billion, an increase of 4.6% for the past 12 months as compared to an increase of 13.2% over the same corresponding period as at 30 June 2014. Despite the challenging market conditions, Hong Leong Asset Management Berhad ("HLAM") managed to record an increase of 28.4% to its total assets under management for the year. HLAM manages unit trust and wholesale funds, as well as private mandates to both retail and institutional clients. As at 30 June 2015, it had total assets under management of RM7.13 billion.

> "For the financial year under review, the investment banking division continued to demonstrate its innovativeness in introducing new products relevant to the clients' and market's needs."

FINANCIAL PERFORMANCE

The Group recorded a profit before taxation of RM78.5 million for the financial year ended 30 June 2015 as compared to RM78.3 million in the previous corresponding year, an increase of RM0.2 million or 0.3% year-on-year growth.

The investment banking subsidiary of the Group which is Hong Leong Investment Bank Berhad ("HLIB"), recorded a profit before tax of RM73.4 million during the current reporting year compared to RM68.4 million last year. However, normalised profit before tax after adjusting for a non-recurring Executive Share Option Scheme ("ESOS") charge-off would have been RM75.9 million, with a comparable profit before tax from the previous financial year of RM73.5 million.

The stockbroking business division of HLIB recorded a higher revenue of RM79.4 million (FY2014: RM78.6 million) and a profit before tax of RM29.8 million, a 4.9% increase as compared to last year's profit before tax of RM28.4 million, in line with the higher Bursa volume. HLIB's traded volume increased to RM42.8 billion in FY2015 from RM42.4 billion recorded in FY2014.

The Asset Management business registered a marginal loss before taxation of RM0.3 million for the financial year as compared to a profit before tax of RM3.1 million in the previous financial year as we continue to witness subdued demand for equity products. On top of that, the equity market displayed a poorer performance during the period under review hence affecting returns generated by the business.

Overall, earnings per share ("EPS") decreased to 31.7 sen per share from 49.9 sen per share in the previous financial year. The higher EPS in the previous financial year was mainly due to the recognition of higher deferred tax assets by HLIB in FY2014.

As we continue to build our investment banking business, the Group aims 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 is recommending paying a single-tier final dividend of 8.5 sen per share for the financial year 2015. HLIB's total capital ratio stands at a healthy 24.5% as at 30 June 2015.

CORPORATE DEVELOPMENTS

Malaysian Rating Corporation Berhad ("MARC") had reaffirmed the AA-/MARC-1 financial institution ratings of HLIB with a stable outlook in July 2015.

As the Malaysian economy is facing unprecedented challenges and market volatility, staying nimble and efficient in business operating cost is utmost important in riding through the storm which HLIB has successfully demonstrated as one of the lowest cost income ratio investment banks in the country.

For the financial year under review, the investment banking division continued to demonstrate its innovativeness in introducing new products relevant to the clients' and market's needs.

CHAIRMAN'S STATEMENT

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

League Table Achievements

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

Full Year 2014	1H - Year 2015
• Ranked 5th for conventional PDS by amount issued • Ranked 5th for conventional PDS by number of issues • Ranked 1st for conventional PDS by facility limit • Ranked 6th for all PDS by amount issued • Ranked 6th for all PDS by number of issues • Ranked 3rd for all PDS by facility limit	• Ranked 3rd for conventional PDS by amount issued • Ranked 6th for conventional PDS by number of issues issued • Ranked 2nd for conventional PDS by facility limit • Ranked 1st for conventional PDS by number of facility issued • Ranked 6th for all PDS by amount issued • Ranked 7th for all PDS by number of issues • Ranked 2nd for all PDS by number of facility issued

(B) Rating Agency Malaysia Top Lead Manager League Table

Full Year 2014
• Ranked 2nd for PDS and Sukuk by programme value • Ranked 7th for PDS and Sukuk by number of issues • Ranked 10th for Sukuk by programme value • Ranked 5th for Sukuk by number of issues

(C) Malaysian Rating Corporation Berhad Top Lead Manager League Table

1H - Year 2015
• Ranked 1st by number of issues • Ranked 2nd by amount issued

(D) International Financial Review Asia

Full Year 2014	1H - Year 2015
• Ranked 8th on Malaysia Global Equity and Equity-Related • Ranked 10th on top Bookrunner for Malaysian Ringgit Bonds	• Ranked 3rd on top Bookrunner for APAC Securitization • Ranked 5th on Malaysia Global Equity and Equity-Related • Ranked 6th on top Bookrunner for Malaysian Syndicated Loan • Ranked 7th on top Bookrunner for Malaysian Ringgit Bonds • Ranked 8th on top Bookrunner of Global Convertible Offering Asia-Pacific

(E) Bloomberg

Full Year 2014	1H - Year 2015
• Ranked 6th as Manager on Malaysia Equity and Rights Offerings • Ranked 8th as Manager on Malaysian Bonds • Ranked 10th as Manager on Malaysian Ringgit Islamic Sukuk	• Ranked 7th as Manager on Malaysian Bonds • Ranked 7th as Manager on Malaysia Equity and Rights Offerings

(F) Dealogic

Full Year 2014	1H - Year 2015
Ranked 7th on MYR Debt Bookrunner	Ranked 7th on MYR Debt Bookrunner


CHAIRMAN'S STATEMENT

Awards For Deal Innovation

As Principal Advisor/Lead Arranger

- RAM League Manager Award 2014 – 2nd Ranking by Programme Value
- Most Innovative Deal – Highly Commended of the Year 2014 awarded by The Asset Triple A Islamic Finance

As Independent Advisor

- Best Islamic Privatisation Deal of the Year 2014 awarded by The Asset Triple A Islamic Finance

OUTLOOK AND PROSPECTS

The subdued economic conditions are expected to extend into the next financial year. FY2016 will continue to be a challenging year for our investment banking business.

It is important that the Bank keeps abreast with the ever-evolving market landscape to remain current and relevant. In order to achieve this, the constant need for ideas and innovation remains key to long term sustainability of the business, both domestically and regionally. We will continue to build on our capabilities to provide value-added corporate advisory services to our clients in order to secure HLIB's competitiveness in the industry. Supplementing these plans, we will also widen our reach and build a larger customer base to drive our marketing and innovation effort in products and services.

In line with the Group's aim to establish a stronger regional footprint, plans are already underway to strengthen our investment bank's presence, working closely within Hong Leong Bank's footprints, particularly in Singapore.

Our customers are reaping the benefits of the technologically advanced world which we live in today where most transactions can be done with only a touch and at their fingertips. Customers' interactions are increasingly moving to digital channels driving changes in customer service to reflect this phenomenon. Insight into customers' preferences and the aim to stay closely connected to them are needed to remap strategies and match expectations expected from the Bank in the digital banking world. To capture this, a lot of effort and reinvestment by our stockbroking business are being made to further develop our Online Trading Platform to enhance customer satisfaction, build customer loyalty and deepen our share of our customers' wallet.

Whilst it is important to ensure that we continue to embrace technology in this digital age, "humanising service" is still valued and will remain an integral part of the business. It is through the continued development of these competencies that will stand HLIB's progress and growth in good stead in the upcoming years.

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

21 September 2015

“We believe in serving our communities, which include our employees, customers, business partners and the environment, as our partners. We have a common understanding that without the community, there is no company.”

CORPORATE SOCIAL RESPONSIBILITY

At Hong Leong Capital Berhad (HLCB), we strive to go beyond CSR and integrate sustainability in everything that we do. We need to move away from a list of check boxes to meaningful action to ensure impact to create real change for the better. This has impacted our actions this past year and will continue to affect our thinking moving forward. We take this effort seriously and are not simply motivated by trying to enhance our corporate image. We need to genuinely transform by integrating sustainability into the heart of our businesses and we are slowly making inroads into this. We believe in serving our communities, which include our employees, customers, business partners and the environment, as our partners. We have a common understanding that without the community, there is no company. The Hong Leong Group sees CSR, or more accurately, sustainability, as integral to its mission. The Group contributes to the socio-economic development of the nation through its business growth, promoting education, providing aid to marginalised communities, supporting and developing local talent, propagating green practices and practicing sustainable supply-chain in its operations.

Below is our commitment to each of the focus areas under the Hong Leong Group Sustainability Plan:

WORKPLACE

HLCB is committed to upholding the human rights of our employees and treating them with dignity and respect. We strive to deliver innovative solutions as well as to create an inspiring and conducive working environment.

HLCB also aims to ensure that the health, safety and welfare of our employees are well taken care of and we acknowledge our responsibility towards employees who may be affected by our activities.

Since its founding, HLCB has demonstrated an on-going commitment to people and to fair employment practices. HLCB's growth and expansion has created a more diverse work force by tapping on our people who have different experiences, perspectives and cultures. This has allowed HLCB to build on its creativity and innovation which helps the organisation to realise its full potential.

We believe that a well-managed, diverse and inclusive work force expands the Group's base of knowledge, skills and cross-cultural understanding, which in turn, enables us to understand, relate and respond to our diverse and changing customers throughout the world. Our overall commitment is reflected in our diversity and inclusion philosophy.

Consistent with our Best Work Environment practices, we maintain a work environment free from discrimination and we comply with all applicable laws pertaining to non-discrimination and equal opportunity. This is evidenced by the diverse ethnic and social backgrounds of members, staff and clients.

ENVIRONMENT

HLCB endeavours to identify and minimise the negative environmental impacts of our products and business activities. We take steps to reduce environmental impact wherever possible.

Our environmental initiatives include smart and careful consumption of resources, water, emissions to air, waste generation, energy use and procurement processes. We are committed to minimising our environmental impact and encouraging greater sustainability throughout our business.

In addition to the above, HLCB also participated in the HLFG Environment Conservation Campaign in January 2015. Following HLFG's 'Do Good Week' campaign rolled out during

CORPORATE SOCIAL RESPONSIBILITY

financial year 2014, the 'Do Good Week - Energy Conservation' initiative was introduced to change energy-using behavior and develop an energy-management work culture amongst employees by introducing valuable energy efficiency measures. The year-long initiative, which kicked off in January 2015, aims to inculcate a shared sense of responsibility towards the environment, besides developing a corporate image of a responsible business which cares for the environment.

MARKETPLACE

HLCB is committed to good business ethics and integrity. For many years now, the Group 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.

CORPORATE SOCIAL RESPONSIBILITY

- The practice of responsible selling and marketing of products and services.

COMMUNITY

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

Incorporated in 1992, Hong Leong Foundation is a corporate foundation driven by the interest and passion of the 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. HLF expended a total of RM26.9m over the last three years and has the following programmes in place working with our Community Partners:

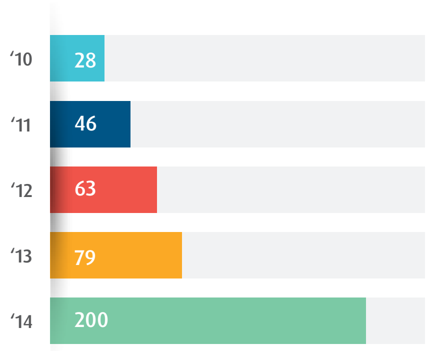
- Community Welfare Programme to address the daily needs of homes, shelters and community centres.

- 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 to enable furtherance of the charity's mission and vision:
  - Good Jobs: Employment Development Programme
  - Better Homes: Welfare Home Transformation Programme
  - Hong Leong Foundation NGO Accelerator Programme
  - Community Welfare Programme

The total funds disbursed by the Foundation in the financial year ended 30 June 2015 were RM6.9 million, benefiting 30 charity organisations. During the year, the Foundation disbursed RM3.2 million in scholarships to benefit around 200 scholars studying in various universities, all of whom are from financially-challenged families. Because gaps of opportunity exist along the entire spectrum of education development, the Foundation has set up a comprehensive programme to empower their scholars: enrichment camps and workshops, internships, mentorships, and other support to help them excel in their formative years in university and beyond. Since 1993, the Hong Leong Foundation has awarded more than RM29.5 million in scholarships to 1,204 scholars via its scholarship programmes for diplomas, degrees or masters.

HLF SCHOLARSHIP GRADUATES BY YEAR:



CORPORATE SOCIAL RESPONSIBILITY

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

Early this year, with joint effort of the Group's initiative *"Flood-Post Relief Donation Drive"*, HLCB donated care-packs in the form of hygiene kits to 100 families affected by the flood, described as the worst floods in decades affecting thousands of people especially in the area of Kelantan, Pahang, Perak and Terengganu. This effort aims to help rebuild the lives of those affected by the flood. The hygiene kits were sponsored and packed by the employees.

Focusing on the needs of the Community, HLCB, in collaboration with the National Blood Bank, organised a one-day Blood Donation Drive themed *"You're Somebody's Type"* during the Ramadan month to restore and improve the shortage of blood supply. The event garnered participation of more than 100 employees, with 83 successful donors. In addition, HLCB and its employees made monetary donation to non profit organisation, Mercy Malaysia for the purpose of providing humanitarian assistance to its beneficiaries.

Firm in our conviction on the importance of education, HLCB also participated in The Community Chest (TCC) programme jointly coordinated with TCC, an independent, not-for-profit, non-governmental charitable organisation. Joining forces with volunteers from HLFG Group operating companies, a total of close to 200 volunteers were deployed to assist 62 impoverished primary schools by equipping them with the required furniture, fittings and equipment; refurbish, repair, extend, renovate and rewire building and facilities to provide safer school environment; construct new buildings and facilities and set up e-classrooms.

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

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

DIRECTORS

YBhg Tan Sri Quek Leng Chan
(Chairman)

Mr Quek Kon Sean

YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman

YBhg Dato' Mohamed Nazim bin Abdul Razak

YBhg Dato' Ahmad Fuaad bin Mohd Dahalan

GROUP COMPANY SECRETARY

Ms Christine Moh Suat Moi
MAICSA 7005095

AUDITORS

Messrs PricewaterhouseCoopers
Chartered Accountants
Level 10, 1 Sentral
Jalan Rakyat
Kuala Lumpur Sentral
50470 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

LIST OF AWARDS AND ACCOLADES

The Asset Triple A Islamic Finance Awards 2014

Category: Best Islamic Privatisation Deal

The Asset Triple A Islamic Finance Awards 2014

Category: Most Innovative Deal, Highly Commended

The Edge Billion Ringgit Club Awards 2014

Category: Best Performing Stock (Finance)

RAM League Awards 2014

Category: Lead Manager Award 2014
2nd Ranking by Programme Value

BOARD OF DIRECTORS' PROFILE

YBHG TAN SRI QUEK LENG CHAN
Chairman/Non-Executive/Non-Independent

Aged 72, 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.

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

Aged 35, 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, both companies listed on the Main Market of Bursa Securities and HLA, a public company.

BOARD OF DIRECTORS' PROFILE

YBHG TAN SRI DATO' SERI KHALID AHMAD BIN SULAIMAN
Non-Executive Director/Independent

Aged 79, 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. YBhg Tan Sri Khalid 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, a public company.

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

Aged 53, 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 XiDeLang Holdings Ltd and 7-Eleven Malaysia Holdings Berhad, both companies listed on the Main Market of Bursa Securities and The Legends Golf and Country Resort Berhad, a public company.

BOARD OF DIRECTORS' PROFILE

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

Aged 65, 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.

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 AND 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

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.

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

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

BOARD AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

MEETINGS (CONTINUED)

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 2015 ("FYE 2015"), four (4) BARMC meetings were held and the attendance of the BARMC members was as follows:

Member	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	3/4

The main activities undertaken by the BARMC during the financial year are summarized 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 though 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 prioritized accordingly to the potential risk exposure and impact.

