Hong Leong Capital Berhad

Annual Report 2019

Corporate

Financials

Additional Information

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

Introduction

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

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

The Stockbroking division of HLIB provides the complete range of broking services for a wide range of clients, ranging from institutional and 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 of professional industry specialists, HLIB strives to deliver groundbreaking insights and fresh perspectives on investment ideas.

HLAM is an established asset management company with more than 20 years' experience offering and managing a broad spectrum of investment solutions through equities, fixed income, money market and mixed assets for segregated customised portfolio and unit trust funds for, amongst others, state governments, insurance companies, endowments, family offices, corporations, and high net worth individuals.

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

Our Core Values

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

QUALITY

To consistently provide goods and services of the highest quality at affordable prices

HUMAN RESOURCE

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

ENTREPRENEURSHIP

To pursue management vision and foster entrepreneurship

UNITY

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

INNOVATION

To nurture and be committed to innovation

PROGRESS

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

HONOUR

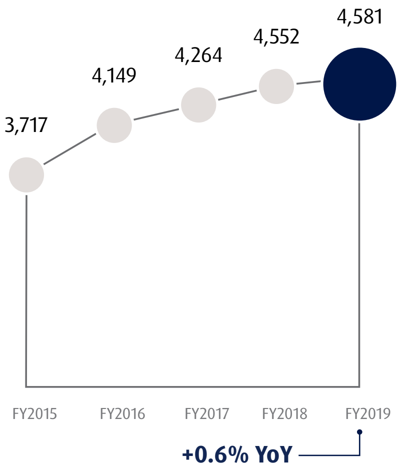
To conduct business with honour

SOCIAL RESPONSIBILITY

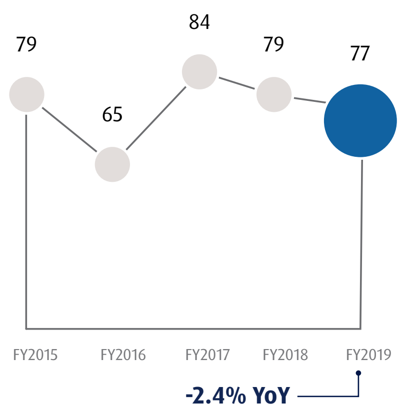
To create wealth for the betterment of society

Five Year Group **Financial Highlights**

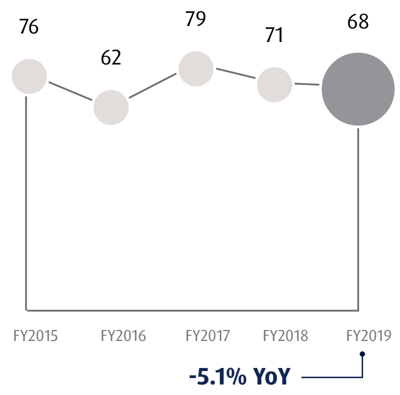
Group Total Assets (RM'Million)



Group Profit Before Taxation (RM'Million)

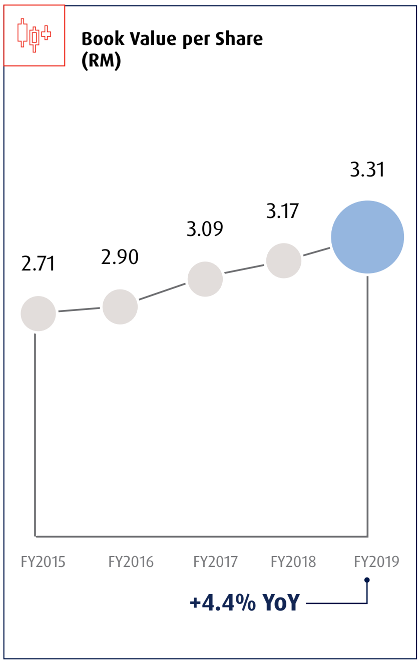


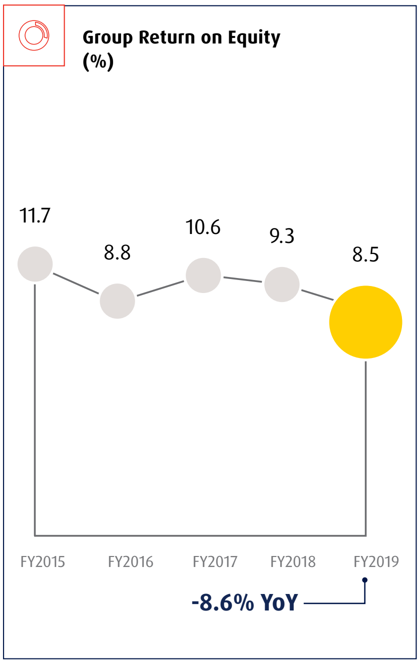
Group Net Profit (RM'Million)

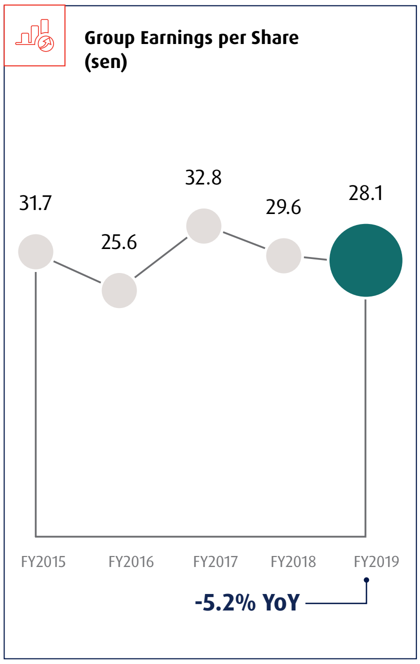


The Group	FY2015 RM'Million	FY2016 RM'Million	FY2017 RM'Million	FY2018 RM'Million	FY2019 RM'Million
Statements of Financial Position					
Total Assets	3,717	4,149	4,264	4,552	**4,581**
Net Loans	326	372	237	228	**205**
Total Liabilities	3,064	3,449	3,519	3,786	**3,784**
Deposits from Customers	842	1,032	649	1,083	**748**
Shareholders' Funds	654	700	745	766	**798**
Commitments and Contingencies	7,413	8,732	7,931	8,853	**11,470**
Statements of Income					
Revenue	183	173	202	196	**199**
Profit Before Taxation	79	65	84	79	**77**
Net Profit	76	62	79	71	**68**
Key Performance Indicators					
Book Value per Share (RM)	2.71	2.90	3.09	3.17	**3.31**
Earnings per Share (sen)	31.7	25.6	32.8	29.6	**28.1**
Net Dividend per Share (sen)	8.5	12.0	19.0	19.0	**22.0**

Five Year Group Financial Highlights







The Group	FY2015 %	FY2016 %	FY2017 %	FY2018 %	FY2019 %
Financial Ratios					
Profitability Ratios					
Return on Equity	11.7%	8.8%	10.6%	9.3%	**8.5%**
Return on Average Assets	1.9%	1.6%	1.9%	1.6%	**1.5%**
Cost/Income Ratio	57.6%	62.7%	58.4%	59.5%	**61.5%**
Asset Quality/Loan Ratios					
Gross Loans to Deposits Ratio	38.8%	36.2%	36.5%	21.1%	**27.9%**
Gross Impaired Loans Ratio	0.2%	0.2%	4.9%	3.0%	**3.3%**

Chairman's **Statement**

"

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of Hong Leong Capital Berhad ("HLCB" or "the Group") for the financial year ended 30 June 2019 ("FY2019").

"

OVERALL BUSINESS ENVIRONMENT

The operating environment, which witnessed a broad-based upturn in economic activity in the early part of 2018 did not sustain its momentum into the second half of 2018. A common factor faced by advanced and emerging economies was the escalation of trade conflicts, which resulted in tighter financial conditions, increased business uncertainty and a pullback in capital spending. This affected global trade and manufacturing activities. In addition, a combination of country-specific factors further weakened global growth momentum. In Malaysia, the slower global economic activity led to a moderation in manufacturing activity. Domestically, lower palm oil production led a decline in the agriculture sector. In addition, unplanned gas pipeline shutdown also resulted in lower natural gas production and mining activities. Despite these drawbacks, private consumption growth accelerated to its fastest pace since year 2012, supported by wage and employment growth. The abolishment of the Goods and Services tax (June - August 2018) also gave further impetus to household spending, especially in the durable goods sector. Meanwhile, private investment activity was supported mainly by capacity expansion in the manufacturing sector.

In the first half of year 2019, global economic expansion continued to moderate further. Consequently, support from the external sector continued to wane. The cautious sentiment also led to a sharp deceleration in private investment and moderation in private consumption. Nevertheless, growth was buffered by the recovery in agriculture production attributed to the strong rebound in palm oil production as temporary constraints eased.

Malaysia's bond market experienced a net outflow of RM1.8 billion in the second half of 2018 driven by heightened tensions on the global environment and domestic policy uncertainty. This trend extended into the first half of year 2019, with the bond market continuing to record net outflows of RM0.2 billion, following announcements by Norway's sovereign wealth fund on their intention to exclude emerging market economies, including Malaysia, from their investment fund. In addition, FTSE Russell's disclosure on the possibility of Malaysia's exclusion from the World Government Bond Index ("WGBI") also led to further outflow pressure. Nevertheless, despite the large and sudden portfolio reversals, bond yields remain low due to continued participation from domestic institutional investors and a broad shift by major central banks towards a dovish stance.

Chairman's Statement

The Malaysian stock market, as referenced by the FTSE Bursa Malaysia Kuala Lumpur Composite Index ("FBMKLCI"), ended 2018 at 1,691 points; year-on-year ("YoY") a decline of 106 points or 5.9%. This decline was on the back of a 2.1% YoY depreciation of the ringgit against US dollar and RM11.6 billion net foreign outflow from Malaysian equities for 2018, continuing similar outflows of RM11.3 billion seen in 2017. The FBMKLCI performed rather well at the start of 2019, which rose 40 points (+2.4%) to touch a year-to-date ("YTD") high of 1,731 points on 21 February 2019, driven by initial optimism on the resolution of US-China trade talks and sequentially stronger GDP data domestically. However from its YTD peak, the FBMKLCI subsequently fell by 59 points (-3.4%), driven by a confluence of domestic and external factors, to end the first half of year 2019 at 1,672 points (-1.1% since the start of the year). Domestically, the Overnight Policy Rate cut by 25 basis points on 7 May 2019 led to selling in the index heavyweight banking sector. Externally, several headwinds arising from the 2nd and 3rd Brexit plan rejection, Norway's sovereign wealth fund to exit emerging market bonds, including Malaysia, the risk of Malaysia being dropped from the WGBI and an adverse turn on the progress of US-China trade talks had significantly dampened the investment sentiment in our stock market. Overall, foreigners were net sellers in Malaysian equities in the first half of year 2019 totaling RM4.9 billion.

STRATEGIC OVERVIEW

HLCB operates under the Group's philosophy of embodying an entrepreneurial vision focused on building long-term sustainable value for all its stakeholders. This vision guides our operating businesses to remain relevant, trustworthy, progressive, competitive and sustainable in pursuit of growth and the creation of business value.

Key to ensuring sustainability is the entrepreneurial spirit, professional experience and disciplined governance culture we have in our people. Both our Investment Banking and Asset Management businesses have found our niche in providing superior service and innovative solutions in Investment Banking. Embracing digitalisation and using technology to drive efficiency, competitiveness and seamless service is the core of our Stockbroking business whilst for our Asset Management business, we continue to emphasise better-than benchmark returns to our customers.

Group Profit before Taxation ("PBT")

FY2019

RM76.7

million

FINANCIAL PERFORMANCE

Despite the challenging economic environment throughout the year, the Group achieved a profit before taxation ("PBT") of RM76.7 million for FY2019 as compared to RM78.6 million in the previous financial year, a marginal decrease of RM1.9 million or 2.4%.

The challenging operating environment had adversely reduced the profit contribution from Hong Leong Investment Bank Berhad ("HLIB") which recorded a PBT of RM48.0 million in the current financial year as compared to RM61.8 million in FY2018. Our Investment Banking activities contributed about 52.5% of HLIB's profits while Stockbroking activities contributed about 47.5%.

The Investment Banking business achieved revenue of RM65.1 million and a PBT of RM25.2 million in FY2019. Our Treasury & Markets division ended the year on a higher note recording an increase in revenue of 24.2% in FY2019 despite the challenging market condition brought by the uncertainties over the global trade tension and Brexit. The Equity Markets division and Debt Markets division continued to operate under very challenging conditions with significantly reduced capital raising activities throughout the financial year. Nonetheless, local demand for most of the recently completed Initial Public Offerings ("IPOs") remained strong as evidenced by the overwhelming subscriptions by both the institutional and retail investors and we believe investors will continue to support and favour IPOs with good underlying fundamentals and prospect for growth. We are also cautiously optimistic that there will be some increase in capital raising activities with the resumption of a number of mega infrastructure projects.

The Stockbroking business of HLIB achieved revenue of RM73.4 million and a PBT of RM22.8 million in FY2019. Brokerage income accounted for 71.4% and 75.7% of total revenue earned by the Stockbroking business in FY2019 and FY2018 respectively. YoY, the net brokerage income earned in FY2019 is 20.1% lower than the previous financial year. Our drop in revenue was in line with the lower turnover recorded by Bursa Malaysia. More specifically, Bursa Malaysia's traded volume dropped 14.2% to RM552.0 billion from RM643.2 billion in FY2018. Our share of the market was slightly lower than the previous financial year mainly due to higher foreign participation recorded in the Bursa Malaysia market, a business segment which HLIB has minimal presence.

Our Asset Management business recorded a PBT of RM21.8 million for the current financial year, achieving a very impressive growth of 76.5% YoY. This higher PBT was achieved on the back of a rise in revenue of 46.2% YoY, attributable mainly to our higher management fee rates and growth in our average assets under management ("AUM") for FY2019. The average AUM size grew by 15.9% from RM15.1 billion in FY2018 to RM17.5 billion in FY2019. Amidst the subdued market conditions, our investors continued to favour money market funds, albeit we also recorded growth in AUM for our fixed income funds, equity and balanced funds and private mandates.

Chairman's Statement

As part of the Group's commitment to provide a reasonable return to our shareholders, the Group is recommending a final dividend of 22.0 sen per share for FY2019 which is 15.8% higher than the dividend payout for the previous financial year. The total capital ratio of our key operating subsidiary, HLIB, remained healthy at 41.2% as at 30 June 2019.

Final Dividend

22.0

sen per share

MARKET RECOGNITION

Consistent with previous years, our Debt Markets team secured two top awards in the recent Rating Agency Malaysia ("RAM") League awards, as measured by programme value and by the number of issues under the conventional issuance category. The team has also been awarded the most innovative bond deal in Southeast Asia 2018 in the 12th Annual Alpha Southeast Asia Deal & Solution Awards 2018.

Our Equity Markets team also won three awards for this financial year. These awards honoured HLIB as the best small to mid-cap corporate finance house in Malaysia as well as naming one of our deals as the best domestic merger and acquisition deal 2018 in Malaysia in the 12th Annual Alpha Southeast Asia Awards 2018. The team has also successfully secured an award in the Islamic Finance News ("IFN") Deals of the Year 2018.

This is a testimony of our strong market share in the Debt Markets and Equity Markets space.

As for our Asset Management team operating under Hong Leong Asset Management Berhad, the team received four Lipper fund performance awards for FY2019:

- Hong Leong Dividend Fund: Equity Malaysia Income – Malaysia Pension, 3 years (won for 2nd consecutive year)
- Hong Leong Dividend Fund: Equity Malaysia Income – Malaysia Pension, 5 years
- Hong Leong Penny Stock Fund: Equity Malaysia – Malaysia Pension, 5 years
- Hong Leong Balanced Fund: Mixed Asset MYR Bal – Malaysia – Malaysia Pension, 5 years

The above achievements and awards are market recognition of our efforts and performance.

RAM Rating Services Berhad had also reaffirmed HLIB's AAA and P1 financial institution ratings with a stable outlook in November 2018.

SUSTAINABILITY OF THE GROUP

Building a sustainable Group is about how, at the core of everything we do, we are guided by our principles to make the right decisions that will hold us in good stead today and in the future. We think about this in a variety of ways; it is important to maintain focus on operational excellence and on the momentum we have built in managing efficiency and productivity. We have also made continued progress towards improving the efficiencies of our Group operating expenses whilst investing in new business initiatives and technologies. One of the initiatives is the strategic cost rationalisation exercise that the Group has undertaken since the previous financial year by reviewing our end-to-end process flows and streamlining these processes to eliminate unnecessary costs. HLIB has consistently sought to maintain a judicious cost to income ratio ("CTI") and our CTI continues to be one of the lowest among the investment banks in Malaysia.

Sustainability also includes having the right governance. We have a diverse and experienced Board of Directors who provides independent oversight of the planning, execution and conduct of our business. Our Board constantly looks for ways to ensure its diversity and strength, and monitors corporate governance and best practices to adapt and improve when necessary.

Our approach to sustainability is also built upon our commitment to ensure that our policies, practices, products and programmes are collectively aligned to our Group values and purpose. We have done this in part by creating simple, safe, transparent and easy-to-use financial solutions that give people greater control of their finances. Another way we think about sustainability is the work we do to strengthen our local economies, by working with and investing in them.

Chairman's Statement

Finally, to ensure that the Group maintains sustainable growth, we strongly value our people and give all our employees the support they need to build their careers and to grow with us. We have a diverse and inclusive workplace that reflects the diversity of the communities in which we serve. Through our recruitment programmes and partnerships, we are investing in the future by bringing the best and brightest to work at Hong Leong. As we think about all the ways we pursue sustainability, our focus is to use our size and scale in ways that contribute positively to our communities, create opportunities for our customers and employees and to grow our company responsibly.

OUTLOOK AND MOVING FORWARD

Looking ahead, we believe the business and market environment will continue to be challenging over the near term with market uncertainties caused by the unresolved global trade tension and geopolitical risks. Malaysia's integration into the world economy means it will not be insulated from the multifaceted and interconnected global risks. Nevertheless, given Malaysia's diverse economic, export and product structure, as well as our sound macro fundamentals and policy flexibility, we will build our strategies and business plans to operate within these headwinds. On a positively cautious note, we believe amidst these challenges, the market will avail selective opportunities to grow our business.

We will continue to see digitalisation of our economies and societies as a growing trend, not only expanding in terms of product and service areas but a deepening of our markets resulting from the rapid expansion of other disruptive digital platforms. Digitalisation does not only contribute to productivity and efficiency, but also broadens socio-economic development. Given its rapid development, the Group must be proactive in harnessing digital technologies to build an operating environment that our stakeholders have come to expect. As such, we will continue to invest in technology to further enhance our efficiency and productivity.

The Group remains committed in its journey to deliver long-term sustainable growth as well as increase shareholder value. To this end, we shall continue to execute our business strategies, strengthen our digital solutions, manage cost efficiency and drive productivity.

ACKNOWLEDGEMENTS

The long-term success of the Group is attributed to the stewardship of our Board of Directors, management as well as our staff. I would like to express our appreciation to YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman and YBhg Dato' Ahmad Fuaad bin Mohd Dahalan, who retired from the Board on 30th October 2018, and Ms Koid Swee Lian who stepped down from the Board on 20th December 2018. I would also like to welcome Ms Leong Ket Ti and Mr Peter Ho Kok Wai, who joined the Board on 15th November 2018 and 20th December 2018 respectively. Ms Leong and Mr Ho come with a wealth of experience and expertise in financial services and audit.

Equally important is the trust that we will continue to build with our clients, business partners, regulatory authorities, bankers, advisors, auditors, shareholders and all other stakeholders. We appreciate and look forward to their continued support.

TAN KONG KHOON
Chairman

11 September 2019

Management Discussion **& Analysis**

"We are pleased to present the Management Discussion and Analysis for the financial year ended 30 June 2019 ("FY2019"). In this report, we would like to provide a review of our Group's business operations and financial performance during FY2019.

Despite the challenging economic environment throughout the year, the Group achieved a profit before taxation ("PBT") of RM76.7 million for FY2019 as compared to RM78.6 million in the previous financial year, a marginal decrease of RM1.9 million or 2.4%. We will continue to strive towards increasing our market penetration with the objective of achieving long-term sustainable growth and to be the foremost integrated financial services group."

A. INTRODUCTION

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

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

The Stockbroking Division of HLIB provides the complete range of retail and institutional stockbroking services, equity research, margin financing, nominees and custody services as well as futures and option broking services. These services are provided through a network of a head office at Menara Hong Leong, Kuala Lumpur and 3 branches as well as 6 Hong Leong Bank hubs across Malaysia.

