Hong Leong Capital Berhad

ANNUAL REPORT 2016


Vision
An outstanding financial services organisation, highly competitive and profitable, where people make the difference

Contents

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 the Hong Leong Financial Group, and represents the holding company for the wider Hong Leong Group's banking and financial services. It aims to be a leading regional financial services institution providing diversified clients with a full range of value propositions and financial solutions in the areas of investment banking, securities, and investment management services. These segments are serviced by Hong Leong Capital Berhad's key operating components, namely Hong Leong Investment Bank Berhad ("HLIB") and Hong Leong Asset Management Berhad ("HLAM").

HLIB 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 issuances, syndicated loans, initial public offerings, rights issues, restricted issues, special issues, and private placements. Other corporate-related advisory works include corporate restructuring, mergers and acquisitions, asset and investment valuation, takeovers and privatisations, and capital market instruments. At the same time, HLIB also offers debt and equity underwriting, deposit taking, treasury-related solutions as well as trading and distribution services.

The Stockbroking Division of HLIB provides a range of broking services for a wide range of clients, ranging from institutional, retail, to high net worth investors. Supported by a dedicated client centric sales team committed to providing timely advice and good trade execution, as well as a research team headed by a rated analyst and supported by a professional team of industry specialists, the bank strives to deliver groundbreaking insights and fresh perspectives on investing ideas.

HLAM, on the other hand, emerged from the merger between HLG Unit Trust Berhad, one of the pioneers in the Malaysian Unit Trust industry, and HLG Asset Management Sdn Bhd. It currently offers a comprehensive range of managed solutions across segregated assets and unit trust funds for, amongst others, state governments, insurance companies, endowments, family offices, corporations, and high net worth individuals. Supported by efficient customer support, and distribution and communications channels, HLAM is focused on assisting its wide range of clients achieve superior long term risk-adjusted returns.

INTRODUCTION

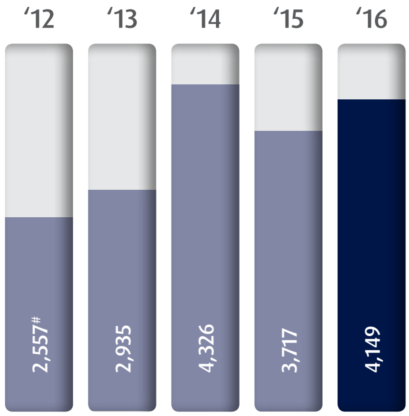
FIVE YEAR GROUP FINANCIAL HIGHLIGHTS

The Group	2012# RM 'Million	2013 RM 'Million	2014 RM 'Million	2015 RM 'Million	2016 RM 'Million
Statements of Financial Position					
Total Assets	2,557	2,935	4,326	3,717	**4,149**
Net Loans	257	174	431	326	**372**
Total Liabilities	2,164	2,454	3,724	3,064	**3,449**
Deposits from customers	634	470	632	842	**1,032**
Shareholders' Funds	393	482	602	654	**700**
Commitments and contingencies	6,793	6,179	5,466	7,413	**8,732**
Statements of Income					
Revenue	137	191	191	183	**173**
Profit before taxation	52	68	78	79	**65**
Net Profit	39	90	119	76	**62**
Key Performance Indicators					
Book Value per Share (RM)	1.68	2.05	2.53	2.71	**2.90**
Earnings per Share (sen)	16.5	38.4	49.9	31.7	**25.6**
Net Dividend per Share (sen)	–	–	15.0	8.5	**12.0**
Financial Ratios (%)					
Profitability Ratios					
Return on Equity	9.9%	18.7%	19.7%	11.7%	**8.8%**
Return on average assets	1.8%	3.3%	3.3%	1.9%	**1.6%**
Cost/income ratio	65.8%	63.3%	58.8%	57.6%	**62.7%**
Asset Quality/Loan Ratios					
Gross loans to deposits ratio	40.8%	37.3%	68.5%	38.8%	**36.2%**
Gross impaired loans ratio	0.5%	0.6%	0.2%	0.2%	**0.2%**

Restated with retrospective application of MFRS and changes in accounting policies.

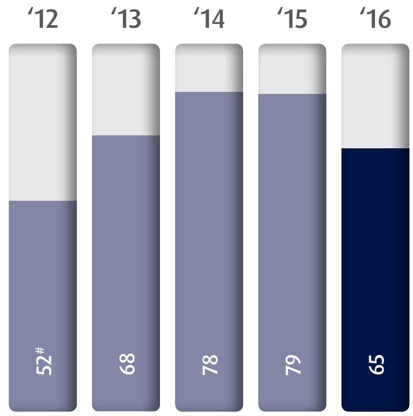
FIVE YEAR GROUP **FINANCIAL HIGHLIGHTS**

Group Total Assets
(RM'Million)



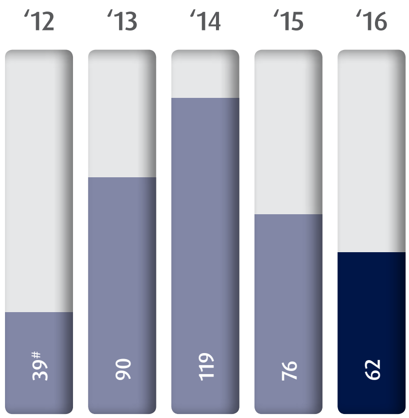
YoY +12%
CAGR = 12.9%

Group Profit before Taxation
(RM'Million)



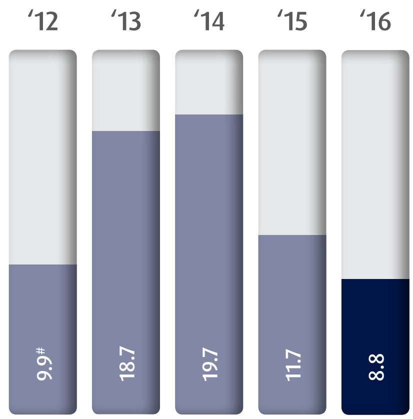
YoY -18%
CAGR = 5.5%

Group Net Profit
(RM'Million)



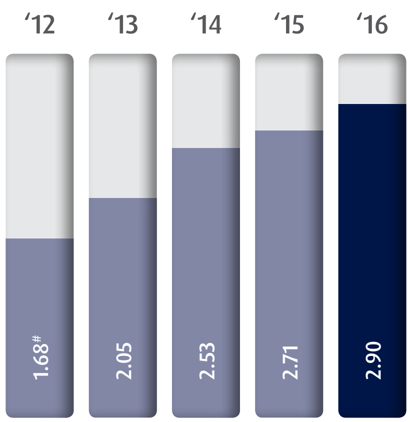
YoY -19%
CAGR = 12.4%

Group Return on Equity
(%)



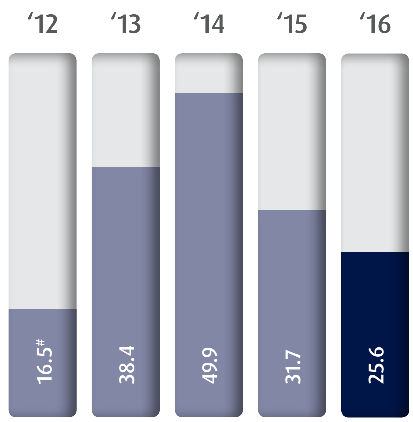
YoY -25%

Group Book Value per Share
(RM)



YoY +7%

Group Earnings per Share
(Sen)



YoY -19%

Restated with retrospective application of MFRS and changes in accounting policies.

CHAIRMAN'S STATEMENT

Committed to rise above challenges

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 2016.

CHAIRMAN'S STATEMENT

Investment activity recovered in 2Q16 after three consecutive quarters of moderation buoyed by higher contract awards of infrastructure projects since the beginning of the year.

OVERALL BUSINESS ENVIRONMENT

The Malaysian economy continued to expand in 2015, albeit at a slower pace of 5.0% compared to 6.0% in 2014. Economic growth was supported by sustained domestic demand despite the challenging external environment. In the first half of 2016, Gross Domestic Product ("GDP") growth slowed further to 4.1%, as contraction in agriculture output more than offset a rebound in capital outlay and a modest recovery in consumer spending post Malaysia's Goods and Services Tax ("GST") implementation.

Private consumption staged a mild recovery after 4Q15 as households normalised their spending post-GST implementation. Continued income growth and stable labour market conditions lent support to consumption growth, reinforced by targeted Government transfers (i.e. BR1M) and savings derived from lower domestic fuel prices. Investment activity recovered in 2Q16 after three consecutive quarters of moderation buoyed by higher contract awards of infrastructure projects since the beginning of the year. Net exports continued to remain a mild drag on growth due to the sluggish pace of global expansion.

For the most part of the financial year, the performance of the domestic equity market was mainly affected by weak global investor sentiment and to a certain extent, uncertainties surrounding domestic developments. The FTSE Bursa Malaysia Kuala Lumpur Composite Index ("FBM KLCI"), declined by 3.1% (FY2014/15: declined by 9.4%) to close at 1654.1 as at 30 June 2016.

Fixed income, on the other hand, has seen stable returns due to a low number of issuance in corporate bonds. More activities were seen in sovereign papers. Fixed deposit rates were also very attractive with an average of 4% return given by banks for three (3) months tenure. Given good returns coupled with tax savings, our money market funds have done well in FY2016. Hong Leong Asset Management ("HLAM") had also successfully launched a closed-end fund, raising RM66.0 million over a two-month period; which was the second highest amount of funds raised in the market.

FINANCIAL PERFORMANCE

The Group recorded a profit before taxation of RM64.5 million for the financial year ended 30 June 2016 as compared to RM78.5 million in the previous corresponding year, a decrease of RM14.0 million or 17.8%.

The investment banking subsidiary of the Group, namely Hong Leong Investment Bank Berhad ("HLIB") recorded a profit before taxation of RM57.6 million in the current reporting year compared to RM73.4 million the previous year.

The stockbroking business of HLIB recorded a lower revenue of RM74.0 million (FY2015: RM79.4 million) and a profit before taxation of RM24.7 million; a 16.9% decrease as compared to last year's profit before taxation of RM29.8 million. This was attributed to lower trade volumes on Bursa Malaysia of RM507.4 billion in FY2016 compared to RM521.1 billion recorded in FY2015. Despite the higher foreign institutional participation on the local bourse in FY2016, HLIB's total volume traded for same period stood at RM40.0 billion compared to RM42.8 billion recorded in FY2015 due to HLIB's comparatively smaller market share in the institutional space.

CHAIRMAN'S STATEMENT

The total capital ratio of our key operating business, HLIB stood at a healthy 29.4% as at 30 June 2016.

RM64.5 million
profit before taxation

25.6 sen
earnings per share

The investment banking business of HLIB also recorded a lower revenue of RM70.8 million (FY2015: RM78.8 million) and a profit before taxation of RM32.9 million for FY2016; a 24.6% decrease compared to last year's profit before taxation of RM43.7 million on the back of challenging market conditions caused by subdued market activities.

On the equity and debt market front, challenging market conditions resulted in the relatively lackluster primary market activities in 2015 and first half of 2016 and hence has contributed to the lower revenue recorded by the Equity Markets and Debt Markets divisions in FY2016. From the equities side, the total value of Initial Public Offerings ("IPOs") raised in the market in FY2016 shrank by 38% compared to the preceding year, FY2015. Secondary fund raising exercises in the equity market have also slowed, with fewer and smaller fund sizes raised in the market.

In the corporate debt market space, total gross issuances registered a slight drop from RM85.9 billion in 2014 to RM85.0 billion in 2015. In 2015, issuances continued to be dominated by activities in the financial services, infrastructure and utilities sector undertaken by Government Linked Corporations. Rated corporate bond issuances have also recorded a decline from RM52.7 billion in 2014 to RM51.5 billion in 2015.

The Asset Management business registered a profit before taxation of RM2.2 million for the financial year compared to a loss before taxation of RM0.3 million in the previous financial year. This was due to higher net fee income earned from its larger total assets under management of RM11.3 billion as at 30 June 2016 compared to RM7.1 billion as at 30 June 2015.

Overall, the lower profit before taxation in the current financial year has led to the decrease in earnings per share ("EPS") from 31.7 sen per share in the previous financial year to 25.6 sen per share in the current financial year.

Accordingly, the Group is recommending a final single-tier dividend of 12.0 sen per share for the financial year 2016. The total capital ratio of our key operating business, HLIB stood at a healthy 29.4% as at 30 June 2016.

CHAIRMAN'S STATEMENT

CORPORATE DEVELOPMENTS

Malaysian Rating Corporation Berhad ("MARC") had reaffirmed the AA-/MARC-1 financial institution ratings of HLIB with a stable outlook in August 2016.

As the Malaysian economy faces unprecedented challenges and uncertainties in the global market continue, staying nimble and efficient in business operating costs is of utmost important in navigating our businesses through this period. We are confident in managing these challenges as HLIB has one of the lowest cost income ratios for an investment bank in Malaysia.

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

League Table Achievements

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

Full Year 2015	1H - Year 2016
• Ranked 6th for conventional PDS by amount issued • Ranked 6th for conventional PDS by number of issues • Ranked 7th 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	• Ranked 5th for conventional PDS by amount issued • Ranked 5th for conventional PDS by number of issues • Ranked 7th for all PDS by amount issued • Ranked 6th for all PDS by number of issues

(B) Rating Agency Malaysia Top Lead Manager League Table

Full Year 2015
• Ranked 3rd for PDS and Sukuk by number of issues • Ranked 9th for PDS and Sukuk by programme value • Ranked 3rd for Sukuk by number of issues • Ranked 10th for Sukuk by programme value

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

Full Year 2015
• Ranked 3rd by issues count • Ranked 7th by issues value

CHAIRMAN'S STATEMENT

(D) International Financial Review Asia

Full Year 2015	1H - Year 2016
• Ranked 5th on Malaysia Global Equity and Equity-Related • Ranked 6th on top Bookrunner for Malaysian Ringgit Bonds • Ranked 8th on top Bookrunner for APAC Securitization	• Ranked 5th on top Bookrunner for Malaysian Ringgit Bonds • Ranked 6th on Malaysia Global Equity and Equity-Related

(E) Bloomberg

Full Year 2015	1H - Year 2016
• Ranked 6th as Manager on Malaysian Debts • Ranked 9th as Manager on Malaysian Ringgit Islamic Sukuk • Ranked 10th as Manager on Malaysia Equity and Rights Offerings	• Ranked 5th as Manager on Malaysian Ringgit Islamic Bonds • Ranked 7th as Manager on Malaysian Debts • Ranked 8th as Manager on Malaysia Equity and Rights Offerings

(F) Dealogic

Full Year 2015	1H - Year 2016
• Ranked 6th on Malaysian Ringgit Debt Bookrunner	• Ranked 6th on Malaysian Ringgit Debt Bookrunner

We will continue to assess our client's needs, enhance our marketing strategies and develop our staff talent to serve our clients better and in more innovative ways.

Awards For Deal Innovation and Top Lead Manager

As Sole Principal Advisor/Sole Lead Arranger/Sole Lead Manager

- Islamic Finance News Awards 2015 – Ijarah Deal of the Year
- Islamic Finance News Awards 2015 – Real Estate Deal of the Year
- The Asset Triple A Islamic Finance Awards 2016 – Best Securitization Sukuk
- RAM League Award 2015: Blueprint Award 2015 – Structured Finance Landmark Deal

As Joint Bookrunner and Joint Underwritier

- Islamic Finance News Awards 2015 – Equity and IPO Deal of the Year

As Principal Advisor

- The Asset Triple A Islamic Finance Awards 2016 - Best Islamic Equity-Linked Deal

CHAIRMAN'S STATEMENT

As Top Lead Manager

- RAM League Award 2015: Lead Manager Award 2015 – 3rd Ranking by Number of Issues (PDS & Sukuk Issues)
- RAM League Award 2015: Lead Manager Award Sukuk 2015 - 3rd Ranking by Number of Issues (Sukuk Issues)

OUTLOOK AND PROSPECTS

FY2017 is expected to be a challenging year due to weak investor sentiment caused by economic uncertainties both domestically and internationally. Global events like Brexit have created higher volatility amongst the European economies which will impact our domestic markets.

On the investment banking front, despite the challenging market conditions and operating environment, emphasis will continue to be placed on the offering of innovative financing solutions which has been the foundation of growth for HLIB since its inception in 2009. Moving forward, resources will be channeled towards further widening the deals origination universe and to strengthen the distribution and placement capability for the Group to compete vigorously in the market.

For the Stockbroking business, the current market continues to be dominated by local and foreign institutions which represent 40% and 27% respectively of the market, whilst the retail segment remains at 20% of the market. HLIB expects the retail segment to grow over the next 10 years when the millennials with higher disposal income and savings start to invest and trade more in the market. In anticipation of the shift in the landscape, new initiatives are being carried out to focus on the online broking business. New applications will be developed to ensure effective client engagement with value add trading ideas and market news. The Stockbroking business will also be implementing a Syariah Compliance Trading Window to allow Syariah Compliant Funds to trade Syariah stocks.

The Asset Management business will continue to focus on delivering strong fund performance in FY2017 and review cost rationalisation initiatives across its branch distribution channels. We are constantly monitoring market demand and investor appetite, and will launch appropriate funds at opportune times. One such fund is the Hong Leong Regular Income Fund, which was launched in August 2016. A new IT system will also be implemented to help improve efficiency. We would also continue our sales and marketing efforts to strengthen our branding and presence via customer events and roadshows.

With the world becoming increasingly digital, it is important that the Group continues to keep abreast of technology for long term stability and growth. In order to achieve this, the constant need for strategic innovation and focus to deliver more value-added services to our clients is key to our long term sustainability and drive to remain competitive in the market. Furthermore, we will continue to assess our client's needs, enhance our marketing strategies and develop our staff talent to serve our clients better and in more innovative ways.

ACKNOWLEDGEMENTS

The long-term success of the Group is attributed to the stewardship of our Board of Directors, management as well as our staff. We also wish to extend our appreciation to our clients, business partners, regulatory authorities, bankers, advisors, auditors, shareholders and all other stakeholders for their continued support. We look forward to another rewarding year with you.

Quek Leng Chan
Chairman

15 September 2016

CORPORATE SOCIAL RESPONSIBILITY

CORPORATE SOCIAL RESPONSIBILITY

"As a group, we are committed to empowering the local underserved communities around us by providing them with knowledge and tools to be independent and sustainable, as a catalyst for delivering long-term value to society."

The Hong Leong Financial Group ("HLFG") is one of Malaysia's leading banking and financial services companies. Over the years, we have grown in size and strength through sound and focused business strategies, aided by strong management and financial disciplines against a backdrop of a growing economy.