During the FYE 2015, 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 2015 was RM639,716.

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

"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.

Independent Non-Executive Directors ("INEDs") are responsible for providing insights, unbiased and independent views, advice and judgement to the Board and bring impartiality to Board deliberations and decision-making. They also ensure effective checks and balances on the Board. INEDs do not participate in the day to day management of the Company and there are no relationships or circumstances that could interfere with or are likely to affect the exercise of their independent judgement or the ability to act in the best interest of the Company and its shareholders.

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

CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL

A. ROLES AND RESPONSIBILITIES OF THE BOARD (CONTINUED)

The Board observes the Company Directors' Code of Ethics established by the Companies Commission of Malaysia ("CCM") which is available at CCM's website at www.ssm.com.my. 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.

B. BOARD COMPOSITION

The Board comprises five (5) 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 their 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' 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)
(Resigned with effect from 21 September 2015)

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.

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, re-election and retention 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 2015 ("FYE2015"), 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 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 2015, 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' Mohamed Nazim bin Abdul Razak	1/1
YBhg Dato' Ahmad Fuaad bin Mohd Dahalan	1/1
Mr Choong Yee How[(1)]	1/1

Note:
(1) Resigned with effect from 21 September 2015

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 were 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.

(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)

CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL

(c) Remuneration Committee ("RC") (continued)

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 2015, 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 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 2015 is as follows:

	Fees (RM)	Salaries & Other Emoluments (RM)	Total (RM)
Executive Directors	–	–	–
Non-Executive Directors	270,000	125,000	395,000

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

D. INDEPENDENCE

The Board takes cognisance of Recommendation 3.2 of the Code which states that the tenure of an independent director should not exceed a cumulative term of 9 years and Recommendation 3.3 of the Code which states that upon completion of the 9 years, an independent director may continue to serve on the Board subject to the director's re-designation as a non-executive director. In the event the Company wishes to retain an independent director who has served a cumulative term of 9 years and above, shareholders' approval shall be sought at the AGM every year with justification and subject to the favourable assessment of the NC and the Board.

The Company has in place a policy in relation to the tenure for independent directors of the Company ("Tenure Policy") under the Fit and Proper Policy of the Company. Pursuant to the Tenure Policy, an independent director who has served on the Board of any company under the Hong Leong Financial Group for a period of 9 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 is to continue in office, the NC shall consider based on the assessment criteria and guidelines set out in the Fit and Proper Policy and make the appropriate recommendation to the Board. For public listed bank/companies in the Group, shareholders' approval at AGMs shall be sought in accordance with the relevant requirements under the Code and the MMLR subject to favorable assessment of the NC and the Board.

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, YBhg Dato' Mohamed Nazim bin Abdul Razak and YBhg Dato' Ahmad Fuaad bin Mohd Dahalan, 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. At the forthcoming AGM, the Company will seek shareholders' approval to retain YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman, YBhg Dato' Mohamed Nazim bin Abdul Razak and YBhg Dato' Ahmad Fuaad bin Mohd Dahalan as Independent Non-Executive Directors. Justification for their retention is set out in the explanatory notes of the notice of AGM.

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.

E. COMMITMENT

The directors are aware of their responsibilities and devote sufficient time to carry out such responsibilities. In line with the MMLR, directors are required to comply with the restrictions on the number of directorships in public listed companies. Directors provide notifications to the Board for acceptance of any new Board appointments. This ensures that their commitment, resources and time are focused on the affairs 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.

CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL

E. COMMITMENT (CONTINUED)

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.

The Board met five (6) times during FYE 2015 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	6/6
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman	6/6
YBhg Dato' Mohamed Nazim bin Abdul Razak	6/6
YBhg Dato' Ahmad Fuaad bin Mohd Dahalan	6/6
Mr Quek Kon Sean	6/6
Mr Choong Yee How(1)	6/6

Note:
(1) Resigned with effect from 21 September 2015

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 2015, 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 organized an in-house programme for its directors and senior management.

E. COMMITMENT (CONTINUED)

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 2015, the directors of the Company, collectively or on their own, attended various training programmes, seminars, briefings and/or workshops including:

- BNM – FIDE Elective Programme: "Advanced Corporate Governance"
- ICLIF – Leadership Energy Summit Asia (LESA)
- Institute of Enterprise Risk Practitioners – Crisis Management and Leadership during a Disaster
- Securities Commission Malaysia – Capital Market Director Programme
- London Speaker Bureau – The Business of Innovation 2015
- eBoard Directors' Training
- Shaking Things Up: Technology that Transforms and How to Keep Pace
- Update on Amendments to Bursa Malaysia Securities Berhad Main Market Listing Requirements

F. ACCOUNTABILITY AND AUDIT

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

I Financial Reporting

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

II Risk Management and Internal Control

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

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

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

CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL

F. ACCOUNTABILITY AND AUDIT (CONTINUED)

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. In this regard, an annual assessment is conducted by the BARMC to evaluate the performance, independence and objectivity of the external auditors prior to making any recommendation to the Board on the re-appointment of the external auditors.

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

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

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

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

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.

H. SHAREHOLDERS (CONTINUED)

I Dialogue between Companies and Investors (continued)

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 OF 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.

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.

CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL

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

II Key Risk Management and Internal Control Processes

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

a. Risk Management 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 2015 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

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.

I. STATEMENT OF 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.

As required by Paragraph 15.23 of the MMLR, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Recommended Practice Guide ("RPG") 5 (Revised) issued by the Malaysian Institute of Accountants. RPG 5 (Revised) does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

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 2015, 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 2015

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 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

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

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

FINANCIAL RESULTS

	The Group RM'000	The Company RM'000
Net profit for the financial year	76,335	18,848

DIVIDENDS

Since the previous financial year ended 30 June 2014, a final single-tier dividend of 15.0 sen per share, amounting to RM36.2 million in respect of the financial year ended 30 June 2014, was paid on 19 November 2014.

Dividend paid on the shares held in trust pursuant the Company's Executive Share Option Scheme ("ESOS") which are classified as treasury shares held for ESOS scheme are not accounted for in the total equity. An amount of RM859,373 being dividend paid for these shares was added back to the appropriation of retained profits.

The Directors recommend a final single-tier dividend of 8.5 sen per share on the Company's issued and paid-up share capital of RM246,896,668 comprising of 246,896,668 shares, amounting to RM21.0 million for the financial year ended 30 June 2015.

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.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 45 to the financial statements.

SIGNIFICANT EVENT AFTER THE FINANCIAL YEAR

Significant event after the financial year is disclosed in Note 46 to the financial statements.

RESERVES AND PROVISIONS

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

DIRECTORS

The 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)
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 Quek Kon Sean	(Non-Independent Non-Executive Director)
Mr Choong Yee How (Resigned with effect from 21.09.2015)	(Non-Independent Non-Executive Director)

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, 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 are as follows:

	Shareholdings in which Directors have direct interests Number of ordinary shares/preference shares/ordinary shares issued or to be issued or acquired arising from the exercise of options*/ conversion of redeemable convertible unsecured loan stocks** or redeemable convertible cumulative preference shares***				
	Nominal value per share RM (unless indicated)	**As at 01.07.2014**	**Acquired**	**Sold**	**As at 30.06.2015**
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
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 8/9p	285,207	–	–	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
Hume Industries Berhad (formerly known as Narra Industries Berhad)	1.00	–	57,024(12)	–	57,024
Interest of Mr Choong Yee How in:					
Hong Leong Financial Group Berhad	1.00	3,100,000	1,750,000(16)	(1,200,000)	3,650,000
		1,750,000*	–	(1,750,000(16)	–*
Interest of Mr Quek Kon Sean in:					
Hong Leong Financial Group Berhad	1.00	2,175,000	900,000(16)	(825,000)	2,250,000
		900,000*	–	(900,000)(16)	–*

DIRECTORS' REPORT
for the financial year ended 30 June 2015

DIRECTORS' INTERESTS (CONTINUED)

	Shareholdings in which Directors have indirect interests Number of ordinary shares/preference shares/ordinary shares issued or to be issued or acquired arising from the exercise of options*/ conversion of redeemable convertible unsecured loan stocks** or redeemable convertible cumulative preference shares***				
	Nominal value per share RM (unless indicated)	As at 01.07.2014	Acquired	Sold	As at 30.06.2015
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	1,160,549,285	–	–	1,160,479,285
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 ("HLI")	0.50	246,136,603(6)	–	(701,600)	245,435,003(6)
Hong Leong Yamaha Motor Sdn Bhd	1.00	17,352,872	–	–	17,352,872
	1.00	6,941(7)	–	(6,941)(7)(10)	–
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)(11)	–
Malaysian Pacific Industries Berhad	0.50	111,951,357(6)	266,500	–	112,217,857(6)
Carter Realty Sdn Bhd	1.00	5,640,607	–	–	5,640,607
Carsem (M) Sdn Bhd	1.00	84,000,000	–	–	84,000,000
	100.00	22,400(7)	–	–	22,400(7)
Hume Industries Berhad (formerly known as Narra Industries Berhad) ("HIB")	1.00	37,853,100	339,175,511(6)(12)	(4,238,328)	354,373,046(6)
				(17,387,700)(6)(13)	
				(1,029,537)(14)	
Guoco Group Limited	USD0.50	237,124,930	–	–	237,124,930
GuocoLand Limited	(1)	819,244,363(6)	–	–	819,244,363(6)
Southern Steel Berhad ("SBB")	1.00	301,541,202	–	(2,000,000)	299,541,202
	1.00	–	141,627,296**(9)	–	141,627,296**
Southern Pipe Industry (Malaysia) Sdn Bhd	1.00	118,822,953	–	–	118,822,953
	1.00	20,000,000***(8)	–	–	20,000,000***(8)
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 (In members' voluntary liquidation)	(1)	63,000,000	–	–	63,000,000
Sanctuary Land Pte Ltd (In members' voluntary liquidation)	(1)	90,000	–	–	90,000

DIRECTORS' INTERESTS (CONTINUED)

	Shareholdings in which Directors have indirect interests Number of ordinary shares/preference shares/ordinary shares issued or to be issued or acquired arising from the exercise of options*/ conversion of redeemable convertible unsecured loan stocks** or redeemable convertible cumulative preference shares***				
	Nominal value per share RM (unless indicated)	**As at 01.07.2014**	**Acquired**	**Sold**	**As at 30.06.2015**
Interests of YBhg Tan Sri Quek Leng Chan in: (continued)					
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)	–
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 (In members' voluntary liquidation)	(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	–	(357,020)	455,698,596
Guoman Hotel & Resort Holdings Sdn Bhd	1.00	277,000,000	–	–	277,000,000
JB Parade Sdn Bhd	1.00	28,000,000	–	–	28,000,000
	0.01	68,594,000(7)	–	–	68,594,000(7)
Continental Estates Sdn Bhd	1.00	30,051,174(15)	4,356,826	–	34,408,000
	0.01	107,903,020(7)(15)	15,599,585(7)	–	123,502,605(7)
GuocoLeisure Limited	USD0.20	923,255,425	–	–	923,255,425
The Rank Group Plc	GBP13 8/9 p	268,194,969	1,087,252	(50,000,000)	219,282,221
Interests of YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman in:					
Hong Leong Financial Group Berhad	1.00	3,600(17)	–	–	3,600(17)
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
Hume Industries Berhad (formerly known as Narra Industries Berhad)	1.00	–	810,000(12)	–	810,000

DIRECTORS' REPORT

for the financial year ended 30 June 2015

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) The redeemable convertible cumulative preference shares ("RCCPS") are convertible into ordinary shares of RM1.00 each at the option of the holder of RCCPS on the basis of 400 ordinary shares of RM1.00 each for every RCCPS of RM1.00 nominal value
(9) Subscription of renounceable rights issue of redeemable convertible unsecured loan stocks in SSB ("RCULS") on the basis of RM1.00 nominal value of rights RCULS for every 2 existing ordinary shares held in SSB
(10) Redemption of redeemable preference shares
(11) Dissolved during the financial year
(12) Entitlement to new ordinary shares of RM1.00 each in HIB ("HIB Shares") pursuant to the capital distribution by HLI to entitled shareholders of HLI on the basis of 1,080 new HIB Shares for every 1,000 ordinary shares held in HLI
(13) Cancellation of RM0.50 of the par value of existing HIB Shares pursuant to a reduction of share capital by HIB
(14) Transfer of free HIB Shares to the grant holders upon vesting
(15) Shareholdings as at 19 August 2014 when the corporation became a related corporation
(16) Exercise of share options
(17) Interest pursuant to Section 134(12)(c) of the Companies Act, 1965 in shares held by family member

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").

EXECUTIVE SHARE OPTION SCHEME (CONTINUED)

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 2015.

As at 30 June 2015, a total of 6,775,000 options had been granted under the ESOS, out of which 6,115,000 options had been exercised and there are no options remaining outstanding. The aggregate options granted to Directors and chief executive of the HLCB Group under the ESOS are 3,500,000, of which all options had been exercised and there are no 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 2015, the actual percentage of total options granted to Directors and senior management of the HLCB Group under the ESOS was 2.30% of the issued and paid up ordinary share capital of the Company.

For further details on the ESOS, refer to Note 44 in the financial statements.

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;
- 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.

DIRECTORS' REPORT
for the financial year ended 30 June 2015

STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (CONTINUED)

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

(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 2015 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.

(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 17 September 2015.

Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman
Director

Quek Kon Sean
Director

Kuala Lumpur
21 September 2015

STATEMENTS OF FINANCIAL POSITION

as at 30 June 2015

		The Group		The Company	
		2015	2014	2015	2014
	Note	RM'000	RM'000	RM'000	RM'000
Assets					
Cash and short-term funds	2	**471,753**	782,208	**224**	2,293
Clients' and brokers' balances	3	**198,183**	287,756	**–**	–
Reverse repurchase agreements		**–**	280,176	**–**	–
Deposits and placements with banks and other financial institutions	4	**200,243**	331,160	**–**	–
Financial assets held-for-trading	5	**920,885**	870,437	**–**	–
Financial investments available-for-sale	6	**958,314**	745,288	**133,130**	59,975
Financial investments held-to-maturity	7	**380,255**	358,413	**–**	–
Loans and advances	8	**325,983**	431,414	**–**	–
Other assets	9	**24,717**	47,007	**766**	7,807
Derivative financial assets	21	**43,059**	23,541	**–**	–
Statutory deposits with Bank Negara Malaysia	10	**56,180**	30,750	**–**	–
Tax recoverable		**381**	180	**156**	173
Deferred tax assets	11	**95,451**	98,195	**13**	–
Investment in subsidiary companies	12	**–**	–	**270,054**	342,720
Property and equipment	14	**5,310**	5,765	**–**	–
Intangible assets	15	**3,641**	1,057	**–**	–
Goodwill	16	**33,059**	33,059	**–**	–
Total assets		**3,717,414**	4,326,406	**404,343**	412,968
Liabilities					
Clients' and brokers' balances		**192,728**	337,686	**–**	–
Deposits from customers	17	**841,747**	631,566	**–**	–
Deposits and placements of banks and other financial institutions	18	**1,847,391**	2,054,960	**–**	–
Repurchased agreements	19	**–**	179,087	**–**	–
Other liabilities	20	**74,295**	495,735	**498**	523
Derivative financial liabilities	21	**57,428**	24,773	**–**	–
Current tax liabilities		**3**	187	**–**	–
Deferred tax liabilities	11	**–**	7	**–**	4
Subordinated obligations	22	**50,194**	–	**–**	–
Total liabilities		**3,063,786**	3,724,001	**498**	527
Equity					
Share capital	23	**246,896**	246,896	**246,896**	246,896
Reserves	24	**412,763**	363,432	**162,867**	173,468
Treasury shares for ESOS scheme	25	**(6,031)**	(7,923)	**(5,918)**	(7,923)
Total equity		**653,628**	602,405	**403,845**	412,441
Total equity and liabilities		**3,717,414**	4,326,406	**404,343**	412,968
Commitments and contingencies	35	**7,412,838**	5,466,140	**–**	–

INCOME STATEMENTS
for the financial year ended 30 June 2015

		The Group		The Company	
		2015	2014	2015	2014
	Note	RM'000	RM'000	RM'000	RM'000
Interest income	26	**131,218**	102,486	**21**	170
Interest expense	27	**(88,983)**	(69,052)	**–**	–
Net interest income		**42,235**	33,434	**21**	170
Non-interest income	28	**141,089**	157,442	**93,251**	20,487
		183,324	190,876	**93,272**	20,657
Overhead expenses	29	**(105,531)**	(112,233)	**(1,710)**	(1,111)
Operating profit before allowances		**77,793**	78,643	**91,562**	19,546
Writeback of/(allowance for) impairment losses on loans and advances and other losses	30	**715**	(360)	**(72,666)**	(49,939)
Profit/(loss) before taxation		**78,508**	78,283	**18,896**	(30,393)
Taxation	32	**(2,173)**	40,527	**(48)**	(397)
Net profit/(loss) for the financial year		**76,335**	118,810	**18,848**	(30,790)
Earnings per share (sen)					
- Basic	33	**31.7**	49.9		
- Diluted	33	**31.7**	49.7		

STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 30 June 2015

		The Group		The Company	
	Note	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Net profit/(loss) for the financial year		**76,335**	118,810	**18,848**	(30,790)
Other comprehensive income/(expenses):					
Items that will be reclassified subsequently to profit or loss:					
Net fair value changes on financial investments available-for-sale		**2,516**	(2,167)	**(71)**	15
Income tax relating to net fair value changes on financial investments available-for-sale	11	**(613)**	542	**17**	(4)
Currency translation differences in respect of foreign operation		**(4)**	–	**–**	–
Other comprehensive income/(expense) for the financial year, net of tax		**1,899**	(1,625)	**(54)**	11
Total comprehensive income/(expense) for the financial year		**78,234**	117,185	**18,794**	(30,779)

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 30 June 2015

		Attributable to owners of the parent									
The Group	Note	Share capital RM'000	Treasury shares for ESOS scheme RM'000	Statutory reserve RM'000	Regulatory 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 2014		246,896	(7,923)	97,094	–	550	(669)	543	12	265,902	602,405
Net profit for the financial year		–	–	–	–	–	–	–	–	76,335	76,335
Other comprehensive income/(expense), net of tax		–	–	–	–	–	1,903	–	(4)	–	1,899
Total comprehensive income/(expense)		–	–	–	–	–	1,903	–	(4)	76,335	78,234
Transfer to statutory reserve	24	–	–	16,388	–	–	–	–	–	(16,388)	–
Transfer to regulatory reserve	24	–	–	–	3,031	–	–	–	–	(3,031)	–
ESOS exercised		–	1,316	–	–	(588)	–	–	–	1,012	1,740
Option charge arising from ESOS granted		–	–	–	–	38	–	–	–	–	38
Disposal of treasury shares		–	576	–	–	–	–	–	–	6,810	7,386
Dividend paid	34	–	–	–	–	–	–	–	–	(36,175)	(36,175)
At 30 June 2015		246,896	(6,031)	113,482	3,031	–	1,234	543	8	294,465	653,628

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 30 June 2015

		Attributable to owners of the parent									
The Group	Note	Share capital RM'000	Treasury shares for ESOS scheme RM'000	Statutory reserve RM'000	Regulatory 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

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 30 June 2015

		Non-distributable				Distributable	
The Company	**Note**	**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 2014		**246,896**	**(7,923)**	**1,147**	**11**	**172,310**	**412,441**
Net profit for the financial year		**–**	**–**	**–**	**–**	**18,848**	**18,848**
Other comprehensive expense		**–**	**–**	**–**	**(54)**	**–**	**(54)**
Total comprehensive (expense)/income		**–**	**–**	**–**	**(54)**	**18,848**	**18,794**
Call options exercised by the subsidiary during the year		**–**	**–**	**(1,147)**	**–**	**1,147**	**–**
Treasury shares transferred to trustee of a subsidiary		**–**	**1,429**	**–**	**–**	**–**	**1,429**
Disposal of treasury shares		**–**	**576**	**–**	**–**	**6,810**	**7,386**
Dividend paid	**34**	**–**	**–**	**–**	**–**	**(36,205)**	**(36,205)**
At 30 June 2015		**246,896**	**(5,918)**	**–**	**(43)**	**162,910**	**403,845**
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 income		–	–	–	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 a 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

STATEMENTS OF CASH FLOWS
for the financial year ended 30 June 2015

	The Group	
	2015 RM'000	2014 RM'000
Cash flows from operating activities		
Profit before taxation	**78,508**	78,283
Adjustments for:		
Depreciation of property and equipment	**1,920**	2,028
Amortisation of intangible assets - computer software	**881**	553
Option charge arising from ESOS granted	**38**	159
(Gain)/loss on disposal of property and equipment	**(4)**	1
Gain on liquidation of a subsidiary	**(2)**	(201)
Property and equipment written off	**146**	1
(Writeback of)/allowance for impairment for losses on loans and advances	**(498)**	511
Writeback of allowance for losses on clients' and brokers' balances	**(1)**	(26)
Net unrealised (gain)/loss on revaluation of:		
- Financial assets held-for-trading	**(5,697)**	(3,359)
- Derivative financial instruments	**12,814**	(3,128)
Interest income from:		
- Financial assets held-for-trading	**(39,396)**	(19,554)
- Financial investments available-for-sale	**(28,042)**	(19,127)
- Financial investments held-to-maturity	**(11,225)**	(13,758)
- Derivative financial instruments	**(4,276)**	(2,729)
Interest expense from:		
- Derivative financial instruments	**8,937**	6,650
- Subordinated obligations	**1,698**	–
Dividend income from:		
- Financial assets held-for-trading	**(754)**	(798)
- Financial investments available-for-sale	**(4,484)**	(2,472)
	(67,945)	(55,249)
Operating profit before working capital changes	**10,563**	23,034
Decrease/(increase) in operating assets		
Reverse repurchase agreements	**280,176**	(5,788)
Deposits and placements with banks and other financial institutions	**130,917**	(5,599)
Financial assets held-for-trading	**(44,761)**	(205,194)
Derivative financial instruments	**(396)**	(21)
Loans and advances	**105,929**	(257,741)
Clients' and brokers' balances	**89,574**	(137,221)
Other assets	**22,374**	(34,650)
Statutory deposits with Bank Negara Malaysia	**(25,430)**	(6,250)
	558,383	(652,464)

STATEMENTS OF CASH FLOWS

for the financial year ended 30 June 2015

	Note	The Group 2015 RM'000	The Group 2014 RM'000
Increase/(decrease) in operating liabilities			
Deposits from customers		**210,181**	161,397
Deposits and placements of banks and other financial institutions		**(207,569)**	511,985
Repurchased agreements		**(179,087)**	2,054
Clients' and brokers' balances		**(144,958)**	197,333
Other liabilities		**(421,440)**	406,071
		(742,873)	1,278,840
Cash (used in)/generated from operations		**(173,927)**	649,410
Net income tax (paid)/refund		**(433)**	437
Net cash (used in)/generated from operating activities		**(174,360)**	649,847
Cash flows from investing activities			
Net purchase of:			
- Financial investments available-for-sale		**(209,293)**	(479,484)
- Financial investments held-to-maturity		**(22,865)**	(104,174)
Dividends received from:			
- Financial assets held-for-trading		**754**	798
- Financial investments available-for-sale		**4,394**	2,472
Interest received from financial assets held-for-trading, financial investments available-for-sale, financial investments held-to-maturity and derivatives		**82,586**	48,453
Interest paid on derivative financial instruments		**(8,049)**	(3,528)
Cash received from liquidation of a subsidiary		**7**	201
Proceeds from disposal of property and equipment		**7**	–
Purchase of property and equipment		**(1,614)**	(907)
Purchase of intangible assets		**(3,465)**	(540)
Net cash used in investing activities		**(157,538)**	(536,709)
Cash flows from financing activities			
Interest paid on subordinated obligations		**(1,314)**	–
Proceeds from subordinated obligations		**49,810**	–
Dividend paid		**(36,175)**	–
Cash received from ESOS exercised		**1,740**	3,149
Cash received from disposal of treasury shares		**7,386**	347
Net cash generated from financing activities		**21,447**	3,496
Net (decrease)/increase in cash and cash equivalents during the financial year		**(310,451)**	116,634
Effect of exchange rate changes		**(4)**	–
Cash and cash equivalents at beginning of the financial year		**782,208**	665,574
Cash and cash equivalents at end of the financial year		**471,753**	782,208
Cash and cash equivalents comprise:			
Cash and short-term funds	2	**471,753**	782,208

STATEMENTS OF CASH FLOWS
for the financial year ended 30 June 2015

	The Company	
	2015	**2014**
	RM'000	**RM'000**
Cash flows from operating activities		
Profit/(loss) before taxation	**18,896**	(30,393)
Adjustments for:		
Unrealised loss on financial assets held-for-trading	**–**	8
Unrealised gain on derivative financial instruments	**–**	(8,867)
Interest income	**(21)**	(170)
Dividend income from:		
- Financial assets held-for-trading	**–**	(77)
- Financial investments available-for-sale	**(3,784)**	(1,947)
- Subsidiary companies	**(89,079)**	(9,133)
Gain on liquidation of a subsidiary	**–**	(201)
Allowance for impairment on subsidiary	**72,666**	49,939
	(20,218)	29,552
Operating loss before working capital changes	**(1,322)**	(841)
Decrease in deposits and placements with banks and other financial institutions	**–**	360
Decrease in financial assets held-for-trading	**–**	406
Decrease/(increase) in receivables	**131**	(798)
Decrease in payables	**(25)**	(1,364)
Cash used in operating activities	**(1,216)**	(2,237)
Income tax (paid)/refund	**(31)**	1,333
Interest received	**21**	170
Net cash used in operating activities	**(1,226)**	(734)
Cash flows from investing activities		
Net purchase of financial investments available-for-sale	**(73,226)**	(59,960)
Dividends received from:		
- Financial assets held-for-trading	**–**	77
- Financial investments available-for-sale	**3,694**	1,947
- Subsidiary companies	**96,079**	1,600
Cash received from liquidation of a subsidiary	**–**	201
Investment in a subsidiary	**–**	(20,000)
Net cash generated from/(used in) investing activities	**26,547**	(76,135)
Cash flows from financing activities		
Dividend paid	**(36,205)**	–
Cash received from treasury shares transferred to trustee of subsidiary	**1,429**	1,429
Cash received from disposal of treasury shares	**7,386**	347
Net cash (used in)/generated from financing activities	**(27,390)**	1,776

STATEMENTS OF CASH FLOWS

for the financial year ended 30 June 2015

		The Company	
	Note	2015 RM'000	2014 RM'000
Net decrease in cash and cash equivalents during the financial year		**(2,069)**	(75,093)
Cash and cash equivalents at beginning of the financial year		**2,293**	77,386
Cash and cash equivalents at end of the financial year		**224**	2,293
Cash and cash equivalents comprise:			
Cash and short-term funds	2	**224**	2,293

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the financial year ended 30 June 2015

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 in Malaysia.

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/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 2014 are as follows:

- Amendments to MFRS 132 "Offsetting Financial Assets and Financial Liabilities"
- Amendments to MFRS 136 "Recoverable Amount Disclosures for Non-Financial Assets"
- Amendments to MFRS 139 "Novation of Derivatives and Continuation of Hedge Accounting"
- Amendments to MFRS 10, MFRS 12 and MFRS 127 "Investment entities"
- Amendments to MFRS 119 "Employee benefits"
- IC Interpretation 21 "Levies"
- Annual Improvement 2010 - 2012
- Annual Improvement 2011 - 2013

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 2015

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

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

A number of new standards and amendments to standards and interpretations are effective for 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:

- Amendments to MFRS 116 "Property, plant and equipment" and MFRS 138 "Intangible assets" (effective from 1 January 2016) clarify that the use of revenue-based methods to calculate the depreciation and amortisation of an item of property, plant and equipment and intangible are not appropriate. This is because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

  The amendments to MFRS 138 also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption can be overcome only in the limited circumstances where the intangible asset is expressed as a measure of revenue or where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

- MFRS 9 "Financial Instruments" (effective from 1 January 2018) will replace MFRS 139 "Financial Instruments: Recognition and Measurement". The complete version of MFRS 9 was issued in November 2014.

  MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at 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 introduces an expected credit loss model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

- MFRS 15 "Revenue from contracts with customers" (effective from 1 January 2017) deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces MFRS 118 "Revenue" and MFRS 111 "Construction contracts" and related interpretations.

  The Group will apply these standards when effective. The adoption of the above standards, amendments to published standards and interpretations to existing standards are not expected to have any significant impact on the financial statements of the Group except for MFRS 9. The financial effect of adoption of MFRS 9 is still being assessed by the Group.

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

(c) Significant changes in regulatory requirements

On 4 February 2014, BNM issued a letter requiring banking institutions to maintain, in aggregate, collective impairment allowance and regulatory reserve of no less than 1.20% of total outstanding loans/financing, net of individual impairment allowance, pursuant to paragraph 15 of the BNM's Policy Document on Classification and Impairment Provisions for Loans/ Financing.

The regulatory reserve is maintained in addition to the collective impairment allowance required under the MFRS 139 Financial Instruments: Recognition and Measurement, and it will be set aside from the retained profits to a separate reserve within equity as an additional credit risk absorbent. Banking institutions are required to comply with this requirement by 31 December 2015.

During the financial year, the Group has transferred RM3.0 million from its retained profits to regulatory reserves in accordance with BNM's requirements. The early adoption of this requirement ahead of BNM's requirement by 31 December 2015 did not have any impact to the profit or loss of the Group.

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

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the financial year ended 30 June 2015

B CONSOLIDATION (CONTINUED)

(i) Subsidiaries (continued)

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, any gains or losses arising from such re-measurement are recognised in profit or loss.

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.

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 circumstances indicate that the carrying amount may not be recoverable. Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount. Any subsequent increase in the recoverable amount is recognised in the 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.

(b) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the aggregate of the acquisition date fair value of 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 net of the acquisition date fair value of the identifiable assets acquired and liabilities assumed. If the fair value of consideration transferred, the amount of non-controlling interest and the fair value of previously held interest in the acquiree are less than the fair value of the net identifiable assets of the acquiree, the resulting gain is recognised in the profit or loss.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2015

D INTANGIBLE ASSETS (CONTINUED)

(b) Goodwill (continued)

Goodwill is stated at cost less accumulated impairment loss and is tested annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs 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.

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.

F FINANCIAL ASSETS (CONTINUED)

(a) Classification (continued)

(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.

(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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the financial year ended 30 June 2015

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.

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.

H IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

(a) Assets carried at amortised cost (continued)

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.

(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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2015

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.