HLAM is an established fund management company with more than 20 years' experience offering and managing a broad spectrum of investment solutions through equities, fixed income, money market and mixed assets for segregated customised portfolio and unit trust funds. At HLAM, the strength and pillar of the business success are based on the talent pool of people, quality of services and the drive towards advancing technology. HLAM also adopts the Group's strong values and guiding principles, and leverage on the Group's diversified regional businesses, resources and experience. Commitment and integrity are part of HLAM's principles in sustaining growth and aim to provide focused investments to preserve assets and generate added value and deliver returns over time for our clientele amongst others, state governments, insurance companies, endowments, family offices, corporations, and high net worth individuals. These services are provided through a network of a head office at Plaza Zurich, Kuala Lumpur and four branches located in Penang, Ipoh, Malacca and Johor Bahru.

Management Discussion & Analysis

HLIB Investment Banking Division

Debt Markets	Equity Markets	Treasury and Markets

Core Activities

Debt Markets

- Arranging and structuring debt fund raising:
  - Corporate bond and Sukuk issuance
  - Syndicated loans
- Corporate-related advisory works:
  - Corporate restructuring
  - Mergers and acquisitions
  - Asset and investment valuation
  - Takeovers and privatisations
  - Capital market instruments
- Debt underwriting

Equity Markets

- Arranging and managing equity fund raising:
  - Initial public offering
  - Rights issues
  - Restricted issues
  - Special issues
  - Private placements
- Corporate-related advisory works:
  - Equity underwriting

Treasury and Markets

- Deposits taking
- Trading and investment of:
  - Short-term money market investments
  - Fixed income
  - Interest rate instruments
- Treasury related solutions:
  - Interest rate hedging
  - Foreign exchange hedging
  - Pricing and distribution of primary bonds

HLIB Stockbroking Division

Institutional Sales	Retail Business	Equity Derivative

Core Activities

Institutional Sales

- Research, advisory and trade executions for Government Linked and Non-Government Linked Corporation Funds

Retail Business

- Provision of online trading platform for retail clients for the execution of equity, futures and option broking
- Provision of customer services support on technical and corporate actions
- Provision of margin financing to clients to trade or invest in listed equity
- Provision of nominees and custody services

Equity Derivative

- Index arbitrage activities capitalising on market inefficiencies between equity and futures market

HLAM Fund Management and Unit Trust Management

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

B. GROUP PERFORMANCE REVIEW

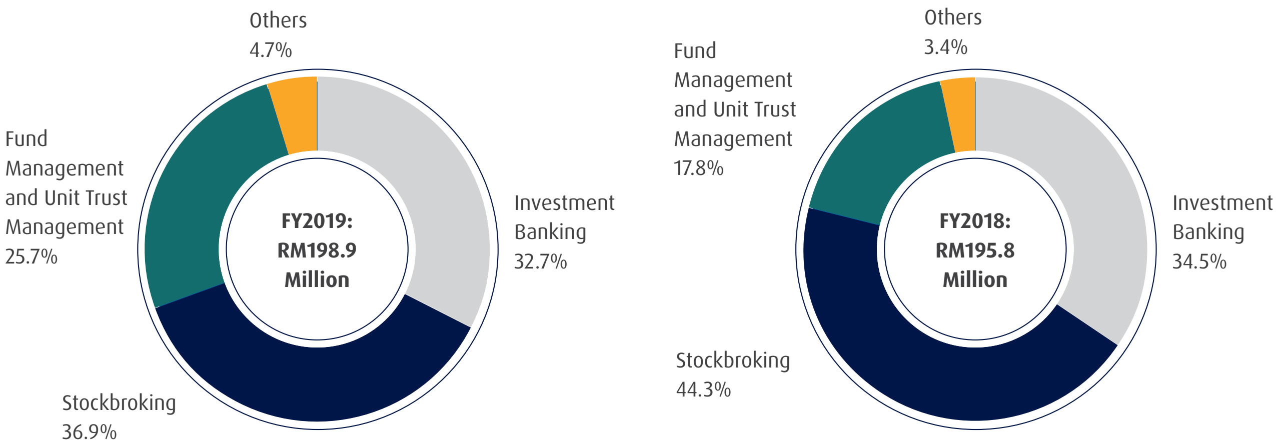
Despite the challenging economic environment throughout the year, the Group achieved a profit before taxation ("PBT") of RM76.7 million for FY2019 as compared to RM78.6 million in the previous financial year, a marginal decrease of RM1.9 million or 2.4%. This is primarily due to weaker market conditions, the contraction in mega infrastructure projects and much reduced capital raising activities in the capital markets which had led to weaker profit contribution from Hong Leong Investment Bank Berhad ("HLIB"). On the positive side, Hong Leong Asset Management Bhd ("HLAM") has achieved a higher PBT in FY2019 by 76.5% of RM21.8 million as compared to FY2018.

FY2019	Investment Banking RM000	Stockbroking RM000	Fund Management and Unit Trust Management RM000	Others RM000	Total RM000
Revenue	65,082	73,419	51,050	9,325	198,876
Overheads	(39,911)	(50,818)	(29,223)	(2,401)	(122,353)
Net allowance for impairment losses on loans and advances and other losses	14	195	-	-	209
PBT	25,185	22,796	21,827	6,924	76,732

Management Discussion & Analysis

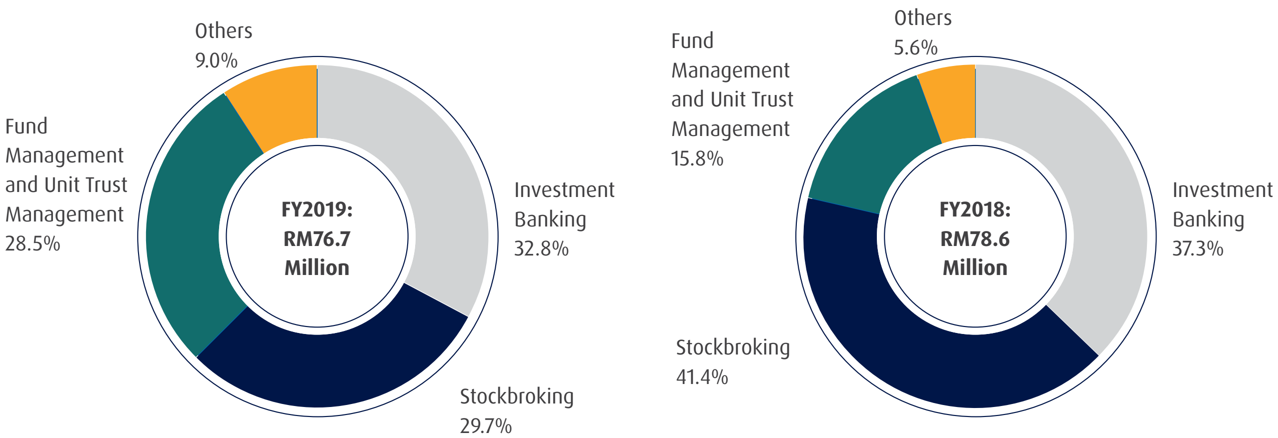
FY2018	Investment Banking RM000	Stockbroking RM000	Fund Management and Unit Trust Management RM000	Others RM000	Total RM000
Revenue	67,533	86,771	34,912	6,541	195,757
Overheads	(37,479)	(54,266)	(22,546)	(2,147)	(116,438)
Net allowance for impairment losses on loans and advances and other losses	(803)	71	-	-	(732)
PBT	29,251	32,576	12,366	4,394	78,587

Revenue by Business Segment (%)



Higher revenue contribution from Fund Management and Unit Trust Management at 25.7% in FY2019 mainly from enlarged assets under management

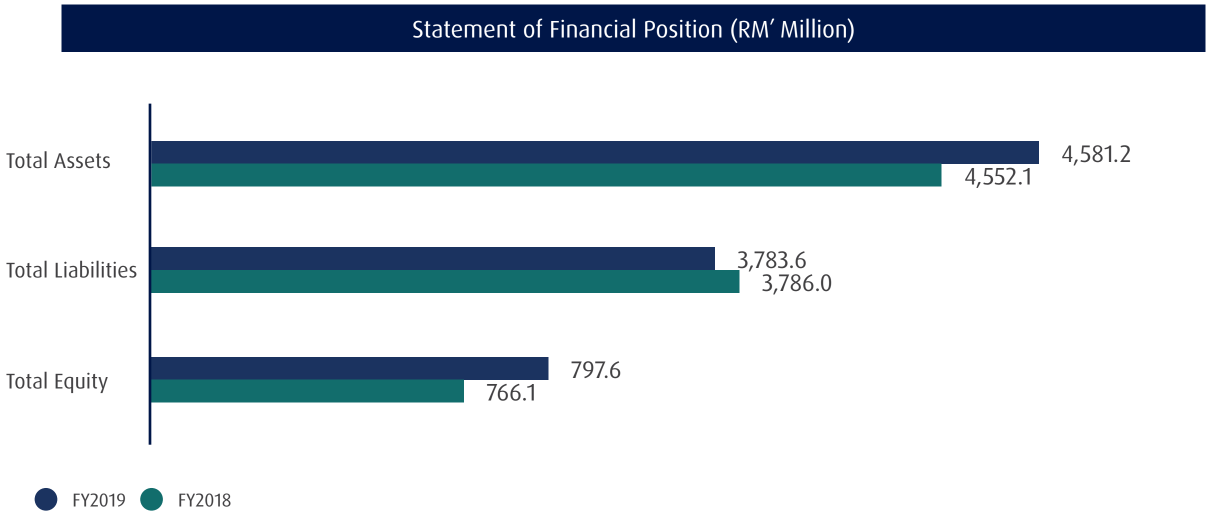
PBT by Business Segment (%)

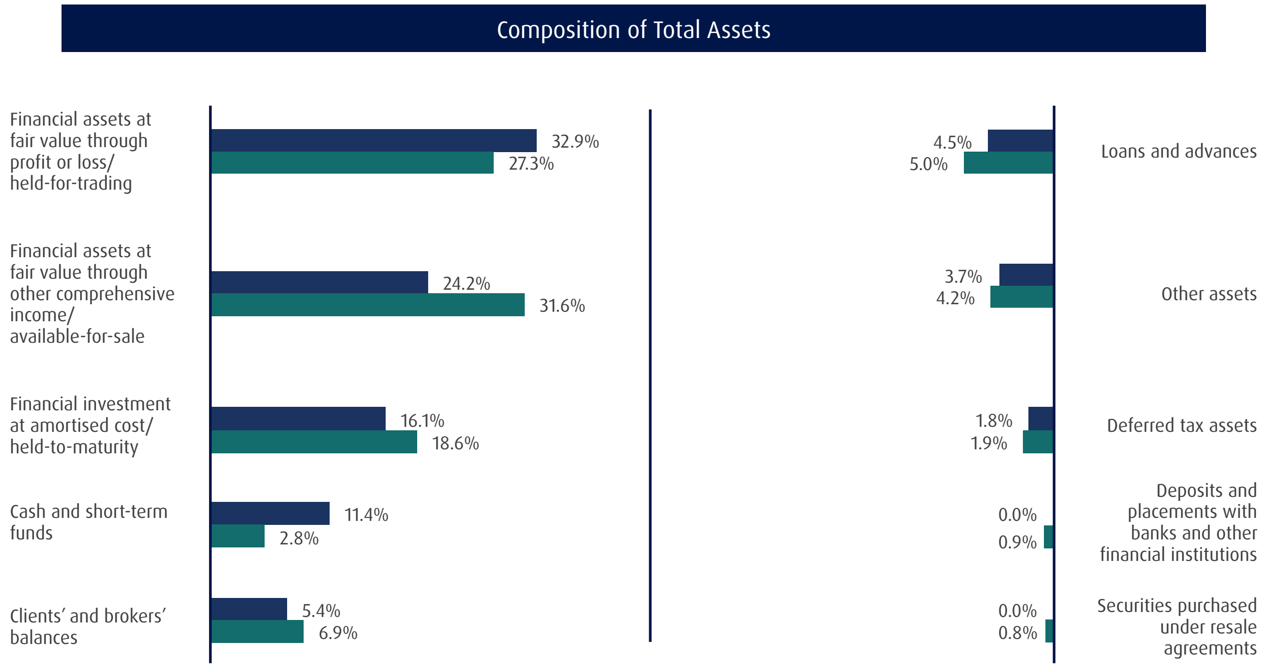


Higher PBT contribution from Fund Management and Unit Trust Management at 28.5% in FY2019

SIMPLIFIED GROUP STATEMENT OF FINANCIAL POSITION

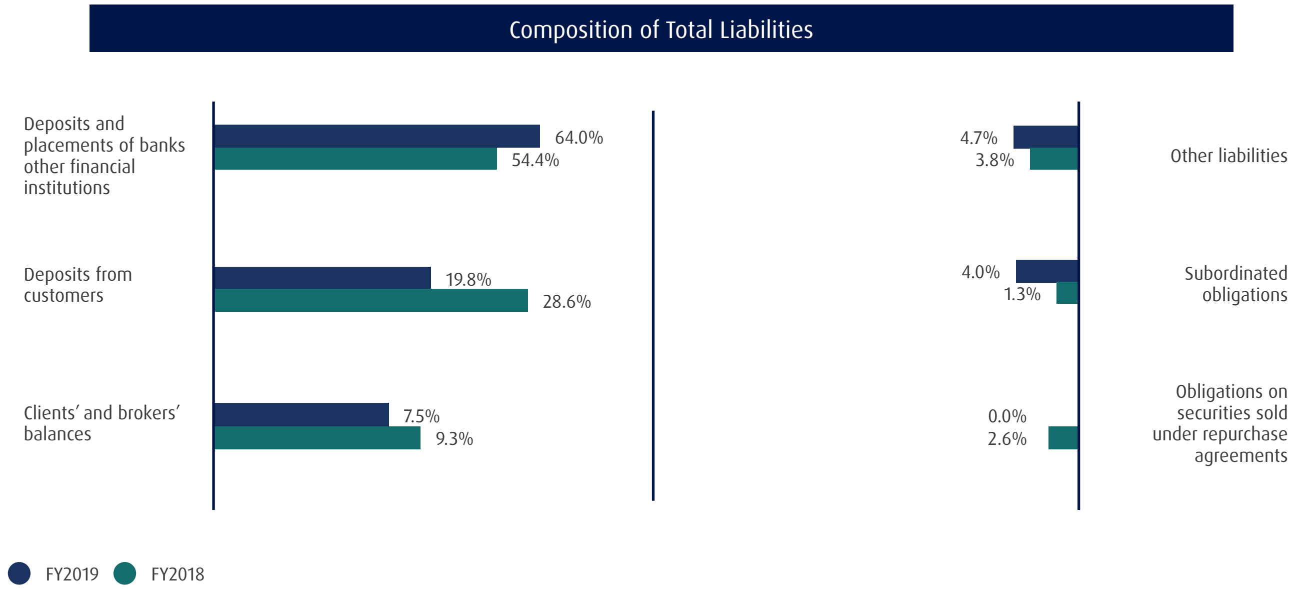
The Group's balance sheet position remains stable and strong in FY2019 with its total assets well matched by its total liabilities and equity.





Total Assets
FY2019: RM4,581.2 million
FY2018: RM4,552.1 million

Management Discussion & Analysis



Kindly refer to pages 3-4 for the summary of the Group's five years financial highlights.

Further details on the Group's performance review are analysed under the Segmental Review.

Total Liabilities
FY2019: RM3,783.6 million
FY2018: RM3,786.0 million

C. SEGMENTAL REVIEW

INVESTMENT BANKING ("IB") DIVISION

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

CORE ACTIVITIES OF IB DIVISION

DEBT MARKETS

Arranging and structuring debt fund raising, such as corporate bonds and Sukuk issuance and syndicated loans as well as placement and underwriting of the debt instruments by undertaking the role of Principal Advisor, Lead Arranger and Lead Manager.

The team also offers agency services by undertaking the role of Facility Agent and/or Security Agent for the debt products.

EQUITY MARKETS

Advising on mergers and acquisitions, independent advisory, arranging and managing equity fund raising, such as initial public offerings, right issues, restricted issues, special issues and private placements as well as underwriting of equity.

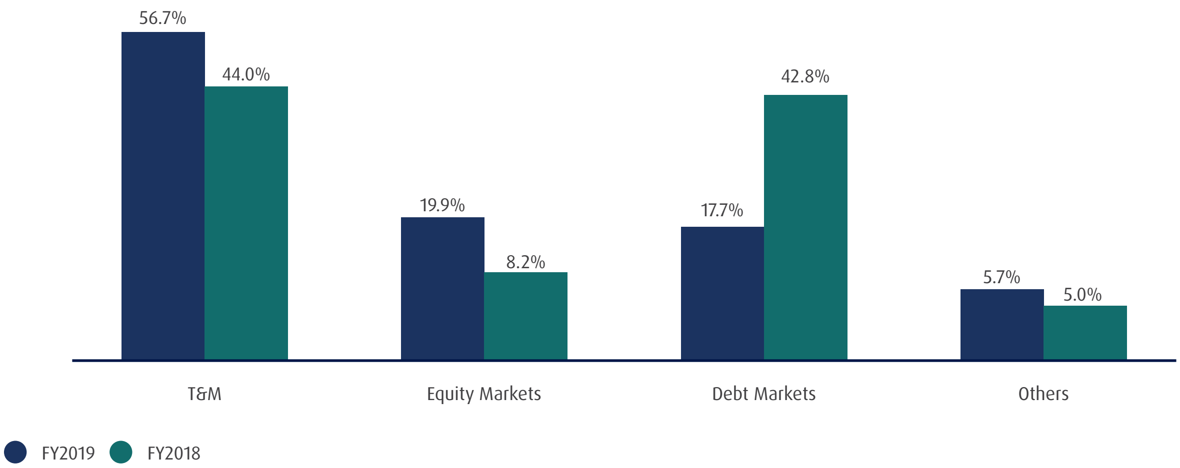
TREASURY AND MARKETS ("T&M")

Deposit taking, trading and investment of short term money market investments, fixed income and interest rate instruments. The team also provides treasury-related solutions such as providing interest rate and foreign exchange hedging as well as pricing and distribution of primary bonds.

FINANCIAL HIGHLIGHTS

	FY2019 RM000	FY2018 RM000
Net interest income	**26,999**	28,154
Fee income	**23,393**	34,717
Other income	**14,690**	4,662
Total revenue	**65,082**	67,533
PBT	**25,185**	29,251

Revenue Contribution by Business Pillars of IB Division



Despite the challenging market condition in FY2019 which resulted in subdued capital markets activities, the IB Division of HLIB managed to post a total revenue of RM65.1 million with a PBT of RM25.2 million.

T&M remained as the highest revenue contributor to the IB Division similar to previous financial year. T&M contributed 56.7% of the total revenue of IB Division in FY2019 compared to 44.0% in the previous financial year. Year-on-year ("YoY"), T&M achieved a revenue growth of 24.2% in FY2019. The positive result is attributed to sound trading decision despite lower interest income affected by lower net interest margin. This financial year represents the best performance since the inception of HLIB, mainly aided by our highest trading income ever.

The Equity Markets contributed 19.9% of IB Division's revenue in FY2019, being the second highest revenue contributor to IB Division. As compared to the previous financial year, the performance of Equity Markets was substantially better in FY2019 by registering a high revenue growth of 133.9%. The sharp growth was largely due to the recognition of underwriting and placement fee income from the Initial Public Offerings ("IPOs") exercise completed during the financial year.

As for Debt Markets, the team managed to contribute 17.7% to the total revenue of IB Division in FY2019 despite the challenging capital market space. There were some delays in completing the mandates in current financial year mainly due to external factors beyond the control of HLIB. The lower contribution as compared with past financial years' performance was also due to the challenging operating environment with the reduced economic activities in the form of project and infrastructure financing, which were mostly funded via the debt capital markets due to its long gestation period and financing amount.