We are also a group that prioritises the communities that we operate within and we believe that, whilst the bottom line is important, our role is to firstly cater to the business needs of these communities. Be it locally or across the geographies where the HLFG group of companies operate, from individuals, to small, medium enterprises (SMEs) to multinational (MNC) companies, HLFG is committed to ensuring that our group is guided by the core values of the Hong Leong Group ("the Group") and remain cognisant of our social responsibility.

From personal banking, investment services, financial advice, business banking and insurance solutions, we have over the past two decades made Corporate Social Responsibility (CSR) an increasingly large part of our identity. We have also taken the necessary steps to integrate sustainable practices into the core of the group's businesses as we prepare to compete in an increasingly complex environment amidst more stringent regulatory requirements, increasingly sophisticated consumers and rapid technological advancements.

As we move towards our long-term goal of embedding sustainability within the Group, let us take a look at the year that has passed to see how we have fared in our CSR journey.

CORPORATE SOCIAL RESPONSIBILITY

WORKPLACE

As the group continues to grow and expand regionally, we believe it is vital to put in place a work environment where the rights and well-being of each employee is respected. This helps us attract good talent regardless of background.

To this end, cross-cultural understanding is key and that is why we have a diversity and inclusion philosophy that is upheld by our Best Work Environment practices. We ensure all applicable laws pertaining to non-discrimination and equal opportunity are complied with and upheld.

ENVIRONMENT

Each year, the group continues to improve on initiatives to minimise its operational impact on the environment. We have been careful with the consumption of resources such as water and energy, as well as having been conscious of reducing waste generation and carbon emissions.

In line with the belief that sustainable change starts from within, we continue to build on the existing partnership between Hong Leong Foundation (HLF) and Science of Life Systems 247 Sdn Bhd (SOLS Tech) in the form of a group wide technology recycling programme called 'Transform It'.

Through 'Transform It', employees are invited to donate old electronic devices as a convenient means to recycle their electronic waste responsibly. Since it began in April 2016, a total of 76 usable electronic items have been re-created out of recycled parts. These items are refurbished and then delivered to underserved communities in Peninsular Malaysia.

CORPORATE SOCIAL RESPONSIBILITY

MARKETPLACE

For many years now, the group has had in place internally generated best practices to ensure the economic sustainability of all its companies, such as:

- Financial Management Disciplines which drive excellence in financial management so that the quality of the business as an ongoing concern is both preserved, enhanced and sustained.
- Enterprise Risk Management structure to ensure that a systematic process and delegation of responsibility are 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, with shareholder orientation and a genuine interest in the respective businesses of the respective companies. The Group also advocates gender equality at work.

COMMUNITY

Concerted efforts that channel direct help to our communities to address their needs are mostly done through HLF, the philanthropic arm of the Hong Leong Group.

Incorporated in 1992, HLF is driven by issues that are close to the heart of the Group.

HLF expended a total of RM6,834,370 for the financial year ended 30 June 2016 and has the following in place with our Community Partners:

I) Community Welfare Programme that addresses the needs of homes, shelters and community centres.

II) Education focused initiatives that comprise the following
- Tertiary Scholarships
- Reach Out and Rise Education Development Programme
- The Hong Leong Masters Scholarship Programme
- After School Care Programme

III) Community Partner Programmes that further the goal of achieving HLF's mission and vision including
- Employment Development Programme to find good jobs for members of the community
- Welfare Home Transformation Programme to provide better homes for those in need
- Hong Leong Foundation NGO Accelerator Programme to provide a platform that eases the process of establishing an NGO for different causes

HLF's contributions have benefitted 86 organisations, and brought positive impact directly to 3,430 individuals nationwide.

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CORPORATE SOCIAL RESPONSIBILITY

Education remains key

The Group sees grassroot initiatives and education as the road to empowering local underserved communities and the key to effecting real change. Recognising that there are gaps of opportunity along the entire spectrum of educational development, HLF has set up a comprehensive programme to empower their scholars, namely in the following forms: enrichment workshops, internships, mentorships, and other support to help the young excel in their formative university years, and beyond.

Since 1997, HLF has awarded more than RM28.9 million in scholarships to 909 scholars via its scholarship programmes for diplomas, degrees or masters. During the past financial year, HLF disbursed RM2.5 million in scholarships to benefit 112 underprivileged Malaysian youths.

Apart from these programmes, the Group also provides opportunities for its employees to participate in activities and causes that they are passionate about, whilst channelling aid to various segments of the community.

Along the year, various philanthropic endeavours, big and small, came to life through the concerted efforts of staff from diverse backgrounds across the group; who wanted to come together for a good cause.

Children remain a significant focus for us

In demonstrating our focus on children, HLF embarked on an interactive community project involving 30 employee-volunteers from the Group that resulted in a total contribution of RM25,000. The aim of the project was to create a positive environment to cultivate a sense of creativity and imagination among kids from underprivileged homes. At the event, a total of 50 children from five different homes were given the opportunity to ink their thumbprints into original pieces of artwork, as well as to participate in mini workshops encouraging dancing and storytelling.

...the Group also provides opportunities for its employees to participate in activities and causes that they are passionate about, whilst channelling aid to various segments of the community.

CORPORATE SOCIAL RESPONSIBILITY

67
participants from Hong Leong Group

RM35,945
raised from the crossfit challenge

Donated across
15 NGOs

The spirit of volunteerism is ever present

We are proud to see our employees come together to answer the call for CSR involvement at a more personal level by running a marathon, all for a good cause. In August 2015, Hong Leong Capital Berhad ("HLCB") participated in "The Bull Charge Run 2015", a charity run organised by Bursa Malaysia. Two running teams comprised a total of 10 runners participated for the run, where HLCB donated RM23,000 towards charities supporting economic sustainability among disadvantaged communities, for the benefit of entrepreneurs and the improvement of financial literacy.

Together with our staff, we also support various establishments and non-profit organisations by volunteering both time and financial resources in an effort to alleviate challenges faced by the less fortunate within our communities.

Giving animals a better life

Committed to the Group's approach to social responsibility and betterment of society, animal rights have not been forgotten. The Group embarked on a collaboration with 'Trap Neuter Release Manage Malaysia' (TNRM) on an initiative that benefitted both the underprivileged community and animals alike.

TNRM is an NGO that traps stray cats and dogs, neuter them, and later rehomes them with the objective to effectively and humanely manage the stray populations in Malaysia.

A crossfit challenge dubbed STRAYFIT (Stay Fit for Strays) saw a total of 67 participants from across the Hong Leong Group, including a team from HLCB, and raised a total of RM14,137 for TNRM's cause. It was an event that brought together elements of compassion, fund-raising, teamwork, fitness and fun.

The crossfit challenge also raised a total of RM35,945 that was donated across 15 NGOs namely Kasih Pertiwi, Pusat Jagaan Rumah Kesayangan, Pusat Jagaan Qamara, Majlis Kebajikan dan Pembangunan Masyarakat Selangor, Pertubuhan Jagaan Kanak-Kanak Cacat Seita, Lighthouse Children Welfare, Pusat Kasih Sayang YMCA, Furry Friends Farm, Paws Animal Welfare Society, Fugee School, Rumah Siraman Kasih, Pertubuhan Kebajikan Ephratha Rawang Selangor, National Cancer Society of Malaysia (which was represented in the challenge by HLCB), and Home of Peace and Association for the Mentally Handicapped.

LOOKING FORWARD

We will build upon and learn from our past CSR contributions and activities. This would naturally lead to higher expectations of ourselves as responsible corporate citizens, while we continue to explore new ideas and new ways of increasing actual and tangible improvements to our communities.

CORPORATE **INFORMATION**

DIRECTORS

YBhg Tan Sri Quek Leng Chan
(Chairman)

Mr Tan Kong Khoon

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
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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

CORPORATE INFORMATION

AWARDS & ACCOLADES

The Asset Triple A Islamic Finance Awards 2016
Category: Best Islamic Equity-Linked Deal

The Asset Triple A Islamic Finance Awards 2016
Category: Best Securitization Sukuk

Islamic Finance News Awards 2015
Category: Ijarah Deal of the Year

Islamic Finance News Awards 2015
Category: Equity & IPO Deal of the Year

Islamic Finance News Awards 2015
Category: Real Estate Deal of the Year

RAM League Award 2015
Category: Lead Manager Award 2015

RAM League Award 2015
Category: Lead Manager Award Sukuk 2015

RAM League Award 2015
Category: Blueprint Award 2015
- Structured Finance Landmark Deal

BOARD OF DIRECTORS

BOARD OF DIRECTORS

YBHG TAN SRI QUEK LENG CHAN

Chairman/Non-Executive/
Non-Independent
Age 73, Male, Malaysian

YBhg Tan Sri Quek Leng Chan 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 currently 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, both public companies.

MR TAN KONG KHOON

Non-Executive Director/Non-Independent
Age 59, Male, Singaporean

Mr Tan Kong Khoon holds a Bachelor of Business Administration degree from Bishop's University, Canada and is an alumnus of the Harvard Business School Advance Management Program.

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

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

From March 2007 to December 2009, Mr Tan was the President and Chief Executive Officer of Bank of Ayudhya, the fifth largest bank in Thailand listed on the Thailand Stock Exchange.

Mr Tan was appointed to the Board of HLCB on 24 February 2016.

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

YBHG TAN SRI DATO' SERI KHALID AHMAD BIN SULAIMAN

Non-Executive Director/Independent
Age 80, Male, Malaysian

YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman 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 currently 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.

BOARD OF DIRECTORS

YBHG DATO' MOHAMED NAZIM BIN ABDUL RAZAK

Non-Executive Director/Independent
Age 54, Male, Malaysian

YBhg Dato' Mohamed Nazim bin Abdul Razak, 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 currently the Chairman of the RC and a member of the NC and BARMC of HLCB.

YBhg Dato' Mohamed Nazim is also a Director of XiDeLang Holdings Ltd, a company listed on the Main Market of Bursa Securities and The Legends Golf and Country Resort Berhad, a public company.

YBHG DATO' AHMAD FUAAD BIN MOHD DAHALAN

Non-Executive Director/Non-Independent
Age 66, Male, Malaysian

YBhg Dato' Ahmad Fuaad bin Mohd Dahalan 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 in various positions 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 currently a member of the BARMC, NC and RC of HLCB.

YBhg Dato' Ahmad Fuaad is also a Director of Tokio Marine Insurans (Malaysia) Berhad, a public company, YTL e-Solutions Berhad, a company listed on the ACE Market of Bursa Securities and YTL Corporation Berhad, a company listed on the Main 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. 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 (excluding traffic offences) in the past 5 years and there were no public sanctions or penalties imposed by the relevant regulatory bodies during the financial year ended 30 June 2016.

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.

KEY SENIOR MANAGEMENT

MS LEE JIM LENG

Group Managing Director/Chief Executive Officer of Hong Leong Investment Bank Berhad ("HLIB"), a wholly-owned subsidiary of HLCB
Age 53, Female, Malaysian

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

Ms Lee is the Group Managing Director/Chief Executive Officer of HLIB. She was appointed to the Board of Directors of HLIB on 24 November 2009.

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

MR CHEAH KING FUI

Head, Treasury & Markets of HLIB,
a wholly-owned subsidiary of HLCB
Age 45, Male, Malaysian

Mr Cheah King Fui holds a Masters Degree in Finance from University of Strathclyde, United Kingdom ("UK"), Bachelor of Business Administration (Finance), Universiti Kebangsaan Malaysia and a passed finalist of the Chartered Institute of Management Accountants (CIMA),UK.

Mr Cheah joined HLIB as Head, Treasury & Markets on 16 September 2009.

Prior to HLIB, he was the Head of Treasury in Hwang DBS Investment Bank Bhd from 2007 to 2009 and Head of Fixed Income & Derivatives in United Overseas Bank Bhd from 2001 to 2007. Prior to that, he was with CIMB Bank from 1995 to 2001, his last position being Senior Vice President & Head of Derivatives.

KEY SENIOR MANAGEMENT

MR LING YUEN CHENG
Head, Debt Markets of HLCB
Age 48, Male, Malaysian

Mr Ling Yuen Cheng holds a Master of Applied Finance and Bachelor of Economics (Accounting & Finance) from Macquarie University, Sydney, Australia.

Mr Ling joined HLCB in September 2009 as Co-Head of Debt Markets. He is presently the Head of Debt Markets, a position he assumed since 1 March 2012.

Mr Ling has over 15 years of working experience in the banking industry since 1998. He started his banking career in OCBC Bank (Malaysia) Berhad as Assistant Manager in the Treasury Division in June 1998 and joined the newly established Investment Banking Department as the Relationship Manager in year 2001. In July 2005, he joined United Overseas Bank (M) Berhad as Senior Manager of the Investment Banking Division and was subsequently promoted to Associate Director in January 2007. Prior to joining HLCB in September 2009, he was the Co-Head of Debt Markets in HwangDBS Investment Bank Berhad. Over his entire banking career, he was exposed to various areas including treasury operations, risk management, corporate banking, assets & liabilities management and investment banking related activities including debt origination, execution and placement.

MR PHANG SIEW LOONG
Co-Head of Equity Markets of HLCB
Age 47, Male, Malaysian

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

Mr Phang joined HLCB on November 2010 as Co-Head of Equity Markets.

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

KEY SENIOR MANAGEMENT

ENCIK MUHAMMAD AWI GOO @ GOO KIM HOOI

Head of Broking of HLIB,
a wholly-owned subsidiary of HLCB
Age 54, Male, Malaysian

Encik Muhammad Awi Goo @ Goo Kim Hooi holds a professional accounting qualification (MICPA) and is a degree holder in Mathematics from Universiti Sains Malaysia.

Encik Muhammad Awi Goo joined Hong Leong Financial Group Berhad on 1 December 1991 as an accountant. He is presently the Head of Broking with HLIB, a position he assumed on 1 January 2016.

Prior to joining HLIB, he was a Senior Auditor in Pricewaterhouse from 1989 to 1990, Accountant in Artwright Marketing Sdn Bhd from 1990 to 1991, Accountant in Hong Leong Financial Group Berhad from 1991 to 1993, Accountant/Head of Credit Control in Zalik Securities from 1994 to 2000, Head of Operations in HLG Securities Sdn Bhd from 2000 to 2012 and Acting Head of Broking in HLIB from 2013 to 2015.

MR HOO SEE KHENG

Chief Executive Officer/Executive Director, Hong Leong Asset Management ("HLAM"), a wholly-owned subsidiary of HLCB
Age 50, Male, Malaysian

Mr Hoo See Kheng obtained a Bachelor of Commerce, majoring in Accounting and Finance from University of New South Wales Australia and a post-graduate diploma in System Analysis and Design from Japan-Singapore Institute of Software Technology. Mr Hoo is also a member of the Malaysian Institute of Accountants and a Certified Information System Auditors, US.

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

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

KEY SENIOR MANAGEMENT

MR LAU YEW SUN
Group Financial Controller of HLCB
Age 50, Male, Malaysian

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

Mr Lau joined HLCB on 29 September 2009 as Group Financial Controller.

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

Notes:

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

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

3. **Conviction of Offences**
   None of the Key Senior Management has been convicted of any offences (excluding traffic offences) in the past 5 years and there were no public sanctions or penalties imposed by the relevant regulatory bodies during the financial year ended 30 June 2016.

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 OF BARMC

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

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

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

SECRETARY

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

TERMS OF REFERENCE

- To nominate and recommend for the approval of the Board of Directors ("Board"), a person or persons as external auditor(s).
- To review the external audit fees.
- To review, with the external auditors, the audit scope and plan.
- To review, with the external auditors, the audit reports, audit findings and the management's responses thereto.
- To review the assistance given by the officers of HLCB and its subsidiaries ("the Group") to the external auditors.
- To review the quarterly reports and annual financial statements of the Company and of the Group prior to the approval by the Board.
- To review the adequacy of the internal audit scope and plan, functions, competency and resources of the internal audit functions.
- To review the report and findings of the internal audit functions including any findings of internal investigations and the management's response thereto.
- To review and report to the Board measures taken to:-

  a) identify and examine principal risks faced by the Company
  b) implement appropriate systems and internal controls to manage these risks

- To evaluate and recommend to the Board, risk management policies and strategies proposed by management.
- To review any related party transactions that may arise within the Company or the Group.
- Other functions as might be agreed to by the BARMC and the Board.

AUTHORITY

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

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

MEETINGS

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

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

BOARD AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

MEETINGS (CONTINUED)

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.

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

During the financial year ended 30 June 2016 ("FYE2016"), four (4) BARMC meetings were held. All the BARMC members attended the said BARMC meetings, save for YBhg Dato' Mohamed Nazim bin Abdul Razak who was unable to attend.

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

During the FYE 2016, 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 2016 was RM924,373.

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

CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL

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

~ Finance Committee on Corporate Governance

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

A. ROLES AND RESPONSIBILITIES OF THE BOARD

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

In discharging its responsibilities, the Board established functions which are reserved for the Board and those which are delegated to management. The key roles and responsibilities of the Board are set out in the Board Charter, which is reviewed periodically by the Board and published on the Company's website at 'www.hlcap.com.my'. The key roles and responsibilities of the Board 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.

In addition, the Board has established Board Committees which operate within clearly defined TOR primarily to support the Board in the execution of its duties and responsibilities. To discharge its oversight roles and responsibilities more effectively, the Board has delegated the independent oversight over, inter alia, internal and external audit functions and internal controls; and risk management to the Board Audit and Risk Management Committee ("BARMC"). The Nominating Committee ("NC") is delegated the authority to inter alia, assess and review Board, Board Committees and Chief Executive Officer ("CEO") appointments and re-appointments and to oversee management succession planning. Although the Board has granted such authority to Board Committees, the ultimate responsibility and the final decision rest with the Board. The Chairmen of Board Committees report to the Board on matters dealt with at their respective Board Committee meetings. Minutes of Board Committee meetings are also tabled at Board meetings.

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

Independent Non-Executive Directors ("INEDs") are responsible for providing insights, unbiased and independent views, advice and judgment to the Board and bring impartiality to Board deliberations and decision-making. They also ensure effective checks and balances on the Board. 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 judgment or the ability to act in the best interest of the Company and its shareholders.

CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL

A. ROLES AND RESPONSIBILITIES OF THE BOARD (CONTINUED)

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 in this Annual Report.

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. The Group has in place procedure and rules for employees to raise responsibly, in confidence, concerns about serious misconduct and other possible improprieties which pose financial, legal, reputational or operational risks to the Group.