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

K SALE AND REPURCHASE AGREEMENTS

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

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

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

L CLIENTS' AND BROKERS' BALANCES

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

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

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

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 Group recognise the fair value of derivatives in profit or loss immediately.

As at reporting date, the Group and the Company have not designated any derivatives as hedging intruments.

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.

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.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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

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

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2015

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.

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.

T RECOGNITION OF FEES AND OTHER INCOME (CONTINUED)

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.

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 contribute to a national defined contribution plan (the Employee Provident Fund) on a mandatory basis and the amounts contributed to the plan are charged to the 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 2015

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.

(b) Foreign currency transactions and balances

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

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.

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 2015

AA CONTINGENT ASSETS AND LIABILITIES

The Group and the Company do not recognise contingent assets and liabilities other than those arising from business combination, but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Company. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

AB TRANSACTION WITH OWNERS

Transaction with owners in their capacity as owners are recognised in statement of changes in equity and are presented separately from non-owner changes in equity.

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 28 July 2015.

2 CASH AND SHORT-TERM FUNDS

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Cash and balances with banks and other financial institutions	**143,986**	200,282	**224**	1,322
Money at call and deposit placements maturing within one month	**327,767**	581,926	**–**	971
	471,753	782,208	**224**	2,293

Inclusive in cash and short-term funds of the Group are accounts in trust for dealer's representative amounting to RM13,544,000 (2014: RM13,777,000).

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2015

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	
	2015 RM'000	**2014 RM'000**
Performing accounts	**197,035**	287,185
Impaired accounts	**1,532**	956
	198,567	288,141
Less: Allowance for bad and doubtful debts:		
- individual assessment allowance	**(361)**	(370)
- collective assessment allowance	**(23)**	(15)
	198,183	287,756
Movements of impaired accounts are as follows:		
At 1 July	**956**	805
Impaired during the financial year	**928**	562
Written back during the financial year	**(352)**	(411)
At 30 June	**1,532**	956
Movements in the allowance for losses on clients' and brokers' balances are as follows:		
Individual assessment allowance		
At 1 July	**370**	378
Allowance made during the financial year	**97**	119
Allowance written back during the financial year	**(106)**	(127)
At 30 June	**361**	370
Collective assessment allowance		
At 1 July	**15**	33
Allowance made/(written back) during the financial year	**8**	(18)
At 30 June	**23**	15

4 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group	
	2015 RM'000	**2014 RM'000**
Licensed banks	**49,246**	301,157
Licensed investment banks	**150,997**	30,003
	200,243	331,160

5 FINANCIAL ASSETS HELD-FOR-TRADING

	The Group	
	2015 RM'000	**2014 RM'000**
Money market instruments		
Malaysian Government Securities	**30,772**	–
Negotiable instruments of deposits	**–**	403,428
Bankers' acceptances	**426,775**	316,639
	457,547	720,067
Quoted securities		
In Malaysia:		
Shares	**21,597**	8,360
Unit trust investment	**–**	2,173
	21,597	10,533
Unquoted securities		
Foreign currency bonds	**62,718**	33,777
Private and Islamic debt securities	**379,023**	106,060
	441,741	139,837
	920,885	870,437

Included in financial assets held-for-trading are foreign currency bonds, which are pledged as collateral for obligations on securities sold under repurchase agreements amounted to RM Nil (2014: RM14,200,000).

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2015

6 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Money market instruments				
Malaysian Government Securities	**102,399**	30,512	**–**	–
Malaysian Government Investment Issues	**80,368**	139,398	**–**	–
Cagamas bonds	**15,051**	15,063	**–**	–
	197,818	184,973	**–**	–
Quoted securities				
In Malaysia:				
Shares	**15,000**	–	**–**	–
Unit trust investment	**144,118**	108,703	**133,130**	59,975
	159,118	108,703	**133,130**	59,975
Unquoted securities				
Shares	**245**	245	**–**	–
Foreign currency bonds	**199,674**	72,619	**–**	–
Private and Islamic debt securities	**401,459**	378,748	**–**	–
	601,378	451,612	**–**	–
	958,314	745,288	**133,130**	59,975

Included in financial investments available-for-sale are foreign currency bonds, which are pledged as collateral for obligations on securities sold under repurchase agreements amounted to RM Nil (2014: RM40,082,000).

7 FINANCIAL INVESTMENTS HELD-TO-MATURITY

	The Group	
	2015 RM'000	2014 RM'000
Money market instruments		
Malaysian Government Securities	**51,097**	51,316
Malaysian Government Investment Issues	**20,397**	25,517
Negotiable instruments of deposits	**–**	51,499
	71,494	128,332
Unquoted securities		
Foreign currency bonds	**248,387**	194,666
Private and Islamic debt securities	**60,374**	35,415
	308,761	230,081
	380,255	358,413

Included in financial investments held-to-maturity are foreign currency bonds, which are pledged as collateral for obligations on securities sold under repurchase agreements amounted to RM Nil (2014: RM135,558,000).

8 LOANS AND ADVANCES

	The Group	
	2015	**2014**
	RM'000	**RM'000**
Term loan financing	**143,066**	140,112
Share margin financing	**183,183**	291,384
Staff loans	**78**	100
Other loans	**659**	1,319
Gross loans and advances	**326,986**	432,915
Less:		
Allowance for losses on loans and advances:		
- individual assessment allowance	**(111)**	(194)
- collective assessment allowance	**(892)**	(1,307)
Total net loans and advances	**325,983**	431,414

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

	2015 RM'000	2014 RM'000
Maturity within one year	**276,377**	365,350
One year to three years	**30,703**	3
Three years to five years	**19,829**	67,479
Over five years	**77**	83
Gross loans and advances	**326,986**	432,915

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

	2015 RM'000	2014 RM'000
Domestic business enterprises:		
- small and medium enterprises	**45,111**	72,653
- others	**158,948**	115,866
Individuals	**122,927**	244,144
Foreign entities	**–**	252
Gross loans and advances	**326,986**	432,915

(iii) Loans and advances analysed by interest rate sensitivity are as follows:

	2015 RM'000	2014 RM'000
Fixed rate:		
- staff housing loans	**78**	83
- other fixed rate loans	**659**	47,353
Variable rate:		
- cost plus	**326,249**	385,479
Gross loans and advances	**326,986**	432,915

NOTES TO THE FINANCIAL STATEMENTS
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8 LOANS AND ADVANCES (CONTINUED)

		The Group	
		2015 RM'000	2014 RM'000
(iv)	Loans and advances analysed by their economic purposes are as follows:		
	Purchase of securities	**222,890**	291,384
	Working capital	**103,359**	140,112
	Purchase of transport vehicles	**112**	157
	Purchase of landed property	**625**	1,256
	Others	**–**	6
	Gross loans and advances	**326,986**	432,915
(v)	Loans and advances analysed by geographical distribution are as follows:		
	Malaysia	**326,986**	432,915
(vi)	Movements in the impaired loans and advances are as follows:		
	At 1 July	**853**	1,123
	Impaired during the financial year	**3**	156
	Amount written-back during the financial year	**(233)**	(426)
	At 30 June	**623**	853
	Ratio of impaired loans to total loans and advances net of individual assessment allowance	**0.2%**	0.2%
(vii)	Movements in the allowance for losses on loans and advances are as follows:		
	Individual assessment allowance		
	At 1 July	**194**	252
	Allowance made during the financial year	**–**	2
	Allowance written-back during the financial year	**(83)**	(60)
	At 30 June	**111**	194
	Collective assessment allowance		
	At 1 July	**1,307**	738
	Allowance (written back)/made during the financial year	**(415)**	569
	At 30 June	**892**	1,307

8 LOANS AND ADVANCES (CONTINUED)

		The Group	
		2015 RM'000	2014 RM'000
(viii)	Impaired loans and advances analysed by their economic purposes are as follows:		
	Purchase of transport vehicles	**111**	115
	Purchase of landed properties	**512**	738
		623	853
(ix)	Impaired loans and advances analysed by geographical distribution are as follows:		
	Malaysia	**623**	853

9 OTHER ASSETS

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Amounts due from subsidiary companies (a)	**–**	–	**620**	7,400
Amounts due from related companies (a)	**–**	49	**–**	49
Deposits	**4,102**	4,555	**5**	5
Prepayments	**1,406**	1,012	**51**	8
Fee income receivables net of allowance for impairment losses of RM28,000 (2014: RM375,000) (b)	**7,123**	33,943	**–**	–
Collaterals pledged for derivative transactions	**8,965**	4,672		
Other receivables	**3,093**	2,489	**90**	345
Manager's stocks and consumables	**28**	287	**–**	–
	24,717	47,007	**766**	7,807

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

(b) Movements of allowance for impairment losses on fee income receivables is as follows:

	The Group	
	2015 RM'000	2014 RM'000
Individual assessment allowance		
At 1 July	**375**	443
Allowance made during the financial year	**–**	85
Allowance written-back during the financial year	**(106)**	(153)
Allowance written-off during the financial year	**(241)**	–
At 30 June	**28**	375

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for the financial year ended 30 June 2015

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	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Deferred tax assets		**95,451**	98,195	**13**	–
Deferred tax liabilities		**–**	(7)	**–**	(4)
		95,451	98,188	**13**	(4)
At 1 July		**98,188**	56,322	**(4)**	–
(Charged)/credited to income statements	32	**(2,124)**	41,324	**–**	–
(Charged)/credited to equity		**(613)**	542	**17**	(4)
At 30 June		**95,451**	98,188	**13**	(4)
Deferred tax assets					
- settled more than 12 months		**70,065**	74,626	**–**	–
- settled within 12 months		**27,067**	24,298	**13**	–
Deferred tax liabilities					
- settled more than 12 months		**(1,330)**	(349)	**–**	–
- settled within 12 months		**(351)**	(387)	**–**	(4)
		95,451	98,188	**13**	(4)

11 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

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

The Group	Property and equipment RM'000	Financial investments available-for-sale RM'000	Unutilised tax credits RM'000	Provisions RM'000	Unutilised capital allowance RM'000	Total RM'000
At 1 July 2014	**(736)**	**223**	**89,182**	**9,519**	**–**	**98,188**
(Charged)/credited to income statements	**(555)**	**–**	**115**	**(1,885)**	**201**	**(2,124)**
Charged to equity	**–**	**(613)**	**–**	**–**	**–**	**(613)**
At 30 June 2015	**(1,291)**	**(390)**	**89,297**	**7,634**	**201**	**95,451**
At 1 July 2013	(917)	(319)	49,140	8,418	–	56,322
Credited to income statements	181	–	40,042	1,101	–	41,324
Credited to equity	–	542	–	–	–	542
At 30 June 2014	(736)	223	89,182	9,519	–	98,188
The Company						
At 1 July 2014	**–**	**–**	**(4)**	**–**	**–**	**(4)**
Credited to equity	**–**	**–**	**17**	**–**	**–**	**17**
At 30 June 2015	**–**	**–**	**13**	**–**	**–**	**13**
At 1 July 2013	–	–	–	–	–	–
Charged to equity	–	–	(4)	–	–	(4)
At 30 June 2014	–	–	(4)	–	–	(4)

12 INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2015 RM'000	2014 RM'000
Subsidiary companies:		
Unquoted shares at cost	**397,736**	397,736
Less: Accumulated impairment losses (a)	**(127,682)**	(55,016)
	270,054	342,720

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2015

12 INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

(a) The Company had recognised an additional allowance for impairment of investment in subsidiary companies of RM72,666,000 and RM49,939,000 during the financial year ended 30 June 2015 and 30 June 2014 respectively.

The impairment allowance was due to reduction in a subsidiary's estimated future cash flows. In determining the impairment allowance, management has assessed the recoverable amount, being the higher of the fair value less costs to sell and value in use. For the financial year ended 30 June 2015, the recoverable amount is assessed using fair value less costs to sell, which comprise mainly of cash and bank balances and unit trust investments.

The fair value of unit trust investments is determined based on the quoted price as at reporting date. For the financial year ended 30 June 2014, the recoverable amount was determined using value in use calculation based on discount rate of 16% which was 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**	**2015 %**	**2014 %**	**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[1]	Malaysia	**–**	100	Dissolved
- RC Nominees (Tempatan) Sdn Bhd[2]	Malaysia	**–**	100	Dissolved
- 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
- 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

12 INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

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

Name of companies	Country of incorporation	Effective equity interest 2015 %	Effective equity interest 2014 %	Principal activities
- SSSB Jaya (1987) Sdn Bhd	Malaysia	**100**	100	In creditors' voluntary liquidation
HLG Capital Markets Sdn Bhd and its subsidiary	Malaysia	**100**	100	Investment holding
- HLG Principal Investments (L) Limited	Labuan	**100**	100	Dormant
HLG Securities Sdn Bhd	Malaysia	**100**	100	Investment holding
HLCB Assets Sdn Bhd (formerly known as 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[3]	Singapore	**–**	100	Struck off
Unincorporated trust for ESOS	Malaysia	**–**	–	Special purpose vehicle for ESOS purpose
Hong Leong Islamic Institutional Income Management Fund	Malaysia	**100**	100	Unit trust funds
Hong Leong Islamic Cash Fund	Malaysia	**100**	100	Unit trust funds
Hong Leong Enhanced Cash Fund	Malaysia	**100**	100	Unit trust funds
Hong Leong Islamic Enhanced Cash Fund	Malaysia	**100**	100	Unit trust funds

1 The subsidiary was dissolved on 5 June 2015.
2 The subsidiary was dissolved on 1 July 2014.
3 The subsidiary was struck off from the Register by the Registrar of Companies with effect from 20 November 2014.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2015

12 INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

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 Notification on the Implementation of Basel III, the minimum capital adequacy requirement for common equity Tier 1 (CET 1) capital ratio and Tier 1 capital ratio are 4.5% and 6.0% respectively for financial year 2015. The minimum regulatory capital adequacy requirement remains at 8.0% for capital ratio. Please refer to Note 39.

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.

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.

13 STRUCTURED ENTITIES (CONTINUED)

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

	The Group	
	2015 RM'000	2014 RM'000
Assets		
Loans and advances	**39,854**	40,652
Derivative financial assets	**3,097**	3,851
Liabilities		
Other liabilities	**7,233**	12,267
Derivative financial liabilities	**10,968**	11,276

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

	The Group	
	2015 RM'000	2014 RM'000
Interest income		
- Loans and advances	**2,344**	1,743
Non-interest income		
- Arranger fees	**1,500**	1,830
- Other fee income	**4,990**	611
- Upfront income on interest rate swaps	**3,150**	8,550
- Unrealised (loss)/gain on revaluation of derivative financial assets and derivative financial liabilities - call options	**(754)**	(1,011)
- interest rate swaps	**593**	(6,897)
Interest expense		
- Interest rate swaps	**2,952**	1,977

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

	The Group	
	2015 RM'000	2014 RM'000
Commitments and contingencies		
Interest rate related contracts:		
- Interest rate swaps	**194,500**	156,000
Equity related contracts:		
- Call options	**8,500**	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.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2015

14 PROPERTY AND EQUIPMENT

The Group 2015	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 2014	350	783	871	18,784	2,903	13,841	637	38,169
Additions	–	–	–	1,337	42	235	–	1,614
Disposals	–	–	–	(119)	–	–	–	(119)
Write-off	–	–	–	(259)	(137)	(960)	–	(1,356)
At 30 June 2015	350	783	871	19,743	2,808	13,116	637	38,308
Accumulated depreciation								
At 1 July 2014	–	18	95	17,401	2,319	12,043	528	32,404
Charge for the financial year	–	8	16	836	263	732	65	1,920
Disposals	–	–	–	(116)	–	–	–	(116)
Write-off	–	–	–	(256)	(133)	(821)	–	(1,210)
At 30 June 2015	–	26	111	17,865	2,449	11,954	593	32,998
Net book value								
At 30 June 2015	350	757	760	1,878	359	1,162	44	5,310

14 PROPERTY AND EQUIPMENT (CONTINUED)

The Group 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
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15 INTANGIBLE ASSETS

Computer software	The Group 2015 RM'000	2014 RM'000
Cost		
At 1 July	**12,421**	13,499
Additions	**3,465**	540
Write-off	**(62)**	(1,618)
At 30 June	**15,824**	12,421
Amortisation		
At 1 July	**(11,364)**	(12,429)
Charge for the financial year	**(881)**	(553)
Write-off	**62**	1,618
At 30 June	**(12,183)**	(11,364)
At end of the financial year	**3,641**	1,057

16 GOODWILL

	The Group 2015 RM'000	2014 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"):

CGUs	The Group 2015 RM'000	2014 RM'000
Investment banking and stockbroking	**28,986**	28,986
Unit trust management	**4,073**	4,073
	33,059	33,059

Impairment test on goodwill

The recoverable amount of CGUs have been determined based on value in use calculation. These calculations use pre-tax cash flows projections based on financial budgets approved by Directors covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rates of 4.0% (30.06.2014: 4.5%), based on historical Gross Domestic Product ("GDP") growth rate of Malaysia on perpetual basis and discounted using pre-tax discount rates which reflect the specific risks relating to CGU.