ACHIEVEMENTS AND AWARDS

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

League Table Achievements by Debt Markets in FY2019

A Bond Pricing Agency Malaysia Top Lead Arranger League Table

Full Year 2018

- Ranked 1st for conventional Private Debt Securities ("PDS") by facility limit
- Ranked 1st for conventional PDS and Sukuk by facility limit
- Ranked 7th for conventional PDS by amount issued
- Ranked 9th for Sukuk by number of issues
- Ranked 9th for conventional PDS and Sukuk by amount issued
- Ranked 10th for conventional PDS by number of issues
- Ranked 10th for conventional PDS and Sukuk by number of issues

1H-Year 2019

- Ranked 2nd for conventional PDS by amount issued
- Ranked 3rd for Sukuk by number of facility issued
- Ranked 6th for conventional PDS and Sukuk by amount issued
- Ranked 7th for Sukuk by number of issues
- Ranked 8th for Sukuk by amount issued
- Ranked 8th for conventional PDS by number of issues
- Ranked 8th for conventional PDS and Sukuk by number of issues

B International Financial Review Asia

Full Year 2018

- Ranked 10th on top Bookrunner for Malaysian Ringgit Bonds

1H-Year 2019

- Ranked 4th on top Bookrunner for APAC Securitisation
- Ranked 6th on Malaysia Global Equity & Equity-Related
- Ranked 7th on top Bookrunner for Malaysian Ringgit Bonds

C Bloomberg

Full Year 2018

- Ranked 10th as Manager on Malaysia Bonds
- Ranked 14th as Manager on Malaysia Ringgit Islamic Bonds
- Ranked 19th as Manager on Malaysia Equity and Rights Offerings

1H-Year 2019

- Ranked 6th as Manager on Malaysia Equity and Rights Offerings
- Ranked 7th as Manager on Malaysia Bonds

D Dealogic

Full Year 2018

- Ranked 8th on Malaysia Ringgit Debt Bookrunner

1H-Year 2019

- Ranked 5th on Malaysia Ringgit Debt Bookrunner

AWARDS WON BY DEBT MARKETS

Total of three awards were won by Debt Markets are as follows: -

AS JOINT LEAD MANAGERS AND JOINT BOOKRUNNERS

- 12th Annual Alpha Southeast Asia Deal & Solution Awards 2018
  - Most Innovative Bond Deal in Southeast Asia 2018

AS TOP LEAD MANAGER

- RAM Award of Distinction 2018: Lead Manager Award by Programme Value – 1st Ranking
- RAM Award of Distinction 2018: Lead Manager Award by Number of Issues – Joint 2nd Ranking

AWARDS WON BY EQUITY MARKETS

Total of three awards were won by Equity Markets are as follows: -

- 12th Annual Alpha Southeast Asia Best Financial Institutions Awards 2018
  - Best Small To Mid-Cap Corporate Finance House in Malaysia

AS PRINCIPAL ADVISOR

- 12th Annual Alpha Southeast Asia Deal & Solution Awards 2018
  - Best Domestic M&A Deal 2018 (Malaysia)
- IFN Deals of the Year 2018
  - Corporate Finance Deal of the Year 2018

OUTLOOK AND MOVING FORWARD

Central banks of a few countries have reduced their policy rate on 7 August 2019 on the back of weak economic outlook and uncertainty over the US-China trade tension and Brexit. The rate cuts happened merely less than a week after President Trump threatened additional tariffs on China goods. With this development, we are expecting another 25 basis points ("bps") cut in Overnight Policy Rate ("OPR") by Bank Negara Malaysia ("BNM") in its two remaining meetings scheduled in September and November 2019 respectively.

Attributed by the same concern as mentioned above, US Federal Reserve has recently cut its overnight rate by 25 bps in July 2019 and is taking a more dovish tone. Market is expecting further rate cut of 25 to 50 bps for the remainder of Year 2019. However, any unlikely positive development over the trade tension would have changed the dovish tone entirely. Against this backdrop, the market is expected to remain volatile and challenging; highly dependent on the headlines.

In terms of local corporate bond markets, higher number of corporate issuances are expected compared to past financial years as companies attempting to take advantage of the current accommodative environment. While credit spread and net interest margin remain low, T&M envisaged maintaining the earnings by investing in sound quality assets and arbitraging any mispricing between credits and yield curve.

Equity Markets ended the FY2019 with a number of mandates outstanding which are expected to be completed in FY2020. Corporate Finance saw strong demands for its two recently completed Main Market IPOs as evidenced by overwhelming subscriptions by both the institutional and retail investors, and expects the trend to continue into FY2020. The team will continue to keep abreast of developments in the local merger and acquisition market as well as corporate financing requirements of the medium sized companies, while at the same time, maintaining a keen focus on providing value-added corporate advisory services to clients. Corporate exercises that provide opportunity for multiple revenue streams via placement and underwriting activities will also remain as one of the key focus going forward.

Moving into FY2020, the economic outlook is anticipated to improve with the resumption of mega infrastructure projects. Along with this positive development, the regulators have also been playing an active role together with the market participants to revive the vibrancy of the capital markets from product innovation, accessibility, technological advancement and governance perspective. Premised on this improving landscape, Debt Market's contribution in FY2020 is expected to be higher than FY2019 with new funding opportunities to be explored and the completion of the outstanding mandates carried forward from FY2019.

Management Discussion & Analysis

STOCKBROKING DIVISION

The Stockbroking Division of HLIB provides the complete range of retail and institutional stockbroking services, equity research, margin financing, nominees and custody services as well as futures and option broking services. These services are provided through a network of a head office at Menara Hong Leong, Kuala Lumpur and 3 branches as well as 6 Hong Leong Bank hubs across Malaysia.

CORE ACTIVITIES OF STOCKBROKING DIVISION

Our Stockbroking business is carried out via our Institutional Sales and Retail Business teams. The Institutional Sales desk focuses in providing quality research, advisory and trade execution ideas for our institutional clients while our Retail Business team offers equity, futures and option broking services including the provision of margin financing and customer service support on technical and corporate action to individual clients. Our Broking team also provides nominees and custody services to support and complement our primary businesses.

FINANCIAL HIGHLIGHTS

	FY2019 RM000	FY2018 RM000
Net Interest Income	**14,262**	14,919
Non Interest Income	**59,300**	71,852
Total revenue	**73,419**	86,771
PBT	**22,797**	32,576

The stockbroking business of HLIB registered a PBT of RM22.8 million in FY2019, 30.0% lower as compared to FY2018. The drop in PBT is mainly attributable to lower net brokerage income during the current financial year.

Bursa Malaysia's trading value declined by 14.2% from RM643.2 billion in FY2018 to RM552.0 billion in FY2019 as investors staying sideline amidst market uncertainties arising from external factors such as global trade tension and Brexit.

Year-on-year, the net brokerage income earned in FY2019 is 20.1% lower than previous financial year mainly due to decline in Bursa Malaysia's traded volume. The market share of HLIB is slightly lower than the previous financial year mainly due to higher foreign participation of 28.6% in current year compared to 24.3% in previous year recorded in the Bursa Malaysia's market, a business segment which HLIB has little presence.

Brokerage income contributed 71.4% and 75.7% of total revenue earned by Stockbroking Division in FY2019 and FY2018 respectively. The brokerage income is relatively balanced between Retail and Institutional segments with 60.0% and 40.0% respectively in FY2019 (FY2018: 54% and 46% respectively).

The drop in contribution from Institutional business was mainly affected by the slowdown in Government-Linked Corporation ("GLC") activities, as well as higher foreign participation. Despite maintaining our service level and status as a Tier 1 broker with all major GLC funds, we have seen a decrease in trading volume from our clients that is in line with the drop in overall volume consistent with the lower market participation from local institutions.

The Retail business this year saw a slight drop in market share by 4.5% from FY2018. This was mainly caused by the negative sentiment and lackluster performance of the market.

Margin income has decreased by 13.6% in FY2019 as compared to previous financial year mainly due to lower margin loan base in the current financial year.

OUTLOOK AND MOVING FORWARD

Overall, this financial year has been a tough year, with most of our businesses facing headwinds. However, private institutional business remained fairly strong despite weak market conditions. As for GLC business, we will continue to engage our customers to rebuild volume and we also plan to introduce Direct Market Access ("DMA") trading, which allows clients to trade electronically through HLIB. We hope that this will help us to regain market share from the GLC funds. For our Retail business we will continue to invest and innovate in digitalisation efforts to build and strengthen our market position.

FUND MANAGEMENT AND UNIT TRUST MANAGEMENT DIVISION

HLAM is an established fund management company with more than 20 years' experience offering and managing a broad spectrum of investment solutions through equities, fixed income, money market and mixed assets for segregated customised portfolio and unit trust funds. At HLAM, the strength and pillar of the business success are based on the talent pool of people, quality of services and the drive towards advancing technology. HLAM also adopts the Group's strong values and guiding principles, and leverage on the Group's diversified regional businesses, resources and experience. Commitment and integrity are part of HLAM's principles in sustaining growth and aim to provide focused investments to preserve assets and generate added value and deliver returns over time for our clientele amongst others, state governments, insurance companies, endowments, family offices, corporations, and high net worth individuals. These services are provided through a network of a head office at Plaza Zurich, Kuala Lumpur and four branches located in Penang, Ipoh, Malacca and Johor Bahru.

A wholly-owned subsidiary of HLCB, the fund management activities of HLAM operates under three main business pillars outlined as below:

INVESTMENT

Managing a broad spectrum of investment portfolios through equities, fixed income, money market and mixed assets.

PRODUCT

Design innovative product solutions to a broad range of private mandate and retail clientele and tailor made investment portfolios based on the risk scale ranging from cautious to dynamic.

DISTRIBUTION

Distribute and promote a range of products and investment solutions for private mandate and retail clientele and to build principled relationships by introducing investment solution to catering to clients' risk preferences and return requirements.

FINANCIAL HIGHLIGHTS

	FY2019 RM000	FY2018 RM000
Net revenue	**51,050**	34,912
PBT	**21,827**	12,366

HLAM recorded a very commendable PBT growth of 76.5% from RM12.4 million in FY2018 to RM21.8 million in FY2019 mainly contributed by the rise in net revenue of 46.2% from RM34.9 million in previous financial year to RM51.1 million in current financial year. The higher revenue achieved was contributed by higher management fee rates combined with an enlarged average assets under management ("AUM") size as at FY2019. Year-on-Year, the average AUM size grew by 15.9% from RM15.1 billion in FY2018 to RM17.5 billion in FY2019. The growth in average AUM size was mainly from growth in money market funds, fixed income funds, equity and balanced funds and private mandates.

ACHIEVEMENTS AND AWARDS

HLAM received four Lipper fund performance awards for calendar year 2018:

Fund	Award
Hong Leong Dividend Fund	Best Fund over 3 years: Equity Malaysia Income (Malaysia Pension) (Won for 2nd consecutive year)
Hong Leong Dividend Fund	Best Fund over 5 years: Equity Malaysia Income (Malaysia Pension)
Hong Leong Penny Stock Fund	Best Fund over 5 years: Equity Malaysia (Malaysia Pension)
Hong Leong Balanced Fund	Best Fund over 5 years: Mixed Asset MYR Bal – Malaysia (Malaysia Pension)

As at 30 June 2019, the Funds continue to deliver consistently strong risk-adjusted return relative to its peers.

Fund	3-Yr Growth, MYR (%)	5-Yr Growth, MYR (%)	Rank in 3 & 5-Yr Fund Category	Fund Category
Hong Leong Dividend Fund	36.38%	48.30%	1/11	Equity Malaysia Income (Malaysia Pension), 3 & 5 years

Source: Lipper

Management Discussion & Analysis

Fund	5-Yr Growth, MYR (%)	Rank in Fund Category	Fund Category
Hong Leong Balanced Fund	36.95%	1/19	Mixed Asset MYR Bal – Malaysia (Malaysia Pension), 5 years
Hong Leong Penny Stock Fund	47.59%	1/65	Equity Malaysia (Malaysia Pension), 5 years

Source: Lipper

OUTLOOK AND MOVING FORWARD

In view of the current market uncertainty from the trade tension which has a negative impact to the regional growth and a possible interest rate cut to mitigate the slower growth effect, HLAM will focus on high dividend yield stocks that may rerate in view of the benign interest rate environment. Domestic-centric sectors, for example, construction and consumer, are also preferred as these sectors are expected to be less susceptible to global macro uncertainties. Selected export stocks that may benefit from possible supply chain diversions may be considered.

HLAM is committed to deliver fund performance through a robust investment process with investment strategies consistently executed by a competent and experienced investment team. The team employs bottom-up stock picking approach which is key to fund outperformance in the local stock market. Fundamental-based investment strategy is strictly observed to avoid occurrence of emotional investing that may lead to bad investment decisions. In the current environment of rapidly evolving political and economic landscape, increased effort will be deployed to obtain business updates and outlook from companies in order to make sound investment decisions.

D. CORPORATE HIGHLIGHTS

CAPITAL STRUCTURE AND BORROWINGS

HLIB has on 6 November 2014 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 Year 2024 and is callable on any coupon payment falling on or after the 5th anniversary of the issue date. The Sub-Notes which bears interest rate of 5.30% per annum is payable semi-annually in arrears.

Subsequently, on 14 June 2019, the Bank issued a second tranche of RM100.0 million nominal value of 10-year non-callable 5 years Sub Notes callable on 14 June 2024 (and thereafter) and due on 14 June 2029 out of its RM1.0 billion Multi-Currency Sub Notes Programme. The coupon rate for this second tranche of the Sub Notes is 4.23% per annum, which is payable semi-annually in arrears from the date of the issue.

The Sub-Notes qualifies as Tier 2 capital for the purpose of determining the capital adequacy ratio of HLIB.

Other than the issuance of the Sub-Notes, there is no subsequent issuance and HLCB group does not have any other borrowings as at 30 June 2019.

CAPITAL RATIOS AND LIQUIDITY COVERAGE RATIOS

The total capital ratio of HLIB has been strengthened from 33.661% in FY2018 to 41.224% in FY2019 mainly resulted from higher Tier 2 capital arising from the issuance of the second tranche of RM100.0 million Sub Notes during the financial year. The Bank’s liquidity coverage ratio is well above the minimum requirement set by BNM of 100%, which stood at a healthy level of 128.4% as at 30 June 2019.

There is no significant impact to the Bank’s capital ratio arising from the adoption of the new Malaysian Financial Reporting Standard 9 (“MFRS 9”) accounting standard in FY2019.

E. OVERALL ECONOMIC REVIEW

Looking ahead, the business and market environment will continue to be challenging in the near term, due to market uncertainties caused by the global trade tension and geopolitical risks. Malaysia's integration into the world economy means that it will not be insulated from the multi-faceted and inter-connected global risks.

The weak economic outlook and the market uncertainties over the global trade tension and Brexit have forced most of the central banks to reduce their policy rate. Thus, we will be expecting another rate cut in OPR by BNM in September and November 2019.

The US Federal Reserve has also reduced its overnight rate in July 2019 due to the same concern as mentioned above, and is adopting a more dovish stance. The market is expecting a further rate cut in the remaining FY2019. However, any positive development over the trade tension, though unlikely, could change this stance entirely. In view of this, the market is expected to remain volatile and challenging.

As for the local corporate bond markets, companies will take advantage of the current accommodating environment due to the higher number of corporate issuances expected as compared to the past financial year.

Despite the external uncertainties, given that Malaysia's economy is more diversified than expected, together with excellent export and product structure, as well as sound macro fundamentals and policy flexibility, Malaysia has the resilience to face these headwinds.

F. OUTLOOK OF THE GROUP

We will continue to see digitalisation of our economies and societies as a growing trend, not only expanding in terms of product and service areas but a deepening of our markets resulting from the rapid expansion of other disruptive digital platforms. Digitalisation does not only contribute to productivity and efficiency, but also broadens socio-economic development. Given its rapid development, the Group must be proactive in harnessing digital technologies to build an operating environment that our stakeholders have come to expect. As such, we will continue to invest in technology to further enhance our efficiency and productivity.

Recently, the region's regulatory landscape has increased in regulatory requirements and security of financial institutions and this will continue to remain as one of the challenges for the Group going forward. To that end, the Group has embarked on automating the regulatory reporting with the aim to enhance the efficiency and accuracy of the reporting process. The automation exercise is to be carried out in phases. On-going efforts will be in placed to improve the Group's efficiencies in all aspects.

The Group remains committed in its journey to deliver long-term sustainable growth as well as increase shareholder value. To this end, we shall continue to execute our business strategies, strengthen our digital solutions, manage cost efficiency and drive productivity.

G. APPRECIATION

Last but not least, we would like to take this opportunity to express our gratitude to the Board of Directors for their support and guidance, the management and staff across HLCB Group for their dedication and commitment.

Our sincere appreciation also goes out to the regulatory authorities, shareholders, customers and business partners as well as to the community we serve for their continued faith and confidence in the Group.

Sustainability **Statement**

"

As the financial services industry develops, we are committed to the journey of creating sustainable value to ensure long-term growth. Throughout our sustainability journey, our values and principles have been our core focus as we uphold the integrity of capital markets. We have always put our priority in good ethics and adhere to the regulatory rules in our endeavour to continue creating sustainable value.

"

We believe these efforts will lead to achieving our long-term goal of improving the well-being of our stakeholders in all aspects. Our aim is to integrate our strategic initiatives that protect the interests of all our stakeholders into our policies and daily operations. This includes having sound governance that adopts best practices from the industry to keep improving our sustainability journey.

ABOUT THIS REPORT

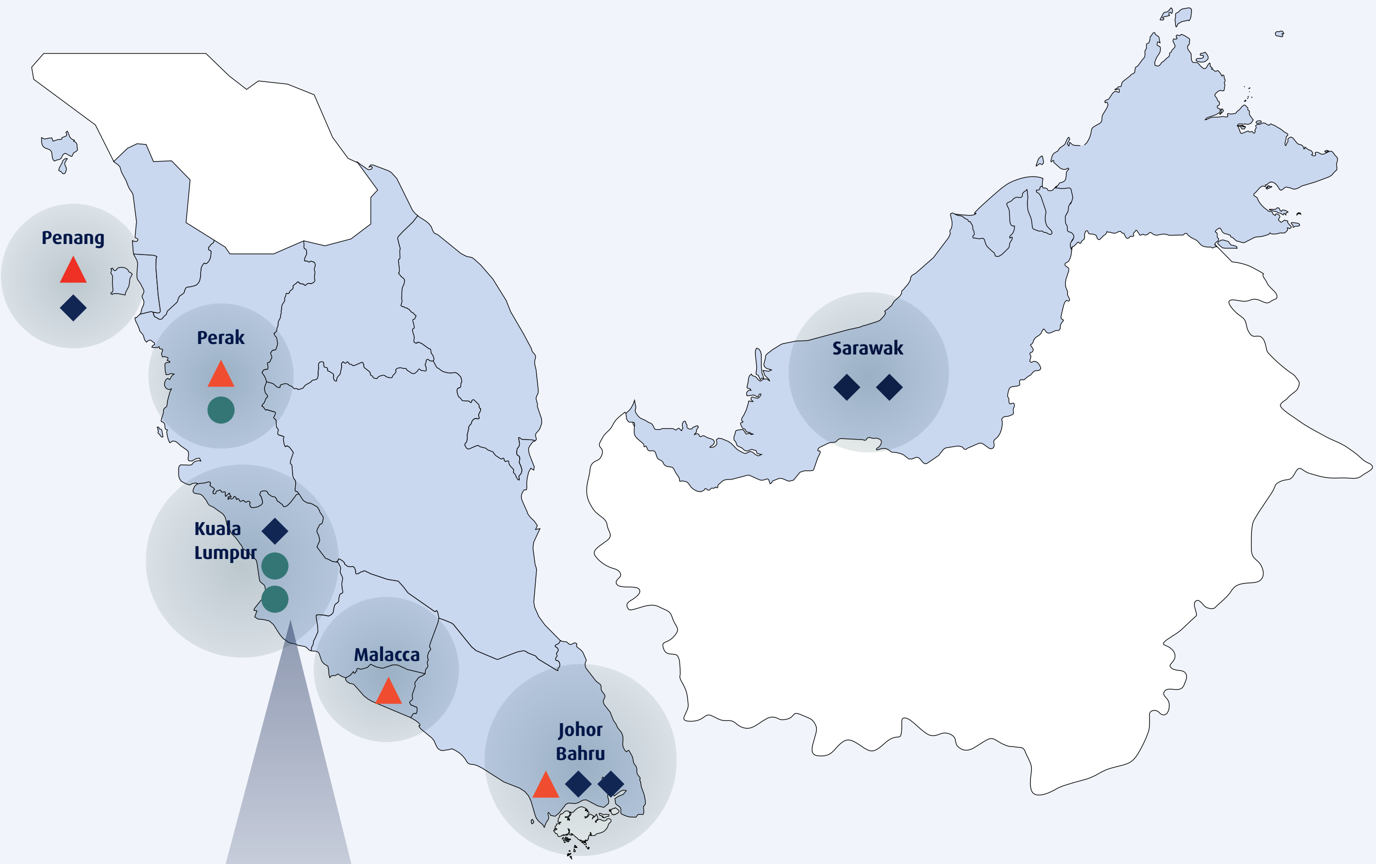
This statement documents how we rolled out our sustainability initiatives in FY2019 to address our impact on economic, environmental and social ("EES") issues and integrate them in our daily operations. It also covers the risks and opportunities of these issues and how we strive to align our sustainable strategy to our Group values and goals to create long-term growth. To this end, we have identified 9 issues that are most impactful to our business and stakeholders, which is highlighted under **How the material sustainability matters are identified.**

This report has been prepared in accordance with the Bursa Malaysia Securities Berhad ("Bursa Malaysia") Listing Requirements relating to sustainability report and guided by the Bursa Malaysia Sustainability Reporting Guide, which outlines the sustainability reporting disclosure requirements issued by Bursa Malaysia.