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 is guided by Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa") in determining its Board composition. The Board shall determine the appropriate size of the Board to enable an efficient and effective conduct of Board deliberation. The Board shall have a balance of skills and experience commensurate with the complexity, size, scope and operations of the Company. Board members should have the ability to commit time and effort to carry out their 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 and a summary of its activities in the discharge of its functions and duties for the financial year and explanation on how the BARMC had met its responsibilities are set out in the BARMC Report in this Annual Report.

The functions and responsibilities of the BARMC are set out in the TOR which are published on the Company's website ('www.hlcap.com.my').

(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)

The NC's functions and responsibilities are set out in the TOR which is published on the Company's website ('www.hlcap.com.my').

The Company has in place Fit and Proper ("F&P") Policy as a guide for the process and procedure for assessment of (i) new appointment, re-appointment, re-election and retention of directors, and (ii) the appointment of CEO, and the criteria used for such assessment.

CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL

C. BOARD COMMITTEES (CONTINUED)

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

(i) New appointments

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

Identification of candidates	Meeting with candidates	• Assessment against Assessment Criteria and Guidelines • CTOS (bankruptcy) search • Recommendation by the NC	Deliberation by the Board and decision thereof

(ii) Re-appointments

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

CTOS (bankruptcy search)	• Assessment against Assessment Criteria and Guidelines • Recommendation by NC	Deliberation by the Board and decision thereof

In addition, a formal evaluation process has been put in place to assess the effectiveness of the Board as a whole, the Board committees and the contribution and performance of each individual director on an annual basis ("Board Annual Assessment"). For newly appointed director/CEO, the Board Annual Assessment will be conducted at the next annual assessment exercise following the completion of one year of service.

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

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 financial year ended 30 June 2016 ("FYE 2016"), 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

The NC carried out the following activities in the discharge of its duties in accordance with its TOR:

- Reviewed and recommended to the Board for consideration and approval new Board appointment;

- Carried out the Board Annual Assessment and was satisfied that the Board as a whole, Board Committees and individual directors have continued to effectively discharge their duties and responsibilities in accordance with their respective TORs, and that the current Board composition in terms of Board balance, size and mix of skills is appropriate and effective for the discharge of its functions;

CORPORATE GOVERNANCE,
RISK MANAGEMENT & INTERNAL CONTROL

C. BOARD COMMITTEES (CONTINUED)

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

- Considered and assessed the position of independent directors of the Company and was satisfied that the independent directors met the regulatory requirements for independent directors; and
- Reviewed and recommended to the Board for adoption the revision to the Tenure Policy of independent directors of the Company wherein the tenure for independent directors was revised from 12 years to 9 years;

(c) Remuneration Committee ("RC")

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

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

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

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

The RC's functions and responsibilities are set out in the TOR, which are published on the Company's website.

During the FYE 2016, 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 2016 is as follows:

	Fees (RM)		Salaries & Other Emoluments (RM)		Total (RM)	
	Company	Group	Company	Group	Company	Group
Executive Directors	–	–	–	–	–	–
Non-Executive Directors	210,000	300,000	150,000	155,000	360,000	455,000

CORPORATE GOVERNANCE,
RISK MANAGEMENT & INTERNAL CONTROL

C. BOARD COMMITTEES (CONTINUED)

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

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

Range of Remuneration (RM)	Executive		Non-Executive	
	Company	Group	Company	Group
101,001 – 150,000	–	–	3	2
200,001 – 250,000	–	–	–	1

D. INDEPENDENCE

The Board takes cognisance of Recommendations 3.2 and 3.3 of the Code. Recommendation 3.2 states that the tenure of an independent director should not exceed a cumulative term of 9 years and upon completion of the 9 years, an independent director may continue to serve on the Board subject to the director's re-designation as a non-independent director. Recommendation 3.3 states that 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.

The Company has in place a policy in relation to the tenure for independent directors of the Company ("Tenure Policy") under the F&P Policy of the Company. Pursuant to the Tenure Policy, 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 F&P 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 F&P Policy of the Company. At the forthcoming AGM, the Company will seek shareholders' approval for YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman, YBhg Dato' Mohamed Nazim bin Abdul Razak and YBhg Dato' Ahmad Fuaad bin Mohd Dahalan to continue in office as Independent Non-Executive Directors. Justification for them to continue in office as Independent Non-Executive Directors is set out in the explanatory notes of the notice of AGM.

CORPORATE GOVERNANCE,
RISK MANAGEMENT & INTERNAL CONTROL

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. Additional meetings may be convened on an adhoc basis as and when necessary. Where appropriate, decisions are also taken by way of Directors' Circular Resolutions. Directors are required to attend at least 50% of Board meetings held in each financial year pursuant to the MMLR.

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

All directors have access to the advice and services of a qualified and competent Company Secretary to facilitate the discharge of their duties effectively. The Company Secretary is qualified to act under Section 139A of the Companies Act, 1965. She is responsible for providing support and guidance to the Board on policies and procedures, relevant rules, regulations and laws in relation to corporate governance. All directors also have access to the advice and services of the internal auditors and in addition, to independent professional advice, where necessary, at the Company's expense, in consultation with the Chairman of the Company.

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

The Board met five (6) times during FYE 2016 with timely notices of issues to be discussed. Details of attendance of each director are as follows:-

Director	Attendancee
YBhg Tan Sri Quek Leng Chan	6/6
Mr Tan Kong Khoon [(1)]	1/1
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman	6/6
YBhg Dato' Mohamed Nazim bin Abdul Razak	4/6
YBhg Dato' Ahmad Fuaad bin Mohd Dahalan	6/6
Mr Quek Kon Sean [(2)]	6/6

Notes:
[(1)] One Board meeting was held since his appointment to the Board on 24 February 2016
[(2)] Resigned with effect from 9 July 2016

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

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

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

CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL

E. COMMITMENT (CONTINUED)

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 2016, the directors received regular briefings and updates on the Group's businesses, operations, risk management, internal controls, corporate governance, finance and any changes on relevant legislation, rules and regulations from in-house professionals. The Company also organized an in-house programme for its directors and senior management.

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

During the FYE 2016, the directors of the Company, collectively or on their own, attended various training programmes, seminars, briefings and/or workshops including:

- ICLIF & Bursa Malaysia – "Board Chairman Series Part 2: Leadership Excellence from the Chair"
- Securities Industry Development Corporation ("SIDC") – Capital Market Director Programme
- SIDC – Capital Market Director Programme Alumni Event: Doing Business in a Responsible Way
- Federation of Public Listed Companies Bhd – Governance, Director Duties and Listing Requirement Updates for Directors of PLCs
- Thomson Reuters - Anti-Money Laundering and Counter Financing of Terrorism ("AML/CFT") eLearning course
- The Most Innovative Companies – Four Factors that Differentiate Leaders
- AML/CFT – Recent Lessons Learnt from Industry
- Bank Negara Malaysia ("BNM") Concept Paper on Corporate Governance
- BNM Concept Paper on Shareholder Suitability
- Amendments to Bursa Malaysia Securities Berhad Main Market Listing Requirements
- Amendments to Capital Markets and Services Act 2007 and Securities Commission Act 1993
- Regulatory update session on recent changes in regulations, legislation and accounting standards
- Digital Banking & Current Challenges in Accounting (IFRS)
- Third Party Contracts (Rights of Third Parties) Ordinance
- New guidance on direct marketing provisions under the Personal Data (Privacy) Ordinance
- Guidelines for Submission of Complaints Statistics (Banking Institutions and Development Financial Institutions)
- Managing Unauthorised Trading and Market Manipulation
- Submission for Repurchase Agreement Transaction
- Financial Action Task Force Report: Emerging Terrorist Financing Risks
- Recent Statements by the Financial Action Task Force on Money Laundering
- Capital Adequacy Framework (Capital Components)
- Capital Adequacy Framework (Basel II – Risk Weighted Asset)
- Observation Period Reporting (Capital Adequacy Ratios and Liquidity Coverage Ratio)
- Issues of Concern Noted on Trading Clerks and Third Party Receipts
- Guidelines for Registered Person – Registered Representative

CORPORATE GOVERNANCE,
RISK MANAGEMENT & INTERNAL CONTROL

F. ACCOUNTABILITY AND AUDIT

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

I Financial Reporting

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

II Risk Management and Internal Control

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

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

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

III Relationship with Auditors

The appointment of external auditors is recommended by the BARMC, which 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 and the assessment of the risk of familiarity threat are conducted by the BARMC to evaluate the performance, independence and objectivity of the external auditors prior to making any recommendation to the Board on the re-appointment of the external auditors.

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

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

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

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

G. DISCLOSURE

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

All timely disclosure and material information documents will be posted on the website after release to Bursa.

CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL

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.

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

The Board has identified YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman, the Chairman of the BARMC, as the Independent Non-Executive Director of the Board to whom concerns may be conveyed, and who would bring the same to the attention to the Board.

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

Queries may be conveyed to the Group Financial Controller at:

Tel No : 03-7723 6318
Fax No : 03-7723 6497
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.

Pursuant to Paragraph 8.29A(1) of the MMLR, all resolutions tabled at general meetings will be put to vote by way of a poll and the voting results will be announced at the meetings and through Bursa.

I. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

I The Responsibilities of the Board

The Board recognises the practice of good governance 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.

CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL

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

I The Responsibilities of the Board (continued)

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.

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 2016 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.

CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL

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

II Key Risk Management and Internal Control Processes (continued)

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.

c. Compliance

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

d. Other Major Internal Controls

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

J. DIRECTORS' RESPONSIBILITY IN FINANCIAL REPORTING

The MMLR requires the directors to prepare financial statements for each financial year which give a true and fair view of the financial position of the Group and of the Company as at the end of the financial year and of its financial performance and cash flow of the Group and of the Company for the financial year.

The directors are satisfied that in preparing the financial statements of the Group and of the Company for the FYE 2016, 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 2016

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 2016.

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	61,877	46,923

DIVIDENDS

Since the previous financial year ended 30 June 2015, a final single-tier dividend of 8.5 sen per share, amounting to RM20.5 million in respect of the financial year ended 30 June 2015, was paid on 19 November 2015.

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 RM477,080 being dividend paid for these shares was added back to the appropriation of retained profits.

The Directors of the Company recommend the payment of a final single-tier dividend of 12.0 sen per share on the Company's issued and paid-up share capital of RM246,896,668 comprising of 246,896,668 of ordinary shares, amounting to RM29.6 million for the financial year ended 30 June 2016.

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 44 to the financial statements.

DIRECTORS' REPORT
for the financial year ended 30 June 2016

SIGNIFICANT EVENT AFTER THE FINANCIAL YEAR

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

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are disclosed in the financial statements 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)
Mr Tan Kong Khoon (Appointed on 24.02.2016)	(Non-Independent Non-Executive Director)
Mr Quek Kon Sean (Resigned on 9.07.2016)	(Non-Independent Non-Executive Director)
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman	(Independent Non-Executive Director)
YBhg Dato' Mohamed Nazim bin Abdul Razak	(Independent Non-Executive Director)
YBhg Dato' Ahmad Fuaad bin Mohd Dahalan	(Independent Non-Executive Director)

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 ended 30 June 2016 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 01.07.2015**	**Acquired**	**Sold**	**As at 30.06.2016**
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	449,064[(9)]	–	5,438,664
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
GL Limited (formerly known as GuocoLeisure Limited)	USD0.20	735,000	–	–	735,000
The Rank Group Plc	GBP13 8/9p	285,207	–	–	285,207

DIRECTORS' REPORT
for the financial year ended 30 June 2016

DIRECTORS' INTERESTS (CONTINUED)

	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 01.07.2015	Acquired	Sold	As at 30.06.2016
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	1.00	57,024	–	–	57,024
Interest of Mr Quek Kon Sean(13) in:					
Hong Leong Financial Group Berhad	1.00	2,250,000	202,500(9)	–	2,452,500
Hong Leong Company (Malaysia) Berhad	1.00	–	164,355	–	164,355
Hong Leong Industries Berhad		–*	200,000*	–	200,000*
Hume Industries Berhad		–*	100,000*	–	100,000*
GuocoLand Limited		–*	100,000*	–	100,000*
GL Limited (formerly known as GuocoLeisure Limited)		–*	100,000*	–	100,000*

	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 01.07.2015	Acquired	Sold	As at 30.06.2016
Interests of YBhg Tan Sri Quek Leng Chan in:					
Hong Leong Company (Malaysia) Berhad	1.00	13,069,100	164,355(6)	–	13,233,455
Hong Leong Financial Group Berhad	1.00	824,437,300	73,999,432(9)	–	898,436,732
Hong Leong Capital Berhad	1.00	200,805,058	–	–	200,805,058
Hong Leong Bank Berhad	1.00	1,160,549,285	185,687,884(9)	–	1,346,237,169
Hong Leong MSIG Takaful Berhad	1.00	65,000,000	–	–	65,000,000
Hong Leong Assurance Berhad	1.00	140,000,000	–	–	140,000,000
Hong Leong Industries Berhad	0.50	245,435,003(6)	–	–	245,435,003(6)
		–	200,000*(6)	–	200,000*(6)
Hong Leong Yamaha Motor Sdn Bhd	1.00	17,352,872	–	–	17,352,872

DIRECTORS' REPORT
for the financial year ended 30 June 2016

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 01.07.2015	Acquired	Sold	As at 30.06.2016
Interests of YBhg Tan Sri Quek Leng Chan in: (continued)					
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
Malaysian Pacific Industries Berhad	0.50	112,217,857(6)	–	–	112,217,857(6)
Carter Resources Sdn Bhd (formerly known as 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	1.00	354,373,046(6)	–	(925,559)(11)	353,447,487(6)
		–	100,000*(6)	–	100,000*(6)
Guoco Group Limited	USD0.50	237,124,930	–	–	237,124,930
GuocoLand Limited	(1)	819,244,363(6)	–	–	819,244,363(6)
		–	100,000*(6)	–	100,000*(6)
Southern Steel Berhad ("SBB")	1.00	299,541,202	–	–	299,541,202
	1.00	141,627,296**	–	–	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)(10)	–
Sanctuary Land Pte Ltd (In members' voluntary liquidation)	(1)	90,000	–	(90,000)(10)	–
Beijing Minghua Property Development Co., Ltd (In members' voluntary liquidation)	(2)	150,000,000	–	–	150,000,000
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

DIRECTORS' REPORT
for the financial year ended 30 June 2016

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 01.07.2015	Acquired	Sold	As at 30.06.2016
Interests of YBhg Tan Sri Quek Leng Chan in: (continued)					
Beijing Cheng Jian Dong Hua Real Estate Development Company Limited	(2)	50,000,000	–	(50,000,000)	–
Lam Soon (Hong Kong) Limited	(5)	140,008,659	–	–	140,008,659
Kwok Wah Hong Flour Company Limited	(5)	9,800	–	(9,800)(10)	–
Guangzhou Lam Soon Food Products Limited	(4)	6,570,000	–	–	6,570,000
GuocoLand (Malaysia) Berhad	0.50	455,698,596	–	–	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	34,408,000	–	–	34,408,000
	0.01	123,502,605(7)	–		123,502,605(7)
GL Limited	USD0.20	923,255,425	9,818,400	–	933,073,825
(formerly known as GuocoLeisure Limited)		–	100,000*(6)	–	100,000*(6)
The Rank Group Plc	GBP13 8/9 p	219,282,221	–	–	219,282,221
Interests of YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman in:					
Hong Leong Financial Group Berhad	1.00	3,600(12)	–	–	3,600(12)
Hong Leong Bank Berhad	1.00	–	68,000(12)	–	68,000(12)
Interests of Mr Quek Kon Sean(13) in:					
Hong Leong Industries Berhad	0.50	750,000	–	–	750,000
Malaysian Pacific Industries Berhad	0.50	281,250	–	–	281,250
Hume Industries Berhad	1.00	810,000	–	–	810,000

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) Shares acquired from rights issue
(10) Dissolved during the financial year
(11) Transfer of free ordinary shares of RM1.00 each in Hume Industries Berhad to the grant holders upon vesting
(12) Interest pursuant to Section 134(12)(c) of the Companies Act, 1965 in shares held by family member
(13) Resigned with effect from 9 July 2016

DIRECTORS' REPORT

for the financial year ended 30 June 2016

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 had been in force for a period of ten (10) years. The ESOS had expired on 23 January 2016.

There were no options granted under the ESOS of the Company during the financial year ended 30 June 2016.

As at 30 June 2016, 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 2016, 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 43 in the financial statements.

DIRECTORS' REPORT

for the financial year ended 30 June 2016

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.

(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 2016 are not likely to be substantially affected by any item, transaction or event of a material and unusual nature;

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

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

DIRECTORS' REPORT
for the financial year ended 30 June 2016

STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (CONTINUED)

(c) As at the date of this report

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

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

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

HOLDING AND ULTIMATE HOLDING COMPANIES

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

AUDITORS

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

Signed on behalf of the Board of Directors in accordance with their resolution dated 15 September 2016.

Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman
Director

Tan Kong Khoon
Director

Kuala Lumpur
15 September 2016

STATEMENTS OF FINANCIAL POSITION
as at 30 June 2016

		The Group		The Company	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
Assets					
Cash and short-term funds	2	**296,322**	471,753	**1,065**	224
Clients' and brokers' balances	3	**197,034**	198,183	**–**	–
Deposits and placements with banks and other financial institutions	4	**40,359**	200,243	**–**	–
Financial assets held-for-trading	5	**1,418,901**	920,885	**–**	–
Financial investments available-for-sale	6	**1,032,304**	958,314	**109,082**	133,130
Financial investments held-to-maturity	7	**528,100**	380,255	**–**	–
Loans and advances	8	**372,162**	325,983	**–**	–
Other assets	9	**50,918**	24,717	**490**	766
Derivative financial assets	20	**42,694**	43,059	**–**	–
Statutory deposits with Bank Negara Malaysia	10	**32,400**	56,180	**–**	–
Tax recoverable		**191**	381	**186**	156
Deferred tax assets	11	**92,378**	95,451	**–**	13
Investment in subsidiary companies	12	**–**	–	**320,054**	270,054
Property and equipment	14	**6,795**	5,310	**–**	–
Intangible assets	15	**5,440**	3,641	**–**	–
Goodwill	16	**33,059**	33,059	**–**	–
Total assets		**4,149,057**	3,717,414	**430,877**	404,343
Liabilities					
Clients' and brokers' balances		**279,919**	192,728	**–**	–
Deposits from customers	17	**1,031,929**	841,747	**–**	–
Deposits and placements of banks and other financial institutions	18	**1,904,770**	1,847,391	**–**	–
Other liabilities	19	**100,940**	74,295	**617**	498
Derivative financial liabilities	20	**80,685**	57,428	**–**	–
Current tax liabilities		**206**	3	**–**	–
Subordinated obligations	21	**50,247**	50,194	**–**	–
Total liabilities		**3,448,696**	3,063,786	**617**	498
Equity					
Share capital	22	**246,896**	246,896	**246,896**	246,896
Reserves	23	**459,496**	412,763	**189,282**	162,867
Treasury shares for ESOS scheme	24	**(6,031)**	(6,031)	**(5,918)**	(5,918)
Total equity		**700,361**	653,628	**430,260**	403,845
Total equity and liabilities		**4,149,057**	3,717,414	**430,877**	404,343
Commitments and contingencies	34	**8,731,501**	7,412,838	**–**	–

INCOME STATEMENTS
for the financial year ended 30 June 2016

		The Group		The Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Interest income	25	**127,462**	131,218	**148**	21
Interest expense	26	**(85,109)**	(88,983)	**–**	–
Net interest income		**42,353**	42,235	**148**	21
Non-interest income	27	**130,542**	141,089	**48,653**	93,251
		172,895	183,324	**48,801**	93,272
Overhead expenses	28	**(108,463)**	(105,531)	**(1,782)**	(1,710)
Operating profit before allowances		**64,432**	77,793	**47,019**	91,562
Writeback of/(allowance for) impairment losses on loans and advances and other losses	29	**68**	715	**–**	(72,666)
Profit before taxation		**64,500**	78,508	**47,019**	18,896
Taxation	31	**(2,623)**	(2,173)	**(96)**	(48)
Net profit for the financial year		**61,877**	76,335	**46,923**	18,848
Earnings per share (sen)					
- Basic	32	**25.6**	31.7		
- Diluted	32	**25.6**	31.7		

STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 30 June 2016

		The Group		The Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Net profit for the financial year		**61,877**	76,335	**46,923**	18,848
Other comprehensive income/(expenses):					
Items that will be reclassified subsequently to profit or loss:					
Net fair value changes on financial investments available-for-sale		**6,779**	2,516	**23**	(71)
Income tax relating to net fair value changes on financial investments available-for-sale	11	**(1,390)**	(613)	**(13)**	17
Currency translation differences in respect of foreign operation		**(24)**	(4)	**–**	–
Other comprehensive income/(expense) for the financial year, net of tax		**5,365**	1,899	**10**	(54)
Total comprehensive income for the financial year		**67,242**	78,234	**46,933**	18,794

STATEMENTS OF CHANGES IN EQUITY
for the financial year ended 30 June 2016

		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	Fair value reserve RM'000	General reserve RM'000	Exchange fluctuation reserve RM'000	Retained profits RM'000	Total RM'000
At 1 July 2015		246,896	(6,031)	113,482	3,031	1,234	543	8	294,465	653,628
Net profit for the financial year		–	–	–	–	–	–	–	61,877	61,877
Other comprehensive income/(expense), net of tax		–	–	–	–	5,389	–	(24)	–	5,365
Total comprehensive income/(expense)		–	–	–	–	5,389	–	(24)	61,877	67,242
Transfer to regulatory reserve	23	–	–	–	532	–	–	–	(532)	–
Dividend paid	33	–	–	–	–	–	–	–	(20,509)	(20,509)
At 30 June 2016		246,896	(6,031)	113,482	3,563	6,623	543	(16)	335,301	700,361

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 30 June 2016

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
		Attributable to owners of the parent									
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	23	–	–	16,388	–	–	–	–	–	(16,388)	–
Transfer to regulatory reserve	23	–	–	–	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	33	–	–	–	–	–	–	–	–	(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 2016

		Non-distributable				Distributable	
		Share capital	Treasury shares for ESOS scheme	Call option reserve	Fair value reserve	Retained profits	Total
The Company	**Note**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1 July 2015		**246,896**	**(5,918)**	**–**	**(43)**	**162,910**	**403,845**
Net profit for the financial year		**–**	**–**	**–**	**–**	**46,923**	**46,923**
Other comprehensive income		**–**	**–**	**–**	**10**	**–**	**10**
Total comprehensive income		**–**	**–**	**–**	**10**	**46,923**	**46,933**
Dividend paid	**33**	**–**	**–**	**–**	**–**	**(20,518)**	**(20,518)**
At 30 June 2016		**246,896**	**(5,918)**	**–**	**(33)**	**189,315**	**430,260**
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	33	–	–	–	–	(36,205)	(36,205)
At 30 June 2015		246,896	(5,918)	–	(43)	162,910	403,845

STATEMENTS OF CASH FLOWS
for the financial year ended 30 June 2016

	The Group	
	2016	**2015**
	RM'000	**RM'000**
Cash flows from operating activities		
Profit before taxation	**64,500**	78,508
Adjustments for:		
Depreciation of property and equipment	**2,002**	1,920
Amortisation of intangible assets - computer software	**1,499**	881
Option charge arising from ESOS granted	**–**	38
Gain on disposal of property and equipment	**(4)**	(4)
Gain on liquidation of a subsidiary	**(589)**	(2)
Property and equipment written off	**357**	146
Allowance for/(writeback of) impairment for losses on loans and advances	**22**	(498)
Writeback of allowance for losses on clients' and brokers' balances	**(85)**	(1)
Net unrealised loss/(gain) on revaluation of:		
- Financial assets held-for-trading	**2,729**	(5,697)
- Derivative financial instruments	**24,272**	12,814
Interest income from:		
- Financial assets held-for-trading	**(38,079)**	(39,396)
- Financial investments available-for-sale	**(34,744)**	(28,042)
- Financial investments held-to-maturity	**(14,233)**	(11,225)
- Derivative financial instruments	**(5,836)**	(4,276)
Interest expense from:		
- Derivative financial instruments	**11,408**	8,937
- Subordinated obligations	**2,710**	1,698
Dividend income from:		
- Financial assets held-for-trading	**(1,937)**	(754)
- Financial investments available-for-sale	**(5,659)**	(4,484)
	(56,167)	(67,945)
Operating profit before working capital changes	**8,333**	10,563
Decrease/(increase) in operating assets		
Reverse repurchase agreements	**–**	280,176
Deposits and placements with banks and other financial institutions	**159,884**	130,917
Financial assets held-for-trading	**(495,000)**	(44,761)
Derivative financial instruments	**(45)**	(396)
Loans and advances	**(46,201)**	105,929
Clients' and brokers' balances	**1,234**	89,574
Other assets	**(26,304)**	22,374
Statutory deposits with Bank Negara Malaysia	**23,780**	(25,430)
	(382,652)	558,383

STATEMENTS OF CASH FLOWS

for the financial year ended 30 June 2016 (continued)

		The Group	
		2016	2015
	Note	RM'000	RM'000
Increase/(decrease) in operating liabilities			
Deposits from customers		**190,182**	210,181
Deposits and placements of banks and other financial institutions		**57,379**	(207,569)
Repurchased agreements		**–**	(179,087)
Clients' and brokers' balances		**87,191**	(144,958)
Other liabilities		**26,646**	(421,440)
		361,398	(742,873)
Cash used in operations		**(12,921)**	(173,927)
Net income tax paid		**(548)**	(433)
Net cash used in operating activities		**(13,469)**	(174,360)
Cash flows from investing activities			
Net purchase of:			
- Financial investments available-for-sale		**(66,607)**	(209,293)
- Financial investments held-to-maturity		**(146,697)**	(22,865)
Dividends received from:			
- Financial assets held-for-trading		**1,937**	754
- Financial investments available-for-sale		**5,749**	4,394
Interest received from financial assets held-for-trading, financial investments available-for-sale, financial investments held-to-maturity and derivatives		**85,203**	82,586
Interest paid on derivative financial instruments		**(11,821)**	(8,049)
Cash received from liquidation of a subsidiary		**602**	7
Proceeds from disposal of property and equipment		**5**	7
Purchase of property and equipment		**(3,185)**	(1,614)
Purchase of intangible assets		**(3,958)**	(3,465)
Net cash used in investing activities		**(138,772)**	(157,538)
Cash flows from financing activities			
Interest paid on subordinated obligations		**(2,657)**	(1,314)
Proceeds from subordinated obligations		**–**	49,810
Dividend paid		**(20,509)**	(36,175)
Cash received from ESOS exercised		**–**	1,740
Cash received from disposal of treasury shares		**–**	7,386
Net cash (used in)/generated from financing activities		**(23,166)**	21,447
Net decrease in cash and cash equivalents during the financial year		**(175,407)**	(310,451)
Effect of exchange rate changes		**(24)**	(4)
Cash and cash equivalents at beginning of the financial year		**471,753**	782,208
Cash and cash equivalents at end of the financial year		**296,322**	471,753
Cash and cash equivalents comprise:			
Cash and short-term funds	2	**296,322**	471,753

STATEMENTS OF CASH FLOWS

for the financial year ended 30 June 2016 (continued)

		The Company	
	Note	2016 RM'000	2015 RM'000
Cash flows from operating activities			
Profit before taxation		**47,019**	18,896
Adjustments for:			
Interest income		**(148)**	(21)
Dividend income from:			
- Financial investments available-for-sale		**(4,980)**	(3,784)
- Subsidiary companies		**(43,200)**	(89,079)
Allowance for impairment on subsidiary		**–**	72,666
		(48,328)	(20,218)
Operating loss before working capital changes		**(1,309)**	(1,322)
Decrease in receivables		**186**	131
Increase/(decrease) in payables		**119**	(25)
Cash used in operating activities		**(1,004)**	(1,216)
Income tax paid		**(126)**	(31)
Interest received		**148**	21
Net cash used in operating activities		**(982)**	(1,226)
Cash flows from investing activities			
Net disposal/(purchase) of financial investments available-for-sale		**24,071**	(73,226)
Dividends received from:			
- Financial investments available-for-sale		**5,070**	3,694
- Subsidiary companies		**43,200**	96,079
Investment in a subsidiary		**(50,000)**	–
Net cash generated from investing activities		**22,341**	26,547
Cash flows from financing activities			
Dividend paid		**(20,518)**	(36,205)
Cash received from treasury shares transferred to trustee of subsidiary		**–**	1,429
Cash received from disposal of treasury shares		**–**	7,386
Net cash used in financing activities		**(20,518)**	(27,390)
Net increase/(decrease) in cash and cash equivalents during the financial year		**841**	(2,069)
Cash and cash equivalents at beginning of the financial year		**224**	2,293
Cash and cash equivalents at end of the financial year		**1,065**	224
Cash and cash equivalents comprise:			
Cash and short-term funds	2	**1,065**	224

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2016

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:

<u>Deferred tax asset</u> (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

There are no new accounting standards, amendments to published standards and interpretations that are effective for the first time for the financial year beginning on 1 July 2015.

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

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 July 2015. None of these is expected to have a significant effect on the financial statements of the Group and the Company, except the following:

- Amendments to MFRS 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 of an item of property, plant and equipment is 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.

- Amendments to MFRS 107 "Statement of Cash Flows – Disclosure Initiative" (effective from 1 January 2017) introduce an additional disclosure on changes in liabilities arising from financing activities.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2016

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

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

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 July 2015. None of these is expected to have a significant effect on the financial statements of the Group and the Company, except the following: (continued)

- Amendments to MFRS 112 "Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses" (effective from 1 January 2017) clarify the requirements for recognising deferred tax assets on unrealised losses arising from deductible temporary difference on asset carried at fair value.

  In addition, in evaluating whether an entity will have sufficient taxable profits in future periods against which deductible temporary differences can be utilised, the amendments require an entity to compare the deductible temporary differences with future taxable profits that excludes tax deductions resulting from the reversal of those temporary differences.

  The amendments shall be applied retrospectively.

- MFRS 9 "Financial Instruments" (effective from 1 January 2018) will replace MFRS 139 "Financial Instruments: Recognition and Measurement".

  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 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 2018) replaces MFRS 118 "Revenue" and MFRS 111 "Construction contracts" and related interpretations. The standard 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 core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2016

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

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

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 July 2015. None of these is expected to have a significant effect on the financial statements of the Group and the Company, except the following: (continued)

- MFRS 16 "Leases" (effective from 1 January 2019) supersedes MFRS 117 "Leases" and the related interpretations.

  Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

  MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

  The right-of-use asset is depreciated in accordance with the principle in MFRS 116 "Property, Plant and Equipment" and the lease liability is accreted over time with interest expense recognised in the income statement.

  For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

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.

B CONSOLIDATION

(i) Subsidiaries

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

The consolidated financial statements include the financial statements of the 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 and fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2016

B CONSOLIDATION (CONTINUED)

(i) Subsidiaries (continued)

The Group applies predecessor accounting to account for business combinations under common control. Under the predecessor accounting, assets and liabilities acquired are not restated to their respective fair values but at the carrying amounts from the consolidated financial statements of the ultimate holding company of the Group and adjusted to conform with the accounting policies adopted by the Group. The difference between any consideration given and the aggregate carrying amounts of the assets and liabilities (at the date of the transaction) of the acquired entity is recorded as an adjustment to retained 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 statements.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date, any gains or losses arising from such re-measurement are recognised in 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 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the financial year ended 30 June 2016

B CONSOLIDATION (CONTINUED)

(iii) Disposal of subsidiaries

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

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

(iv) Investments in subsidiaries

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the financial year ended 30 June 2016

D INTANGIBLE ASSETS

(a) Computer software

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

(b) Goodwill

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

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

E LEASES

(a) Finance lease

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

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

(b) Operating lease

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2016

F FINANCIAL ASSETS

(a) Classification

The Group and the Company classify their financial assets in the following categories: at fair value through profit or loss, loans and receivables, available-for-sale and held-to-maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition.

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

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

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

(ii) Loans and receivables

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

(iii) Financial investments held-to-maturity

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

(iv) Financial investments available-for-sale

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

(b) Recognition and initial measurement

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

Financial assets are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2016

F FINANCIAL ASSETS (CONTINUED)

(c) Subsequent measurement

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

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

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

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

G FINANCIAL LIABILITIES

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

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

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

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

(b) Financial liabilities at amortised cost

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2016

H IMPAIRMENT OF FINANCIAL ASSETS

(a) Assets carried at amortised cost

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

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

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

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

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2016

H IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

(b) Assets carried at available-for-sale

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

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

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

I DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

J OFFSETTING FINANCIAL INSTRUMENTS

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

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2016

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2016

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.

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

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

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

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

Q INCOME TAXES

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2016

Q INCOME TAXES (CONTINUED)

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

R PROVISIONS

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

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

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

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

S RECOGNITION OF INTEREST INCOME

Interest income and expense for all interest-bearing financial instruments are recognised within "interest income" and "interest expense" in the 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the financial year ended 30 June 2016

T RECOGNITION OF FEES AND OTHER INCOME

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

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

Net profit from financial assets held-for-trading and financial investments available-for-sale are recognised upon disposal of the financial instruments, as the difference between net disposal proceeds and the carrying amount of the financial instruments.

Brokerage income is recognised when contracts are executed. Rollover fees, nominees services and handling charges are recognised on an accrual basis.

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

Management fees charged for management of clients' and unit trust funds is recognised on an accrual basis in accordance with the rates provided for in the prospectuses of unit trust funds and investment mandate with private customers. Other management fees charged for underwriting, placement and advisory fees are recognised on an accrual basis.

Service charge from sales of unit trust comprises gross proceeds from sales of unit trust less direct cost of unit trust created, net of cancellations. Such revenue is recognised upon the allotment of unit trust.

Commission from futures clients is recognised upon the execution of trade on behalf of clients.

U EMPLOYEE BENEFITS

Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The Group and the Company recognise a liability and an expense for bonuses. The Group and the Company recognise a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Defined contribution plan

A defined contribution plan is a pension plan under which the Group and the Company pay fixed contributions into a separate entity (fund) on mandatory, contractual or voluntary basis and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2016

U EMPLOYEE BENEFITS

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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the financial year ended 30 June 2016

W CURRENCY TRANSLATIONS (CONTINUED)

(b) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

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

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as financial investments available-for-sale are included in other comprehensive income.

X SHARE CAPITAL

(a) Classification

Ordinary shares are classified as equity. Other shares, if any, are classified as equity and/or liability according to the contractual substance of the particular instrument.

(b) Share issue costs

Incremental external costs directly attributable to the issue of new shares or options are deductied against share premium account.

(c) Dividends

Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period.

Distributions to holders of an equity instrument are charged directly to equity.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2016

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.

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.

AC EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2016

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 15 September 2016.

2 CASH AND SHORT-TERM FUNDS

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash and balances with banks and other financial institutions	**103,644**	143,986	**1,065**	224
Money at call and deposit placements maturing within one month	**192,678**	327,767	**–**	–
	296,322	471,753	**1,065**	224

Inclusive in cash and short-term funds of the Group are accounts in trust for dealer's representative amounting to RM12,998,000 (30.06.2015: RM13,544,000).