16 GOODWILL (CONTINUED)

Impairment test on goodwill (continued)

The cash flows projections are derived based on a number of key factors including the past performance and management's expectations of the market development. The following are the discount rates used in determining the recoverable amount of each CGUs:

	The Group	
	2015 %	2014 %
CGUs		
Investment banking and stockbroking	**11.7**	12.0
Unit trust management	**11.7**	12.0

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.

17 DEPOSITS FROM CUSTOMERS

	The Group	
	2015 RM'000	2014 RM'000
Fixed deposits	**841,747**	631,566
(i) Maturity structure of fixed deposits is as follows:		
Due within six months	**841,747**	631,566
(ii) The deposits are sourced from the following customers:		
Government and statutory bodies	**561,996**	534,103
Business enterprises	**265,602**	96,453
Individual	**14,149**	1,010
	841,747	631,566

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2015

18 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group	
	2015 RM'000	2014 RM'000
Bank Negara Malaysia	–	96,343
Licensed banks	**459,790**	553,736
Licensed investment banks	**34,384**	52,804
Other financial institutions	**1,353,217**	1,352,077
	1,847,391	2,054,960

19 REPURCHASED AGREEMENTS

Obligations on securities sold under repurchased agreements are securities which the Group has sold from its investment 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 financial assets sold under repurchase agreements are as follows:

	The Group	
	2015 RM'000	2014 RM'000
Financial assets held-for-trading	–	14,200
Financial investments available-for-sale	–	40,082
Financial investments held-to-maturity	–	135,558
	–	189,840

20 OTHER LIABILITIES

		The Group		The Company	
	Note	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Amount due to other related companies	(a)	**125**	177	–	7
Remisiers' trust deposits		**13,544**	13,777	–	–
Advance payments received for corporate exercise		–	416,545	–	–
Other payables and accrued liabilities		**60,482**	64,935	**498**	516
Post employment benefits obligation:					
- defined contribution plan		**144**	301	–	–
		74,295	495,735	**498**	523

(a) The amount due to other related companies is unsecured, interest free and repayable on demand.

21 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 2015	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	**4,169,500**	**6,968**	**(18,976)**
- futures	**301,872**	**625**	**(265)**
- cross currency swaps	**226,395**	**2,999**	**(6,016)**
Foreign exchange related contracts:			
- foreign currency swaps	**1,908,226**	**28,910**	**(32,165)**
- foreign currency forwards	**61,802**	**457**	**(6)**
- foreign currency spots	**1,166**	**3**	**–**
Equity related contracts:			
- call options	**8,500**	**3,097**	**–**
	6,677,461	**43,059**	**(57,428)**
The Group			
2014			
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 2015

22 SUBORDINATED OBLIGATIONS

	The Group	
	2015 RM'000	2014 RM'000
RM50.0 million Tier 2 subordinated notes, at par	50,000	–
Add: Interest payable	407	–
	50,407	–
Less: Unamortised discounts	(213)	–
	50,194	–

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

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

23 SHARE CAPITAL

	The Group and The Company	
	2015 RM'000	2014 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

24 RESERVES

		The Group		The Company	
	Note	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Retained profits	(i)	**294,465**	265,902	**162,910**	172,310
Statutory reserve	(ii)	**113,482**	97,094	**–**	–
Regulatory reserve	(iii)	**3,031**	–	**–**	–
Share options reserve	(iv)	**–**	550	**–**	–
Fair value reserve	(v)	**1,234**	(669)	**(43)**	11
Call options reserve	(vi)	**–**	–	**–**	1,147
General reserve		**543**	543	**–**	–
Exchange fluctuation reserve	(vii)	**8**	12	**–**	–
		412,763	363,432	**162,867**	173,468

(i) Retained profits

As at 30 June 2015, the Company has tax exempt income of approximately RM787,522 (30.06.2014: RM787,522) available for future distribution of tax exempt dividends. 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.

(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) Regulatory reserve

The banking subsidiary, HLIB is required to maintain in aggregate collective impairment allowances and regulatory reserve of no less than 1.2% of total outstanding loans and advances, net of individual impairment allowances.

(iv) 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.

(v) 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.

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for the financial year ended 30 June 2015

24 RESERVES (CONTINUED)

(vi) 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 3,815,000 call options were exercised, 385,000 call options were lapsed and no call options remained unexercised as at reporting date.

(vii) Exchange fluctuation reserve

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

25 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:

	2015		2014	
	Number of trust shares held	Cost	Number of trust shares held	Cost
The Group	'000	RM'000	'000	RM'000
As at 1 July	**7,373**	**7,923**	9,777	10,506
Disposal of treasury shares	**(535)**	**(576)**	(24)	(26)
Exercise of ESOS	**(1,225)**	**(1,316)**	(2,380)	(2,557)
As at 30 June	**5,613**	**6,031**	7,373	7,923

25 TREASURY SHARES (CONTINUED)

Treasury shares for ESOS scheme (continued)

As at reporting date, the number of shares held by the appointed trustee for the Group and the Company are as follows: (continued)

The Company	2015 Number of trust shares held '000	2015 Cost RM'000	2014 Number of trust shares held '000	2014 Cost RM'000
As at 1 July	**7,373**	**7,923**	8,727	9,378
Disposal of treasury shares	**(535)**	**(576)**	(24)	(26)
Transferred to trustee of subsidiary	**(1,330)**	**(1,429)**	(1,330)	(1,429)
As at 30 June	**5,508**	**5,918**	7,373	7,923

26 INTEREST INCOME

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Loans and advances	**24,739**	16,627	**–**	–
Money at call and deposit placements with financial institutions	**15,058**	25,825	**21**	170
Financial assets held-for-trading	**39,396**	19,554	**–**	–
Financial investments available-for-sale	**28,042**	19,127	**–**	–
Financial investments held-to-maturity	**11,225**	13,758	**–**	–
Derivative financial instruments	**4,276**	2,729	**–**	–
Others	**8,482**	4,866	**–**	–
	131,218	102,486	**21**	170

27 INTEREST EXPENSE

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Deposits and placements of banks and other financial institutions	**16,784**	15,979	**–**	–
Deposits from customers	**61,045**	45,946	**–**	–
Derivative financial instruments	**8,937**	6,650	**–**	–
Subordinated obligations	**1,698**	–	**–**	–
Others	**519**	477	**–**	–
	88,983	69,052	**–**	–

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2015

28 NON-INTEREST INCOME

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Fee income				
Brokerage income	**58,387**	60,576	**–**	–
Unit trust fee income	**16,299**	19,437	**–**	–
Commissions from future contracts	**841**	1,090	**–**	–
Fees on loans and advances	**1,242**	1,284	**–**	–
Arranger fees	**8,849**	15,295	**–**	–
Placement fees	**8,544**	24,521	**–**	–
Corporate advisory fees	**11,811**	8,058	**–**	–
Underwriting commissions	**886**	2,274	**–**	–
Guarantee fees	**249**	1,314	**–**	–
Other fee income	**14,066**	15,372	**–**	–
	121,174	149,221	**–**	–
Net income from securities				
Net realised gain/(loss) arising from sale/redemption of:				
- Financial assets held-for-trading	**6,452**	(5,116)	**179**	109
- Financial investments available-for-sale	**3,196**	4,480	**39**	(33)
- Financial investments held-to-maturity	**–**	12	**–**	–
- Derivative financial instruments	**(3,391)**	9,624	**–**	–
Net unrealised gain/(loss) on revaluation of:				
- Financial assets held-for-trading	**5,697**	3,359	**–**	(8)
- Derivative financial instruments	**(12,814)**	3,128	**–**	8,867
Dividend income from:				
- Financial assets held-for-trading	**754**	798	**–**	77
- Financial investments available-for-sale	**4,484**	2,472	**3,784**	1,947
- Subsidiary companies	**–**	–	**89,079**	9,133
	4,378	18,757	**93,081**	20,092
Other income				
Gain/(loss) on disposal of property and equipment	**4**	(1)	**–**	–
Gain on liquidation of a subsidiary	**2**	201	**–**	201
Foreign exchange gain/(loss)	**15,335**	(11,571)	**–**	–
Other non-operating income	**196**	835	**170**	194
	15,537	(10,536)	**170**	395
	141,089	157,442	**93,251**	20,487

29 OVERHEAD EXPENSES

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Personnel costs	**66,197**	72,302	**421**	335
Establishment costs	**17,970**	18,967	**66**	102
Marketing expenses	**3,211**	3,667	**9**	11
Administration and general expenses	**18,153**	17,297	**1,214**	663
	105,531	112,233	**1,710**	1,111

(i) Personnel costs comprise the following:

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Salaries, bonus and allowances	**55,308**	63,664	**154**	90
Option charge arising from ESOS granted	**38**	159	**–**	–
Other employees benefits	**10,851**	8,479	**267**	245
	66,197	72,302	**421**	335

(ii) Establishment costs comprise the following:

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Depreciation of property and equipment	**1,920**	2,028	**–**	–
Amortisation of intangible assets - computer software	**881**	553	**–**	–
Rental of premises	**6,251**	6,498	**–**	–
Information technology expenses	**5,526**	6,459	**10**	28
Others	**3,392**	3,429	**56**	74
	17,970	18,967	**66**	102

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for the financial year ended 30 June 2015

29 OVERHEAD EXPENSES (CONTINUED)

(iii) Marketing expenses comprise the following:

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Advertisement and publicity	**365**	1,068	**4**	5
Travelling and accomodation	**284**	420	**4**	5
Others	**2,562**	2,179	**1**	1
	3,211	3,667	**9**	11

(iv) Administration and general expenses comprise the following:

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Communication expenses	**1,653**	1,609	**7**	9
Stationery and printing expenses	**828**	830	**12**	5
Management fees	**4,113**	3,898	**289**	267
Professional fees	**4,180**	4,015	**369**	8
Property and equipment written off	**146**	1	**–**	–
Auditors' remuneration:				
- statutory audit fees	**385**	383	**61**	64
- regulatory related fees	**50**	49	**11**	11
- tax compliance fees	**17**	13	**4**	4
- other fees	**175**	200	**–**	1
Others	**6,606**	6,299	**461**	294
	18,153	17,297	**1,214**	663

Included in the overhead expenses of the Group and the Company are Directors' remuneration amounting to RM395,000 (2014: RM375,000) and RM300,000 (2014: RM300,000) respectively.

30 WRITE-BACK OF/(ALLOWANCE FOR) IMPAIRMENT LOSSES ON LOANS AND ADVANCES AND OTHER LOSSES

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Write-back of/(allowance for) losses on loans and advances:				
(a) Individual assessment allowance:				
- made during the financial year	**–**	(2)	**–**	–
- written-back during the financial year	**83**	60	**–**	–
(b) Collective assessment allowance:				
- written-back/(made) during the financial year	**415**	(569)	**–**	–
	498	(511)	**–**	–
Write-back of/(allowance for) losses on clients' and brokers' balances:				
(a) Individual assessment allowance:				
- made during the financial year	**(97)**	(119)	**–**	–
- written-back during the financial year	**106**	127	**–**	–
(b) Collective assessment allowance:				
- (made)/written-back during the financial year	**(8)**	18	**–**	–
	1	26	**–**	–
Bad debts on clients and brokers' balances - recovered	**110**	57	**–**	–
Write-back of/(allowance for) losses on fee income receivables:				
(a) Individual assessment allowance:				
- made during the financial year	**–**	(85)	**–**	–
- written-back during the financial year	**106**	153	**–**	–
	106	68	**–**	–
Allowance for impairment on subsidiary (Note 12)	**–**	–	**(72,666)**	(49,939)
	715	(360)	**(72,666)**	(49,939)

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2015

31 DIRECTORS' REMUNERATION

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 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	**199**	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]	**–**	–	**–**	–
	395	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.

32 TAXATION

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Malaysian income tax:				
- current financial year's charge	**90**	730	**48**	361
- (over)/under provision in prior financial years	**(41)**	67	**–**	36
	49	797	**48**	397
Deferred taxation (Note 11):				
- relating to origination and reversal of temporary differences	**2,124**	(41,324)	**–**	–
	2,124	(41,324)	**–**	–
	2,173	(40,527)	**48**	397

32 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	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Profit/(loss) before taxation	**78,508**	78,283	**18,896**	(30,393)
Tax calculated at a rate of 25% (2014: 25%)	**19,627**	19,571	**4,724**	(7,598)
Tax effects of:				
- Income not subject to tax	**(2,787)**	(736)	**(23,270)**	(4,566)
- Expenses not deductible for tax purposes	**2,779**	769	**18,594**	12,525
- Effect of change in tax rate	**273**	3	**–**	–
- Origination of temporary differences previously not recognised	**(17,561)**	(59,673)	**–**	–
- (Over)/under provision in prior financial years	**(158)**	(461)	**–**	36
Tax expense/(income) for the financial year	**2,173**	(40,527)	**48**	397

Unrecognised deferred tax assets

	The Group	
	2015	2014
	RM'000	RM'000
Tax losses		
Unutilised 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	**133,921**	145,573
Capital allowances		
Unutilised capital allowances for which the related tax credit has not been recognised in the financial statements	**391**	391

Deferred tax assets of certain subsidiaries have not been recognised in respect of these items as it is not probable that taxable profits will be available against which the 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.

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33 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	
	2015	**2014**
(a) Basic earnings per share		
Net profit attributable to equity holders of the Company (RM'000)	**76,335**	118,810
Weighted average number of ordinary shares in issue ('000)	**240,994**	237,963
Basic earnings per share (sen)	**31.7**	49.9

(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	
	2015	**2014**
Basic weighted average number of shares in issue ('000)	**240,994**	237,963
Number of potential ordinary shares ('000)	**–**	1,330
Diluted weighted average number of shares ('000)	**240,994**	239,293
Net profit attributable to equity holders of the Group (RM'000)	**76,335**	118,810
Diluted weighted average number of shares ('000)	**240,994**	239,293
Diluted earnings per share (sen)	**31.7**	49.7

34 DIVIDENDS

Dividends declared and proposed as follows:-

	The Group			
	2015		2014	
	Single-tier dividend per share	Amount of dividend	Single-tier dividend per share	Amount of dividend
	Sen	RM'000	Sen	RM'000
Ordinary shares	**8.5**	**20,986**	15.0	37,035

At the forthcoming Annual General Meeting, the Directors of the Company recommend the payment of a final single-tier dividend of 8.5 sen per share on the Company's issued and paid-up ordinary shares of RM246,896,668 comprising 246,896,668 of ordinary shares amounting to RM21.0 million for the financial year ended 30 June 2015.