Sustainability Statement

COVERAGE

All data in this sustainability statement relates to the operations of Hong Leong Investment Bank Berhad ("HLIB") and Hong Leong Asset Management Berhad ("HLAM") in Malaysia as they represent our most material businesses.



Head office of HLIB

Menara Hong Leong, Bukit Damansara, Kuala Lumpur

Head office of HLAM

Plaza Zurich, Bukit Damansara, Kuala Lumpur.

▲ **HLAM** 4 branches

● **HLIB** 3 branches

◆ **HLIB** 6 HLebroking Hubs

OUR SUSTAINABILITY APPROACH

THE VALUES OF HONG LEONG GROUP

The Group is built on a strong heritage of value creation for our stakeholders and communities within which we operate. Over the years, we have taken a progressive approach in integrating sustainability into our businesses towards a stronger and more resilient group. We firmly believe that the core values form its foundation and framework. Its values build its character; they are the cord that holds its people together, the driving force towards successful accomplishment of the Group's vision.

Sustainability Statement

THE 8 CORE VALUES

QUALITY

To consistently provide goods and services of the highest quality at affordable prices

HUMAN RESOURCE

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

ENTREPRENEURSHIP

To pursue management vision and foster entrepreneurship

UNITY

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

INNOVATION

To nurture and be committed to innovation

PROGRESS

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

HONOUR

To conduct business with honour

SOCIAL RESPONSIBILITY

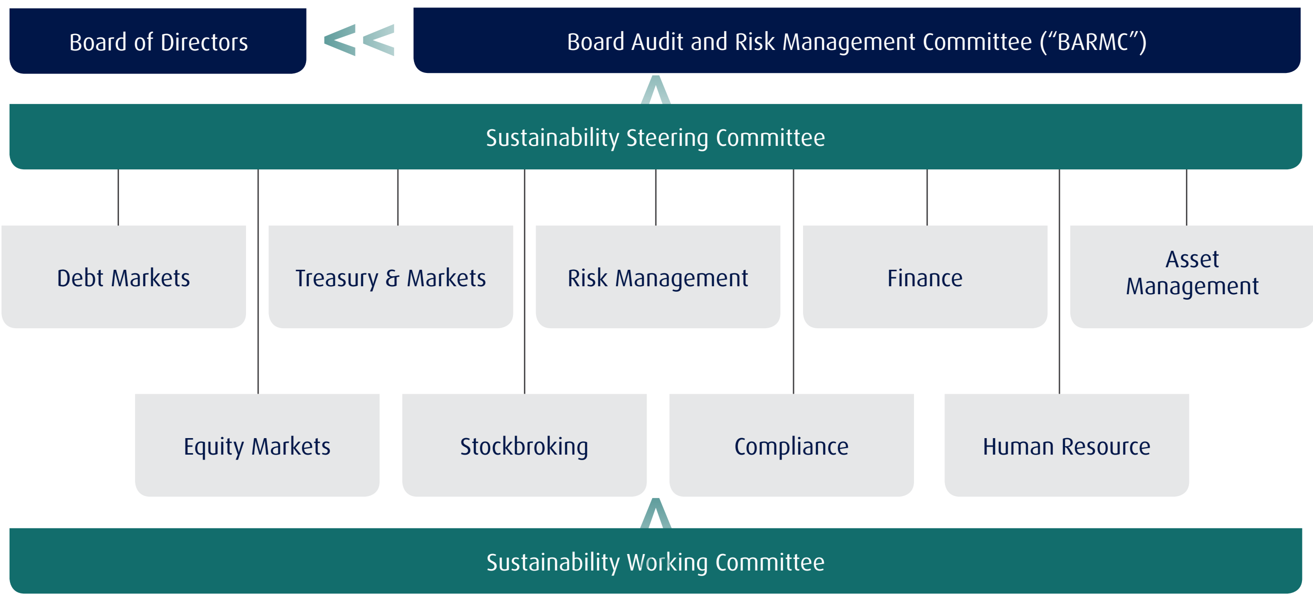
To create wealth for the betterment of society

HOW OUR SUSTAINABILITY IS GOVERNED

HLCB's Sustainability is governed by the highest governance level in the organisation – the Board of Directors and the Board Audit and Risk Management Committee ("BARMC") – collectively known as the "Board". The Board is committed to ensuring that sustainability is embedded in every level across the organisation and that adequate resources, systems and processes are in place for managing sustainability matters.

The Sustainability Steering Committee ("Steering Committee") was established in June 2017 and led by the Group Chief Operating Officer and it comprises heads of business divisions and the relevant support departments. Sustainability related matters will be tabled to the Board for approval or notation as and when required.

HLCB's sustainability initiatives are planned, coordinated and implemented by a Sustainability Working Committee (" Working Commitee"), which reports to the Steering Committee. The Working Committee comprises representatives from various business and support departments.



Roles and Responsibilities of Steering Committee

01 Advising the Board and recommending to it, the business strategies in the area of sustainability.

02 Oversee and monitor on behalf of the Board the implementation of sustainability strategies.

03 Review and endorse adoption of all sustainability related strategies/policies/initiatives as well as monitoring the effectiveness of its adoption.

04 Recommending to the Board for its approval on the material sustainability matters identified as well as overseeing the management of the material sustainability matters.

05 Oversee the overall management of stakeholder engagements.

06 Monitor and oversee management processes to ensure compliance with the policies/standards.

07 Review and endorse the Sustainability Report, and recommending it for the Board's approval.

Roles and Responsibilities of Working Committee

01 Active participation in the planning, coordinating and implementation of the initiatives relevant to the sustainability matters.

02 Develop & recommend the plans, milestones, timeline, deliverables & outcomes of the project to the Steering Committee.

03 Monitor and track progress and milestones of the initiatives under the sustainability strategies and address/resolve issues that may arise.

04 Serve as a forum to gather input from each department or function, and report to a higher governance level, on the overall operational management of sustainability matters.

05 Involved in the identification of material sustainability matters and materiality assessment processes.

06 Provide progress updates to the Steering Committee to ascertain their guidance and inputs to ensure smooth and successful implementation of the initiatives.

Sustainability Statement

HOW THE MATERIAL SUSTAINABILITY MATTERS ARE IDENTIFIED

Our material sustainability matters are key issues that have the greatest impact on our daily operations and business growth. These issues influence the way the Board executes our sustainability strategy and the initiatives that we roll out.

We have identified 9 key issues and divided them into the 3 EES pillars **(please refer to pages 28-29 for About Our Material Matters)**. This was done through studying the impact, risks and opportunities the issues have on our business. The identification process included conducting a survey involving our employees and engaging regularly with external stakeholders.

The process of identifying our materiality matters is as below:

Identification

We identified our material issues through a materiality assessment that has been reported by our holding company, Hong Leong Financial Group ("HLFG") and benchmarked them against industry best practice. We then engaged with internal stakeholders through interviewing three members of the Steering Committee including the Group Chief Operating Officer, the Chief Financial Officer and the Chief Risk Officer in FY2017. We also interviewed HLFG's Group Chief Financial Officer to validate the issues that are material to HLCB Group. Through these interviews, we were able to identify key matters, opportunities and challenges facing the Group. We will look into reassessing our materiality issues by FY2020.

To ensure a holistic approach towards our materiality issues, we also engaged with external stakeholders regularly, such as regulators and clients through meetings and surveys to identify key matters, opportunities and risks for HLCB Group.

Prioritisation

We prioritised the matters according to the significance of each matter to our business and stakeholders before plotting each matter on a materiality matrix. The matrix reflects each materiality's degree of importance to the Group and our stakeholders as illustrated on page 28.

In FY2019, we conducted a Materiality Survey amongst our employees including Heads of Departments ("HOD") to further validate the prioritised issues. In the Materiality Survey, the employees were asked to rate the EES issues and identify the top three issues that were most important to them.

As a result, Compliance was rated as the most important issue, followed by Ethics and Integrity and Client Experience. The employees then placed Cyber Security and Data Privacy as the next most important, followed by Innovation, Employee Experience, Fair Banking, Impact Investing and Managing the Environmental Footprint.

Validation

We presented the materiality matrix to the Sustainability Steering Committee and BARMC, who validated the findings. BARMC then presented the findings to the Board of Directors for further concurrence.

Review

Every stakeholder's feedback is valuable to the Group. To ensure a holistic approach towards sustainability, we gathered feedback from our stakeholders to further strengthen our commitment to delivering sustainable growth.

OUR STAKEHOLDERS

We categorised 11 groups of stakeholders, who are significant to our daily operations, as shown in the following table:

INTERNAL STAKEHOLDERS

- Board of Directors
- Employees
- BARMC

EXTERNAL STAKEHOLDERS

- Clients
- Investors
- Associations (Malaysian Investment Banking Association, Association of Stockbroking Companies Malaysia, Malaysian Futures Brokers Association)
- Regulators (Bank Negara Malaysia ("BNM"), Securities Commission Malaysia ("SC"), Bursa Malaysia, Federation of Investment Managers Malaysia)
- Suppliers / Vendors
- Analysts
- Business Partners
- Community

Sustainability Statement

OUR MATERIALITY MATRIX

THE PRIORITISATION OF THE ISSUES IS AS SHOWN IN THE MATRIX BELOW:

Legend:

- ● Most Important
- ● Very Important
- ● Important

SOCIAL	• Compliance • Ethics and Integrity • Client Experience • Cyber Security and Data Privacy • Employee Experience • Fair Banking • Impact Investing
ECONOMIC	• Innovation
ENVIRONMENTAL	• Managing the Environmental Footprint

ABOUT OUR MATERIAL MATTERS

Association	Definition of Material Matters
COMPLIANCE	Regulatory compliance plays a significant role in determining the reputation of an organisation. In HLCB, we strive to uphold the integrity of the Group by ensuring all employees abide by the laws and regulations through the efforts of our Compliance team.
ETHICS AND INTEGRITY	Ethics and integrity is a key component in our organisation that is inculcated with values. It plays a pivotal role in our effort to build lasting relationships with our clients and establish a strong reputation for our organisation. In order to uphold ethics and integrity, we expect our employees to adhere to all the regulatory requirements including our Code of Conduct & Ethics.

Association	Definition of Material Matters
CLIENT EXPERIENCE	We take cognizance that client experience is the deciding factor for us to remain competitive in our highly-competitive financial industry. We believe our customers want more than just innovative solutions and we are committed to going beyond providing financial products by adding value to our services.
CYBER SECURITY AND DATA PRIVACY	Cyber attacks continue to be a threat in the financial services industry amidst a highly regulated environment. HLCB, however, takes proactive measures to tackle this issue by enhancing its cyber security systems. Our goal is to ensure zero confidentiality breaches in our daily business operations.
INNOVATION	Innovation is a process when new ideas or solutions are formulated to generate growth in a business. In HLCB, creating new ideas and products is one of our key drivers to business growth and ensuring the continuing success of the Group. From time to time, HLCB innovates better solutions to fulfil the market needs and cater to the preferences of our clients. We embrace innovation to gain a competitive edge in this highly competitive financial services industry.
EMPLOYEE EXPERIENCE	Our employees are our greatest assets as they form the foundation of the Group. To ensure we nurture and retain the best talents, we have put in place robust initiatives for the well-being and development of our people.
FAIR BANKING	HLCB takes fair banking seriously in our business operations to ensure our clients trust the products and services that we provide. It helps us to retain the loyalty of our customers, which has a positive impact in our effort to create long-term business growth. Besides focusing on regulatory compliance and our Code of Conduct & Ethics, our fair banking practices include initiatives that ensure the quality of our products and services are not compromised.
IMPACT INVESTING	We are aware of the significant impact our lending and investing practices have on the environment and society. Hence, we strive to promote sustainable development in our policies.
MANAGING THE ENVIRONMENTAL FOOTPRINT	Managing the Environmental Footprint is a significant part in ensuring long-term business growth. This is due to the effects of climate change that could impact the economy and the financial markets. To ensure our business has a positive impact on the environment, HLCB is committed to contributing responsibly to the environment through preserving natural resources while reducing operational cost.

Sustainability Statement

SOCIAL - COMPLIANCE

HLCB views regulatory compliance practices seriously to maintain the integrity of the Group and capital markets. We are committed to achieve zero breaches or violations of laws and regulatory requirements by upholding and integrating regulatory intent in our daily business operations as we continue to create sustainable value for our stakeholders.

HLCB ensures that the Group complies with all applicable laws and regulations including those set out by the financial regulatory bodies such as BNM, SC and Bursa Malaysia.

In our efforts to ensure strict adherence to compliance, the Group has increased the size of the compliance team to strengthen compliance monitoring and advisory as well as to inculcate a strong compliance culture that is driven by a strong tone from the top to all employees. In addition, the Group has continuously invested in employees' development, whereby employees are required to attend regulatory compliance training conducted by both internal and external trainers to keep abreast with the regulatory requirements.

As regulatory compliance is a key function in the financial services industry, the compliance function plays a pivotal role in ensuring strict adherence to regulatory intent to minimise regulatory risk by ensuring regulatory compliance risks are effectively managed in accordance to HLCB's aspiration and risk appetite.

To strengthen our commitment in upholding the integrity of the Group and capital markets, a Compliance Policy was established to emphasise the importance and the need for all employees to manage compliance risk. The Compliance Policy has outlined 3 key lines of defence, which are the business units, the support units and the internal audit for an effective compliance risk management.

Apart from having 3 key lines of defence, the compliance function plays an essential role in evaluating the effectiveness of the Group's overall management of compliance risk. The Compliance team has carried out periodic assessment, monitoring and reporting of compliance risk to the senior management and the Board as well as to ensure corrective measures are taken for the management of compliance risk.

To further strengthen the compliance culture among the employees, the Compliance team has undertaken initiatives to provide timely updates of new laws and regulations by disseminating and organising discussion sessions with the compliance representatives from each department. Apart from that, the Compliance team also provide advisory and reminders to all employees on an annual basis about HLCB's key policies, which among others, include the Compliance Policy, Anti-Money Laundering and Counter Financing of Terrorism ("AMLCFT") Policy, Material Information Policy, Whistleblowing Policy and Code of Conduct & Ethics. This includes reminding the respective department to update the Standard Operating Policies and Procedures ("SOPP") to remain relevant to changes of the laws and regulations. Such measure is to ensure all employees comply with the applicable laws and regulations.

In FY2019, the Compliance team engaged external trainers to provide the following training to the relevant employees with the objective to keeping abreast with the regulatory requirements as follows:

- AMLCFT;
- Confidentiality; and
- Personal Data Protection Act

As one of the most trusted financial services providers, we have made it our daily focus to achieve regulatory compliance in our operations. We are well aware that any violation of the laws and regulations will affect the reputation of the Group, impacting the long-term relationships we have built with our clients and the regulators. This will not only lead to fines or penalties by the regulators, but also loss of business opportunities and potentially revocation of applicable licences. Thus far, there has been no fine or penalty imposed by the regulators due to non-compliance with the laws and regulations during the financial year under review.

The Group will continue to ensure that its business and operations comply with the applicable laws and regulations to preserve the integrity and reputation of the Group. Compliance related training will continue to be organised periodically with the aim to create employees' awareness.

SOCIAL - ETHICS & INTEGRITY

In the financial services industry, trust is a key component to build and sustain good relationships with our clients and other stakeholders. In HLCB, we believe in going beyond adhering to laws and regulations to earn the trust of our clients and other stakeholders, which will create a resilient reputation to ensure long-term sustainability. Holding true to our core value of honour, the Group practises zero tolerance against all forms of bribery or corruption and ensures employees from all departments comply with the regulations.

The Group has established the Code of Conduct and Ethics for all employees. The Code of Conduct and Ethics is guided by Hong Leong Group's corporate mission and code of ethics. This Code of Conduct and Ethics has also been benchmarked against other best practices in the financial industry such as the Financial Services Professional Board ("FSPB") standards and other regulations issued by BNM, SC and Bursa Malaysia.

To ensure ethics and integrity are upheld at all times, our employees are required to adhere to the values, principles, standards and norms of behaviour as outlined in the Code of Conduct and Ethics as well as the respective SOPP. All employees are required to sign and abide by the Code of Conduct and Ethics upon commencement of employment and to make an annual declaration of compliance to the Code of Conduct and Ethics on an annual basis. In other words, all employees shall demonstrate the highest standards of business conduct by making ethical decisions and reporting any unethical or morally repugnant act.

Furthermore, all employees who are new to the financial services industry are sent for training on ethics to ensure they understand the professionalism, values and behaviours expected from them in applying ethical decisions in their day to day operations.

Apart from that, the Group also took proactive measures to ensure conflicts of interests or unethical conducts do not arise in our business dealings. To this end, the Group practises adequate segregation of duties among the employees with proper check and balance to ensure the employees do not have any conflict of interest while performing their duties.

We acknowledge that any compromise of ethics and integrity will expose the Group to violation of laws and regulations and ultimately impact the Group negatively. It could involve financial losses due to legal action, fines or penalties imposed by regulators. Due to our proactive initiatives in upholding ethics and integrity, there were no financial losses incurred due to unethical behaviour or misconduct during the financial year under review.

Moving forward, the Group will continue to take proactive measures to uphold the ethical culture within the Group.

Sustainability Statement

SOCIAL - CLIENT EXPERIENCE

Client experience often becomes one of the deciding factors in the highly competitive financial services industry. We believe our customers do not only seek innovative solutions but also a positive client experience. Thus, we engage actively with our clients to identify financing gaps, structure solutions and understand their business operating environment. Active engagements with clients will help us to meet their needs while delivering services that build trust. A positive client experience will increase customer satisfaction, strengthen customer loyalty and boost the Group's brand recognition.

We collaborate with key external parties, particularly government agencies, corporate bodies and rating agencies to benefit our clients in various aspects and gain a competitive edge in the industry as well as to provide value-added services for our clients. This has been a differentiating factor for HLIB which enables us to build good profiling, improve our business prospects and give us the edge against our peers.

Apart from that, we are aware that feedback and complaint management is an essential component of positive client experience and business success. Due to the highly competitive environment we operate in, we acknowledge that our reputation will be affected if we do not strive to improve clients' satisfaction. Lack of initiatives in ensuring the best client experience could potentially lead to loss of client loyalty, which would affect future business opportunities and sustainability of the Group. Therefore, we strive to manage all feedback and complaints promptly and efficiently to improve the level of client satisfaction as well as to retain client loyalty.

ENSURING VALUE-ADDED SERVICES

In FY2019, the Institutional Business division continued collaborating regularly with government agencies, corporate bodies and rating agencies such as BNM, Ministry of Finance and Bursa Malaysia. The collaborations have continued to benefit our institutional clients, granting them access to various events or seminars that gave insightful information of the latest developments in selected business industry and markets. We have also received positive feedback from institutional clients on our collaboration with the Malaysian Gas Association as this has provided our clients with in-depth understanding of the industry. Additionally, we organised site visits to both listed and non-listed companies to provide value-added insights to form better trading strategy and ideas.

In the Retail Business division, we engaged with our clients through workshops, events and luncheons. During the financial year under review, various workshops and events were held with the aim to engage with our existing clients as well as to attract potential clients.

Some of the workshops and events held during the financial year under review are as follows:

HLeBROKING'S ENTRY & EXIT SIGNALS WORKSHOP

- Comprehensive technical charting course by using the technical chart available on HLeBroking portal.

INVESTMENT WORKSHOP - BULLS OR BEARS? NO PROBLEM!

- Jointly organised by HLIB and Macquarie Capital Securities.
- The workshop focused on comprehensive training for a Technical Analysis Course in scouting the best entry and exit point for stocks.
- The event also covered the essentials and strategies of trading structured warrants.