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2016

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	
	2016	**2015**
	RM'000	**RM'000**
Performing accounts	**195,943**	197,035
Impaired accounts	**1,390**	1,532
	197,333	198,567
Less: Allowance for bad and doubtful debts:		
- individual assessment allowance	**(282)**	(361)
- collective assessment allowance	**(17)**	(23)
	197,034	198,183
Movements of impaired accounts are as follows:		
At 1 July	**1,532**	956
Impaired during the financial year	**581**	928
Written back during the financial year	**(723)**	(352)
At 30 June	**1,390**	1,532
Movements in the allowance for losses on clients' and brokers' balances are as follows:		
Individual assessment allowance		
At 1 July	**361**	370
Allowance made during the financial year	**150**	97
Allowance written back during the financial year	**(229)**	(106)
At 30 June	**282**	361
Collective assessment allowance		
At 1 July	**23**	15
Allowance (written back)/made during the financial year	**(6)**	8
At 30 June	**17**	23

4 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group	
	2016	**2015**
	RM'000	**RM'000**
Licensed banks	**40,359**	49,246
Licensed investment banks	**–**	150,997
	40,359	200,243

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2016

5 FINANCIAL ASSETS HELD-FOR-TRADING

	The Group	
	2016 RM'000	2015 RM'000
Money market instruments		
Malaysian Government Securities	–	30,772
Negotiable instruments of deposits	763,252	–
Bankers' acceptances	–	426,775
	763,252	457,547
Quoted securities		
In Malaysia:		
Shares	16,772	21,597
Unquoted securities		
Foreign currency bonds	21,057	62,718
Corporate bond and/or sukuk	617,820	379,023
	638,877	441,741
	1,418,901	920,885

6 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Money market instruments				
Malaysian Government Securities	30,606	102,399	–	–
Malaysian Government Investment Issues	30,889	80,368	–	–
Cagamas bonds	15,094	15,051	–	–
	76,589	197,818	–	–
Quoted securities				
In Malaysia:				
Shares	16,674	15,000	–	–
Unit trust investment	150,869	144,118	109,082	133,130
	167,543	159,118	109,082	133,130
Unquoted securities				
Shares	245	245	–	–
Foreign currency bonds	168,754	199,674	–	–
Corporate bond and/or sukuk	619,173	401,459	–	–
	788,172	601,378	–	–
	1,032,304	958,314	109,082	133,130

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2016

7 FINANCIAL INVESTMENTS HELD-TO-MATURITY

	The Group	
	2016 RM'000	2015 RM'000
Money market instruments		
Malaysian Government Securities	**81,194**	51,097
Malaysian Government Investment Issues	**266,161**	20,397
	347,355	71,494
Unquoted securities		
Foreign currency bonds	**125,456**	248,387
Corporate bond and/or sukuk	**55,289**	60,374
	180,745	308,761
	528,100	380,255

8 LOANS AND ADVANCES

	The Group	
	2016 RM'000	2015 RM'000
Term loan financing	**84,527**	143,066
Share margin financing	**288,004**	183,183
Staff loans	**71**	78
Other loans	**574**	659
Gross loans and advances	**373,176**	326,986
Less:		
Allowance for losses on loans and advances:		
- individual assessment allowance	**(100)**	(111)
- collective assessment allowance	**(914)**	(892)
Total net loans and advances	**372,162**	325,983

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

	2016 RM'000	2015 RM'000
Maturity within one year	**308,648**	276,377
One year to three years	**64,457**	30,703
Three years to five years	**–**	19,829
Over five years	**71**	77
Gross loans and advances	**373,176**	326,986

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2016

8 LOANS AND ADVANCES (CONTINUED)

		The Group	
		2016	**2015**
		RM'000	**RM'000**
(ii)	The loans and advances are disbursed to the following types of customers:		
	Domestic business enterprises:		
	- small and medium enterprises	**20,273**	45,111
	- others	**216,899**	158,948
	Individuals	**127,909**	122,927
	Foreign entities	**8,095**	–
	Gross loans and advances	**373,176**	326,986
(iii)	Loans and advances analysed by interest rate sensitivity are as follows:		
	Fixed rate:		
	- staff housing loans	**71**	78
	- other fixed rate loans	**574**	659
	Variable rate:		
	- cost plus	**372,531**	326,249
	Gross loans and advances	**373,176**	326,986
(iv)	Loans and advances analysed by their economic purposes are as follows:		
	Purchase of securities	**338,562**	222,890
	Working capital	**33,969**	103,359
	Purchase of transport vehicles	**100**	112
	Purchase of landed property	**545**	625
	Gross loans and advances	**373,176**	326,986
(v)	Loans and advances analysed by geographical distribution are as follows:		
	Malaysia	**373,176**	326,986
(vi)	Movements in the impaired loans and advances are as follows:		
	At 1 July	**623**	853
	Impaired during the financial year	**–**	3
	Amount written-back during the financial year	**(38)**	(233)
	Amount written-off during the financial year	**(11)**	–
	At 30 June	**574**	623
	Ratio of impaired loans to total loans and advances net of individual assessment allowance	**0.2%**	0.2%

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2016

8 LOANS AND ADVANCES (CONTINUED)

		The Group	
		2016 RM'000	2015 RM'000
(vii)	Movements in the allowance for losses on loans and advances are as follows:		
	Individual assessment allowance		
	At 1 July	**111**	194
	Allowance written-back during the financial year	**–**	(83)
	Amount written-off during the financial year	**(11)**	–
	At 30 June	**100**	111
	Collective assessment allowance		
	At 1 July	**892**	1,307
	Allowance made/(written-back) during the financial year	**22**	(415)
	At 30 June	**914**	892
(viii)	Impaired loans and advances analysed by their economic purposes are as follows:		
	Purchase of transport vehicles	**100**	111
	Purchase of landed properties	**474**	512
		574	623
(ix)	Impaired loans and advances analysed by geographical distribution are as follows:		
	Malaysia	**574**	623

9 OTHER ASSETS

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Amounts due from subsidiary companies (a)	**–**	–	**445**	620
Deposits	**5,097**	4,102	**5**	5
Prepayments	**2,609**	1,406	**40**	51
Fee income receivables net of allowance for impairment losses of RM28,000 (30.06.2015: RM28,000) (b)	**7,743**	7,123	**–**	–
Collaterals pledged for derivative transactions	**27,271**	8,965	**–**	–
Other receivables	**8,006**	3,093	**–**	90
Manager's stocks and consumables	**192**	28	**–**	–
	50,918	24,717	**490**	766

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2016

9 OTHER ASSETS (CONTINUED)

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

	The Group	
	2016 RM'000	2015 RM'000
Individual assessment allowance		
At 1 July	**28**	375
Allowance written-back during the financial year	**–**	(106)
Allowance written-off during the financial year	**–**	(241)
At 30 June	**28**	28

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	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deferred tax assets		**92,378**	95,451	**–**	13
At 1 July		**95,451**	98,188	**13**	(4)
Charged to income statements	31	**(1,683)**	(2,124)	**–**	–
Charged to equity		**(1,390)**	(613)	**(13)**	17
At 30 June		**92,378**	95,451	**–**	13
Deferred tax assets					
- settled more than 12 months		**71,711**	70,065	**–**	–
- settled within 12 months		**24,297**	27,067	**–**	13
Deferred tax liabilities					
- settled more than 12 months		**(2,742)**	(1,330)	**–**	–
- settled within 12 months		**(888)**	(351)	**–**	–
		92,378	95,451	**–**	13

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2016

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 2015	**(1,291)**	**(390)**	**89,297**	**7,634**	**201**	**95,451**
(Charged)/credited to income statements	**(559)**	**–**	**395**	**(1,318)**	**(201)**	**(1,683)**
Charged to equity	**–**	**(1,390)**	**–**	**–**	**–**	**(1,390)**
At 30 June 2016	**(1,850)**	**(1,780)**	**89,692**	**6,316**	**–**	**92,378**
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
The Company						
At 1 July 2015	**–**	**13**	**–**	**–**	**–**	**13**
Charged to equity	**–**	**(13)**	**–**	**–**	**–**	**(13)**
At 30 June 2016	**–**	**–**	**–**	**–**	**–**	**–**
At 1 July 2014	–	(4)	–	–	–	(4)
Credited to equity	–	17	–	–	–	17
At 30 June 2015	–	13	–	–	–	13

12 INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2016 RM'000	2015 RM'000
Subsidiary companies:		
Unquoted shares at cost	**447,736**	397,736
Less: Accumulated impairment losses (a)	**(127,682)**	(127,682)
	320,054	270,054

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2016

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 during the financial year ended 30 June 2015.

The impairment allowance was due to reduction in a subsidiary's estimated future cash flows. In determining the impairment allowance, management has assessed the recoverable amount, being the higher of the fair value less costs to sell and value in use.

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

Details of the subsidiary companies are as follows:

		Effective equity interest		
Name of companies	**Country of incorporation**	**2016 %**	**2015 %**	**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 Research Sdn Bhd [1]	Malaysia	**–**	100	Dissolved
- ECS Jaya (1969) Sdn Bhd [2]	Malaysia	**–**	100	Dissolved
- HLIB Nominees (Tempatan) Sdn. Bhd.	Malaysia	**100**	100	Nominee and custodian services for Malaysia clients
- HLIB Nominees (Asing) Sdn. Bhd.	Malaysia	**100**	100	Nominee and custodian services for foreign clients
- SSSB Jaya (1987) Sdn Bhd	Malaysia	**100**	100	In creditors' voluntary liquidation
HLG Capital Markets Sdn Bhd and its subsidiary	Malaysia	**100**	100	Investment holding
- HLG Principal Investments (L) Limited	Labuan	**100**	100	In member's voluntary liquidation
HLG Securities Sdn Bhd	Malaysia	**100**	100	Investment holding

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2016

12 INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

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

		Effective equity interest		
Name of companies	Country of incorporation	2016 %	2015 %	Principal activities
HLCB Assets Sdn Bhd (formerly known as HLG Futures Sdn Bhd)	Malaysia	**100**	100	Investment holding
Hong Leong Asset Management Bhd	Malaysia	**100**	100	Unit trust management, fund management and sale of unit trusts
Unincorporated trust for ESOS	Malaysia	**–**	–	Special purpose vehicle for ESOS purpose
Hong Leong Islamic Institutional Income Management Fund	Malaysia	**–**	100	Unit trust funds
Hong Leong Islamic Cash Fund	Malaysia	**–**	100	Unit trust funds
Hong Leong Enhanced Cash Fund	Malaysia	**–**	100	Unit trust funds
Hong Leong Islamic Enhanced Cash Fund	Malaysia	**–**	100	Unit trust funds

[1] The subsidiary was dissolved on 8 March 2016.
[2] The subsidiary was dissolved on 29 January 2016.

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.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2016

12 INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

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. 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. The minimum regulatory capital adequacy requirement remains at 8.0% for capital ratio. Please refer to Note 38.

Liquidity requirements

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

Statutory requirements

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

13 STRUCTURED ENTITIES

A structured entity ("SE") is an entity in which voting or similar rights are not the dominant factor in deciding control. SEs are generally created to achieve a narrow and well defined objective with restrictions around their on going activities. Depending on the Group's power over the activities of the entity and its exposure to and ability to influence its own returns, it may consolidate the entity. In other cases it may sponsor or have exposure to such an entity but not consolidate it.

Unconsolidated structured entities in which the Group has an interest

An interest in a SE is any form of contractual or non-contractual involvement which creates variability in returns arising from the performance of the entity for the Group. Such interests include holdings of debt securities, lending and derivatives.

The Group's banking subsidiary, HLIB has been involved in the setting up of the SEs to facilitate the sell down of the debt securities originated and arranged by HLIB. HLIB has power over the relevant activities but no significant exposure to these SEs.

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

	The Group	
	2016 RM'000	2015 RM'000
Assets		
Loans and advances	–	39,854
Derivative financial assets	**1,271**	3,097
Liabilities		
Other liabilities	**1,274**	7,233
Derivative financial liabilities	**3,363**	10,968

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2016

13 STRUCTURED ENTITIES (CONTINUED)

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

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

	The Group	
	2016 RM'000	2015 RM'000
Interest income		
- Loans and advances	**1,015**	2,344
Non-interest income		
- Arranger fees	**4,717**	1,500
- Other fee income	**3,158**	4,990
- Realised (loss)/gain on interest rate swaps	**(4,150)**	3,150
- Unrealised (loss)/gain on revaluation of derivative financial assets and derivative financial liabilities - call options	**(1,826)**	(754)
- interest rate swaps	**7,113**	593
Interest expense		
- Interest rate swaps	**2,585**	2,952

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

	The Group	
	2016 RM'000	2015 RM'000
Commitments and contingencies		
Interest rate related contracts:		
- Interest rate swaps	**108,500**	194,500
Equity related contracts:		
- Call options	**7,000**	8,500

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 2016

14 PROPERTY AND EQUIPMENT

The Group 2016	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 2015	350	783	871	19,743	2,808	13,116	637	38,308
Additions	–	–	–	708	92	2,385	–	3,185
Disposals	–	–	–	–	(3)	–	–	(3)
Write-off	–	–	–	(340)	(97)	(3,500)	–	(3,937)
Reclassification	–	–	–	733	–	–	–	733
At 30 June 2016	350	783	871	20,844	2,800	12,001	637	38,286
Accumulated depreciation								
At 1 July 2015	–	26	111	17,865	2,449	11,954	593	32,998
Charge for the financial year	–	8	16	991	150	808	29	2,002
Disposals	–	–	–	–	(2)	–	–	(2)
Write-off	–	–	–	(336)	(74)	(3,170)	–	(3,580)
Reclassification	–	–	–	73	–	–	–	73
At 30 June 2016	–	34	127	18,593	2,523	9,592	622	31,491
Net book value								
At 30 June 2016	350	749	744	2,251	277	2,409	15	6,795

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2016

14 PROPERTY AND EQUIPMENT (CONTINUED)

The Group	Freehold land	Leasehold land more than 50 years	Leasehold building	Office and computer equipment	Furniture and fittings	Renovations	Motor vehicles	Total
2015	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**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

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2016

15 INTANGIBLE ASSETS

	The Group	
Computer software	**2016**	**2015**
	RM'000	**RM'000**
Cost		
At 1 July	**15,824**	12,421
Additions	**3,958**	3,465
Write-off	**–**	(62)
Reclassification	**(733)**	–
At 30 June	**19,049**	15,824
Amortisation		
At 1 July	**(12,183)**	(11,364)
Charge for the financial year	**(1,499)**	(881)
Write-off	**–**	62
Reclassification	**73**	–
At 30 June	**(13,609)**	(12,183)
At end of the financial year	**5,440**	3,641

16 GOODWILL

	The Group	
	2016	**2015**
	RM'000	**RM'000**
Cost		
At 1 July/30 June	**33,059**	33,059

Allocation of goodwill to cash-generating units

Goodwill has been allocated to the following cash-generating units ("CGUs"):

	The Group	
	2016	**2015**
CGUs	**RM'000**	**RM'000**
Investment banking and stockbroking	**28,986**	28,986
Unit trust management	**4,073**	4,073
	33,059	33,059

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2016

16 GOODWILL (CONTINUED)

Impairment test on goodwill

The recoverable amount of CGUs have been determined based on value in use calculation. These calculations use pre-tax cash flows projections based on financial budgets approved by Directors covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rates of 3.8% (30.06.2015: 4.0%), based on historical Gross Domestic Product ("GDP") growth rate of Malaysia on perpetual basis and discounted using pre-tax discount rates which reflect the specific risks relating to CGU.

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

	The Group	
	2016 %	2015 %
CGUs		
Investment banking and stockbroking	**10.5**	11.7
Unit trust management	**10.5**	11.7

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	
	2016 RM'000	2015 RM'000
Fixed deposits	**1,031,929**	841,747
(i) Maturity structure of fixed deposits is as follows:		
Due within:		
- six months	**1,030,876**	841,747
- six months to one year	**1,053**	–
	1,031,929	841,747
(ii) The deposits are sourced from the following customers:		
Government and statutory bodies	**873,906**	561,996
Business enterprises	**144,774**	265,602
Individual	**13,249**	14,149
	1,031,929	841,747

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2016

18 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group	
	2016 RM'000	2015 RM'000
Licensed banks	**641,635**	459,790
Licensed investment banks	**–**	34,384
Other financial institutions	**1,263,135**	1,353,217
	1,904,770	1,847,391

19 OTHER LIABILITIES

		The Group		The Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Amount due to other related companies	(a)	**97**	125	**–**	–
Remisiers' trust deposits		**12,998**	13,544	**–**	–
Other payables and accrued liabilities		**87,648**	60,482	**617**	498
Post employment benefits obligation:					
- defined contribution plan		**197**	144	**–**	–
		100,940	74,295	**617**	498

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

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2016

20 DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

The table below shows the Group's derivative financial instruments as at the reporting date. The contractual or underlying principal amounts of these derivative financial instruments and their corresponding gross positive (derivative assets) and gross negative (derivative liabilities) fair values at the reporting date are analysed below.

The Group	Contract or underlying principal amount	Year-end positive fair value	Year-end negative fair value
2016	**RM'000**	**RM'000**	**RM'000**
Interest rate related contracts:			
- interest rate swaps	**5,413,500**	**19,664**	**(36,729)**
- futures	**139,893**	**–**	**(1,567)**
- cross currency swaps	**120,945**	**3,412**	**(11,085)**
Foreign exchange related contracts:			
- foreign currency swaps	**2,308,659**	**18,347**	**(30,597)**
- foreign currency forwards	**45,938**	**–**	**(696)**
Equity related contracts:			
- futures	**5,032**	**–**	**(11)**
- call options	**7,000**	**1,271**	**–**
	8,040,967	**42,694**	**(80,685)**
The Group			
2015			
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)

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2016

21 SUBORDINATED OBLIGATIONS

	The Group	
	2016	2015
	RM'000	RM'000
RM50.0 million Tier 2 subordinated notes, at par	**50,000**	50,000
Add: Interest payable	**407**	407
	50,407	50,407
Less: Unamortised discounts	**(160)**	(213)
	50,247	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.

22 SHARE CAPITAL

	The Group and The Company	
	2016	2015
	RM'000	RM'000
Authorised:		
Ordinary shares of RM1.00 each		
At beginning/end of the financial year	**500,000**	500,000
Issued and fully paid:		
Ordinary shares of RM1.00 each		
At beginning/end of the financial year	**246,896**	246,896

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2016

23 RESERVES

		The Group		The Company	
	Note	2016	2015	2016	2015
		RM'000	RM'000	RM'000	RM'000
Retained profits	(i)	**335,301**	294,465	**189,315**	162,910
Statutory reserve	(ii)	**113,482**	113,482	**–**	–
Regulatory reserve	(iii)	**3,563**	3,031	**–**	–
Fair value reserve	(iv)	**6,623**	1,234	**(33)**	(43)
General reserve		**543**	543	**–**	–
Exchange fluctuation reserve	(v)	**(16)**	8	**–**	–
		459,496	412,763	**189,282**	162,867

(i) Retained profits

The Company can distribute dividends out of its entire retained earnings under the single-tier system.