34 DIVIDENDS (CONTINUED)

Dividends recognised as distribution to ordinary equity holders of the Company:

	The Group			
	2015		2014	
	Single-tier dividend per share Sen	Amount of dividend RM'000	Single-tier dividend per share Sen	Amount of dividend RM'000
Ordinary shares	15.0	36,175	–	–

	The Company			
	2015		2014	
	Single-tier dividend per share Sen	Amount of dividend RM'000	Single-tier dividend per share Sen	Amount of dividend RM'000
Ordinary shares	15.0	36,205	–	–

In respect of the financial year ended 30 June 2014, dividend paid on the shares held in trust pursuant to the Company's Executive Share Option Scheme ("ESOS") which are classified as treasury shares held for ESOS scheme are not accounted for in the total equity. An amount of RM859,373 (Group) and RM829,185 (Company), being dividend paid for these shares was added back to the appropriation of retained profits.

35 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	2015 Principal amount RM'000	2014 Principal amount RM'000
Commitments and contingencies		
Direct credit substitutes	8,000	20,625
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	722,877	627,233
Other commitments, such as formal standby facilities and credit lines		
- maturity less than one year	1,781	23
- maturity more than one year	2,719	–
	735,377	947,035

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2015

35 COMMITMENTS AND CONTINGENCIES (CONTINUED)

(a) Investment banking subsidiary company related commitments and contingencies (continued)

The commitments and contingencies are as follows: (continued)

The Group	2015 Principal amount RM'000	2014 Principal amount RM'000
Derivative financial instruments		
Interest rate related contracts:		
- One year or less	**1,555,070**	724,036
- Over one year to five years	**2,617,697**	2,246,000
- Over five years	**525,000**	–
Foreign exchange related contracts:		
- One year or less	**1,971,194**	1,537,569
Equity related contracts:		
- Over one year to five years	**8,500**	11,500
	6,677,461	4,519,105
	7,412,838	5,466,140

(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 2015.

36 CAPITAL COMMITMENTS

	The Group	
	2015 RM'000	2014 RM'000
Property and equipment:		
- Approved and contracted but not provided for	**5,006**	7,603
- Approved but not contracted for	**2,655**	188
	7,661	7,791

37 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	
	2015 RM'000	2014 RM'000
Less than one year	**3,530**	6,766
More than one year but less than five years	**325**	3,838

38 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.

39 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 Notification on the Implementation of Basel III, the minimum capital adequacy requirement for common equity Tier 1 (CET 1) capital ratio and Tier 1 capital ratio are 4.5% and 6.0% respectively for year 2015. The minimum regulatory capital adequacy requirement remains at 8.0% (2014: 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	
	2015	2014
Before deducting proposed dividends:		
Common equity tier 1 ("CET1") capital ratio	**23.683%**	20.108%
Tier 1 capital ratio	**23.683%**	20.108%
Total capital ratio	**27.355%**	20.259%
After deducting proposed dividends:[(1)]		
CET1 capital ratio	**20.832%**	16.401%
Tier 1 capital ratio	**20.832%**	16.401%
Total capital ratio	**24.504%**	16.552%

Note:
(1) Proposed dividends of RM41,600,000 (2014: RM62,295,000).

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2015

39 CAPITAL ADEQUACY (CONTINUED)

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

	HLIB	
	2015 RM'000	2014 RM'000
CET1 capital		
Paid-up ordinary share capital	**165,000**	165,000
Share premium	**87,950**	87,950
Retained profits	**22,742**	38,903
Other reserves	**198,645**	179,789
Less: goodwill and intangibles	**(32,535)**	(29,978)
Less: deferred tax assets	**(95,002)**	(103,671)
Less: investment in subsidiary companies	**(154)**	(77)
Less: 55% of cumulative gains of financial instruments available-for-sale	**(978)**	–
Total CET1 capital	**345,668**	337,916
Tier 1 capital	**345,668**	337,916
Tier 2 capital		
Redeemable preference shares	**–**	1,631
Collective assessment allowance(2) and regulatory reserve(3)	**3,825**	1,204
Subordinated obligations	**50,000**	–
Regulatory adjustments:		
- Investment in subsidiary companies	**(230)**	(306)
Total Tier 2 capital	**53,595**	2,529
Total capital	**399,263**	340,445

Note:
(2) Excludes collective assessment allowance attributable to loans and advances classified as impaired.
(3) Includes the qualifying regulatory reserve for non-impaired loans and advances of RM3,031,000 (2014: RM Nil).

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

	HLIB	
	2015 RM'000	2014 RM'000
Credit risk	**678,033**	896,087
Market risk	**483,713**	571,557
Operational risk	**297,840**	212,853
	1,459,586	1,680,497

40 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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40 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Related parties transactions

Transactions with related parties are as follows:

The Group 2015	Parent company RM'000	Other related companies RM'000	Key management personnel RM'000
Income			
Interest income	–	21,988	–
Brokerage income	–	5,345	175
Corporate advisory fee	80	840	–
Arranger fee	–	1,620	–
Placement fee	–	2,801	–
Other fee income	45	4,572	54
(Loss)/gain on securities and derivatives	–	(15,904)	7
	125	21,262	236
Expenses			
Interest expense	–	22,902	187
Rental	–	4,165	–
Management fees	4,106	–	–
Others	–	6,525	–
	4,106	33,592	187
Amounts due from:			
Cash and short-term funds	–	41,588	–
Deposits and placements with banks and other financial institutions	–	184	–
Financial assets held-for-trading	–	144,458	–
Financial investments held-to-maturity	–	57,389	–
Loans and advances	–	39,854	–
Derivative financial assets	–	3,230	–
Clients' and brokers' balances	2,695	16,730	–
Other assets	–	1,017	–
	2,695	304,450	–
Amounts due to:			
Deposits from customers	–	165,430	14,149
Derivative financial liabilities	–	14,117	–
Clients' and brokers' balances	–	2,018	–
Other liabilities	109	1,777	300
	109	183,342	14,449
Commitments and contingencies			
Derivative financial instruments	–	203,000	–

40 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Related parties transactions (continued)

The Company 2015	Parent company RM'000	Subsidiaries RM'000	Other related companies RM'000	Key management personnel RM'000
Income				
Dividends	–	89,079	–	–
Guarantee fee	–	2	–	–
Others	–	168	–	–
	–	89,249	–	–
Expenses				
Management fees	289	–	–	–
Others	–	–	66	–
	289	–	66	–
Amounts due from:				
Cash and short-term funds	–	–	221	–
Investment in subsidiary companies	–	270,054	–	–
Other assets	–	620	–	–
	–	270,674	221	–
Amounts due to:				
Other liabilities	–	–	–	300
	–	–	–	300

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for the financial year ended 30 June 2015

40 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Related parties transactions (continued)

Transactions with related parties are as follows:

The Group 2014	Parent company RM'000	Other related companies RM'000	Key management personnel RM'000
Income			
Interest income	–	21,519	10
Brokerage income	–	4,263	725
Corporate advisory fee	40	1,530	–
Arranger fee	–	1,830	–
Placement fee	–	750	–
Other fee income	45	2,175	–
Gain on securities and derivatives	–	8,010	–
	85	40,077	735
Expenses			
Interest expense	–	19,075	–
Rental	–	4,302	–
Management fees	3,888	–	–
Others	–	6,829	92
	3,888	30,206	92
Amounts due from:			
Cash and short-term funds	–	479,679	–
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	–
	–	831,507	44
Amounts due to:			
Deposits from customers	–	20,535	–
Deposits and placements of banks and other financial institutions	–	250,540	–
Derivative financial liabilities	–	11,969	–
Clients' and brokers' balances	–	4,243	1,724
Other liabilities	–	7	313
	–	287,294	2,037
Commitments and contingencies			
Derivative financial instruments	–	167,500	–

40 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Related parties transactions (continued)

The Company 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 fee	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

(c) Key management personnel

Key management compensation

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Fees	**395**	375	**300**	300
Option charge arising from ESOS granted	**35**	63	**–**	–
	430	438	**300**	300

Included in the above is the Directors' remuneration which is disclosed in Note 31.

NOTES TO THE FINANCIAL STATEMENTS
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41 SEGMENTAL INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined its Group Chief Operating Officer as its chief operating decision-maker.

No analysis by geographical segments is presented as the Group's operations are substantially carried out in Malaysia.

Inter-segment pricing is determined based on negotiated terms. These transactions are eliminated on consolidation.

Segment results, assets and liabilities include items directly attributable to the segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total costs incurred during the period to acquire segment assets that are expected to be used for more than one period.

Business segments

The Group comprises the following main business segments:

Investment banking and stockbroking	-	Investment banking, stockbroking business, future 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

41 SEGMENTAL INFORMATION (CONTINUED)

The Group 2015	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	161,777	16,622	4,925	–	183,324
Inter-segment revenue	(3,552)	(2)	151,479	(147,925)	–
Total revenue[1]	158,225	16,620	156,404	(147,925)	183,324
Overhead expenses	(85,509)	(16,899)	(1,955)	(1,168)	(105,531)
Net impairment losses on loans and advances and other losses	715	–	–	–	715
Results					
Segment results from operations	73,431	(279)	154,449	(149,093)	78,508
Tax expense for the financial year					(2,173)
Net profit for the financial year					76,335
Assets					
Segment assets	3,509,531	42,565	432,588	(267,270)	3,717,414
Liabilities					
Segment liabilities	3,032,163	29,953	2,550	(880)	3,063,786
Other informations					
Capital expenditure	4,168	911	–	–	5,079
Depreciation of property and equipment	1,729	191	–	–	1,920
Amortisation of intangible assets - computer software	847	34	–	–	881
Writeback of allowance for losses on loans and advances	498	–	–	–	498
Writeback of allowance for losses on clients' and brokers' balances	1	–	–	–	1
Bad debts on clients' and brokers' balances recovered	110	–	–	–	110
Writeback of allowance for losses on other assets	106	–	–	–	106

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 2015

41 SEGMENTAL INFORMATION (CONTINUED)

The Group 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[(1)]	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 advances and other assets	(360)	–	–	–	(360)
Result					
Segment results from operations	68,381	3,084	47,996	(41,178)	78,283
Taxation					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.

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

42 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2015

42 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market Risk (continued)

(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	
2015	**Impact on profit after tax RM'000**	**Impact on equity RM'000**
+100 bps	**12,800**	**(15,017)**
-100 bps	**(12,800)**	**15,017**
2014		
+100 bps	8,237	(10,409)
-100 bps	(8,237)	10,409

(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

	2015		2014	
The Group	**+1% RM'000**	**-1% RM'000**	**+1% RM'000**	**-1% RM'000**
USD	**(27)**	**27**	106	(106)
SGD	**2**	**(2)**	(120)	120
Others	**(5)**	**5**	11	(11)
	(30)	**30**	(3)	3

42 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market Risk (continued)

Interest rate risk

The tables below summarise the Group's and the Company's exposure to interest rate risks. Included in the tables are the Group's and the Company's financial assets and financial liabilities at their carrying amounts, categorised by the earlier of contractual repricing or maturity dates. As interest rates and yield curves change over time, the Group and the Company may be exposed to loss in earnings due to the effects of interest rates on the structure of the statement of financial position. Sensitivity to interest rates arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liabilities funding.

	Non-trading book							
The Group 2015	**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	327,630	–	–	–	–	144,123	–	471,753
Clients' and brokers' balances	–	–	–	–	–	198,183	–	198,183
Deposits and placements with banks and other financial institutions	–	151,180	49,063	–	–	–	–	200,243
Financial assets held-for-trading	–	–	–	–	–	–	920,885	920,885
Financial investments available-for-sale	26	–	58,117	521,936	211,912	166,323	–	958,314
Financial investments held-to-maturity	54,738	–	114,620	207,240	–	3,657	–	380,255
Loans and advances	183,841	10,258	67,662	64,264	77	(119)	–	325,983
Other assets	–	–	–	–	–	24,717	–	24,717
Derivative financial assets	–	–	–	–	–	–	43,059	43,059
Statutory deposits with Bank Negara Malaysia	–	–	–	–	–	56,180	–	56,180
Total assets	566,235	161,438	289,462	793,440	211,989	593,064	963,944	3,579,572

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2015

42 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market Risk (continued)

Interest rate risk (continued)

	Non-trading book							
The Group 2015	**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	–	–	–	–	–	192,728	–	192,728
Deposits from customers	820,385	19,891	1,009	–	–	462	–	841,747
Deposits and placements of banks and other financial institutions	1,710,723	123,219	11,398	–	–	2,051	–	1,847,391
Other liabilities	–	–	–	–	–	74,295	–	74,295
Derivative financial liabilities	–	–	–	–	–	–	57,428	57,428
Subordinated obligations	–	–	–	–	49,787	407	–	50,194
Total liabilities	**2,531,108**	**143,110**	**12,407**	**–**	**49,787**	**269,943**	**57,428**	**3,063,783**
Net interest sensitivity gap	**(1,964,873)**	**18,328**	**277,055**	**793,440**	**162,202**			
Direct credit substitutes	–	–	–	–	–	8,000		
Credit related commitments and contingencies	–	–	–	–	–	727,377		
Net interest sensitivity gap	–	–	–	–	–	735,377		

42 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market Risk (continued)

Interest rate risk (continued)

	Non-trading book							
The Group 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	581,765	–	–	–	–	200,443	–	782,208
Clients' and brokers' balances	–	–	–	–	–	287,756	–	287,756
Reverse repurchase agreements	279,851	–	–	–	–	325	–	280,176
Deposits and placements with banks and other financial institutions	–	160,928	169,294	–	–	938	–	331,160
Financial assets held-for-trading	–	–	–	–	–	–	870,437	870,437
Financial investments available-for-sale	–	98,533	146,173	376,086	9,941	114,555	–	745,288
Financial investments held-to-maturity	5,002	24,765	119,758	203,899	–	4,989	–	358,413
Loans and advances	319,743	30,475	15,000	66,825	83	(712)	–	431,414
Other assets	–	–	–	–	–	47,007	–	47,007
Derivative financial assets	–	–	–	–	–	–	23,541	23,541
Statutory deposits with Bank Negara Malaysia	–	–	–	–	–	30,750	–	30,750
Total assets	1,186,361	314,701	450,225	646,810	10,024	686,051	893,978	4,188,150

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2015

42 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market Risk (continued)

Interest rate risk (continued)

	Non-trading book							
The Group 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	626,852	3,164	632	–	–	918	–	631,566
Deposits and placements of banks and other financial institutions	1,623,463	332,541	96,526	–	–	2,430	–	2,054,960
Repurchased agreements	50,219	128,822	–	–	–	46	–	179,087
Other liabilities	–	–	–	–	–	495,735	–	495,735
Derivative financial liabilities	–	–	–	–	–	–	24,773	24,773
Total liabilities	2,300,534	464,527	97,158	–	–	836,815	24,773	3,723,807
Net interest sensitivity gap	(1,114,173)	(149,826)	353,067	646,810	10,024			
Direct credit substitutes	–	–	–	–	–	20,625		
Credit related commitments and contingencies	–	–	–	–	–	926,410		
Net interest sensitivity gap	–	–	–	–	–	947,035		