JOEY YAP FENG SHUI MARKET TALK 2019

- Jointly organised by HLIB and Astro Malaysia.
- Sharing of the forecast for the economy, weather and natural disasters and political environment from the feng shui perspective.

HLeBROKING MILLENNIALS EDUCATION FIRST WORKSHOP

- Jointly organised by HLIB and Bursa Malaysia.
- Provided opportunity to various university students to expand their networking and to understand what to expect when working in an Investment Bank.

HLeBROKING PORTAL TRAINING

- Shared useful information and available features in HLeBroking portal.
- Provided guidance to place trade orders via HLeBroking portal.

SOCIAL - CLIENT EXPERIENCE (CONTINUED)

Furthermore, surveys were conducted for feedback and reviews for every new initiative or product launched. Thus far, we have received positive feedback from our clients, and this is further supported by the increase in opening of new eBroking accounts by approximately 26% in FY2019.

As for the asset management business under HLAM, we continued to equip our clients with accurate information to assist them in making informed decisions about the funds of their choice. This was done through training and regular updates on market outlook and funds performances for our sales force to advise our clients effectively about HLAM's products. A good support system is also provided to our clients by equipping the distribution channels with the required knowledge.

The Group is also aware that creating brand awareness is an equally important factor in client engagement. To this end, HLIB launched its first website in October 2018 with the objective to increase awareness of the Bank's branding.

MANAGING FEEDBACK AND COMPLAINTS

Client satisfaction is a key determinant for the allocation of businesses to the Group. As a bank that adopts a client-centric approach, we are evaluated by our clients from all aspects. This includes value-added services that enhance clients' knowledge, research ideas and service efficiencies as well as trade execution effectiveness. Some clients assign ratings to our services either quarterly or bi-annually while others give feedback through informal discussions and during clients' engagement, especially for Investment Banking business. Gathering feedback is a crucial process in our engagement with clients as it helps us to gauge the level of client satisfaction towards our services.

Apart from gathering feedback, managing complaints professionally is also crucial in ensuring client retention. The Group views complaints received as positive feedback and ensures complaints are dealt with constructively and resolved within a reasonable period of time to maintain a high level of service for our clients. To improve the quality of services provided to clients, we have put in place policies and procedures to manage complaints lodged by clients. Our clients are able to lodge complaints through various channels such as our websites, email or phone calls.

The number of complaints received by the Group has dropped from five complaints in FY2018 to four complaints in FY2019. All the complaints have been resolved within a reasonable time frame.

Moving forward, the Group will continue to ensure effective engagement with clients through organising joint workshops and seminars jointly with external parties. Some of the upcoming events organised by our Stockbroking Retail Business include:

- Bursa Handholding Session for New Accounts Holders
- Entry & Exit Signals Workshops
- Exchange Traded Funds ("ETF") – The Next Big Thing!

Our asset management business under HLAM has also embarked on the implementation of a fully integrated web-based portal with enhanced functionality and features from the current e-portal to improve client experience. The implementation project was kicked off in March 2019 and is targeted to be rolled out in 2 phases by 2020. Kindly refer to **Economic-Innovation** for more details of the implementation project on pages 35-37.

Sustainability Statement

SOCIAL - CYBER SECURITY AND DATA PRIVACY

Cyber security threats continue to be a growing risk to the financial services industry as cyberattacks get increasingly more sophisticated. In HLCB, we strive to protect the personal data confidentiality of our stakeholders – from clients to business counterparts and any other parties the Group engages with, through enhanced cyber security systems.

Our Group Information Technology team ("Group IT") plays a crucial role in preventing cyberattacks. There are various controls and preventive measures rolled out by the Group IT with the aim to strengthen the Group's cyber security. Some of the many controls and preventive measures are:

- Stepping up the restriction of workstation's personal computer ("PC") to prevent any changes of PC settings that could jeopardise the operating system's security and integrity.
- Enforce server message block ("SMB") protocol to all PCs to prevent man-in-the- middle attacks.
- Enforcing web filtering and internet browsing control as well as removing Network Discovery Protocol from all network switches and PCs to prevent sensitive PC information from being obtained via network scanning.
- Workstations and devices are installed with antivirus software to prevent uninvited threats from emails and external storage or through the network.
- Deployed network and firewall control for infrastructure protection.
- Scheduled systems and applications for maintenance and updates to ensure its security is invulnerable.
- Email alerts or announcements sent to employees on a monthly basis to caution and update users against the latest cyber threats.

Apart from that, our Group IT has always worked closely with internal and external parties in its efforts to enhance the cyber security for our web portal and mobile application. Throughout the FY2019, we have engaged in numerous penetration tests and simulations exercise to ensure our systems have always performed its maximum capacity to provide assurance and safety to our clients. In our commitment to ensure data privacy protection for our clients, we have put in place measures such as maintaining appropriate physical, electronic and process control to safeguard and meet the confidentiality requirements under the Financial Services Act 2013 ("FSA"), Capital Markets and Services Act 2007 ("CMSA"), Personal Data Protection Act 2010 ("PDPA"), Personal Data Protection Code of Practice for the Banking and Financial Sector and other regulations issued by BNM, SC and Bursa Malaysia.

The Group has established a Personal Data Protection ("PDP") Policy, which purpose is to protect personal data and aims to regulate the activities of all data users of the Group that control the processing of personal data, including the collecting, recording, holding, storing, using, disposing or disclosing of personal data. In addition, the Group also undertakes on-going compliance assessments on relevant processes or departments with regards to the confidentiality regulations issued by regulators as one of the proactive measures.

The Group also believes in consistently keeping our employees abreast with the latest knowledge on data privacy through mandatory training on PDPA and Confidentiality. This helps to create awareness among the employees on the regulatory requirements and the importance of protecting the privacy of clients' personal data. All employees are expected to adhere to the confidentiality obligations imposed under the FSA, CMSA, PDPA and other regulations at all times. In addition, employees will be reminded annually to read and understand the Compliance Policy and Material Information Policy to uphold the secrecy and maintain the confidentiality of their work and clients' data.

As a financial services provider, we acknowledge that any compromise of cyber security and data privacy will affect the reputation and integrity of the Group. It may impact our clients' trust in us and potentially expose the Group to violations of laws and regulatory requirements. Due to the high security level of our systems, there were no instances of data loss or breaches of clients' privacy in the financial year under review.

Moving forward, the Group will continue to strengthen cyber security measures as well as ensuring zero confidentiality breaches.

ECONOMIC - INNOVATION

In our highly competitive financial services industry, we embrace innovation as one of our key drivers for sustainable business growth. A tenet of our sustainability efforts is to provide innovative solutions and to instil innovation at every level of our business – from people to process, products and services. We believe in growing and changing in line with market conditions as the needs and demands of our clients evolve rapidly.

As an award-winning financial solutions provider, the Group adopts a client-centric approach to remain competitive. We tailor innovative solutions and products with unique value propositions to meet the specific needs of our clients and equip them with sound knowledge on various sectors of the industry. This is done through collaborations with regulatory authorities and key industry players. Our team also works closely with local regulatory authorities to innovate and propose new financial products that are yet to be available in the Malaysian market as well as to modify or enhance existing financial instruments to meet market demands. Such integrated approach enables us to understand our clients' financial knowledge and needs while engaging actively with pertinent partners.

Employee development is also crucial to ensure the Group remains competitive in the market. We are committed to nurturing our employees to be at the forefront of investment banking industry trends and developments. To achieve this, our employees attend training programmes regularly to keep abreast with the industry's recent developments and needs.

GOING BEYOND FINANCIAL SERVICES

We recognise that one of the key enablers to sustainable growth is to go beyond providing financial products and services. One of our value added services is keeping our clients abreast with latest developments through strategic collaborations with pertinent partners such as BNM and Bursa Malaysia. These collaborations benefit our clients in various ways such as allowing them to gain access to industry specialists, a key advantage that further validates our value-added services.

The Institutional Business under Stockbroking division of HLIB has been holding the Stratum Focus Series forums with Bursa Malaysia since 2015. These forums received positive feedback and they were conducted by specific industry specialists such as policy makers, regulators and industry champions. Our corporate clients were able to gather information such as statistics and global outlook of the industries highlighted. Thus far, six series of forums have been conducted in the last three years and the topics were:

Series I : Healthcare
Series II : Malaysia Energy Sector – Powering the Future
Series III : Fintech
Series IV : E-Commerce, Reinventing Retailing
Series V : Tourism/Healthcare Tourism
Series VI : Oil and Gas: Rising from the Turmoil

In FY2019, we continued with Series VII in November 2018 with the theme "Industry 4.0: Humanising Machines, Disrupting Economies" and Series VIII on "Sarawak: Journey in Transformation" in April 2019. In the Series VIII forum, we engaged a representative from Pertubuhan Pelindung Khazanah Alam ("PEKA") , a non-profit organisation aimed at creating awareness about nature, sound health and the preservation and sustenance of the environment. At present, sustainable investing and ethical consideration is rapidly growing and evolving, as many investors look to incorporate environmental, social and governance factors into the investment screening process alongside traditional financial analysis in decision making process.

Other events held in FY2019 were HLIB Market Outlook, Tech Forum 2019 (Market strategy/economic presentation) and E-payment Talk.

HLIB's collaboration with other industry players continue to benefit our clients with privileges like gaining access to exclusive events held by regulators and research houses such as S&P Global Ratings, RAM Holdings Bhd, Moody's Corporation, Frost & Sullivan, SC and many more. Following are some of the events which HLIB clients were invited to:

- Malaysia Automotive Outlook 2019 by Frost & Sullivan
- Palm Oil Economic Review & Outlook (R&O) Seminar 2019
- Insight Forum: Malaysia Consumer Sentiment Overview and Implications of the Soda Tax
- 12th Malaysian Property Summit
- Meeting with Ministry of Economic Affairs (MEA)
- Talk on China's economy and transportation sector
- Malaysian Healthcare Conference 2019
- Malaysian Gas Association Industry Talk Q1 2019 - The Journey Towards Natural Gas Market Liberalisation
- Moody's 5th Annual Inside ASEAN – Spotlight on Malaysia Discuss and unpack the impact of regional and local credit trends across industries.

Sustainability Statement

ECONOMIC - INNOVATION (CONTINUED)

Additionally, HLIB's membership in the Malaysian Gas Association ("MGA") has enabled our clients, fund managers and analysts to receive first-hand news and findings on the oil and gas industry. They were also invited to MGA's exclusive industry talks, allowing them networking opportunities with the senior management of oil and gas companies. Such privileges enhance outside-the-box thinking of our teams and increase our value-added services. In June 2019, MGA and HLIB jointly organised the Malaysian Gas Symposium – MyGAS 2019. In addition, the team worked closely with the Group's Research team on site visits to provide a better understanding of the technical and operational aspects of the investee companies we visited. The department also provides its clients with in-depth analysis of listed companies and assists them in making investment decisions through regular meetings.

The Institutional Business team also provides regular updates to their clients with developments on macro policies through presentations and company visits, highlighting issues such as trade tension between United States and other major economies, domestic political changes and related macro policy shifts, interest rate movements as well as equity market direction and stock ideas. The team also ensured improvements were in place in the trading and reporting systems to interface with the clients' systems and to stay connected to expedite the trading process.

EMBRACING DIGITALISATION

In line with the Group's efforts to instil innovation and embrace digitalisation at all levels of our business, we work closely with our Group IT team and vendors to provide solutions and innovative ideas which comply with the Group's governance and IT security policy for our clients. In FY2019, the Group spent RM2.4 million on IT capital expenditure, which represented 41% of the Group's total capital expenditure spent during the financial year. The amount of IT capital expenditure spent in FY2019 grew by 29% from RM1.9 million in FY2018.

The Stockbroking Retail Business division planned to launch a new enhanced mobile application with modern interface and features by August 2019, focusing on research visibility. Other initiatives that have been rolled out to increase digitalised banking experience include:

01 Push Notifications

Rolled out since end of 2017, it sends notifications on corporate action and portfolio announcements via mobile phones. It allows clients quick and easy access to the information. This feature continues to receive positive feedback and compliments from clients.

02 Virtual Trading Portfolio

Launched in January 2018, it enables clients to monitor and track markets performance and share prices of the portfolio of stocks recommended by our Research analysts via our eBroking website. This feature continues to receive positive feedback from clients, such as "A good trading guide especially for newbies."

03 Special Product Bundling

The objective of this new feature is to cross sell all retail products such as equity, foreign, derivatives and share margin financing at lower brokerage rates. It has received positive response from clients for the leveraging opportunity.

ECONOMIC - INNOVATION (CONTINUED)

The Institutional Business team embraces digitalisation with a plan to introduce Direct Market Access ("DMA") trading, an electronic trading solution that allows for real-time execution of trade orders with lower cost by investors. DMA trading solution provides extremely fast order execution, and this enables investors to take advantage of very short-lived trading opportunities. We believe this would facilitate the need for market efficiency and an effective trading platform. DMA is targeted to be rolled out by end of 2019.

As for the asset management business under HLAM, the business has embarked on the implementation of a fully integrated web-based portal ("new Portal") to improve on the functionality and features of HLAM's current e-portals, where clients and business partners are able to have greater investment experience, flexibility and accessibility. We recognise the importance and the demand for a fully integrated web-based system today while straight-through processes are essential for speedy and real-time decision making and reporting. All this helps to reduce manual intervention and enhance the accuracy and reliability of data.

Some of the features of the new Portal are:

- Allows investors to have accessibility to "almost" real-time information, anytime and anywhere, via "straight-through processing", which leads towards quick investment decisions;
- Enables investors to perform online transaction functions like placing an online sales order, redemption, fund switching as well as requests for change of address; and
- Includes an automation with user-friendly guidance for investors to comprehend and complete transactions, enhancing the speed of processing for "hassle-free" transactions.

The implementation project was kicked off in March 2019 and will be rolled out in 2 phases. The first phase of the project which focuses on the Cash Plan Investment Platform is targeted to roll out by October 2019. For the second phase of the project, which is targeted to roll out in April 2020, HLAM shall seek approval from Employees Provident Fund ("EPF") to allow their members through the EPF-Members Investment Scheme ("EPF-MIS") to invest via the online portal into HLAM's EPF approved funds.

In our efforts to incorporate digitalisation to improve efficiency of processes in the Group, the Finance regulatory team embarked on an exercise to automate the reporting process in the first quarter of 2019 to comply with the new BNM requirements as well as to improve the existing regulatory reporting process by reducing manual intervention in data sourcing and report production. The first stage of the automation exercise was successfully rolled out in July 2019 while the second stage is targeted to kickstart in FY2020.

In terms of improving the efficiency of our processes, we target to improve HLIB's online funds receipting process by implementing the Financial Process Exchange ("FPX") facility by the end of 2019. HLIB currently maintains bank accounts with various banks to facilitate funds receipts from clients. With FPX, HLIB is able to reduce the number of bank accounts maintained for funds receipting and is expected to reduce the transaction cost by approximately RM50,000 annually.

COST RATIONALISATION

Part of our sustainability journey includes cost rationalisation to ensure effective operational cost reduction in the long term. In response to the Group management's direction for all departments to practise cost rationalisation, HLIB had commenced with its space rationalisation exercise since 2017 and has successfully achieved a cost savings of approximately RM1.6 million. The space rationalisation initiatives include consolidating branches within vicinity and optimising space usage.

MARKET RECOGNITION

Demonstrating our innovation and the acceptance of our products and services in the market, in particular for Investment Banking business, the teams received the following awards and recognitions in the year under review.

12th Annual Best Financial Institutions Awards 2018 by Alpha Southeast Asia
Best Small to Mid-Cap Corporate Finance House

12th Annual Alpha Southeast Asia Deal & Solution Awards 2018
Best Domestic M&A Deal 2018 (Malaysia)
(HLIB's role: Principal Advisor)

12th Annual Alpha Southeast Asia Deal & Solution Awards 2018
Most Innovative Bond Deal in Southeast Asia 2018
(HLIB's role: Joint Lead Managers and Joint Bookrunners)

IFN Awards Deals of the Year 2018
Corporate Finance Deal of the Year 2018

RAM Award of Distinction 2018: Lead Manager Award by Programme Value
1st Ranking

RAM Award of Distinction 2018: Lead Manager Award by Number of Issues
Joint 2nd Ranking

It is through a concerted effort to drive innovation and digitalisation that we expect to see continuous improvements in efficiency, cost reduction and higher acceptance of our products and services. Failure to do so will risk dampening the market standing of the Group.

Sustainability Statement

SOCIAL - EMPLOYEE EXPERIENCE

Employees are the most valuable resource for HLCB Group to achieve its goals and visions. As we aspire to be the foremost integrated financial services provider, we aim to shape a competitive and engaging workforce that is also knowledgeable and professional. By cultivating a high-performing team, we are able to deliver world-class business outcomes.

DEMOGRAPHIC OF THE ORGANISATION'S WORKFORCE

Description	FY2017 Number of employees	FY2018 Number of employees	FY2019 Number of employees
By Category			
Executive	256	264	**277**
Manager	137	139	**161**
Senior Manager and Head of Department	39	39	**33**
Total Number of Employees	432	442	**471**
By Age Group			
Under 30 years old	107	131	**141**
30 - 50 years old	256	238	**247**
Over 50 years old	69	73	**83**
Total Number of Employees	432	442	**471**
By Gender			
Female	238	251	**264**
Male	194	191	**207**
Total	432	442	**471**

In order to enhance the quality of our employee and to ensure the Group's sustainability, we have developed initiatives to retain the best talent through talent development and management programmes, employee wellness programme, team building exercise, leadership feedback session and corporate social responsibilities ("CSR") activities.

EMPLOYEE DEVELOPMENT

In FY2019, the Group rolled out various robust initiatives in its effort to build a sustainable workforce. These initiatives are aimed at attracting, retaining and investing in the talent pool to ensure adequate resources were provided to cultivate high performance workforce. The programmes and initiatives that were engaged during the year are listed below:

TALENT DEVELOPMENT PROGRAMMES

The Group facilitated two programmes to groom and manage young talent. The programmes are:

01 HLCB Talent Incubator Programme

This talent programme is a Management Trainee ("MT") programme to groom young leaders, bright and skilled future leaders in the Group. Since the implementation of the MT programme, 11 management trainees have been successfully trained to hold key positions in the Group.

02 HiPo ("High Potential") Programme

This programme was introduced in 2016 as one of our talent management strategies and it is aimed at building a succession pipeline.

COMPETENCY STRUCTURE

In our efforts to build a sustainable workforce, we have established a Competency Structure to help identify the attributes of our employees and assist them to achieve a high level of professionalism as part of our talent development programme. This structure is part of our talent management programme and was designed based on the expected demands for the three key traits of employees in the market workforce:

01 Leader

Leaders are expected to embrace continuous improvement in thoughts and tactics and build a dynamic workforce that aligns with long-term business needs.

02 People Manager

People managers strive for efficiency and effectiveness as well as reinvention of business or operational capability.

03 Contributor

Contributors are employees such as technical managers and executives who are able to identify opportunities, challenges, areas of improvement, and can utilise their skills and knowledge creatively.

SOCIAL - EMPLOYEE EXPERIENCE (CONTINUED)

TRAINING PLAN

To ensure our workforce remains relevant, HLCB prioritises continuous learning and development opportunities for our employees. The Group allocates an average annual training budget of RM2 million for employees to attend a wide range of development programmes which covers functional, technical, leadership and soft skills. The Group also conducts annual appraisal to identify the specific needs of each employee.

In line with the Group's employee development programme, the Group ensures our employees receive on-the-job training and are well-exposed to various job factors such as clients, products and industrial updates. We also require our licensed employees to fulfil their annual Continuing Professional Education ("CPE") requirements by attending CPE accredited programmes organised by relevant authorities.

EMPLOYEE WELL-BEING AND BENEFITS

We understand that talent retention depends very much on employee satisfaction. In order to stay competitive, the Group goes beyond providing the basic remuneration and benefit packages by including loan subsidies, medical benefits, mobile phone subsidy and ample leave for employees.

To ensure we provide more than just the usual benefits, the Group collaborated with various retailers to generate outside-of-work benefits to provide relief by lowering expenses for our employees. The purpose of the collaborations is to encourage employees to foster closer ties outside of the workplace.

One of the collaborations was with Golden Screen Cinemas, where the Group was offered the exclusive privilege of hall bookings and movie ticket purchases at a discounted rate. This will enable employees to enjoy movie outings in large groups at a lower price. Other retail collaborations that provided discounts for employees included The Fish Bowl restaurant in Damansara City Mall, Kuala Lumpur and Japanese restaurant, Aragan Yokocho, in Quill City Mall, Kuala Lumpur. We hope to obtain other privileges through more collaborations in the future.