(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) Fair value reserve

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

(v) Exchange fluctuation reserve

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

24 TREASURY SHARES

Treasury shares for ESOS scheme

MFRS 132 - Financial Instruments: Presentation and Disclosure requires that if an entity reacquires its own equity instruments, those instruments shall be deducted from equity and are not recognised as a financial asset regardless of the reason for which they are reacquired.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2016

24 TREASURY SHARES (CONTINUED)

Treasury shares for ESOS scheme (continued)

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:

	2016		2015	
	Number of trust shares held	Cost	Number of trust shares held	Cost
The Group	'000	RM'000	'000	RM'000
As at 1 July	**5,613**	**6,031**	7,373	7,923
Disposal of treasury shares	**–**	**–**	(535)	(576)
Exercise of ESOS	**–**	**–**	(1,225)	(1,316)
As at 30 June	**5,613**	**6,031**	5,613	6,031
The Company				
As at 1 July	**5,508**	**5,918**	7,373	7,923
Disposal of treasury shares	**–**	**–**	(535)	(576)
Transferred to trustee of subsidiary	**–**	**–**	(1,330)	(1,429)
As at 30 June	**5,508**	**5,918**	5,508	5,918

25 INTEREST INCOME

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Loans and advances	**20,508**	24,739	**–**	–
Money at call and deposit placements with financial institutions	**4,245**	15,058	**148**	21
Financial assets held-for-trading	**38,079**	39,396	**–**	–
Financial investments available-for-sale	**34,744**	28,042	**–**	–
Financial investments held-to-maturity	**14,233**	11,225	**–**	–
Derivative financial instruments	**5,836**	4,276	**–**	–
Others	**9,817**	8,482	**–**	–
	127,462	131,218	**148**	21

26 INTEREST EXPENSE

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deposits and placements of banks and other financial institutions	**23,053**	16,784	**–**	–
Deposits from customers	**47,668**	61,045	**–**	–
Derivative financial instruments	**11,408**	8,937	**–**	–
Subordinated obligations	**2,710**	1,698	**–**	–
Others	**270**	519	**–**	–
	85,109	88,983	**–**	–

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2016

27 NON-INTEREST INCOME

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Fee income				
Brokerage income	52,535	58,165	–	–
Unit trust fee income	20,750	16,299	–	–
Commissions from future contracts	472	852	–	–
Fees on loans and advances	320	1,242	–	–
Arranger fees	15,428	8,849	–	–
Placement fees	9,001	8,544	–	–
Corporate advisory fees	6,204	11,811	–	–
Underwriting commissions	1,206	886	–	–
Guarantee fees	52	249	–	–
Other fee income	8,791	14,066	208	–
	114,759	120,963	208	–
Net income from securities				
Net realised gain/(loss) arising from sale/redemption of:				
- Financial assets held-for-trading	15,090	6,452	–	179
- Financial investments available-for-sale	1,114	3,196	(19)	39
- Derivative financial instruments	(13,414)	(3,391)	–	–
Net unrealised gain/(loss) on revaluation of:				
- Financial assets held-for-trading	(2,729)	5,697	–	–
- Derivative financial instruments	(24,272)	(12,814)	–	–
Dividend income from:				
- Financial assets held-for-trading	1,937	754	–	–
- Financial investments available-for-sale	5,659	4,484	4,980	3,784
- Subsidiary companies	–	–	43,200	89,079
	(16,615)	4,378	48,161	93,081
Other income				
Gain on disposal of property and equipment	4	4	–	–
Gain on liquidation of a subsidiary	589	2	–	–
Foreign exchange gain	30,920	15,335	–	–
Other non-operating income	885	407	284	170
	32,398	15,748	284	170
	130,542	141,089	48,653	93,251

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2016

28 OVERHEAD EXPENSES

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Personnel costs	**68,658**	66,197	**591**	421
Establishment costs	**18,967**	17,970	**159**	66
Marketing expenses	**2,876**	3,211	**5**	9
Administration and general expenses	**17,962**	18,153	**1,027**	1,214
	108,463	105,531	**1,782**	1,710

(i) Personnel costs comprise the following:

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Salaries, bonus and allowances	**56,411**	55,308	**306**	154
Option charge arising from ESOS granted	**–**	38	**–**	–
Other employees benefits	**12,247**	10,851	**285**	267
	68,658	66,197	**591**	421

(ii) Establishment costs comprise the following:

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Depreciation of property and equipment	**2,002**	1,920	**–**	–
Amortisation of intangible assets - computer software	**1,499**	881	**–**	–
Rental of premises	**6,285**	6,251	**–**	–
Information technology expenses	**5,474**	5,526	**19**	10
Others	**3,707**	3,392	**140**	56
	18,967	17,970	**159**	66

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2016

28 OVERHEAD EXPENSES (CONTINUED)

(iii) Marketing expenses comprise the following:

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Advertisement and publicity	**507**	365	**–**	4
Travelling and accomodation	**517**	284	**4**	4
Others	**1,852**	2,562	**1**	1
	2,876	3,211	**5**	9

(iv) Administration and general expenses comprise the following:

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Communication expenses	**1,369**	1,653	**13**	7
Stationery and printing expenses	**1,034**	828	**9**	12
Management fees	**3,643**	4,113	**462**	289
Professional fees	**3,443**	4,180	**–**	369
Property and equipment written off	**357**	146	**–**	–
Auditors' remuneration:				
- statutory audit fees	**366**	385	**60**	61
- regulatory related fees	**50**	50	**11**	11
- tax compliance fees	**14**	17	**–**	4
- other fees	**20**	175	**–**	–
Others	**7,666**	6,606	**472**	461
	17,962	18,153	**1,027**	1,214

Included in the overhead expenses of the Group and the Company are Directors' remuneration amounting to RM455,000 (2015: RM395,000) and RM360,000 (2015: RM300,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2016

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

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
(Allowance for)/write-back of losses on loans and advances:				
(a) Individual assessment allowance:				
- written-back during the financial year	–	83	–	–
(b) Collective assessment allowance:				
- (made)/written-back during the financial year	(22)	415	–	–
	(22)	498	–	–
Bad debts on loans and advances				
- recovered	5	–	–	–
Write-back of/(allowance for) losses on clients' and brokers' balances:				
(a) Individual assessment allowance:				
- made during the financial year	(150)	(97)	–	–
- written-back during the financial year	229	106	–	–
(b) Collective assessment allowance:				
- written-back/(made) during the financial year	6	(8)	–	–
	85	1	–	–
Bad debts on clients and brokers' balances				
- recovered	–	110	–	–
Write-back of allowance for losses on fee income receivables:				
(a) Individual assessment allowance:				
- written-back during the financial year	–	106	–	–
	–	106	–	–
Allowance for impairment on subsidiary (Note 12)	–	–	–	(72,666)
	68	715	–	(72,666)

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2016

30 DIRECTORS' REMUNERATION

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Directors of the Company				
Non-Executive Directors:				
Fee:				
YBhg Tan Sri Quek Leng Chan	–	–	–	–
Mr Tan Kong Khoon (Appointed on 24.02.2016)	–	–	–	–
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman	219	199	124	104
YBhg Dato' Mohamed Nazim bin Abdul Razak	118	98	118	98
YBhg Dato' Ahmad Fuaad bin Mohd Dahalan	118	98	118	98
Mr Quek Kon Sean (Resigned on 9.07.2016)	–	–	–	–
	455	395	360	300

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

31 TAXATION

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax:				
- current financial year's charge	870	90	148	48
- Under/(over) provision in prior financial years	70	(41)	(52)	–
	940	49	96	48
Deferred taxation (Note 11):				
- relating to origination and reversal of temporary differences	1,683	2,124	–	–
	1,683	2,124	–	–
	2,623	2,173	96	48

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2016

31 TAXATION (CONTINUED)

A reconciliation of income tax expense applicable to profit/(loss) before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and the Company is as follows:

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit before taxation	**64,500**	78,508	**47,019**	18,896
Tax calculated at a rate of 24% (2015: 25%)	**15,480**	19,627	**11,285**	4,724
Tax effects of:				
- Income not subject to tax	**(2,208)**	(2,787)	**(11,559)**	(23,270)
- Expenses not deductible for tax purposes	**1,383**	2,779	**422**	18,594
- Effect of change in tax rate	**–**	273	**–**	–
- Origination of temporary differences previously not recognised	**(12,102)**	(17,678)	**–**	–
- Under/(over) provision in prior financial years	**70**	(41)	**(52)**	–
Tax expense/(income) for the financial year	**2,623**	2,173	**96**	48

Unrecognised deferred tax assets

	The Group	
	2016 RM'000	2015 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	**121,830**	133,921
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.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2016

32 EARNINGS PER SHARE

The basic earnings per share has been calculated by dividing the net profit for the financial year of the Group by the number of ordinary shares in issue excluding the weighted average shares held by ESOS Trust during the financial year as follows:

		The Group	
		2016	**2015**
(a)	**Basic earnings per share**		
	Net profit attributable to equity holders of the Company (RM'000)	**61,877**	76,335
	Weighted average number of ordinary shares in issue ('000)	**241,283**	240,994
	Basic earnings per share (sen)	**25.6**	31.7

(b) Diluted earnings per share

There is no diluted earnings per share as the Group has no category of dilutive potential ordinary shares outstanding as at 30 June 2016 and 30 June 2015.

33 DIVIDENDS

Dividends declared and proposed as follows:-

	The Group			
	2016		**2015**	
	Single-tier dividend per share	**Amount of dividend**	**Single-tier dividend per share**	**Amount of dividend**
	Sen	**RM'000**	**Sen**	**RM'000**
Ordinary shares	**12.0**	**29,628**	8.5	20,986

At the forthcoming Annual General Meeting, the Directors of the Company recommend the payment of a final single-tier dividend of 12.0 sen per share on the Company's issued and paid-up ordinary shares of RM246,896,668 comprising 246,896,668 of ordinary shares amounting to RM29.6 million for the financial year ended 30 June 2016.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2016

33 DIVIDENDS (CONTINUED)

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

	The Group			
	2016		2015	
	Single-tier dividend per share Sen	Amount of dividend RM'000	Single-tier dividend per share Sen	Amount of dividend RM'000
Ordinary shares	**8.5**	**20,509**	15.0	36,175

	The Company			
	2016		2015	
	Single-tier dividend per share Sen	Amount of dividend RM'000	Single-tier dividend per share Sen	Amount of dividend RM'000
Ordinary shares	**8.5**	**20,518**	15.0	36,205

In respect of the financial year ended 30 June 2015, 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 RM477,080 (Group) and RM468,155 (Company), being dividend paid for these shares was added back to the appropriation of retained profits.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2016

34 COMMITMENTS AND CONTINGENCIES

(a) Investment banking subsidiary company related commitments and contingencies

In the normal course of business, the investment banking subsidiary make various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions. These commitments and contingencies are also not secured over the assets of the Group.

The commitments and contingencies are as follows:

The Group	2016 Principal amount RM'000	2015 Principal amount RM'000
Commitments and contingencies		
Direct credit substitutes	**1,000**	8,000
Any commitment that are unconditionally cancelled at any time by the Group without prior notice		
- maturity less than one year	**686,780**	722,877
Other commitments, such as formal standby facilities and credit lines		
- maturity less than one year	**2,165**	1,781
- maturity more than one year	**589**	2,719
	690,534	735,377
Derivative financial instruments		
Interest rate related contracts:		
- One year or less	**1,388,708**	1,555,070
- Over one year to five years	**3,630,630**	2,617,697
- Over five years	**655,000**	525,000
Foreign exchange related contracts:		
- One year or less	**2,354,597**	1,971,194
Equity related contracts:		
- One year or less	**5,032**	–
- Over one year to five years	**7,000**	8,500
	8,040,967	6,677,461
	8,731,501	7,412,838

(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 2016.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2016

35 CAPITAL COMMITMENTS

	The Group	
	2016	2015
	RM'000	RM'000
Property and equipment:		
- Approved and contracted but not provided for	**4,472**	5,006
- Approved but not contracted for	**1,251**	2,655
	5,723	7,661

36 LEASE COMMITMENTS

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

	The Group	
	2016	2015
	RM'000	RM'000
Less than one year	**4,398**	3,530
More than one year but less than five years	**2,302**	325
More than five years	**1**	–

37 CAPITAL MANAGEMENT

The Group's capital is in relation to its risk profile and strategic objectives set by the Board to meet shareholders' requirements and expectations. The Group's Capital Management framework for maintaining appropriate capital levels is in line with the Bank Negara Malaysia's Revised Risk Weighted Capital Adequacy Framework.

38 CAPITAL ADEQUACY

The Group's banking subsidiary's regulatory capital is governed by BNM Capital Adequacy Framework guidelines. With effect from 1 January 2016, the capital adequacy ratios of the banking subsidiary are computed in accordance with BNM's Capital Adequacy Framework issued on 13 October 2015. 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. 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. The minimum regulatory capital adequacy requirement remains at 8.0% (2015: 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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2016

38 CAPITAL ADEQUACY (CONTINUED)

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

	HLIB	
	2016	**2015**
Before deducting proposed dividends:		
Common equity tier 1 ("CET1") capital ratio	**29.202%**	23.683%
Tier 1 capital ratio	**29.202%**	23.683%
Total capital ratio	**33.576%**	27.355%
After deducting proposed dividends: [1]		
CET1 capital ratio	**24.986%**	20.832%
Tier 1 capital ratio	**24.986%**	20.832%
Total capital ratio	**29.360%**	24.504%

Note:
[1] Proposed dividends of RM52,300,000 (2015: RM41,600,000).

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

	HLIB	
	2016 RM'000	**2015 RM'000**
CET1 capital		
Paid-up ordinary share capital	**165,000**	165,000
Share premium	**87,950**	87,950
Retained profits	**36,357**	22,742
Other reserves	**202,504**	198,645
Less: goodwill and intangibles	**(34,379)**	(32,535)
Less: deferred tax assets	**(91,882)**	(95,002)
Less: investment in subsidiary companies	**(217)**	(154)
Less: 55% of cumulative gains of financial instruments available-for-sale	**(3,100)**	(978)
Total CET1 capital	**362,233**	345,668
Tier 1 capital	**362,233**	345,668
Tier 2 capital		
Collective assessment allowance [2] and regulatory reserve [3]	**4,394**	3,825
Subordinated obligations	**50,000**	50,000
Regulatory adjustments:		
- Investment in subsidiary companies	**(144)**	(230)
Total Tier 2 capital	**54,250**	53,595
Total capital	**416,483**	399,263

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 RM3,563,000 (2015: RM3,031,000).

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2016

38 CAPITAL ADEQUACY (CONTINUED)

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

	HLIB	
	2016 RM'000	2015 RM'000
Credit risk	**520,091**	678,033
Market risk	**416,042**	483,713
Operational risk	**304,287**	297,840
	1,240,420	1,459,586

39 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Related parties and relationships

The related parties and their relationship 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
for the financial year ended 30 June 2016

39 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Related parties transactions

Transactions with related parties are as follows:

The Group 2016	Parent company RM'000	Other related companies RM'000	Key management personnel RM'000
Income			
Interest income	–	30,287	–
Brokerage income	–	4,703	74
Corporate advisory fee	220	380	–
Arranger fee	–	4,810	–
Other fee income	146	7,688	–
Gain on securities and derivatives	–	3,531	–
	366	51,399	74
Expenses			
Interest expense	–	37,830	499
Rental	–	3,732	–
Management fees	3,618	–	–
Others	4	4,695	–
	3,622	46,257	499
Amounts due from:			
Cash and short-term funds	–	12,777	–
Financial assets held-for-trading	–	287,231	–
Derivative financial assets	–	3,868	–
Clients' and brokers' balances	–	11,030	–
Other assets	–	855	–
	–	315,761	–
Amounts due to:			
Deposits from customers	–	1,264	13,249
Deposits and placements of banks and other financial institutions	–	697,568	–
Derivative financial liabilities	–	4,879	–
Clients' and brokers' balances	–	696	–
Other liabilities	182	1,305	300
	182	705,712	13,549
Commitments and contingencies			
Derivative financial instruments	–	115,500	–

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2016

39 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Related parties transactions (continued)

The Company 2016	Parent company RM'000	Subsidiaries RM'000	Other related companies RM'000	Key management personnel RM'000
Income				
Dividends	–	43,200	–	–
Guarantee fee	–	2	–	–
Others	–	282	–	–
	–	43,484	–	–
Expenses				
Management fees	462	–	–	–
Others	–	–	79	–
	462	–	79	–
Amounts due from:				
Cash and short-term funds	–	–	1,062	–
Investment in subsidiary companies	–	320,054	–	–
Other assets	–	445	–	–
	–	320,499	1,062	–
Amounts due to:				
Other liabilities	115	–	–	300
	115	–	–	300

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2016

39 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Related parties transactions (continued)

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	–

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2016

39 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 fee	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

(c) Key management personnel

Key management compensation

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Fees	**455**	395	**360**	300
Option charge arising from ESOS granted	**–**	35	**–**	–
	455	430	**360**	300

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2016

40 SEGMENTAL INFORMATION

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

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

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

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

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

Business segments

The Group comprises the following main business segments:

Investment banking and 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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2016

40 SEGMENTAL INFORMATION (CONTINUED)

The Group 2016	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	144,863	21,362	6,670	–	172,895
Inter-segment revenue	(13)	(2)	43,284	(43,269)	–
Total revenue [(1)]	144,850	21,360	49,954	(43,269)	172,895
Overhead expenses	(87,270)	(19,117)	(2,110)	34	(108,463)
Net write-back of impairment losses on loans and advances and other losses	68	–	–	–	68
Results					
Segment results from operations	57,648	2,243	47,844	(43,235)	64,500
Tax expense for the financial year					(2,623)
Net profit for the financial year					61,877
Assets					
Segment assets	3,895,975	59,364	510,873	(317,155)	4,149,057
Liabilities					
Segment liabilities	3,400,601	46,750	2,132	(787)	3,448,696
Other informations					
Capital expenditure	6,349	794	–	–	7,143
Depreciation of property and equipment	1,647	355	–	–	2,002
Amortisation of intangible assets					
- computer software	1,454	45	–	–	1,499
Allowance for losses on loans and advances	22	–	–	–	22
Bad debts on loans and advances recovered	5	–	–	–	5
Allowance for losses on clients' and brokers' balances	85	–	–	–	85

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 2016

40 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 advances and other assets	715	–	–	–	715
Result					
Segment results from operations	73,431	(279)	154,449	(149,093)	78,508
Taxation					(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.

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2016

41 FINANCIAL INSTRUMENTS

(a) Risk management objectives and policies

Risk management is one of the core activities of the Group to strike a balance between sound practices and risk-return. An effective risk management is therefore vital to ensure that the Group conducts its business in a prudent manner to ensure that the risk of potential losses is reduced.

Credit risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, credit limits and monitoring procedures. Credit risk includes settlement risk, default risk and concentration risk. Exposure to credit risk arises mainly from financing, underwriting, securities and derivative exposures of the Group.

The Group has set out Board approved policies and guidelines for the management of credit risk. To oversee all credit related matters of the Group, the Management Credit and Underwriting Committee ("MCUC") was setup in 2011 in addition to an independent Credit Department.

The Board has delegated appropriate Delegation of Authority to the MCUC and senior management for the approval of credit facilities. Credit limit setting for Treasury activities are endorsed by the MCUC and approved by the Board at least annually. Adherence to established credit policies, guidelines and limits is monitored daily by the Credit Control Department, Credit Department and the Risk Management Department.

Market risk

Market risk is the risk of loss arising from adverse fluctuation in market prices, such as interest rates, equity prices and foreign currency. The Group monitors all such exposures arising from trading activities of the treasury and stockbroking business activities on a daily basis and management is alerted on the financial impact of these risks. To mitigate market risk, the Group also uses derivative financial instruments.

The Group has in place a set of policies, guidelines, measurement methodologies and control limits which includes Value-at-Risk ("VaR"), Present-Value-Basis-Point ("PVBP"), Management Action Trigger ("MAT"), notional limits and concentration limits to mitigate market risk.