42 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market Risk (continued)

Interest rate risk (continued)

	Non-trading book							
The Company 2015	**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	–	–	–	–	–	224	–	224
Financial investments available-for-sale	–	–	–	–	–	133,130	–	133,130
Other assets	–	–	–	–	–	766	–	766
Total assets	–	–	–	–	–	134,120	–	134,120
Liabilities								
Other liabilities	–	–	–	–	–	498	–	498
Total liabilities	–	–	–	–	–	498	–	498
Net interest sensitivity gap	–	–	–	–	–			
Direct credit substitutes	–	–	–	–	–	–		
Credit related commitments and contingencies	–	–	–	–	–	–		
Net interest sensitivity gap	–	–	–	–	–	–		

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2015

42 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market Risk (continued)

Interest rate risk (continued)

	Non-trading book							
The Company 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
Total assets	971	–	–	–	–	69,104	–	70,075
Liabilities								
Other liabilities	–	–	–	–	–	523	–	523
Total liabilities	–	–	–	–	–	523	–	523
Net interest sensitivity gap	971	–	–	–	–			
Direct credit substitutes	–	–	–	–	–	–		
Credit related commitments and contingencies	–	–	–	–	–	–		
Total interest rate sensitivity gap	–	–	–	–	–	–		

42 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 2015	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	421,496	50,257	–	–	–	–	–	471,753
Clients' and brokers' balances	198,183	–	–	–	–	–	–	198,183
Deposits and placements with banks and other financial institutions	–	–	151,180	49,063	–	–	–	200,243
Financial assets held-for-trading	142,254	163,402	141,112	–	–	452,520	21,597	920,885
Financial investments available-for-sale	26	–	–	28,455	30,515	739,955	159,363	958,314
Financial investments held-to-maturity	–	55,761	–	58,238	57,389	208,867	–	380,255
Loans and advances	212,790	–	44,877	–	37,612	30,704	–	325,983
Derivative financial assets	19,735	3,251	3,555	3,544	2,397	10,577	–	43,059
Other assets*	90	–	–	–	23,995	–	188,923	213,008
Total assets	994,574	272,671	340,724	139,300	151,908	1,442,623	369,883	3,711,683

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

NOTES TO THE FINANCIAL STATEMENTS
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42 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 2015	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Clients' and brokers' balances	192,728	–	–	–	–	–	–	192,728
Deposits from customers	81,761	739,048	19,918	1,020	–	–	–	841,747
Deposits and placements of banks and other financial institutions	1,442,488	269,610	123,887	10,400	1,006	–	–	1,847,391
Derivative financial liabilities	12,740	10,806	2,277	2,966	4,485	24,154	–	57,428
Subordinated obligations	–	–	–	–	–	50,194	–	50,194
Other liabilities**	13,665	144	–	2,665	57,821	–	3	74,298
Total liabilities	1,743,382	1,019,608	146,082	17,051	63,312	74,348	3	3,063,786
Total equity	–	–	–	–	–	–	653,628	653,628
Total liabilities and equity	1,743,382	1,019,608	146,082	17,051	63,312	74,348	653,631	3,717,414

** Includes current tax liabilities.

42 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 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

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2015

42 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 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
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 current tax liabilities and deferred tax liabilities.

42 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 2015	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	224	–	–	–	–	–	–	224
Financial investment available-for-sale	–	–	–	–	–	–	133,130	133,130
Other assets	620	–	–	–	146	–	–	766
Tax recoverable	–	–	–	–	–	–	156	156
Deferred tax assets	–	–	–	–	–	–	13	13
Investment in subsidiary companies	–	–	–	–	–	–	270,054	270,054
Total assets	844	–	–	–	146	–	403,353	404,343
Liabilities								
Other liabilities	–	–	–	–	498	–	–	498
Total liabilities	–	–	–	–	498	–	–	498
Total equity	–	–	–	–	–	–	403,845	403,845
Total liabilities and equity	–	–	–	–	498	–	403,845	404,343

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for the financial year ended 30 June 2015

42 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 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

42 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 2015	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	**192,728**	**–**	**–**	**–**	**–**	**–**	**192,728**
Deposits from customers	**821,616**	**21,044**	**–**	**–**	**–**	**–**	**842,660**
Deposits and placements of banks and other financial institutions	**1,712,912**	**135,040**	**1,040**	**–**	**–**	**–**	**1,848,992**
Derivative financial liabilities							
- Gross settled derivatives							
- Inflow	**(849,210)**	**(946,545)**	**(150,543)**	**–**	**–**	**–**	**(1,946,298)**
- Outflow	**846,895**	**949,102**	**150,168**	**–**	**–**	**–**	**1,946,165**
- Net settled derivatives	**(65)**	**5,544**	**2,647**	**4,591**	**879**	**(6,234)**	**7,362**
Other liabilities	**15,642**	**2,665**	**55,858**	**–**	**130**	**–**	**74,295**
Subordinated obligations	**–**	**1,343**	**1,321**	**5,300**	**5,307**	**61,943**	**75,214**
Total financial liabilities	**2,740,518**	**168,193**	**60,491**	**9,891**	**6,316**	**55,709**	**3,041,118**

The Group 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	14,272	2,665	473,239	5,559	–	–	495,735
Total financial liabilities	2,655,231	571,914	471,493	15,553	1,957	–	3,716,148

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42 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 2015	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							
Other liabilities	–	–	498	–	–	–	498
Total financial liabilities	–	–	498	–	–	–	498
2014							
Liabilities							
Other liabilities	4	–	519	–	–	–	523
Total financial liabilities	4	–	519	–	–	–	523

The following table presents the contractual expiry by maturity of the Group's commitments and contingencies:

The Group 2015	Less than 1 year RM'000	Over 1 year RM'000	Total RM'000
Direct credit substitutes	1,000	7,000	8,000
Other commitments, such as formal standby facilities and credit lines	1,781	2,719	4,500
Any commitment that are unconditionally cancelled at anytime by the Group without prior notice	722,877	–	722,877
	725,658	9,719	735,377
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	627,233	–	627,233
	926,410	20,625	947,035

42 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk

(i) Maximum exposure to credit risk

The maximum exposure to credit risk at the statement 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	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Credit risk exposure relating to on-balance sheet assets:				
Short-term funds (exclude cash in hand)	**471,741**	782,196	**224**	2,293
Clients' and brokers' balances	**198,183**	287,756	**–**	–
Reverse repurchase agreements	**–**	280,176	**–**	–
Deposits and placements with banks and other financial institutions	**200,243**	331,160	**–**	–
Financial assets and investments portfolios (exclude shares and unit trust investment)				
- financial assets held-for-trading	**899,288**	859,904	**–**	–
- financial investments available-for-sale	**798,951**	636,340	**–**	–
- financial investments held-to-maturity	**380,255**	358,413	**–**	–
Loans and advances	**325,983**	431,414	**–**	–
Other assets	**23,311**	45,995	**715**	7,799
Derivative financial assets	**43,059**	23,541	**–**	–
	3,341,014	4,036,895	**939**	10,092
Credit risk exposure relating to off-balance sheet items:				
Commitments and contingencies	**735,377**	947,035	**–**	–
Total maximum credit risk exposure	**4,076,391**	4,983,930	**939**	10,092

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2015

42 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 2015 for the Group is 87.5% (30 June 2014: 91.7%). 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	2015 RM'000	2014 RM'000
Neither past due nor impaired	**326,363**	432,062
Past due but not impaired	**–**	–
Individually impaired	**623**	853
Gross loans and advances	**326,986**	432,915
Less : Allowance for impaired loans, advances and financing:		
- individual assessment allowance	**(111)**	(194)
- collective assessment allowance	**(892)**	(1,307)
Total net loans and advances	**325,983**	431,414

42 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	2015 RM'000	2014 RM'000
Grading classification:		
- Good	**92,533**	113,285
- Satisfactory	**50,533**	26,827
- Un-graded	**183,297**	291,950
	326,363	432,062

The definition of the grading classification of loans and advances can be summarised as follow:

Good:
Refers to internal credit grading from 'Favourable' to 'Prime Quality', indicating strong ability to repay principal and interest.

Satisfactory:
Refers to internal credit grading of 'Satisfactory', indicating adequate ability and no difficulty to repay principal and interest.

Loans and advances classified as un-graded mainly comprise of share margin financing and staff loans.

(ii) Loans and advances past due but not impaired

A financial asset is defined as "past due" when the counterparty has failed to make a principal or interest payment when contractually due.

Late processing and other administrative delays on the side of the borrower can lead to a financial asset being past due but not impaired. Therefore, loans and advances less than 90 days past due are not usually considered impaired, unless other information is available to indicate the contrary.

There were no loans and advances past due but not impaired for the Group.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2015

42 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iii) Credit quality (continued)

(a) Loans and advances (continued)

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

The Group	2015 RM'000	2014 RM'000
Gross amount of individually impaired loans	**623**	853
Less: Individual assessment allowance	**(111)**	(194)
Total net amount of individually impaired loans	**512**	659

(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

42 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.

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 2015	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
Neither past due nor impaired	**671,984**	**197,035**	**–**	**899,288**	**798,951**	**380,255**	**23,311**	**43,059**
Individually impaired	**–**	**1,532**	**–**	**–**	**–**	**–**	**28**	**–**
Less: Impairment losses	**–**	**(384)**	**–**	**–**	**–**	**–**	**(28)**	**–**
	671,984	**198,183**	**–**	**899,288**	**798,951**	**380,255**	**23,311**	**43,059**
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

NOTES TO THE FINANCIAL STATEMENTS
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42 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 2015	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Other assets RM'000
Neither past due nor impaired	**224**	**715**
Individually impaired	**–**	**–**
Less: Impairment losses	**–**	**–**
	224	**715**
2014		
Neither past due nor impaired	2,293	7,799
Individually impaired	–	–
Less: Impairment losses	–	–
	2,293	7,799

42 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 2015	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Clients' and brokers' balances 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
AAA to AA3	31,182	799	261,687	394,016	15,150	4	32,084
A1 to A3	–	–	62,746	79,884	49,059	–	2,858
Baa1 to Baa3	–	–	–	99,410	199,328	–	–
P1 to P3	370,609	–	426,775	–	–	4,374	–
B1	–	–	–	20,370	–	–	–
Non-rated, of which:							
- Bank Negara Malaysia	270,188	–	–	–	–	–	–
- Malaysia Government Investment Issues	–	–	–	80,368	20,397	–	–
- Malaysian Government Securities	–	–	30,772	102,399	51,097	–	–
- Government Guaranteed Private Debt Securities	–	–	66,025	18,203	45,224	–	–
- Others	5	197,384	51,283	4,301	–	18,933	8,117
	270,193	197,384	148,080	205,271	116,718	18,933	8,117
	671,984	198,183	899,288	798,951	380,255	23,311	43,059

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2015

42 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 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	Other assets RM'000	Derivative financial assets RM'000
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	–	–
- Malaysian Government Securities	–	–	–	–	30,512	51,316	–	–
- Government Guaranteed Private Debt Securities	–	–	–	–	55,821	15,097	–	–
- 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

42 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 2015	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Other assets RM'000
AAA to AA3	–	–
P1 to P3	224	–
Non-rated, of which:		
- Others	–	715
	–	715
	224	715
2014		
AAA to AA3	–	–
P1 to P3	2,293	–
Non-rated, of which:		
- Others	–	7,799
	–	7,799
	2,293	7,799

(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

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42 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

Credit risk exposure analysed by industry in respect of the Group's and the Company's financial assets, including off-balance sheet financial instruments are set out below:

The Group 2015	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Clients' and brokers' balances 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
Manufacturing	–	–	–	–	–	–	216	–	216	700
Electricity, gas and water	–	–	–	40,141	–	–	1,352	–	41,493	–
Construction	–	–	87,611	–	–	25,284	3,292	–	116,187	8,701
Wholesale and retail	–	–	–	5,048	–	–	744	–	5,792	–
Transport, storage and communications	–	–	–	–	–	–	233	–	233	–
Finance, insurance, real estate and business services	401,796	–	811,677	753,762	380,255	165,468	1,025	43,059	2,557,042	30,325
Government and government agencies	270,188	–	–	–	–	–	–	–	270,188	–
Education, health and others	–	–	–	–	–	134,048	160	–	134,208	680,675
Purchase of securities	–	198,183	–	–	–	–	–	–	198,183	–
Others	–	–	–	–	–	1,183	16,289	–	17,472	14,976
	671,984	198,183	899,288	798,951	380,255	325,983	23,311	43,059	3,341,014	735,377

42 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

Credit risk exposure analysed by industry in respect of the Group's and the Company's financial assets, including off-balance sheet financial instruments are set out below: (continued)

The Group 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	132,120
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	947,035

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for the financial year ended 30 June 2015

42 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 2015	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
Finance, insurance, real estate and business services	**224**	**710**	**934**
Others	**–**	**5**	**5**
	224	**715**	**939**
2014			
Finance, insurance, real estate and business services	2,293	7,449	9,742
Others	–	350	350
	2,293	7,799	10,092

(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.

42 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 2014 - 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 2015	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Financial assets held-for-trading	21,597	899,288	–	920,885
- money market instruments	–	457,547	–	457,547
- quoted securities	21,597	–	–	21,597
- unquoted securities	–	441,741	–	441,741
Financial investments available-for-sale	159,118	798,951	245	958,314
- money market instruments	–	197,818	–	197,818
- quoted securities	159,118	–	–	159,118
- unquoted securities	–	601,133	245	601,378
Derivative financial assets	–	43,059	–	43,059
	180,715	1,741,298	245	1,922,258
Financial liability				
Derivative financial liabilities	–	57,428	–	57,428

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2015

42 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 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

The Company 2015	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial asset				
Financial investments available-for-sale				
- quoted securities	**133,130**	**–**	**–**	**133,130**
2014				
Financial asset				
Financial investments available-for-sale				
- quoted securities	59,975	–	–	59,975

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

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

The Group	Financial investments available-for-sale 2015 RM'000	2014 RM'000
As at 1 July	**245**	686
Redeemed during the year	**–**	(441)
As at 30 June	**245**	245

(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:

The Group 2015	Carrying amount RM'000	Fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets					
Financial investments held-to-maturity					
- money market instruments	**71,494**	**–**	**71,932**	**–**	**71,932**
- unquoted securities	**308,761**	**–**	**309,728**	**–**	**309,728**
	380,255	**–**	**381,660**	**–**	**381,660**

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2015

42 FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement (continued)

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

The Group 2015	Carrying amount RM'000	Fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial liability					
Deposits and placements of banks and other financial institutions	**1,847,391**	**–**	**1,847,393**	**–**	**3,694,784**
Subordinated obligations	**50,194**	**–**	**50,201**	**–**	**100,395**
	1,897,585	**–**	**1,897,594**	**–**	**3,795,179**
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

Other than as disclosed above, the total fair value of each financial assets and liabilities presented on the statements of financial position as at reporting date of the Group and the Company approximates the total carrying amount.

The fair values are based on the following methodologies and assumptions:

Short-term funds and placements with banks and other financial institutions

For deposits and placements with banks and other financial institutions with maturities of less than six months, the carrying value is a reasonable estimate of fair value. For deposits and placements with maturities six months and above, estimated fair value is based on discounted cash flows using prevailing money market interest rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.

Financial investments 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.