Apart from employee benefits, the Group goes one step further by extending the care of our employees to their families. As a financial services provider that believes in giving back to society, HLCB also offers the Hong Leong Group Scholarship Awards to qualified employees' children who wish to continue their tertiary education.

A CONDUCIVE WORKING ENVIRONMENT

TEAM BUILDING

HLCB also believes that cultivating the value of team spirit is crucial in building a high-performing workforce. In FY2019, the Group held a team building programme that was related to Dynamic 5, HLCB's winning culture, to create a vibrant workplace where ideas blossom, people can thrive, and success can flourish.

The Dynamic 5 Values:

- Passion
- Innovation
- Respect
- Commitment
- Fun

The objective of the team building programme was to internalise HLCB corporate values and nurture a positive culture. It was also aimed at increasing employee motivation and fostering a sense of belonging in HLCB, besides strengthening relationships and team cohesiveness across all departments.

LEADERSHIP SURVEY

As we evolve to be a leading financial services provider, we recognise that employees' feedback is key to driving the organisation towards a common direction. With this spirit, we conducted our first leadership survey in December 2018, with the objective of developing a conducive working environment and creating a platform for career and professional development. The survey was also aimed to ensure workplace sustainability as well as promoting the idea of embracing diversity amongst the employees.

The results of the survey showed the Group achieved a higher than average satisfaction score compared to the market average score. The Group will continue to obtain feedback from its employees in its effort to ensure continuous nurturing of its business and talents.

Sustainability Statement

SOCIAL - EMPLOYEE EXPERIENCE (CONTINUED)

CORPORATE SOCIAL RESPONSIBILITY ("CSR")

Engaging with external stakeholders such as local communities will have a positive impact in our efforts to create awareness about sustainable value. During the year under review, our employees continued to impact society by actively giving back to communities through charity programmes.

Food Collection Campaign

Through our collaboration with Kechara Soup Kitchen, Hong Leong Foundation organised a Hong Leong Group unified CSR initiative called "Food Collection Campaign". The objective of the programme was to donate food items to families in need. The campaign received overwhelming response from employees who contributed various food items at the collection booth that was set up in selected office locations.

The Edge Kuala Lumpur Rat Race 2018

A total of 10 employees from HLCB Group participated in The Edge Kuala Lumpur Rat Race 2018 ("the Run"), where HLCB donated RM32,000 to charity organisations. The funds raised from the Run were disbursed via The Edge Education Foundation, which mainly supports programmes and projects related to education, training and skills development. Part of the funds are utilised to support programmes to enhance English proficiency, financial literacy and scholarship programmes.

Bursa Bull Charge 2018

Four teams comprising 16 employees participated in the Bursa Bull Charge 2018, a premier capital market charity run organised by Bursa Malaysia Berhad. HLCB Group donated a total of RM24,333 towards charity organisations that support economic sustainability among disadvantaged communities which will benefit entrepreneurs and improve financial literacy.

SOCIAL - EMPLOYEE EXPERIENCE (CONTINUED)

EQUAL EMPLOYMENT OPPORTUNITY

As an equal opportunity employer, we do not discriminate against race, gender or cultural affiliation in our efforts to hire and nurture the best talent. The Group strives for a balance gender representation and currently has 56% female employees and 44% male employees.

COMPOSITION OF FEMALE AND MALE EMPLOYEES BY CATEGORY

	FY2017		FY2018		FY2019	
	Number of employees	%	Number of employees	%	Number of employees	%
Executive						
Female	151	59%	163	62%	**172**	**62%**
Male	105	41%	101	38%	**105**	**38%**
Total	256	100%	264	100%	**277**	**100%**
Manager						
Female	72	53%	73	53%	**79**	**49%**
Male	65	47%	66	47%	**82**	**51%**
Total	137	100%	139	100%	**161**	**100%**
HOD (including senior managers)						
Female	15	38%	15	38%	**13**	**39%**
Male	24	62%	24	62%	**20**	**61%**
Total	39	100%	39	100%	**33**	**100%**

ENSURING A PRODUCTIVE WORKFORCE

In FY2019, the attrition rate of HLIB and HLAM is 6.5% and 9.8% respectively. The Group has successfully recruited 66 new employees mainly for headcount replacement to maintain a productive and competitive workforce.

TOTAL NUMBER OF NEW HIRES

	FY2017	FY2018	FY2019
	Number of employees	Number of employees	Number of employees
By Gender			
Female	41	62	**41**
Male	31	27	**25**
Total number of new hires	72	89	**66**

We are aware that attracting and retaining talent will be challenging for us if we fail to recognise the pursuits of our employees and help them grow and develop. Lack of support for employees will lower their morale and productivity, eventually affecting the Group's business outcomes and long-term growth.

HLCB has always exerted effort to leverage employee experience to make HLCB the best workplace to develop one's career. We recognise that excellent employee experience will continue to attract and retain talent pool. The group will continually strive to build a competitive, engaged, knowledgeable and professional workforce. Engagement and development programmes will be our key focus in the coming years with the aim to cultivate a high performing team to drive and deliver world-class business outcomes.

Sustainability Statement

SOCIAL - FAIR BANKING

The practice of fair banking is imperative in building our clients' trust in our products and services offered to them. We are committed to conducting business with honour and fairness by delivering services that are of the highest quality at reasonable prices to meet the needs of our clients and improve their financial well-being. The Group has put in place policies that underscore fair banking practices and we shall abide by all the laws and regulations that govern the financial services industry.

As a financial services group, we have the responsibility to uphold fair banking practices within the industry. To this end, we ensure all employees within the Group comply with the Code of Conduct and Ethics including regulatory requirements, and practise integrity and honesty in delivering our products and services to our clients. In this regard, we do not tolerate favouritism and we ensure all products and solutions are fairly formulated and executed to meet our clients' specific needs.

Futhermore, the Group also practises zero tolerance against all forms of bribery and corruption. To this end, our employees are prohibited from offering or receiving gifts or favours in any form that could compromise the decisions made by the employee or their corresponding party.

To further validate our commitment in fair banking, we emphasise on transparency when dealing with clients, agents or business partners. We ensure the scope of work, pricing or fees, terms and conditions as well as any associated risks are laid out in written documents with mutual agreement between both parties. When the pricing is subject to market forces, we state the indicative pricing and mechanisms for final determination of the prices to assure transparency. In addition, the Group also conducts on-going assessments with regards to fair banking regulations issued by authorities as one of the proactive measures.

As a trusted financial services provider, we strive to minimise the risk of misrepresentation of information due to lack of fair banking practices. We are aware of the impact of unfair banking practices such as loss of reputation and the Group's market standing. It could also affect client retention and expose the Group to fines or penalties imposed by the regulators, thus impacting the Group's long-term growth. Thus far, there was no penalty imposed on the Group for unfair banking practices by the regulators in the financial year under review.

Moving forward, we will continue to uphold transparency to keep gaining our clients' trust and retaining client loyalty while delivering products and services that is of high standards by emphasising on fair banking practices among employees across the Group.

SOCIAL - IMPACT INVESTING

Impact investing is defined by the Global Impact Investing Network ("GINN") as investments made with the intention to generate positive social and environmental impact alongside a financial return.

HLCB is aware of the significant impact of our lending and investing practices have on the environment and society. Sustainable investing and ethical consideration is rapidly growing and evolving as many investors look to incorporate environmental, social and governance factors into the investment decision making process. We are mindful of the impact of our stock recommendations, professional advice given to our clients as well as the screening of clients and businesses to minimise engagement that could potentially result in adverse environmental or social impacts. We have also engaged with PEKA in the recent Bursa Stratum Focus Series VIII on "Sarawak: Journey in Transformation" to create awareness about nature, sound health and the preservation and sustenance of the environment. Moreover, we are actively working on proposals to raise funds for several green and socially responsible projects.

HLCB's long-term sustainability could be affected if it does not actively promote impact investing. Given the importance of social and environmental considerations when investing, there is a risk of HLCB diminishing its attractiveness to investors by not taking part in impact investing.

We will continue to work closely with our clients in promoting credit and investment products as well as solutions which prioritise sustainability development and are aligned with our sustainability pledge.

MANAGING THE ENVIRONMENTAL FOOTPRINT

Managing the Environmental Footprint is imperative to the sustainability of the financial industry as climate change could impact the economy and capital markets in the long term. As an integrated financial services provider, we aspire to play a pivotal role to ensure our daily operations contribute positively to the environment.

We implemented impactful initiatives to ensure cost-efficiency and sustainability in our daily business operations. In FY2019, we carried on with our energy and paper reduction initiatives throughout the Group to ensure cost and operational efficiency.

Our energy conservation initiative has reduced the organisation's total energy consumption in fuel and electricity usage. The following table shows our total energy consumption in Ringgit value from FY2017 to FY2019.

	FY2017 (RM'000)	FY2018 (RM'000)	FY2019 (RM'000)
Fuel Consumption	37	35	**35**
Electricity Consumption	565	472	**497**
Total Energy Consumption	602	507	**532**

The total energy consumption has reduced by 12% from FY2017 to FY2019.

In addition, the relocation of the Group's headquarters to Menara Hong Leong in 2018 was a boost to our sustainability efforts. The building's compliance with Green Building Index ("GBI") and Leadership in Energy and Environmental Design ("LEED") ratings naturally reduces electricity consumption.

We believe it requires a collective effort throughout the organisation to achieve efficient energy consumption. To this end, the Group ensures every employee plays a part in reducing electricity usage by raising awareness among employees on energy conservation. Besides sending emails to remind employees to switch off the lights and air-conditioning after work, cleaners were also reminded to unplug all unused electrical appliances during the weekends. The Group also maintained its usage of electrical items with efficient energy features such as five-star energy-rated refrigerators and air-conditioning units with inverter technology.

To further strengthen our commitment to conserving natural resources, we continued with the joint initiative with HLFG to reduce paper consumption. We have since produced a smaller number of abridged Annual Reports ("AR") using Forestry Stewardship Council-certified paper. We also carried on monitoring paper consumption in all departments using a mechanism that alerts any department which has a high volume of printing.

Further to that, the Stockbroking division under HLIB has progressively rolled out initiatives as listed below to reduce paper consumption and increase cost and operational efficiency since 2008:

OCTOBER 2008 >> Embarked on E-Contract Note. All contract notes were sent to clients via emails.

JULY 2015 >> Introduced E-Statement where contract notes and statements are sent to clients via emails. This is mandatory for new online trading clients.

FEBRUARY 2018 >> Converted all existing online trading clients to E-Statement.

EXPECTED TO ROLL OUT IN SEPTEMBER 2019 >> To discontinue E-Statement for online trading clients. Contract notes and statements will be available for viewing and download from HLeBroking website.

To introduce E-Statement to offline trading clients who have provided email addresses.

Moving forward, the team will continue to encourage the rest of the offline trading clients to convert to E-Statement with the aim to completely phase out hard copy statements and contract notes.

We recognise that the Group will need to persevere with initiatives to manage our impact to the environment as creating more efficiencies in this area will lead to the long-term sustainability of the Group. Lack of attention to these initiatives will impact potential business growth by increasing operational cost as well as harm to the environment which runs counter to our core value of being socially responsible.

Corporate Information

DIRECTORS

Mr Tan Kong Khoon (Chairman)

Ms Tai Siew Moi

Ms Leong Ket Ti

Mr Peter Ho Kok Wai

COMPANY SECRETARY

Mr Jack Lee Tiong Jie
MAICSA 7060133

AUDITORS

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF1146)
Chartered Accountants
Level 10, 1 Sentral
Jalan Rakyat
Kuala Lumpur Sentral
50706 Kuala Lumpur
Tel : 03-2173 1188
Fax : 03-2173 1288

REGISTRAR

Hong Leong Share Registration Services Sdn Bhd
Level 25, Menara Hong Leong
No. 6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel : 03-2088 8818
Fax : 03-2088 8990

REGISTERED OFFICE

Level 30, Menara Hong Leong
No. 6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel : 03-2080 9888
Fax : 03-2080 9801

WEBSITE

www.hlcap.com.my

Awards & Accolades

12th Annual Alpha Southeast Asia Deal & Solution Awards 2018

Most Innovative Bond Deal in Southeast Asia 2018 – Joint Lead Managers and Joint Bookrunners

Organised by **Alpha Southeast Asia**

RAM Award of Distinction 2018

Lead Manager Award by Programme Value – 1st Ranking

Organised by **RAM**

RAM Award of Distinction 2018

Lead Manager Award by Number of Issues – Joint 2nd Ranking

Organised by **RAM**

12th Annual Alpha Southeast Asia Best Financial Institutions Awards 2018

Best Small To Mid-Cap Corporate Finance House in Malaysia

Organised by **Alpha Southeast Asia**

12th Annual Alpha Southeast Asia Deal & Solution Awards 2018

Best Domestic M&A Deal 2018 (Malaysia) – As Principal Advisor

Organised by **Alpha Southeast Asia**

IFN Awards Deals of the Year 2018

Corporate Finance Deal of the Year

Organised by **IFN – Islamic Finance News**

Lipper Fund Awards From Refinitiv 2019

Best Fund over 3 years: Equity Malaysia Income (Malaysia Pension)

Hong Leong Dividend Fund (Won for 2nd consecutive year)

Organised by **Refinitiv**

Lipper Fund Awards From Refinitiv 2019

Best Fund over 5 years: Equity Malaysia Income (Malaysia Pension)

Hong Leong Dividend Fund

Organised by **Refinitiv**

Lipper Fund Awards From Refinitiv 2019

Best Fund over 5 years: Equity Malaysia (Malaysia Pension)

Hong Leong Penny Stock Fund

Organised by **Refinitiv**

Lipper Fund Awards From Refinitiv 2019

Best Fund over 5 years: Mixed Asset MYR Bal-Malaysia (Malaysia Pension)

Hong Leong Balanced Fund

Organised by **Refinitiv**

Board of Directors' Profile

MR TAN KONG KHOON

Position

Chairman / Non-Executive / Non-Independent

Nationality / Age / Gender

Singaporean / 62 / Male

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

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

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

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

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

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

MS TAI SIEW MOI

Position

Non-Executive Director / Independent

Nationality / Age / Gender

Malaysian / 61 / Female

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

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

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

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

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

Board of Directors' Profile

MS LEONG KET TI

Position

Non-Executive Director / Independent

Nationality / Age / Gender

Malaysian / 56 / Female

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

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

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

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

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

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

MR PETER HO KOK WAI

Position

Non-Executive Director / Independent

Nationality / Age / Gender

Malaysian / 59 / Male

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

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

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

Mr Peter Ho is an Independent Non-Executive Director and Chairman of the BARMC of GuocoLand (Malaysia) Berhad and Hong Leong Industries Berhad as well as Director of HPMT Holdings Berhad, companies listed on the Main Market of Bursa Securities. He is also a Director of Allianz General Insurance Company (Malaysia) Berhad and Allianz Life Insurance Malaysia Berhad, all public companies.

Notes:

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

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

3. **Conviction of Offences**
   None of the Directors has been convicted of any offences (excluding traffic offences) in the past 5 years and there were no public sanctions or penalties imposed by the relevant regulatory bodies during the financial year ended 30 June 2019.

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

Key Senior **Management**

MS LEE JIM LENG

Position

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

Nationality / Age / Gender

Malaysian / 56 / Female

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 has served as the Group Managing Director/Chief Executive Officer of HLIB since 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 CHONG POH CHOON

Position

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

Nationality / Age / Gender

Malaysian / 41 / Male

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

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

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

Key Senior Management

MR HUI WENG YAN

Position

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

Nationality / Age / Gender

Malaysian / 47 / Male

Mr Hui Weng Yan graduated with Bachelor of Laws and Bachelor of Commerce degrees from the University of New South Wales, Australia in 1996. He is a Chartered Financial Analyst (CFA) charterholder and a member of CPA, Australia.

Mr Hui joined HLIB on 4 January 2010. He is presently the Head of Client Coverage, Investment Banking, a position he assumed on 1 November 2017.

Mr Hui has more than 20 years of experience in the investment banking industry in Malaysia. Prior to joining HLIB, he was attached to HwangDBS Investment Bank from 2003 to 2009, his last position being Senior Vice President & Co-Head of Corporate Finance.

MR LING YUEN CHENG

Position

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

Nationality / Age / Gender

Malaysian / 51 / Male

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

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

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

Key Senior Management

MR PHANG SIEW LOONG

Position

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

Nationality / Age / Gender

Malaysian / 51 / Male

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

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

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

MR KWEK KON CHAO

Position

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

Nationality / Age / Gender

Singaporean / 33 / Male

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

Mr Kwek joined HLIB on 9 October 2017 as Chief Operating Officer of Stockbroking.

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

Key Senior Management

MR HOO SEE KHENG

Position

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

Nationality / Age / Gender

Malaysian / 53 / Male

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

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

Mr Hoo has more than 18 years of experience in the financial industry; mainly in areas of asset management and unit trust.

MR LAU YEW SUN

Position

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

Nationality / Age / Gender

Malaysian / 53 / Male

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

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

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

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 2019.

Board Audit and Risk Management **Committee Report**

CONSTITUTION

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

COMPOSITION

MR PETER HO KOK WAI
(Chairman, Independent Non-Executive Director)
(Appointed on 20 December 2018)

MS TAI SIEW MOI
(Independent Non-Executive Director)

MS LEONG KET TI
(Independent Non-Executive Director)
(Appointed on 15 November 2018)

MS KOID SWEE LIAN
(Independent Non-Executive Director)
(Appointed on 30 October 2018 and resigned on 20 December 2018)

YBHG TAN SRI DATO' SERI KHALID AHMAD BIN SULAIMAN
(Chairman, Independent Non-Executive Director)
(Retired on 30 October 2018)

YBHG DATO' AHMAD FUAAD BIN MOHD DAHALAN
(Independent Non-Executive Director)
(Retired on 30 October 2018)

SECRETARY

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

TERMS OF REFERENCE

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

AUTHORITY

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

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

MEETINGS

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

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

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

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

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

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

Board Audit and Risk Management Committee Report

ACTIVITIES

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

During the financial year ended 30 June 2019 ("FYE 2019"), four (4) BARMC meetings were held and the attendance of the BARMC members were as follows:

Members	Attendance
Mr Peter Ho Kok Wai [1]	2/2
Ms Tai Siew Moi	4/4
Ms Leong Ket Ti [2]	2/2
Ms Koid Swee Lian [3]	-
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman [4]	2/2
YBhg Dato' Ahmad Fuaad bin Mohd Dahalan [4]	2/2

Notes:
- [1] *Appointed on 20 December 2018*
- [2] *Appointed on 15 November 2018*
- [3] *Appointed on 30 October 2018 and resigned on 20 December 2018. There were no meetings held during the period that Ms Koid Swee Lian held office.*
- [4] *Retired on 30 October 2018*

HOW THE BARMC DISCHARGES THEIR RESPONSIBILITIES

FINANCIAL REPORTING

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

(i) any changes in accounting policies and practices;

(ii) significant adjustments arising from the audit;

(iii) the going concern assumptions; and

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

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

EXTERNAL AUDIT

The external auditors of the Group for the FYE 2019 is PricewaterhouseCoopers PLT ("PwC"). The BARMC discussed and reviewed with the external auditors, before the audit commences for the financial year, the audit plan and timetable for the financial audit of the Group including the focus areas and approach to the current financial year's audit and any significant issues that can be foreseen, either as a result of the past year's experience or due to new accounting standards or other changes in statutory or listing requirements.

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

The BARMC reviewed the external audit fees and their scope of services. The fees payable to PwC for the FYE 2019 amounted to RM603,610 of which RM68,800 was payable in respect of non-audit services. Non-audit services accounted for 11% of the total fees payable. The BARMC assessed the objectivity and independence of the external auditors prior to the appointment of the external auditors for ad-hoc non-audit services.

The BARMC also evaluated the performance of PwC in the following areas in relation to its re-appointment as auditors for the FYE 2019 and considered PwC to be independent:

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

(ii) level of engagement with BARMC;

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

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

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

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

Board Audit and Risk Management Committee Report

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

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

PwC, in accordance with professional ethical standards, have provided the BARMC with confirmation of their independence for the duration of the FYE 2019 and the measures used to control the quality of their work.

The BARMC has therefore recommended to the Board that PwC be re-appointed as the auditors. Resolution concerning the re-appointment of PwC will be proposed to shareholders at the 2019 Annual General Meeting.