Stress testing is also employed to capture the potential market risk exposures from unexpected market movements. Concerns and significant findings are communicated to the senior management at the Assets and Liabilities Management Committee ("ALMCO") and to the Board.

Liquidity risk

Liquidity risk is the risk of financial loss arising from the inability to fund increases in assets and/or meet obligations as they fall due. Financial obligations arises from the withdrawal of deposits, funding of loans committed and repayment of borrowed funds. It is the Group's policy to ensure that there is adequate liquidity across all business units to sustain ongoing operations, as well as sufficient liquidity to fund asset growth and strategic opportunities.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2016

41 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk

Market risk sensitivity assessment is based on the changes in key variables, such as interest rates and foreign currency rates, while all other variables remain constant. The sensitivity factors used are assumptions based on parallel shifts in the key variables to project the impact on the assets and liabilities position of the Group as at reporting date.

The scenarios used are simplified whereby it is assumed that all key variables for all maturities move at the same time and by the same magnitude and do not incorporate actions that would be otherwise taken by the business unit and risk management to mitigate the effect of this movement in key variables. In reality, the Group and the Bank proactively seek to ensure that the interest rate risk profile is managed to minimise losses and optimise net revenues.

(i) Interest rate sensitivity analysis

The following table shows the sensitivity of the Group's profit after tax and its equity to an immediate up and down +/-100 basis points ('bps') parallel shift in the interest rate.

	The Group	
2016	Impact on profit after tax RM'000	Impact on equity RM'000
+100 bps	**1,916**	**(19,665)**
-100 bps	**(1,916)**	**19,665**
2015		
+100 bps	12,800	(15,017)
-100 bps	(12,800)	15,017

(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

	2016		2015	
The Group	+1% RM'000	-1% RM'000	+1% RM'000	-1% RM'000
USD	**(19)**	**19**	(27)	27
SGD	**(1)**	**1**	2	(2)
Others	**(10)**	**10**	(5)	5
	(30)	**30**	(30)	30

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2016

41 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest rate risk

The tables below summarise the Group's and the Company's exposure to interest rate risks. Included in the tables are the Group's and the Company's 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 2016	**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	192,581	–	–	–	–	103,741	–	296,322
Clients' and brokers' balances	–	–	–	–	–	197,034	–	197,034
Deposits and placements with banks and other financial institutions	–	40,315	–	–	–	44	–	40,359
Financial assets held-for-trading	–	–	–	–	–	–	1,418,901	1,418,901
Financial investments available-for-sale	–	–	210,792	490,655	155,392	175,465	–	1,032,304
Financial investments held-to-maturity	–	–	28,509	291,404	201,883	6,304	–	528,100
Loans and advances	288,578	20,000	–	64,336	71	(823)	–	372,162
Other assets	–	–	–	–	–	48,309	–	48,309
Derivative financial assets	–	–	–	–	–	–	42,694	42,694
Statutory deposits with Bank Negara Malaysia	–	–	–	–	–	32,400	–	32,400
Total assets	481,159	60,315	239,301	846,395	357,346	562,474	1,461,595	4,008,585

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2016

41 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest rate risk (continued)

	Non-trading book							
The Group 2016	**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	–	–	–	–	–	279,919	–	279,919
Deposits from customers	969,039	11,880	50,018	–	–	992	–	1,031,929
Deposits and placements of banks and other financial institutions	1,633,229	226,325	43,702	–	–	1,514	–	1,904,770
Other liabilities	–	–	–	–	–	100,940	–	100,940
Derivative financial liabilities	–	–	–	–	–	–	80,685	80,685
Subordinated obligations	–	–	–	–	49,840	407	–	50,247
Total liabilities	2,602,268	238,205	93,720	–	49,840	383,772	80,685	3,448,490
Net interest sensitivity gap	(2,121,109)	(177,890)	145,581	846,395	307,506			
Direct credit substitutes	–	–	–	–	–	1,000		
Credit related commitments and contingencies	–	–	–	–	–	689,534		
Net interest sensitivity gap	–	–	–	–	–	690,534		

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2016

41 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**
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	–	–	–	–	–	23,311	–	23,311
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	591,658	963,944	3,578,166

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2016

41 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		

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2016

41 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest rate risk (continued)

	Non-trading book							
The Company 2016	**Up to 1 month RM'000**	**1 – 3 months RM'000**	**3 - 12 months RM'000**	**1 - 5 years RM'000**	**Over 5 years RM'000**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Assets								
Cash and short-term funds	–	–	–	–	–	1,065	–	1,065
Financial investments available-for-sale	–	–	–	–	–	109,082	–	109,082
Other assets	–	–	–	–	–	450	–	450
Total assets	–	–	–	–	–	110,597	–	110,597
Liabilities								
Other liabilities	–	–	–	–	–	617	–	617
Total liabilities	–	–	–	–	–	617	–	617
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 2016

41 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	–	–	–	–	–	715	–	715
Total assets	–	–	–	–	–	134,069	–	134,069
Liabilities								
Other liabilities	–	–	–	–	–	498	–	498
Total liabilities	–	–	–	–	–	498	–	498
Net interest sensitivity gap	–	–	–	–	–			
Direct credit substitutes	–	–	–	–	–	–		
Credit related commitments and contingencies	–	–	–	–	–	–		
Total interest rate sensitivity gap	–	–	–	–	–	–		

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2016

41 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk

Liquidity risk is defined as the current and prospective risk arising from the inability of the Group and the Company to meet its contractual or regulatory obligations when they fall due without incurring substantial losses. Liquidity obligations arise from wtihdrawals of deposits, repayments of purchased funds at maturity, extensions of credit and working capital needs. The Group and the Company seek the project, monitor and manage its liquidity needs under normal as well as adverse circumstances.

The table below analyses the carrying amount of assets and liabilites (include non-financial instruments) as at reporting date based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM Guideline:

The Group 2016	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	226,771	69,551	–	–	–	–	–	296,322
Clients' and brokers' balances	197,034	–	–	–	–	–	–	197,034
Deposits and placements with banks and other financial institutions	–	–	40,359	–	–	–	–	40,359
Financial assets held-for-trading	50,550	511,833	200,906	–	–	638,840	16,772	1,418,901
Financial investments available-for-sale	–	–	–	30,240	182,432	651,844	167,788	1,032,304
Financial investments held-to-maturity	–	–	–	–	28,636	499,464	–	528,100
Loans and advances	287,755	–	20,000	–	–	64,407	–	372,162
Derivative financial assets	706	5,679	12,277	2,942	569	20,521	–	42,694
Other assets*	–	–	–	–	44,871	–	176,310	221,181
Total assets	762,816	587,063	273,542	33,182	256,508	1,875,076	360,870	4,149,057

* 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 2016

41 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilites (include non-financial instruments) as at reporting date based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM Guideline: (continued)

The Group 2016	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	279,919	–	–	–	–	–	–	279,919
Deposits from customers	122,253	847,587	11,926	49,110	1,053	–	–	1,031,929
Deposits and placements of banks and other financial institutions	965,367	668,883	226,744	41,754	2,022	–	–	1,904,770
Derivative financial liabilities	4,546	9,526	6,147	10,520	2,517	47,429	–	80,685
Subordinated obligations	–	–	–	–	–	50,247	–	50,247
Other liabilities**	13,097	–	–	–	87,852	197	–	101,146
Total liabilities	1,385,182	1,525,996	244,817	101,384	93,444	97,873	–	3,448,696
Total equity	–	–	–	–	–	–	700,361	700,361
Total liabilities and equity	1,385,182	1,525,996	244,817	101,384	93,444	97,873	700,361	4,149,057

** Includes current tax liabilities.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2016

41 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilites (include non-financial instruments) as at reporting date based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM Guideline: (continued)

The Group 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	–	194,654	218,739
Total assets	994,574	272,671	340,724	139,300	151,908	1,442,623	375,614	3,717,414

* 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 2016

41 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilites (include non-financial instruments) as at reporting date based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM Guideline: (continued)

The Group 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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2016

41 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilites (include non-financial instruments) as at reporting date based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM Guideline: (continued)

The Company 2016	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	1,065	–	–	–	–	–	–	1,065
Financial investment available-for-sale	–	–	–	–	–	–	109,082	109,082
Other assets	445	–	–	–	45	–	–	490
Tax recoverable	–	–	–	–	–	–	186	186
Investment in subsidiary companies	–	–	–	–	–	–	320,054	320,054
Total assets	1,510	–	–	–	45	–	429,322	430,877
Liabilities								
Other liabilities	–	–	–	–	617	–	–	617
Total liabilities	–	–	–	–	617	–	–	617
Total equity	–	–	–	–	–	–	430,260	430,260
Total liabilities and equity	–	–	–	–	617	–	430,260	430,877

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2016

41 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilites (include non-financial instruments) as at reporting date based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM Guideline: (continued)

The Company 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

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2016

41 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The following tables show the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturities. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows.

The Group 2016	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	279,919	–	–	–	–	–	279,919
Deposits from customers	970,871	61,288	1,074	–	–	–	1,033,233
Deposits and placements of banks and other financial institutions	1,635,266	270,215	2,048	–	–	–	1,907,529
Derivative financial liabilities							
- Gross settled derivatives							
- Inflow	(1,522,694)	(764,461)	(80,508)	–	–	–	(2,367,663)
- Outflow	1,530,500	769,155	81,060	–	–	–	2,380,715
- Net settled derivatives	(201)	1,732	899	6,732	3,002	(555)	11,609
Other liabilities	13,096	–	87,647	–	–	197	100,940
Subordinated obligations	–	1,350	1,315	5,300	5,307	59,286	72,558
Total financial liabilities	2,906,757	339,279	93,535	12,032	8,309	58,928	3,418,840

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2016

41 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The following tables show the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturities. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows. (continued)

The 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 Company 2016	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	**–**	**–**	**617**	**–**	**–**	**–**	**617**
Total financial liabilities	**–**	**–**	**617**	**–**	**–**	**–**	**617**
2015							
Liabilities							
Other liabilities	–	–	498	–	–	–	498
Total financial liabilities	–	–	498	–	–	–	498

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2016

41 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

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

The Group 2016	Less than 1 year RM'000	Over 1 year RM'000	Total RM'000
Direct credit substitutes	**1,000**	**–**	**1,000**
Other commitments, such as formal standby facilities and credit lines	**2,165**	**589**	**2,754**
Any commitment that are unconditionally cancelled at anytime by the Group without prior notice	**686,780**	**–**	**686,780**
	689,945	**589**	**690,534**
2015			
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

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2016

41 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 statement of financial position as well as off-balance sheet financial instruments, without taking into account of any collateral held or other credit enhancements. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Group and the Company would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers. The table below shows the maximum exposure to credit risk for the Group and the Company:

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Credit risk exposure relating to on-balance sheet assets:				
Short-term funds (exclude cash in hand)	**296,308**	471,741	**1,065**	224
Clients' and brokers' balances	**197,034**	198,183	**–**	–
Deposits and placements with banks and other financial institutions	**40,359**	200,243	**–**	–
Financial assets and investments portfolios (exclude shares and unit trust investment)				
- financial assets held-for-trading	**1,402,129**	899,288	**–**	–
- financial investments available-for-sale	**864,516**	798,951	**–**	–
- financial investments held-to-maturity	**528,100**	380,255	**–**	–
Loans and advances	**372,162**	325,983	**–**	–
Other assets	**48,309**	23,311	**450**	715
Derivative financial assets	**42,694**	43,059	**–**	–
	3,791,611	3,341,014	**1,515**	939
Credit risk exposure relating to off-balance sheet items:				
Commitments and contingencies	**690,534**	735,377	**–**	–
Total maximum credit risk exposure	**4,482,145**	4,076,391	**1,515**	939

(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 2016 for the Group is 86.0% (30 June 2015: 87.5%). The financial effect of collateral held for the other financial assets is not significant.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2016

41 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(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	2016 RM'000	2015 RM'000
Neither past due nor impaired	**372,602**	326,363
Past due but not impaired	**–**	–
Individually impaired	**574**	623
Gross loans and advances	**373,176**	326,986
Less : Allowance for impaired loans, advances and financing:		
- individual assessment allowance	**(100)**	(111)
- collective assessment allowance	**(914)**	(892)
Total net loans and advances	**372,162**	325,983

(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	2016 RM'000	2015 RM'000
Grading classification:		
- Good	**38,178**	92,533
- Satisfactory	**46,349**	50,533
- Un-graded	**288,075**	183,297
	372,602	326,363

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2016

41 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iii) Credit quality (continued)

(a) Loans and advances (continued)

(i) Loans and advances neither past due nor impaired (continued)

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.

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

The Group	2016 RM'000	2015 RM'000
Gross amount of individually impaired loans	**574**	623
Less: Individual assessment allowance	**(100)**	(111)
Total net amount of individually impaired loans	**474**	512

(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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2016

41 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iii) Credit quality (continued)

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

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

The Group	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Clients' and brokers' balances RM'000	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
2016							
Neither past due nor impaired	**336,667**	**195,943**	**1,402,129**	**864,516**	**528,100**	**48,309**	**42,694**
Individually impaired	**–**	**1,390**	**–**	**–**	**–**	**28**	**–**
Less: Impairment losses	**–**	**(299)**	**–**	**–**	**–**	**(28)**	**–**
	336,667	**197,034**	**1,402,129**	**864,516**	**528,100**	**48,309**	**42,694**
2015							
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

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2016

41 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iii) Credit quality (continued)

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

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

The Company	Short-term funds and deposits RM'000	Other assets RM'000
2016		
Neither past due nor impaired	**1,065**	**450**
Individually impaired	**–**	**–**
Less: Impairment losses	**–**	**–**
	1,065	**450**
2015		
Neither past due nor impaired	224	715
Individually impaired	–	–
Less: Impairment losses	–	–
	224	715

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2016

41 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iii) Credit quality (continued)

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

Analysis of short-term funds and deposits and placements with banks and other financial institutions, reverse repurchase agreements, financial assets and investments portfolios, clients' and brokers' balances, other assets and derivative financial assets that are neither past due nor impaired by rating agency designation as at reporting date are as follows:

The Group	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Clients' and brokers' balances RM'000	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
2016							
AAA to AA3	–	–	813,817	541,895	10,096	–	40,690
A1 to A3	–	–	180,910	95,891	63,902	–	733
Baa1 to Baa3	–	–	21,058	72,863	61,553	–	–
P1 to P3	336,649	–	–	–	–	22,680	–
B1	–	–	–	–	–	–	–
Non-rated, of which:							
- Bank Negara Malaysia	18	–	–	–	–	–	–
- Malaysia Government Investment Issues	–	–	–	30,889	266,162	–	–
- Malaysian Government Securities	–	–	–	30,606	81,194	–	–
- Government Guaranteed Corporate Bond and/or Sukuk	–	–	386,309	33,775	45,193	–	–
- Others	–	197,034	35	58,597	–	25,629	1,271
	18	197,034	386,344	153,867	392,549	25,629	1,271
	336,667	197,034	1,402,129	864,516	528,100	48,309	42,694

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2016

41 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iii) Credit quality (continued)

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

Analysis of short-term funds and deposits and placements with banks and other financial institutions, reverse repurchase agreements, financial assets and investments portfolios, clients' and brokers' balances, other assets and derivative financial assets that are neither past due nor impaired by rating agency designation as at reporting date are as follows: (continued)

The Group	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Clients' and brokers' balances RM'000	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
2015							
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 Corporate Bond and/or Sukuk	–	–	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 2016

41 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iii) Credit quality (continued)

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

Analysis of short-term funds and deposits and placements with banks and other financial institutions, reverse repurchase agreements, financial assets and investments portfolios, clients' and brokers' balances, other assets and derivative financial assets that are neither past due nor impaired by rating agency designation as at reporting date are as follows: (continued)

The Company	Short-term funds and deposits RM'000	Other assets RM'000
2016		
AAA to AA3	**–**	**–**
P1 to P3	**1,065**	**–**
Non-rated, of which:		
- Others	**–**	**450**
	–	**450**
	1,065	**450**
2015		
AAA to AA3	–	–
P1 to P3	224	–
Non-rated, of which:		
- Others	–	715
	–	715
	224	715

(iv) Collateral and other credit enhancements obtained

(a) Repossessed collateral

As and when required, the Group will take possession of collateral they hold as securities and will dispose of them as soon as practicable but not later than 5 years from the date they take possession, with the proceeds used to reduce the outstanding indebtedness. Repossessed collaterals are classified in the statements of financial position as other assets. There is no repossessed collateral as at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2016

41 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

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

The Group 2016	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	–	–	–	–	–	18,068	604	–	18,672	–
Electricity, gas and water	–	–	35,652	72,301	–	–	32	–	107,985	–
Construction	–	–	77,485	142,228	–	–	4,296	–	224,009	1,000
Wholesale and retail	–	–	–	83,758	–	–	555	–	84,313	–
Transport, storage and communications	–	–	206,218	15,109	–	–	–	–	221,327	–
Finance, insurance, real estate and business services	336,649	–	1,082,774	408,186	172,585	52,021	1,751	42,694	2,096,660	2,754
Government and government agencies	18	–	–	61,495	347,356	–	–	–	408,869	–
Education, health and others	–	–	–	–	–	–	35	–	35	–
Purchase of securities	–	197,034	–	–	–	287,888	–	–	484,922	686,780
Others	–	–	–	81,439	8,159	14,185	41,036	–	144,819	–
	336,667	197,034	1,402,129	864,516	528,100	372,162	48,309	42,694	3,791,611	690,534

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2016

41 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

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

The Group	Short-term funds and deposits and placements with banks and other financial institutions	Clients' and brokers' balances	Financial assets held-for-trading	Financial investments available-for-sale	Financial investments held-to-maturity	Loans and advances	Other assets	Derivative financial assets	On-balance sheet total	Credit related commitments and contingencies
2015	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2016

41 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

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

The Company 2016	Short-term funds and deposits RM'000	Other assets RM'000	On-balance sheet total RM'000
Finance, insurance, real estate and business services	**1,065**	**445**	**1,510**
Others	**–**	**5**	**5**
	1,065	**450**	**1,515**
2015			
Finance, insurance, real estate and business services	224	710	934
Others	–	5	5
	224	715	939

(e) Fair value measurement

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2016

41 FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement (continued)

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 2015 - 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 2016	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Financial assets held-for-trading	16,772	1,402,129	–	1,418,901
- money market instruments	–	763,252	–	763,252
- quoted securities	16,772	–	–	16,772
- unquoted securities	–	638,877	–	638,877
Financial investments available-for-sale	167,543	864,516	245	1,032,304
- money market instruments	–	76,589	–	76,589
- quoted securities	167,543	–	–	167,543
- unquoted securities	–	787,927	245	788,172
Derivative financial assets	–	42,694	–	42,694
	184,315	2,309,339	245	2,493,899
Financial liability				
Derivative financial liabilities	–	80,685	–	80,685

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2016

41 FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement (continued)

(i) The table below summarises the fair value hierarchy of the Group's and the Company's financial assets and liabilities measured at fair values. (continued)

The Group 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

The Company 2016	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial asset				
Financial investments available-for-sale				
- quoted securities	**109,082**	**–**	**–**	**109,082**
2015				
Financial asset				
Financial investments available-for-sale				
- quoted securities	133,130	–	–	133,130

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

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2016

41 FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement (continued)

(i) The table below summarises the fair value hierarchy of the Group's and the Company's financial assets and liabilities measured at fair values. (continued)

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

The Group	Financial investments available-for-sale 2016 RM'000	2015 RM'000
As at 1 July/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 2016	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	**347,355**	**–**	**351,388**	**–**	**351,388**
- unquoted securities	**180,745**	**–**	**182,079**	**–**	**182,079**
	528,100	**–**	**533,467**	**–**	**533,467**

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2016

41 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 2016	Carrying amount RM'000	Fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial liability					
Deposits from customers	**1,031,929**	**–**	**1,031,931**	**–**	**1,031,931**
Deposits and placements of banks and other financial institutions	**1,904,770**	**–**	**1,904,778**	**–**	**1,904,778**
Subordinated obligations	**50,247**	**–**	**50,754**	**–**	**50,754**
	2,986,946	**–**	**2,987,463**	**–**	**2,987,463**
2015					
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
Financial liability					
Deposits and placements of banks and other financial institutions	1,847,391	–	1,847,393	–	1,847,393
Subordinated obligations	50,194	–	50,201	–	50,201
	1,897,585	–	1,897,594	–	1,897,594

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.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2016

41 FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement (continued)

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

Financial investments held-to-maturity

The estimated fair value is generally based on quoted and observable market prices. Where there is no ready market in certain securities, the Group and the Company will establish the fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flows analysis and other valuation techniques commonly used by market participants.