42 FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement (continued)

The fair values are based on the following methodologies and assumptions: (continued)

Loans and advances

The value of fixed rate loans with remaining maturity of less than one year and floating rate loans are estimated to approximate their carrying amounts. For fixed rate loans with remaining maturity of more than one year, the fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of loans with similar credit risks and maturities.

The fair values of impaired floating and fixed rate loans are represented by their carrying value, net of 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.

43 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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2015

43 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

The table identifies the amounts that have been offset in the balance sheet and also those amounts that are covered by enforceable netting arrangements (offsetting arrangements and financial collateral) but do not qualify for netting under the requirements of MFRS 132 described above.

The "Net amounts" presented below are not intended to represent the Group's actual exposure to credit risk, as a variety of credit mitigation strategies are employed in addition to netting and collateral arrangements.

	Effects of offsetting on balance sheet			Related amounts not offset		
The Group 2015	**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	**401,596**	**(203,413)**	**198,183**	**–**	**–**	**198,183**
Derivative financial assets	**43,059**	**–**	**43,059**	**(6,797)**	**–**	**36,262**
Total assets	**444,655**	**(203,413)**	**241,242**	**(6,797)**	**–**	**234,445**
Financial liabilities						
Clients' and brokers' balances	**396,141**	**(203,413)**	**192,728**	**–**	**–**	**192,728**
Derivative financial liabilities	**57,428**	**–**	**57,428**	**(6,797)**	**(4,374)**	**46,257**
Total liabilities	**453,569**	**(203,413)**	**250,156**	**(6,797)**	**(4,374)**	**238,985**
2014						
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

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.

43 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

Repurchased and reverse repurchase agreements

The 'Financial instruments' column identifies financial assets and liabilities that are subject to set off under netting agreements, such as global master repurchased agreements and global master securities lending agreements, whereby all outstanding transactions with the same counterparty can be offset and close-out netting applied across all outstanding transaction covered by the agreements if an event of default or other predetermined events occur.

Financial collateral typically comprises cash, highly liquid securities or other financial instruments which are legally transferred and can be liquidated in the event of counterparty default.

44 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.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2015

44 EQUITY COMPENSATION BENEFITS (CONTINUED)

Executive Share Option Scheme (continued)

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.

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

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 01.07.2014	Exercised	Lapsed	As at 30.06.2015
19 January 2011	19 January 2015	18 April 2015^	1,330,000	(1,225,000)	(105,000)	–

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

There were no options outstanding at reporting date.

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

	2015		2014	
	Number of trust shares held	Market value	Number of trust shares held	Market value
	'000	RM'000	'000	RM'000
The Group	**5,613**	**7,465**	7,373	104,254
The Company	**5,508**	**7,325**	7,373	104,254

45 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Public Shareholdings Spread

On 23 February 2015, HLCB announced that the Company had on even date written to Bursa Securities to appeal against Bursa Securities' decision to impose a suspension on the trading of HLCB's securities.

HLCB had on 18 March 2015 announced that Bursa Securities had vide its letter dated 18 March 2015 informed the Company that the Appeals Committee of Bursa Securities had decided to dismiss the appeal and uphold the decision of the Listing Committee of Bursa Securities (as communicated to the Company vide Bursa Securities' letter dated 12 February 2015) that a suspension be imposed on the trading of HLCB's shares for breach of Paragraph 8.02(1) of the Listing Requirements.

In arriving at the aforesaid decision, the Appeals Committee affirmed similar factors taken into consideration by the Listing Committee including the following:

(a) Bursa Securities has a statutory duty to ensure an orderly and fair market in the securities that are traded;

(b) There was significant lack of trading liquidity in HLCB shares during the period of non-compliance which rendered HLCB shares susceptible to substantial share price movement arising from trading by a small group of investors;

(c) Bursa Securities had in the past issued 2 Unusual Market Activity queries as well as a Market Alert advising investors to exercise caution and to make informed decisions in the trading of HLCB shares; and

(d) HLCB does not have a plan to rectify the shortfall in the public shareholding spread despite numerous extensions of time granted by Bursa Securities.

The trading of HLCB's shares was suspended with effect from 26 March 2015. The suspension will only be uplifted upon full compliance of the public shareholding spread in accordance with Paragraph 8.02(1) of the Listing Requirements.

The Company is required to announce the status of its efforts to comply with the public shareholding spread simultaneously with its quarterly results and in any event, not later than 2 months after the end of each quarter of its financial year.

46 SUBSEQUENT EVENT AFTER THE FINANCIAL YEAR

Change of name

The Company's wholly owned sibsidiary, HLG Futures Sdn Bhd has changed its name to HLCB Assets Sdn Bhd with effect from 28 August 2015.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2015

47 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.

	2015 RM'000	2014 RM'000
The Group		
Total retained profits of Hong Leong Capital Berhad and its subsidiaries		
- Realised	**364,340**	232,928
- Unrealised - in respect of deferred tax recognised in the profit or loss	**95,451**	98,188
- in respect of other items of income and expenses	**51,519**	25,752
	511,310	356,868
Less: Consolidation adjustments	**(216,845)**	(90,966)
Total Group's retained profits	**294,465**	265,902
The Company		
Total retained profits of Hong Leong Capital Berhad		
- Realised	**162,897**	172,310
- Unrealised - in respect of deferred tax recognised in the profit or loss	**13**	–
	162,910	172,310

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 Quek Kon Sean, 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 149 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 2015 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 17 September 2015.

Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman
Director

Quek Kon Sean
Director

Kuala Lumpur
21 September 2015

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 149 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
21 September 2015

Before me,

LEONG SEE KEONG
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 148 which comprise the statements of financial position as at 30 June 2015 of the Group and of the Company, and the income statements, statements of 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 46.

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 2015 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)

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 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) Our 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 47 on page 149 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

NG YEE LING
(No. 3032/01/17 (J))
Chartered Accountant

Kuala Lumpur
21 September 2015

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-fourth 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 Wednesday, 28 October 2015 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 2015.

2. To declare a final single-tier dividend of 8.5 sen per share for the financial year ended 30 June 2015 to be paid on 19 November 2015 to members registered in the Record of Depositors on 3 November 2015. **(Resolution 1)**

3. To approve the payment of Directors' fees of RM180,000 for the financial year ended 30 June 2015 (2014: RM180,000), to be divided amongst the Directors in such manner as the Directors may determine. **(Resolution 2)**

4. To re-elect the retiring Director, Mr Quek Kon Sean **(Resolution 3)**

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 4)**

   (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 and having served as an Independent Director for more than nine (9) years, be and is hereby re-appointed and retained as an Independent Director of the Company to hold office until the conclusion of the next Annual General Meeting." **(Resolution 5)**

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

SPECIAL BUSINESS

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

7. **Ordinary Resolution**
   Retention of Independent Non-Executive Directors:

   (a) "**THAT** YBhg Dato' Mohamed Nazim bin Abdul Razak who has served as an Independent Director for more than nine (9) years, be and is hereby retained as an Independent Director of the Company to hold office until the conclusion of the next Annual General Meeting." **(Resolution 7)**

   (b) "**THAT** YBhg Dato' Ahmad Fuaad bin Mohd Dahalan who has served as an Independent Director for more than nine (9) years, be and is hereby retained as an Independent Director of the Company to hold office until the conclusion of the next Annual General Meeting." **(Resolution 8)**

8. **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 9)**

9. **Ordinary Resolution**
Proposed Renewal of and New 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 6 October 2015 ("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 10)**

10. **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 6 October 2015 with Tower REIT provided that such transactions are undertaken in the ordinary course of business, on arm's length basis and on commercial terms which are not more favourable to Tower REIT than those generally available to and/or from the public and are not, in the Company's opinion, detrimental to the minority shareholders;

AND THAT such approval shall continue to be in force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or

(b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 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 11)**

11. 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 3 November 2015 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
6 October 2015

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 22 October 2015 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/her 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

EXPLANATORY NOTES

1. **Resolutions 5, 7 and 8 – Re-appointment and Retention of Independent Directors**

   The Malaysian Code on Corporate Governance 2012 prescribes that approval of shareholders be sought in the event that the Company intends to retain as an Independent Director, a person who has served in that capacity for more than 9 years. The Director concerned will be re-designated as Non-Independent Director in the event that shareholders' approval is not obtained.

   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 ("MMLR").

   YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman, YBhg Dato' Mohamed Nazim bin Abdul Razak and YBhg Dato' Ahmad Fuaad bin Mohd Dahalan have declared their independence and fulfil the criteria as independent directors as defined in the MMLR. The NC and Board have determined at the annual assessment carried out that YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman, YBhg Dato' Mohamed Nazim bin Abdul Razak and YBhg Dato' Ahmad Fuaad bin Mohd Dahalan who have served on the Board for more than 9 years remain objective and continue to bring independent and objective judgment to Board deliberations and decision making. The Board recognises that independence should not be determined solely based on tenure of service and that the continued tenure of service brings considerable stability to the Board. The Company benefits from their mix of skills, experience and competencies for informed and balanced decision-making by the Board.

2. **Resolution 9 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 30 October 2014 and which will lapse at the conclusion of the Twenty-fourth 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.

3. **Resolutions 10 and 11 on Recurrent Related Party Transactions of a Revenue or Trading Nature**

   The proposed Ordinary Resolutions, if passed, will empower the Company and its subsidiaries ("HLCB Group") to enter into recurrent related party transactions of a revenue or trading nature which are necessary for HLCB Group's day-to-day operations, subject to the transactions being in the ordinary course of business and on terms which are not more favourable to the related parties than those generally available to the public and are not, in the Company's opinion, detrimental to the minority shareholders of the Company ("Proposed Shareholders' Mandate").

   Detailed information on the Proposed Shareholders' Mandate is set out in the Circular to Shareholders dated 6 October 2015 which is despatched together with the Company's 2015 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-fourth Annual General Meeting of the Company.

- **Statement relating to general mandate for issue of securities in accordance with Paragraph 6.03(3) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad**

  Details of the general mandate to issue securities in the Company pursuant to Section 132D of the Companies Act, 1965 are set out in Explanatory Note 2 of the Notice of Twenty-fourth Annual General Meeting.

OTHER INFORMATION

1. MATERIAL CONTRACTS

There are no material contracts (not being contracts entered into in the ordinary course of business) which had been entered into by the Company and its subsidiaries involving the interest of Directors 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 28 AUGUST 2015

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 28 August 2015

Size of Holdings	No. of Shareholders	%	No. of Shares	%
Less than 100	56	8.02	2,028	0.00
100 – 1,000	228	32.66	164,661	0.07
1,001 – 10,000	248	35.53	939,521	0.38
10,001 – 100,000	109	15.62	4,793,100	1.94
100,001 – less than 5% of issued shares	56	8.03	40,192,300	16.28
5% and above of issued shares	1	0.14	200,805,058	81.33
	698	**100.00**	**246,896,668**	**100.00**

List of Thirty Largest Shareholders as at 28 August 2015

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)*	5,507,700	2.23
3.	AllianceGroup Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Yu Kuan Chon*	2,950,100	1.19
4.	Tong Chin Hen	2,863,500	1.16
5.	AllianceGroup Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Ho Swee Ming (8080176)*	2,338,300	0.95
6.	Rapid Synergy Berhad	2,191,400	0.89
7.	AllianceGroup Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Yu Kuan Chon (8076930)*	1,476,000	0.60
8.	RHB Capital Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Lim Fung Neng*	1,335,000	0.54
9.	RHB Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Yu Kuan Chon*	1,099,800	0.45

2. ANALYSIS OF SHAREHOLDINGS AS AT 28 AUGUST 2015 (CONTINUED)

List of Thirty Largest Shareholders As At 28 August 2015 (Continued)

Name of Shareholders		No. of Shares	%
10.	RHB Capital Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Yu Kuan Chon (CEB)*	1,019,600	0.41
11.	RHB Capital Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Chan Weng Fui (CEB)*	1,018,900	0.41
12.	Kenanga Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Ho Swee Ming*	941,000	0.38
13.	Koh Liong Boon	931,500	0.38
14.	RHB Capital Nominees (Tempatan) Sdn Bhd *- Yu Kuan Chon*	870,000	0.35
15.	MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Yu Kuan Chon (MGN-YKC0008M)*	863,400	0.35
16.	RHB Capital Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Ho Swee Ming (CEB)*	857,500	0.35
17.	Kenanga Nominees (Tempatan) Sdn Bhd *- For Ding Ming Hea*	833,100	0.34
18.	RHB Capital Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Liew Kok Tze*	776,000	0.31
19.	MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Lim Fung Neng (MGN-LFN0001M)*	633,500	0.26
20.	Public Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Yu Kuan Chon (E-TAI/KMT)*	623,500	0.25
21.	JF Apex Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Chan Yan Meng (Margin)*	622,500	0.25
22.	RHB Capital Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Tan Kooi Ming @ Tam Kooi Ming*	579,000	0.23
23.	AllianceGroup Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Ho Swee Ming*	558,000	0.23
24.	Ng Bing Tiam @ Goh Kee Sang	513,000	0.21
25.	Kenanga Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Lee Chun Weng*	500,000	0.20
26.	AllianceGroup Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Chan Yan Meng (8079675)*	483,500	0.20
27.	AllianceGroup Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Chan Weng Fui (8082361)*	475,600	0.19
28.	AllianceGroup Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Chan Sow Keng (8105010)*	450,000	0.18
29.	AllianceGroup Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Lim Fung Neng (8080723)*	410,300	0.17
30.	Chan Weng Fui	381,400	0.15
		234,908,158	**95.14**

2. ANALYSIS OF SHAREHOLDINGS AS AT 28 AUGUST 2015 (CONTINUED)

Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 28 August 2015 are as follows:

Names of Shareholders	Direct No. of Shares	%	Indirect 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 28 AUGUST 2015

Subsequent to the financial year end, there is no change, as at 28 August 2015, to the Directors' interests in the ordinary shares, preference shares, and/or options over ordinary shares and/or loan stocks of the Company and/or its related corporations (other than wholly-owned subsidiaries), appearing in the Directors' Report on pages 38 to 41 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:

	No. of Ordinary shares	%
Indirect Interests of YBhg Tan Sri Quek Leng Chan in:		
First Garden Development Pte Ltd (In members' voluntary liquidation)	Nil[(1)]	Nil
Sanctuary Land Pte Ltd (In members' voluntary liquidation)	Nil[(1)]	Nil
Beijing Cheng Jian Dong Hua Real Estate Development Company Limited	Nil	Nil

Note:
[(1)] Dissolved by members' voluntary liquidation

OTHER INFORMATION

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	21	1,866	31/12/1993

FORM OF PROXY

HongLeong 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-fourth Annual General Meeting of the Company to be held at the Theatrette, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Wednesday, 28 October 2015 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 8.5 sen per share		
2.	To approve the payment of Directors' fees		
3.	To re-elect Mr Quek Kon Sean as a Director		
4.	To re-appoint YBhg Tan Sri Quek Leng Chan as a Director		
5.	To re-appoint and retain YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman as an Independent Director		
6.	To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and authorise the Directors to fix their remuneration		
Special Business			
7.	To retain YBhg Dato' Mohamed Nazim bin Abdul Razak as an Independent Director		
8.	To retain YBhg Dato' Ahmad Fuaad bin Mohd Dahalan as an Independent Director		
9.	To approve the ordinary resolution on authority to Directors to issue shares		
10.	To approve the ordinary resolution on the proposed renewal of and new 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		
11	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 2015

_______________________________ _______________________________

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 22 October 2015 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)
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Fax : 03-2164 2503

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