RELATED PARTY TRANSACTIONS

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

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

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

INTERNAL AUDIT

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

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

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

COMPLIANCE

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

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

Board Audit and Risk Management Committee Report

INTERNAL AUDIT FUNCTION

The Internal Audit function is established at its subsidiary, Hong Leong Investment Bank Berhad, hence, provision of Internal Audit Function to Hong Leong Asset Management Bhd is through a shared service agreement. IAD employs a risk-based assessment approach in auditing the Company's business and operational activities. The high risk activities are given due attention and audited on a more regular basis while the rest are prioritised accordingly to the potential risk exposure and impact.

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

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

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

(i) Risks are appropriately identified and managed.

(ii) Control environments are effective and sufficient.

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

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

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

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

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

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

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

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

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

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

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

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

The cost incurred for the Internal Audit function in respect of the FYE 2019 was RM1,486,334.94.

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

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

"

Corporate Governance is the process and structure used to direct and manage the business and affairs of the Company towards 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") is pleased to present this statement with an overview of the corporate governance ("CG") practices of the Group which support the three key principles of the Malaysian Code on Corporate Governance ("MCCG") namely board leadership and effectiveness; effective audit and risk management; and integrity in corporate reporting and meaningful relationship with stakeholders.

The CG Report 2019 of the Company in relation to this statement is published on the Company's website, www.hlcap.com.my ("the Company's Website").

A. ROLES AND RESPONSIBILITIES OF THE BOARD

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

In discharging its responsibilities, the Board has established functions which are reserved for the Board and those which are delegated to management. The key roles and responsibilities of the Board are set out in the Board Charter, which is reviewed periodically by the Board. The Board Charter is published on the Company's Website. The key roles and responsibilities of the Board broadly cover 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, internal controls and risk management to the Board Audit and Risk Management Committee ("BARMC"). The Nomination and Remuneration Committee ("NRC") is delegated the authority to, inter alia, assess and review Board, Board Committees and Chief Executive Officer ("CEO") appointments and re-appointments and oversee management succession planning. Although the Board has granted such authority to 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. There are no relationships or circumstances that could interfere with or are likely to affect the exercise of INEDs' independent judgment or their ability to act in the best interest of the Company and its shareholders.

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

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

B. BOARD COMPOSITION

The Board currently comprise four (4) Directors. The four (4) Directors, all of whom are Non-Executive whilst three (3) are Independent. The profiles of the members of the Board are set out 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 to commensurate with the complexity, size, scope and operations of the Company. Board members should have the ability to commit time and effort to carry out their duties and responsibilities effectively.

The Company has in place a Board Diversity Policy. The Board recognises the merits of Board diversity in adding value to collective skills, perspectives and strengths to the Board. The Board will consider appropriate targets in Board diversity including gender balance on the Board and will take the necessary measures to meet these targets from time to time as appropriate. The Board currently has four (4) Directors, of whom two (2) are women Directors. The Board will continue to maintain women participation on the Board in line with the MCCG.

Based on the review of the Board composition in July 2019, the Board is of the view that the current size and composition of the Board are appropriate and effective for the control and direction of the Group's strategy and business. The composition of the Board also fairly reflects the investment of shareholders in the Company.

C. BOARD COMMITTEES

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

(A) BARMC

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

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

(B) NRC

The Nomination Committee ("NC") and Remuneration Committee ("RC") had been combined into a single committee named as "NRC" with effect from 7 December 2018 and the members are as follows:

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

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

NOMINATION RESPONSIBILITIES

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

Corporate Governance Overview, Risk Management & Internal Control Statement

C. BOARD COMMITTEES (CONTINUED)

(i) New appointments

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

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

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

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

(ii) Re-appointments

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

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

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

C. BOARD COMMITTEES (CONTINUED)

(iii) Board Committee Appointments

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

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

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

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 ("Annual Board Assessment") in conjunction with the annual F&P assessment of Chairman, Directors and CEO. The NRC will deliberate on the results of the Annual Board Assessment and submit its recommendation to the Board for consideration and approval. For newly appointed Chairman, Directors and CEO, the Annual Board Assessment will be conducted at the next annual assessment exercise following the completion of one year of service.

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

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

REMUNERATION RESPONSIBILITIES

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

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

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

The detailed remuneration of each Director during the financial year ended 30 June 2019 ("FYE 2019") is as set out in Note 35 of the Audited Financial Statements in the Annual Report.

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

There was no NRC meeting held during the FYE 2019 after its establishment on 7 December 2018. Prior to 7 December 2018, one (1) NC meeting and one (1) RC meeting were held during the FYE 2019 until the NC and RC were disbanded, and all NC members and RC members attended the respective meeting.

Corporate Governance Overview, Risk Management & Internal Control Statement

C. BOARD COMMITTEES (CONTINUED)

The NC/NRC carried out the following activities in the discharge of its duties in accordance with its TOR during the FYE 2019:

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

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

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

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

- Reviewed and recommended to the Board for adoption the revisions to the F&P Policy on assessment criteria and guidelines for the appointment and re-appointment of Chairman, Directors and CEO;

- Reviewed the appointments of Directors in accordance with the F&P Policy and MMLR and recommended to the Board for consideration and approval; and

- Reviewed the appointment of Company Secretary and recommended to the Board for consideration and approval.

D. INDEPENDENCE

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

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

The Company has in place a policy in relation to the tenure for Independent Directors of the Company ("Tenure Policy") under the F&P Policy of the Company. Pursuant to the Tenure Policy, an Independent Director who has served on the Board of the Company for a period of 9 years cumulatively shall submit a Letter of Intent to the NRC 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 by rotation pursuant to the Constitution of the Company.

If the intention is to continue in office, the NRC 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 under the Hong Leong Financial Group, shareholders' approval at AGMs shall be sought in accordance with the relevant requirements under the MCCG and the MMLR subject to favourable assessment of the NRC 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.

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

E. COMMITMENT (CONTINUED)

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

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

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

The Board met five (5) times for the FYE 2019 with timely notices of issues to be discussed. Details of attendance of each Director are as follows:

Director	Attendance
Mr Tan Kong Khoon	5/5
Ms Tai Siew Moi	5/5
Ms Leong Ket Ti (1)	3/3
Mr Peter Ho Kok Wai (2)	2/2
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman (3)	1/1
YBhg Dato' Ahmad Fuaad bin Mohd Dahalan (3)	1/1
Ms Koid Swee Lian (4)	2/2

Notes:

(1) *Appointed as Director with effect from 15 November 2018*

(2) *Appointed as Director with effect from 20 December 2018*

(3) *Retired as Director on 30 October 2018*

(4) *Appointed as Director on 19 September 2018 and resigned on 20 December 2018*

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.

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

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

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

During the FYE 2019, the Directors received regular briefings and updates on the Company's businesses, strategies, operations, risk management, compliance, internal controls, corporate governance, finance and any changes to relevant legislation, rules and regulations from in-house professionals. The Company also organised an in-house programme for its Directors and senior management.

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

Corporate Governance Overview, Risk Management & Internal Control Statement

E. COMMITMENT (CONTINUED)

During the FYE 2019, the Directors of the Company, collectively or on their own, attended various training programmes, seminars, briefings and/or workshops including:

- AMLATFPUAA 2001 (Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001) – Managing Challenges in Risk Based Approach & Politically Exposed Person
- Bursa Malaysia – Sustainability Engagement Series for Directors/Chief Executive Officers 2018
- Bursa Malaysia Thought Leadership Series – Leadership Greatness in Turbulent Times: Building Corporate Longevity
- Bursa Malaysia – Ring the Bell for Gender Equality 2019
- Bursa Malaysia – Demystifying the Diversity Conundrum: The Road to Business Excellence
- Briefing on Cyber Risk Awareness
- BNM – MyFintech Week 2019
- Sustainability: Governance – Towards Long Term Value Creation
- Deloitte – Briefing on Sales and Services Tax
- Deloitte – Cyber Security in Boardroom – Accelerating from Acceptance to Action
- FIDE Forum – Blockchain in Financial Services Industry by IBM Experts
- FIDE Forum – IBM THINK Malaysia
- Directors' Duties & Powers – Recent Developments in the Law and How It Affects You
- AMLATFPUAA 2001: Risk, Challenges & Vulnerabilities Towards Risk Based Approach
- ICLIF – Emerging Risks, the Future Board and Return on Compliance
- ICLIF – CG Watch: How Does Malaysia Rank?
- ICLIF – Breakfast Series – Non-Financials – Does It Matter?
- ICLIF – FIDE Core Programme for Insurance Directors
- ICDM – The Board of Directors of the 21st Century: When Disruption Meets Tradition
- ICDM – 'Would A Business Judgment Rule Help Directors Sleep Better At Night?'
- ICDM – The Role of Audit Committees in Ensuring Organisational Integrity, Risk & Governance
- KPMG – MFRS 16, Leases (Run 2) Workshop
- KPMG – Sales Tax, Service Tax and Price Control and Anti-Profiteering – Latest Updates!
- KPMG – Special Dialogue with Lembaga Hasil Dalam Negeri: Special Voluntary Disclosure Program
- Mandatory Accreditation Programme for Directors of Public Listed Companies
- Malaysian Institute of Corporate Governance – 'Introduction to Corporate Liability Provision: What it is, how will my Company be affected, and what do I need to put in place by way of safeguards?'
- PricewaterhouseCoopers PLT – Briefing on Integrated Reporting
- Perbadanan Insurans Deposit Malaysia (PIDM) – PIDM Dialogue with Board Members of Life Insurance Companies
- SuperCharger KL 2.0 Launch
- FinTech Industry Update, Platform & Disintermediation and Company Presentations
- Wong & Partners – Cybersecurity Training

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

Corporate Governance Overview, Risk Management & Internal Control Statement

F. ACCOUNTABILITY AND AUDIT (CONTINUED)

III RELATIONSHIP WITH AUDITORS (CONTINUED)

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 Company's Website after release to Bursa.

H. SHAREHOLDERS

I DIALOGUE BETWEEN COMPANIES AND INVESTORS

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

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

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

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

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

Queries may be conveyed to the Chief Financial Officer at:

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

II AGM

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

All persons who were then Directors of the Company attended the last AGM held on 30 October 2018.

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

Corporate Governance Overview, Risk Management & Internal Control Statement

I. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

I THE RESPONSIBILITIES OF THE BOARD

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

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

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

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

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

At the apex of the RM framework, the Board has the overall responsibility to ensure there is proper oversight of the management of risks in the Group. The Chief Risk Officer monitors and reports the Group's Credit, Market, Liquidity, Operational and IT Risks as well as regulatory compliance issues including Anti-Money Laundering/Anti-Terrorism Financing matters and presents these risk in a single, consolidated view to the BARMC regularly.

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

b) Internal Control Review

The internal audit function is established at its subsidiary, Hong Leong Investment Bank Berhad, hence, provision of internal audit function to Hong Leong Asset Management Bhd is through a shared service agreement. Internal Audit Department (IAD) employs a risk-based assessment approach in auditing the Company's business and operational activities.

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

II KEY RISK MANAGEMENT AND INTERNAL CONTROL PROCESSES (CONTINUED)

b) Internal Control Review (continued)

The high risk activities covered include AML/CFT framework and cyber risk management framework which are given due attention whilst key operational areas in investment banking, stockbroking and asset management were audited on a more regular basis. Other operational areas (including branches) are prioritised accordingly to the potential risk exposure and impact. IAD regularly reviews the critical operations (as defined by the respective regulators) to ensure that the internal controls are in place and working effectively.

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

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

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

c) Compliance

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

J. DIRECTORS' RESPONSIBILITY IN FINANCIAL REPORTING

The MMLR requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of its financial results and cash flows 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 2019, the Group has used the appropriate accounting policies and applied them consistently. The Directors are also of the view that relevant approved accounting standards have been followed in the preparation of these financial statements.

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

Directors' Report

for the financial year ended 30 June 2019

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 2019.

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 15 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	67,712	73,611

DIVIDENDS

Since the previous financial year ended 30 June 2018, a final single-tier dividend of 19.0 sen per share, amounting to RM45.8 million in respect of the financial year ended 30 June 2018, was paid on 23 November 2018.

Dividend paid on the shares held in trust pursuant the Company's Executive Share Option Scheme ("ESOS") which are classified as treasury shares held for ESOS scheme are not accounted for in the total equity. An amount of RM1,066,413 being dividend paid for these shares was added back to the appropriation of retained profits.

The Directors recommend a final single-tier dividend of 22.0 sen per share on the Company's issued and paid-up share capital of RM246,896,668 comprising of 246,896,668 ordinary shares, amounting to RM54.3 million for the financial year ended 30 June 2019.

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 49 to the financial statements.

SIGNIFICANT EVENT AFTER THE FINANCIAL YEAR

Significant event after the financial year is disclosed in Note 50 to the financial statements.

RESERVES AND PROVISIONS

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

DIRECTORS

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

Mr Tan Kong Khoon	(Chairman, Non-Independent Non-Executive Director)
Ms Tai Siew Moi	(Independent Non-Executive Director)
Ms Leong Ket Ti *(Appointed on 15.11.2018)*	(Independent Non-Executive Director)
Mr Peter Ho Kok Wai *(Appointed on 20.12.2018)*	(Independent Non-Executive Director)
Ms Koid Swee Lian *(Appointed on 19.09.2018 and resigned on 20.12.2018)*	(Independent Non-Executive Director)
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman *(Retired on 30.10.2018)*	(Independent Non-Executive Director)
YBhg Dato' Ahmad Fuaad bin Mohd Dahalan *(Retired on 30.10.2018)*	(Independent Non-Executive Director)

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

Directors' Report
for the financial year ended 30 June 2019

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act, 2016, the Directors holding office at the end of the financial year who had beneficial interests in the ordinary shares and/or preference shares and/or loan stocks and/or options over ordinary shares of the Company and/or its related corporations during the financial year ended 30 June 2019 are as follows:

	Shareholdings in which Directors have direct interests Number of ordinary shares/preference shares/ordinary shares issued or to be issued or acquired arising from the exercise of options*/ conversion of redeemable convertible unsecured loan stocks or redeemable convertible cumulative preference shares			
	As at 01.07.2018	**Acquired**	**(Sold)**	**As at 30.06.2019**
Interests of Mr Tan Kong Khoon in:				
Hong Leong Financial Group Berhad	8,000,000*	-	-	**8,000,000***
Interests of Ms Tai Siew Moi in:				
Hong Leong Bank Berhad	14,500	-	-	**14,500**

DIRECTORS' BENEFITS

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

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

DIRECTORS' REMUNERATION

Details of Directors' remuneration are set out in Note 35 to the financial statements.

SHARE CAPITAL

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

STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(a) As at the end of the financial year

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

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

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

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

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

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

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

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

(ii) In the opinion of the Directors:

- the results of the operations of the Group and the Company for the financial year ended 30 June 2019 are not likely to be substantially affected by any item, transaction or event of a material and unusual nature which had arisen in the interval between the end of the financial year and the date of this report; and

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

(c) As at the date of this report

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

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

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

Directors' Report

for the financial year ended 30 June 2019

HOLDING AND ULTIMATE HOLDING COMPANIES

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

SUBSIDIARIES

Details of subsidiaries are set out in Note 15 to the financial statements.

AUDITORS' REMUNERATION

Details of auditors' remuneration and the indemnity given/insurance effected to the auditor are set out in Note 32 to the financial statements.

AUDITORS

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

Signed on behalf of the Board of Directors in accordance with their resolution dated 11 September 2019.

Peter Ho Kok Wai
Director

Tan Kong Khoon
Director

Kuala Lumpur
11 September 2019

Statements of Financial Position

as at 30 June 2019

	Note	The Group 30.06.2019 RM'000	The Group 30.06.2018 RM'000	The Company 30.06.2019 RM'000	The Company 30.06.2018 RM'000
Assets					
Cash and short-term funds	2	**520,657**	127,647	**513**	44
Clients' and brokers' balances	3	**247,532**	316,234	**-**	-
Securities purchased under resale agreements		**-**	35,126	**-**	-
Deposits and placements with banks and other financial institutions	4	**-**	40,645	**-**	-
Financial assets at fair value through profit or loss ("FVTPL")	5	**1,506,205**	-	**259,746**	-
Financial assets held-for-trading	6	**-**	1,244,434	**-**	20,550
Financial investments at fair value through other comprehensive income ("FVOCI")	7	**1,110,915**	-	**-**	-
Financial investments available-for-sale	8	**-**	1,437,915	**-**	142,410
Financial investments at amortised cost	9	**735,665**	-	**-**	-
Financial investments held-to-maturity	10	**-**	847,659	**-**	-
Loans and advances	11	**205,290**	227,757	**-**	-
Other assets	12	**55,409**	51,621	**940**	16,169
Derivative financial assets	24	**28,310**	29,351	**-**	-
Statutory deposits with Bank Negara Malaysia	13	**37,259**	52,500	**-**	-
Tax recoverable		**53**	367	**1**	242
Deferred tax assets	14	**82,556**	88,325	**-**	-
Investment in subsidiary companies	15	**-**	-	**246,574**	316,574
Property and equipment	17	**15,182**	15,742	**-**	-
Other intangible assets	18	**3,102**	3,696	**-**	-
Goodwill	19	**33,059**	33,059	**-**	-
Total assets		**4,581,194**	4,552,078	**507,774**	495,989
Liabilities					
Clients' and brokers' balances		**282,521**	350,730	**-**	-
Deposits from customers	20	**748,004**	1,082,656	**-**	-
Deposits and placements of banks and other financial institutions	21	**2,422,120**	2,058,960	**-**	-
Obligations on securities sold under repurchase agreements	22	**-**	99,654	**-**	-
Other liabilities	23	**144,635**	99,103	**612**	16,574
Derivative financial liabilities	24	**34,310**	44,428	**-**	-
Current tax liabilities		**1,492**	199	**-**	-
Subordinated obligations	25	**150,505**	50,290	**-**	-
Total liabilities		**3,783,587**	3,786,020	**612**	16,574
Equity					
Share capital	26	**246,896**	246,896	**246,896**	246,896
Reserves	27	**556,742**	525,193	**266,184**	238,437
Treasury shares for ESOS scheme	28	**(6,031)**	(6,031)	**(5,918)**	(5,918)
Total equity		**797,607**	766,058	**507,162**	479,415
Total equity and liabilities		**4,581,194**	4,552,078	**507,774**	495,989
Commitments and contingencies	39	**11,469,676**	8,853,330	**-**	-

Income Statements

for the financial year ended 30 June 2019

	Note	The Group 30.06.2019 RM'000	The Group 30.06.2018 RM'000	The Company 30.06.2019 RM'000	The Company 30.06.2018 RM'000
Interest income	29a	**115,276**	153,663	**7**	29
Interest income for financial assets at FVTPL	29b	**48,190**	-	**-**	-
Interest expense	30	**(121,326)**	(109,978)	**-**	-
Net interest income		**42,140**	43,685	**7**	29
Non-interest income	31	**156,736**	152,072	**75,843**	66,238
		198,876	195,757	**75,850**	66,267
Overhead expenses	32	**(122,353)**	(116,438)	**(2,108)**	(1,882)
Operating profit before allowances		**76,523**	79,319	**73,742**	64,385
Allowance for impairment losses on loans and advances	33	**(170)**	(340)	**-**	-
Write-back of/(allowance for) impairment losses on financial investments and other financial assets	34	**379**	(392)	**-**	-
Profit before taxation		**76,732**	78,587	**73,742**	64,385
Taxation	36	**(9,020)**	(7,265)	**(131)**	(78)
Net profit for the financial year		**67,712**	71,322	**73,611**	64,307
Earnings per share (sen)					
- Basic	37	**28.1**	29.6		
- Diluted	37	**28.1**	29.6		

Statements of Comprehensive Income

for the financial year ended 30 June 2019

		The Group		The Company	
	Note	30.06.2019 RM'000	30.06.2018 RM'000	30.06.2019 RM'000	30.06.2018 RM'000
Net profit for the financial year		**67,712**	71,322	**73,611**	64,307
Other comprehensive income/(expense):					
Items that will be reclassified subsequently to income statements:					
Net fair value changes on financial investments at FVOCI					
- Unrealised net gain on revaluation of financial investments at FVOCI		**11,713**	-	**-**	-
- Net transfer to income statements on disposal of financial investments at FVOCI		**455**	-	**-**	-
- Net credit impairment loss change in financial investments at FVOCI		**(62)**	-	**-**	-
Net fair value changes on financial investments available-for-sale					
- Unrealised net loss on revaluation of financial investments available-for-sale		**-**	(5,089)	**-**	39
- Net transfer to income statements on disposal of financial investments available-for-sale		**-**	(1,152)	**-**	6
Income tax relating to net fair value changes on financial investments FVOCI/available-for-sale	14	**(2,921)**	1,514	**-**	-
Other comprehensive income/(expense) for the financial year, net of tax		**9,185**	(4,727)	**-**	45
Total comprehensive income for the financial year		**76,897**	66,595	**73,611**	64,352