Loans and advances

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

The fair values of impaired floating and fixed rate loans are represented by their carrying value, net of individual assessment allowance, being the expected recoverable amount.

Clients' and brokers' balances

The carrying amount as at reporting date approximate fair values due to relatively short-term maturity of these financial instruments.

Other assets and liabilities

The carrying value less any estimated allowance for financial assets and liabilities included in 'other assets and liabilities' are assumed to approximate their fair values as these items are short term in nature.

Deposits from customers

For deposits from customers with maturities of less than six months, the carrying amounts are reasonable estimates of their fair values. For each deposit with maturities of six months and above, fair values are estimated using discounted cash flows based on prevailing market rates for similar deposits from customers.

42 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

In accordance with MFRS 132 "Financial Instrument: Presentation", the Group reports financial assets and financial liabilities on a net basis on the balance sheet only if there is a legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The following table shows the impact of netting arrangement on:

- All financial assets and liabilities that are reported net on balance sheet; and
- All derivative financial instruments and reverse repurchase and repurchased agreements and other similar secured lending and borrowing agreements that are subject to enforceable master netting arrangements or similar agreements, but do not qualify for balance sheet netting.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2016

42 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 2016	**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	**440,207**	**(243,173)**	**197,034**	**–**	**–**	**197,034**
Derivative financial assets	**42,694**	**–**	**42,694**	**(18,942)**	**(640)**	**23,112**
Total assets	**482,901**	**(243,173)**	**239,728**	**(18,942)**	**(640)**	**220,146**
Financial liabilities						
Clients' and brokers' balances	**523,092**	**(243,173)**	**279,919**	**–**	**–**	**279,919**
Derivative financial liabilities	**80,685**	**–**	**80,685**	**(18,942)**	**(22,680)**	**39,063**
Total liabilities	**603,777**	**(243,173)**	**360,604**	**(18,942)**	**(22,680)**	**318,982**
2015						
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

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2016

42 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

Related amounts not offset

Derivative financial assets and liabilities

The ‘Financial instruments’ column identifies financial assets and liabilities that are subject to set off under netting agreements, such as the ISDA Master Agreement or derivative exchange or clearing counterparty agreements, whereby all outstanding transactions with the same counterparty can be offset and close-out netting applied across all outstanding transaction covered by the agreements if an event of default or other predetermined events occur.

Financial collateral refers to cash and non-cash collateral obtained, typically daily or weekly, to cover the net exposure between counterparties by enabling the collateral to be realised in an event of default or if other predetermined events occur.

Repurchased and reverse repurchase agreements

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

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

43 EQUITY COMPENSATION BENEFITS

Executive Share Option Scheme

The Executive Share Option Scheme (“ESOS”) of up to fifteen percent (15%) of the issued and paid-up ordinary share capital of the Company which was approved by the shareholders of the Company on 8 November 2005, was established on 23 January 2006 and had been in force for a period of ten (10) years. The ESOS had expired on 23 January 2016.

There were no options outstanding as at reporting date.

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

	2016		2015	
	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**	5,613	7,465
The Company	**5,508**	**7,325**	5,508	7,325

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2016

44 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Public Shareholdings Spread

The Company currently does not meet the requirement as set out in paragraph 8.02(1) of the Listing Requirements which states that a listed issuer must ensure that at least 25% of its total listed shares (excluding treasury shares) are in the hands of public shareholders.

The public shareholding spread of the Company as at 30 June 2016 was 18.67%.

As announced by the Company on 18 March 2015, Bursa Malaysia Securities Berhad had imposed a suspension on the trading of HLCB's shares 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 has not identified a satisfactory plan to address the non-compliance with the 25% public shareholding spread requirement. As further announced by the Company on 22 April 2016, KAF Investment Bank Berhad ("KAF") was appointed to advise and propose options available to the Company to achieve the public spread requirement.

KAF had proposed various options to the Company to improve its public shareholding spread. KAF, however, noted that none of the options could be implemented without the approval of the Company's majority shareholder, Hong Leong Financial Group Berhad ("HLFG"). In this regard, KAF recommended that the Company writes to HLFG to determine if its intention of not maintaining the listing status of HLCB, as set out in the notice of takeover offer to HLCB on 14 January 2013, remains unchanged or has otherwise changed. The Company has done so vide its letter dated 5 August 2016 to HLFG and is awaiting HLFG's response.

45 SUBSEQUENT EVENT AFTER THE FINANCIAL YEAR

There were no material events subsequent to the end of the financial year that require disclosure or adjustments to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2016

46 REALISED AND UNREALISED PROFITS

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

	2016 RM'000	2015 RM'000
The Group		
Total retained profits of Hong Leong Capital Berhad and its subsidiaries		
- Realised	**411,821**	364,340
- Unrealised - in respect of deferred tax recognised in the profit or loss	**92,378**	95,451
- in respect of other items of income and expenses	**47,969**	51,519
	552,168	511,310
Less: Consolidation adjustments	**(216,867)**	(216,845)
Total Group's retained profits	**335,301**	294,465
The Company		
Total retained profits of Hong Leong Capital Berhad		
- Realised	**189,315**	162,897
- Unrealised - in respect of deferred tax recognised in the profit or loss	**–**	13
	189,315	162,910

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 Tan Kong Khoon, being two of the Directors of Hong Leong Capital Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 49 to 151 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 2016 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 15 September 2016.

Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman
Director

Tan Kong Khoon
Director

Kuala Lumpur
15 September 2016

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 49 to 151 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
15 September 2016

Before me,

Gurdeep Singh A/L Jag Singh
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 49 to 150 which comprise the statements of financial position as at 30 June 2016 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 45.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 30 June 2016 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 46 on page 151 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
15 September 2016

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-fifth Annual General Meeting of Hong Leong Capital Berhad ("Company") will be held at the Theatrette, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Thursday, 27 October 2016 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 2016.

2. To declare a final single-tier dividend of 12 sen per share for the financial year ended 30 June 2016 to be paid on 18 November 2016 to members registered in the Record of Depositors on 3 November 2016. **(Resolution 1)**

3. To approve the payment of Director Fees of RM210,000 for the financial year ended 30 June 2016 (2015: RM180,000), to be divided amongst the Directors in such manner as the Directors may determine. **(Resolution 2)**

4. To pass the following motions as ordinary resolutions:

   (a) "**THAT** Mr Tan Kong Khoon who retires by rotation pursuant to Article 95 of the Company's Articles of Association, be and is hereby re-elected a Director of the Company." **(Resolution 3)**

   (b) "**THAT** YBhg Tan Sri Quek Leng Chan 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)**

   (c) "**THAT** YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman who retires in compliance with Section 129 of the Companies Act, 1965 be and is hereby re-appointed a Director of the Company and having served as an Independent Non-Executive Director for more than nine (9) years, to continue in office as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting." **(Resolution 5)**

   (d) "**THAT** YBhg Dato' Ahmad Fuaad bin Mohd Dahalan who retires by rotation pursuant to Article 116 of the Company's Articles of Association, be and is hereby re-elected a Director of the Company, and having served as an Independent Non-Executive Director of the Company for more than nine (9) years, to continue in office as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting." **(Resolution 6)**

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

SPECIAL BUSINESS

As special business, to pass the following motions as ordinary resolutions:-

6. **Ordinary Resolution**
   Approval to Continue in Office as Independent Non-Executive Director

   "**THAT** approval be and is hereby given for YBhg Dato' Mohamed Nazim bin Abdul Razak who has served as an Independent Non-Executive Director of the Company for more than nine (9) years, to continue in office as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting." **(Resolution 8)**

NOTICE OF ANNUAL GENERAL MEETING

7. **Ordinary Resolution**
Proposed Renewal of Shareholders' Mandate for Recurrent Related Party transactions of a Revenue or trading nature with Hong Leong Company (Malaysia) Berhad ("HLCM") and Persons Connected with HLCM

"**THAT** approval be and is hereby given for the Company and/or its subsidiaries to enter into any of the transactions falling within the types of recurrent related party transactions of a revenue or trading nature as disclosed in Section 2.3(A) and (C) of the Company's Circular to Shareholders dated 5 October 2016 ("the Circular") with HLCM and persons connected with HLCM ("Hong Leong Group"), as set out in Appendix II of the Circular provided that such transactions are undertaken in the ordinary course of business, on arm's length basis and on commercial terms which are not more favourable to Hong Leong Group than those generally available to and/or from the public and are not, in the Company's opinion, detrimental to the minority shareholders;

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

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

(b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or

(c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution." **(Resolution 9)**

8. **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 5 October 2016 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,

NOTICE OF ANNUAL 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)**

9. 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 2016 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
5 October 2016

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 21 October 2016 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 proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which the appointments shall be invalid.

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.

5. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR"), all the resolutions set out in this notice will be put to vote by way of a poll.

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES ON SPECIAL BUSINESS

1. Resolutions 5, 6 and 8 – Approval to Continue in Office as Independent Non-Executive Directors

The proposed Ordinary Resolutions, if passed, will enable YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman, YBhg Dato' Mohamed Nazim bin Abdul Razak and YBhg Dato' Ahmad Fuaad bin Mohd Dahalan to continue in office as Independent Non-Executive Directors of the Company.

Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012 ("MCCG 2012") provides that approval of shareholders be sought in the event that the Company would like an Independent Director who has served in that capacity for more than 9 years to continue in office as an Independent Director.

The Company has in place a Tenure Policy for Independent Directors as set out 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 MMLR.

Pursuant to the MCCG 2012, the NC and Board have assessed the performance and independence of 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 and determined that they remain objective and continue to bring independent and objective judgment, based on the following justifications:-

- They meet the criteria of "independent director" in accordance with the MMLR and continue to exercise independent judgment in expressing their views and deliberating issues objectively on the conduct of the Company's business and other issues raised at the Board and Board Committee meetings;
- They are free from any conflict of interest with the Company;
- The Company benefits from the experience of these Independent Non-Executive Directors who have over time, gained valuable insights into the Group, its market and the industry;
- Their knowledge of the Group's various core business operations during their tenure of office will enable them to discharge their duties effectively; and
- They exercised due care and diligence as Independent Non-Executive Directors of the Company and carry out their professional duties in the best interest of the Company and the shareholders.

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.

As such, the NC and Board would like to recommend YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman, YBhg Dato' Mohamed Nazim bin Abdul Razak and YBhg Dato' Ahmad Fuaad bin Mohd Dahalan to continue in office as Independent Non-Executive Directors.

2. Resolutions 9 and 10 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 5 October 2016 which is dispatched together with the Company's 2016 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-fifth Annual General Meeting of the Company.

OTHER **INFORMATION**

1. MATERIAL CONTRACTS

There were 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 30 AUGUST 2016

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

Distribution Schedule of Shareholders as at 30 August 2016

Size of Holdings	No. of Shareholders	%	No. of Shares	%
Less than 100	56	8.10	2,028	0.00
100 – 1,000	227	32.85	163,661	0.06
1,001 – 10,000	247	35.75	929,721	0.38
10,001 – 100,000	107	15.48	4,710,200	1.91
100,001 – less than 5% of issued shares	53	7.67	40,286,000	16.32
5% and above of issued shares	1	0.15	200,805,058	81.33
	691	**100.00**	**246,896,668**	**100.00**

List Of Thirty Largest Shareholders as at 30 August 2016

	Name of Shareholders	No. of Shares	%
1.	Assets Nominees (Tempatan) Sdn Bhd *- Hong Leong Financial Group Berhad*	200,805,058	81.33
2.	MTrustee Berhad *- Exempt AN for Hong Leong Capital Berhad (ESOS)*	5,507,700	2.23
3.	UOB Kay Hian Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Yu Kuan Chon*	5,005,100	2.03
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.	Yu Kuan Chon	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 Capital Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Yu Kuan Chon (CEB)*	1,019,600	0.41

OTHER INFORMATION

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2016 (CONTINUED)

List Of Thirty Largest Shareholders as at 30 August 2016 (continued)

Name of Shareholders		No. of Shares	%
10.	RHB Capital Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Chan Weng Fui (CEB)*	1,018,900	0.41
11.	Kenanga Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Ho Swee Ming*	941,000	0.38
12.	Koh Liong Boon	931,500	0.38
13.	RHB Capital Nominees (Tempatan) Sdn Bhd *- Yu Kuan Chon*	870,000	0.35
14.	MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Yu Kuan Chon (MGN-YKC0008M)*	863,400	0.35
15.	RHB Capital Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Ho Swee Ming (CEB)*	857,500	0.35
16.	Kenanga Nominees (Tempatan) Sdn Bhd *- Ding Ming Hea*	833,100	0.34
17.	RHB Capital Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Liew Kok Tze*	776,000	0.31
18.	MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Lim Fung Neng (MGN-LFN0001M)*	633,500	0.26
19.	JF Apex Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Chan Yan Meng (Margin)*	622,500	0.25
20.	AllianceGroup Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Ho Swee Ming*	558,000	0.23
21.	RHB Capital Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Tan Kooi Ming @ Tam Kooi Ming*	549,000	0.22
22.	Ng Bing Tiam @ Goh Kee Sang	513,000	0.21
23.	Kenanga Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Lee Chun Weng*	500,000	0.20
24.	AllianceGroup Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Chan Yan Meng (8079675)*	483,500	0.19
25.	AllianceGroup Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Chan Weng Fui (8082361)*	475,600	0.19
26.	Chan Sow Keng	450,000	0.18
27.	AllianceGroup Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Lim Fung Neng (8080723)*	410,300	0.17
28.	PM Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Chan Weng Fui (A)*	381,400	0.15
29.	Kenanga Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Ng Bing Tiam @ Goh Kee Sang*	370,000	0.15
30.	AllianceGroup Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Lim Leong Wouh (6000718)*	364,200	0.15
		235,944,058	**95.56**

OTHER **INFORMATION**

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2016 (CONTINUED)

Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 30 August 2016 are as follows:

Names of Shareholders	Direct No. of Shares	Direct %	Indirect No. of Shares	Indirect %
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 30 AUGUST 2016

Subsequent to the financial year end, there is no change, as at 30 August 2016, to the Directors' interests in the ordinary shares, preference shares and/or options over ordinary shares of the Company and/or its related corporations (other than wholly-owned subsidiaries), appearing in the Directors' Report on pages 41 to 48 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 except for the changes set out below:

Indirect Interest	No. of Ordinary Shares	%
YBhg Tan Sri Quek Leng Chan in:		
Hong Leong Financial Group Berhad	900,889,232[(1)]	78.51
GL Limited (formerly known as GoucoLeisure Limited)	933,362,725	68.23

Note:
(1) Inclusive of interest pursuant to Section 134(12)(c) of the Companies Act, 1965 in shares held by family member

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	22	1,843	31/12/1993

FORM OF PROXY

Hong Leong Capital Berhad (213006-U)

I/We ____

NRIC/Passport/Company No. ____

of ____

being a member of HONG LEONG CAPITAL BERHAD (the "Company"), hereby appoint ______________________________

____

____

NRIC/Passport No. ____

of ____

____

or failing him/her ____

____

____

NRIC/Passport No. ____

of ____

____

or failing him/her, the Chairman of the meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Twenty-fifth Annual General Meeting of the Company to be held at the Theatrette, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Thursday, 27 October 2016 at 10.00 a.m. and at any adjournment thereof.

My/Our proxy/proxies is/are to vote as indicated below with an "X":

RESOLUTIONS		FOR	AGAINST
1.	To declare a final single-tier dividend of 12 sen per share		
2.	To approve the payment of Director Fees		
3.	To re-elect Mr Tan Kong Khoon as a Director		
4.	To re-appoint YBhg Tan Sri Quek Leng Chan as a Director		
5.	To re-appoint YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman as a Director and approve YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman to continue in office as an Independent Non-Executive Director		
6.	To re-elect YBhg Dato' Ahmad Fuaad bin Mohd Dahalan as a Director and approve YBhg Dato' Ahmad Fuaad bin Mohd Dahalan to continue in office as an Independent Non-Executive Director		
7.	To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and authorise the Directors to fix their remuneration		
Special Business			
8.	To approve YBhg Dato' Mohamed Nazim bin Abdul Razak to continue in office as an Independent Non-Executive Director		
9.	To approve the ordinary resolution on the Proposed Renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature with Hong Leong Company (Malaysia) Berhad ("HLCM") and persons connected with HLCM		
10.	To approve the ordinary resolution on the Proposed Renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature with Tower Real Estate Investment Trust		

Dated this .... day of 2016

______________________________ ______________________________

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 21 October 2016 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 proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which the appointments shall be invalid (please see note 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

10. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the notice will be put to vote by way of a poll.

Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Group Company Secretary

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

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

1st fold here

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

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