Statements of Changes in Equity

for the financial year ended 30 June 2019

		Attributable to owners of the parent					
The Group	Note	Share capital RM'000	Treasury shares for ESOS scheme RM'000	Regulatory reserve RM'000	Fair value reserve RM'000	Retained profits RM'000	Total RM'000
At 1 July 2018							
- as previously reported		**246,896**	**(6,031)**	**2,071**	**(3,305)**	**526,427**	**766,058**
- effect of adopting MFRS 9	51	**-**	**-**	**10,672**	**1,914**	**(12,090)**	**496**
At 1 July 2018, restated		**246,896**	**(6,031)**	**12,743**	**(1,391)**	**514,337**	**766,554**
Net profit for the financial year		**-**	**-**	**-**	**-**	**67,712**	**67,712**
Other comprehensive income, net of tax		**-**	**-**	**-**	**9,185**	**-**	**9,185**
Total comprehensive income		**-**	**-**	**-**	**9,185**	**67,712**	**76,897**
Transfer from regulatory reserve	27	**-**	**-**	**(1,137)**	**-**	**1,137**	**-**
Dividend paid	38	**-**	**-**	**-**	**-**	**(45,844)**	**(45,844)**
At 30 June 2019		**246,896**	**(6,031)**	**11,606**	**7,794**	**537,342**	**797,607**

		Attributable to owners of the parent						
The Group	Note	Share capital RM'000	Treasury shares for ESOS scheme RM'000	Regulatory reserve RM'000	Fair value reserve RM'000	General reserve RM'000	Retained profits RM'000	Total RM'000
At 1 July 2017		246,896	(6,031)	2,504	1,422	543	499,973	745,307
Net profit for the financial year		-	-	-	-	-	71,322	71,322
Other comprehensive (expense)/income, net of tax		-	-	-	(4,727)	-	-	(4,727)
Total comprehensive (expense)/income		-	-	-	(4,727)	-	71,322	66,595
Transfer from regulatory reserve	27	-	-	(433)	-	-	433	-
Transfer from general reserve	27	-	-	-	-	(543)	543	-
Dividend paid	38	-	-	-	-	-	(45,844)	(45,844)
At 30 June 2018		246,896	(6,031)	2,071	(3,305)	-	526,427	766,058

Statements of Changes in Equity

for the financial year ended 30 June 2019

		Non-distributable			Distributable	
The Company	**Note**	**Share capital RM'000**	**Treasury shares for ESOS scheme RM'000**	**Fair value reserve RM'000**	**Retained profits RM'000**	**Total RM'000**
At 1 July 2018						
- as previously reported		**246,896**	**(5,918)**	**31**	**238,406**	**479,415**
- effect of adopting MFRS 9	51	**-**	**-**	**(31)**	**31**	**-**
At 1 July 2018, restated		**246,896**	**(5,918)**	**-**	**238,437**	**479,415**
Net profit for the financial year		**-**	**-**	**-**	**73,611**	**73,611**
Total comprehensive income		**-**	**-**	**-**	**73,611**	**73,611**
Dividend paid	38	**-**	**-**	**-**	**(45,864)**	**(45,864)**
At 30 June 2019		**246,896**	**(5,918)**	**-**	**266,184**	**507,162**
At 1 July 2017		246,896	(5,918)	(14)	219,963	460,927
Net profit for the financial year		-	-	-	64,307	64,307
Other comprehensive income		-	-	45	-	45
Total comprehensive income		-	-	45	64,307	64,352
Dividend paid	38	-	-	-	(45,864)	(45,864)
At 30 June 2018		246,896	(5,918)	31	238,406	479,415

Statements of Cash Flows

for the financial year ended 30 June 2019

	The Group	
	30.06.2019 RM'000	30.06.2018 RM'000
Cash flows from operating activities		
Profit before taxation	**76,732**	78,587
Adjustments for:		
Depreciation of property and equipment	**3,392**	2,135
Amortisation of intangible assets - computer software	**2,761**	2,800
Gain on disposal of property and equipment	**(64)**	-
Property and equipment written off	**942**	362
Allowance for impairment losses on loans and advances	**170**	340
(Write-back of)/allowance for impairment losses on financial investments and other financial assets	**(328)**	392
Net unrealised (gain)/loss on revaluation of:		
- Financial assets at FVTPL	**(6,326)**	-
- Financial assets held-for-trading	**-**	6,849
- Derivative financial instruments	**(9,790)**	(12,232)
Interest income from:		
- Financial assets at FVTPL	**(48,190)**	-
- Financial assets held-for-trading	**-**	(37,123)
- Financial investments at FVOCI	**(55,905)**	-
- Financial investments available-for-sale	**-**	(39,832)
- Financial investments at amortised cost	**(27,058)**	-
- Financial investments held-to-maturity	**-**	(32,894)
- Derivative financial instruments	**-**	(8,131)
Interest expense from:		
- Derivative financial instruments	**8,376**	11,423
- Subordinated obligations	**2,867**	2,671
Dividend income from:		
- Financial assets at FVTPL	**(10,437)**	-
- Financial assets held-for-trading	**-**	(3,735)
- Financial investments available-for-sale	**-**	(7,583)
	(139,590)	(114,558)
Operating loss before working capital changes	**(62,858)**	(35,971)
Decrease/(Increase) in operating assets		
Clients' and brokers' balances	**68,851**	(45,201)
Securities purchased under resale agreements	**35,126**	(3)
Deposits and placements with banks and other financial institutions with original maturity of more than three months	**40,645**	(40,645)
Financial assets at FVTPL	**(1,220,361)**	-
Financial assets held-for-trading	**1,244,434**	(147,310)
Loans and advances	**19,891**	8,495
Other assets	**(3,648)**	(808)
Derivative financial instruments	**(196)**	(342)
Statutory deposits with Bank Negara Malaysia	**15,241**	5,600
	199,983	(220,214)

Statements of Cash Flows

for the financial year ended 30 June 2019

	Note	The Group 30.06.2019 RM'000	The Group 30.06.2018 RM'000
(Decrease)/Increase in operating liabilities			
Clients' and brokers' balances		**(68,209)**	78,992
Deposits from customers		**(334,652)**	433,789
Deposits and placements of banks and other financial institutions		**363,160**	(188,773)
Obligations on securities sold under repurchase agreements		**(99,654)**	(49,457)
Other liabilities		**45,524**	(3,431)
		(93,831)	271,120
Cash generated from operating activities		**43,294**	14,935
Net income tax paid		**(4,658)**	(3,555)
Net cash generated from operating activities		**38,636**	11,380
Cash flows from investing activities			
Net disposal of financial investments at FVOCI		**246,101**	-
Net purchases of financial investments at amortised cost		**(67,666)**	-
Net purchases of financial investments available-for-sale		**-**	(264,903)
Net proceeds from financial investments held-to-maturity		**-**	60,485
Dividends received from:			
- Financial assets at FVTPL		**10,437**	-
- Financial assets held-for-trading		**-**	3,735
- Financial investments available-for-sale		**-**	7,583
Interest received from financial assets at FVTPL, financial investments at FVOCI, financial investments at amortised cost and derivatives		**127,533**	-
Interest received from financial assets held-for-trading, financial investments available-for-sale, financial investments held-to-maturity and derivatives		**-**	112,668
Interest paid on derivative financial instruments		**(7,630)**	(12,033)
Cash received from liquidation of a subsidiary		**-**	3,500
Proceeds from disposal of property and equipment		**64**	-
Purchase of property and equipment		**(3,774)**	(12,502)
Purchase of intangible assets		**(2,167)**	(1,241)
Net cash flows arising from acquisition of a subsidiary	49(b)	**(28)**	-
Net cash generated from/(used in) investing activities		**302,870**	(102,708)
Cash flows from financing activities			
Interest paid on subordinated obligations		**(2,643)**	(2,643)
Proceeds from issuance of subordinated obligations		**99,991**	-
Dividend paid		**(45,844)**	(45,844)
Net cash generated from/(used in) financing activities		**51,504**	(48,487)
Net increase/(decrease) in cash and cash equivalents during the financial year		**393,010**	(139,815)
Cash and cash equivalents at beginning of the financial year		**127,647**	267,462
Cash and cash equivalents at end of the financial year		**520,657**	127,647
Cash and cash equivalents comprise:			
Cash and short-term funds	2	**520,657**	127,647
Deposit and placements with banks and other financial institutions	4	**-**	40,645
		520,657	168,292
Less:			
Deposit and placements with banks and other financial institutions with original maturity of more than three months		**-**	(40,645)
		520,657	127,647

Statements of Cash Flows

for the financial year ended 30 June 2019

	Note	The Company 30.06.2019 RM'000	The Company 30.06.2018 RM'000
Cash flows from operating activities			
Profit before taxation		**73,742**	64,385
Adjustments for:			
Net unrealised loss on revaluation of financial assets at FVTPL		**64**	-
Net unrealised gain on revaluation of financial assets held-for-trading		**-**	(195)
Dividend income from:			
- Financial assets at FVTPL		**(7,738)**	-
- Financial investments available-for-sale		**-**	(5,389)
- Subsidiary companies		**(66,830)**	(60,500)
Gain on liquidation of a subsidiary		**(850)**	(20)
		(75,354)	(66,104)
Operating loss before working capital changes		**(1,612)**	(1,719)
Increase in financial assets at FVTPL		**(117,400)**	-
Increase in financial assets held-for-trading		**20,550**	(20,355)
Decrease/(Increase) in other assets		**15,229**	(15,554)
(Decrease)/Increase in other liabilities		**(15,962)**	15,961
Cash used in operating activities		**(99,195)**	(21,667)
Net income tax refund/(paid)		**110**	(107)
Net cash used in operating activities		**(99,085)**	(21,774)
Cash flows from investing activities			
Net purchase of financial investments available-for-sale		**-**	(2,197)
Dividends received from:			
- Financial assets at FVTPL		**7,738**	-
- Financial investments available-for-sale		**-**	5,389
- Subsidiary companies		**66,830**	60,500
Cash received from liquidation of a subsidiary	15	**70,850**	3,500
Net cash generated from investing activities		**145,418**	67,192
Cash flows from financing activities			
Dividend paid		**(45,864)**	(45,864)
Net cash used in financing activities		**(45,864)**	(45,864)
Net increase/(decrease) in cash and cash equivalents during the financial year		**469**	(446)
Cash and cash equivalents at beginning of the financial year		**44**	490
Cash and cash equivalents at end of the financial year		**513**	44
Cash and cash equivalents comprise:			
Cash and short-term funds	2	**513**	44

Statements of Cash Flows

for the financial year ended 30 June 2019

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

The Group	Balance at the beginning of the financial year RM'000	← Cash changes → Proceeds from issuance RM'000	Interest paid RM'000	← Non-cash changes → Accrued interest RM'000	Amortisation RM'000	Balance at the end of the financial year RM'000
30.06.2019						
Subordinated obligations	**50,290**	**99,991**	**(2,643)**	**2,847**	**20**	**150,505**
30.06.2018						
Subordinated obligations	50,262	-	(2,643)	2,650	21	50,290

Summary of Significant Accounting Policies

for the financial year ended 30 June 2019

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

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

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

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

Deferred tax asset (Note 14)

Deferred tax assets are recognised for unutilised tax credits to the extent that it is probable that future taxable profits will be available against which the tax credits can be utilised. Management's judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the probability and level of future taxable profits. Management assess the probability of future taxable profit based on the profit projections approved by Directors covering three year period. Management has also considered the estimated growth rate in capital market and Kuala Lumpur Composite Index ("KLCI") in deriving the profit projections. Profits beyond the three year period are extrapolated using the estimated growth rate of 4.7% (2018: 4.7%), based on the historical GDP growth rate of Malaysia on perpetual basis. Management has assumed a percentage of probability factors for taxable profits for fourth year and onwards.

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

The Group and the Company have applied the following amendments for the first time for the financial year beginning on 1 July 2018:

- MFRS 9 'Financial Instruments'
- MFRS 15 'Revenue from Contracts with Customers'
- Amendments to MFRS 2 'Share-based Payment – Classification and Measurement of Share-based Payment Transactions'
- IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration'

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

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

The Group has adopted MFRS 9 and MFRS 15 for the first time in the 2019 financial statements, which resulted in changes in accounting policies. Other than that, the adoption of other amendments listed above did not have any impact on the current period or any prior period and is not likely to affect future periods.

(i) Adoption of MFRS 9 'Financial Instruments'

The adoption of MFRS 9 has resulted in changes in the accounting policies for classification and measurement of financial instruments, impairment of financial assets and hedge accounting of the Group and the Company. MFRS 9 also significantly amends other standard dealing with financial instruments such as MFRS 7 'Financial Instruments: Disclosures'. As permitted by the transition provisions of MFRS 9, the Group and the Company elected not to restate the comparatives figures, which continued to be reported under the previous accounting policies governed under MFRS 139 ' Financial Instruments: Recognition and Measurement'. Any adjustments to the carrying amount of financial assets and liabilities at the end of transition were recognised in the opening retained profits and other reserves of the current reporting period. The comparative notes disclosures repeat those disclosures made in the prior year. The impact of adoption of MFRS 9 of the Group and the Company are summarised in Note 51.

(ii) Adoption of MFRS 15 'Revenue from Contracts with Customers'

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 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.

Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

A new five-step process is applied before revenue can be recognised:

- Identify contracts with customers;
- Identify the separate performance obligations;
- Determine the transaction price of the contract;
- Allocate the transaction price to each of the separate performance obligations; and
- Recognise the revenue as each performance obligation is satisfied.

The Group and the Company have applied MFRS 15 with the date of initial application of 1 July 2018 by using the modified retrospective transition method. Under the modified retrospective transition method, the Group and the Company apply the new policy retrospectively only to contracts that are not completed at the date of initial application.

Accordingly, the 2018 comparative information was not restated and the cumulative effects of initial application of MFRS 15 were not recognised as an adjustment to the opening balance of retained profits as at 1 July 2018 as the financial impact is not material to the Group and the Company. The comparative information continued to be reported under the previous accounting policies governed under MFRS 118.

Summary of Significant Accounting Policies
for the financial year ended 30 June 2019

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

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

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 July 2019. None of these is expected to have a significant effect on the financial statements of the Group and the Company, except the following:

- 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 ("ROU") 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 profit or loss.

  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 is in the midst of reviewing and assessing the Group's leasing arrangement over the last year in light of the new lease accounting rules in MFRS16.

  At 1 July 2019, the Group expects to adopt the standard using a modified retrospective approach where the cumulative effect of initially applying the standard is recognised as an adjustment to the opening balance of retained profits and comparatives are not restated. The implementation is expected to increase ROU assets and increase financial liabilities with no significant effect on net assets or retained profits.

- IC Interpretation 23 'Uncertainty over Income Tax Treatments' (effective 1 January 2019) provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

  If an entity concludes that it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. An entity shall measure the effect of uncertainty using the method which best predicts the resolution of the uncertainty.

  IC Interpretation 23 will be applied retrospectively.

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 2019. 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 9 'Prepayment features with negative compensation' (effective 1 January 2019) allow companies to measure some prepayable financial assets with negative compensation at amortised cost. Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than the unpaid amounts of principal and interest. To qualify for amortised cost measurement, the negative compensation must be reasonable compensation for early termination of the contract, and the asset must be held within a 'held to collect' business model.

  The amendments will be applied retrospectively.

- Annual Improvements to MFRSs 2015 – 2017 Cycle:

  - Amendments to MFRS 3 'Business Combinations' (effective from 1 January 2019) clarify that when a party obtains control of a business that is a joint operation, the acquirer should account the transaction as a business combination achieved in stages. Accordingly it should remeasure its previously held interest in the joint operation (rights to the assets and obligations for the liabilities) at fair value on the acquisition date.

  - Amendments to MFRS 112 'Income Taxes' (effective from 1 January 2019) clarify that where income tax consequences of dividends on financial instruments classified as equity is recognised (either in profit or loss, other comprehensive income or equity) depends on where the past transactions that generated distributable profits were recognised. Accordingly, the tax consequences are recognised in profit or loss when an entity determines payments on such instruments are distribution of profits (that is, dividends). Tax on dividend should not be recognised in equity merely on the basis that it is related to a distribution to owners.

  - Amendments to MFRS 123 'Borrowing Costs' (effective from 1 January 2019) clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

  None of the standards, amendments and interpretations that are effective for the respective financial years is expected to have a significant effect on the financial statements of the Group and the Company.

(c) Changes in regulatory requirements

BNM's Revised Policy Documents on Financial Reporting

On 2 February 2018, BNM had issued the revised policy document on Financial Reporting which prescribe the regulatory reserves to be maintained by banking institutions. The revised policy document requires the banking institutions to maintain, in aggregate, loss allowance for non-credit impaired exposures and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.

The financial effects of the adoption of the revised policy document are presented in Note 51.

Summary of Significant Accounting Policies
for the financial year ended 30 June 2019

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.

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.

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

Acquisition-related costs are expensed as incurred.

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

B CONSOLIDATION (CONTINUED)

(i) Subsidiaries (continued)

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

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

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

(iii) Disposal of subsidiaries

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

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

(iv) Investments in subsidiaries

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

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

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

Summary of Significant Accounting Policies

for the financial year ended 30 June 2019

C PROPERTY AND EQUIPMENT AND DEPRECIATION

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

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

D INTANGIBLE ASSETS

(a) Computer software

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

(b) Goodwill

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

D INTANGIBLE ASSETS (CONTINUED)

(b) Goodwill (continued)

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 income statements.

(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 income statement on a straight line basis over the period of the lease.

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

F FINANCIAL ASSETS

<u>Accounting policies applied from 1 July 2018</u>

(i) Classification

From 1 July 2018, the Group and the Company classify its financial assets in the following measurement categories:
- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and
- those to be measured at amortised cost

Summary of Significant Accounting Policies
for the financial year ended 30 June 2019

F FINANCIAL ASSETS (CONTINUED)

Accounting policies applied from 1 July 2018 (continued)

(i) Classification (continued)

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

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

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

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

(ii) Recognition and derecognition

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

(iii) Measurement

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

F FINANCIAL ASSETS (CONTINUED)

Accounting policies applied from 1 July 2018 (continued)

(iii) Measurement (continued)

Debt instruments

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

(a) Amortised cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Interest income from these financial assets is included in interest income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss as presented in net realised gain/(loss) on financial instruments (as per Note 31) and impairment losses are presented as separate line item (as per Note 34) in the income statements.

(b) FVOCI

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

(c) FVTPL

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

Equity instruments

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

Summary of Significant Accounting Policies

for the financial year ended 30 June 2019

F FINANCIAL ASSETS (CONTINUED)

Accounting policies applied from 1 July 2018 (continued)

(iii) Measurement (continued)

Equity instruments (continued)

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

(iv) Reclassification

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

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

(v) Modification of financial assets

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

Accounting policies applied until 30 June 2018

(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. The Group does not have any non-derivative financial assets designated at fair value through profit or loss.

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.

F FINANCIAL ASSETS (CONTINUED)

Accounting policies applied until 30 June 2018 (continued)

(a) Classification (continued)

(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 trade-date, the date on which the Group commits to purchase or sell the asset.

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 income statement.

(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 income statement 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 income statement. Foreign exchange gains or losses of financial investments available-for-sale are recognised in the income statement in the period it arises.

Summary of Significant Accounting Policies

for the financial year ended 30 June 2019

F FINANCIAL ASSETS (CONTINUED)

Accounting policies applied until 30 June 2018 (continued)

(c) Subsequent measurement (continued)

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 income statements.

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 income statement. Dividends from available-for-sale equity instruments are recognised in the income statement 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 income statement. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognised in the income statements.

G FINANCIAL LIABILITIES

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

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

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

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

(b) Financial liabilities at amortised cost

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

H IMPAIRMENT OF FINANCIAL ASSETS

Accounting policies applied from 1 July 2018

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

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

The measurement of ECL reflects:

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

(i) General 3-stage approach

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

(ii) Simplified approach

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

Significant increase in credit risk

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

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

Summary of Significant Accounting Policies
for the financial year ended 30 June 2019

H IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

Accounting policies applied from 1 July 2018 (continued)

Definition of default and credit-impaired financial assets

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

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

Measurement of ECL

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

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

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

Forward looking information

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

H IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

Accounting policies applied from 1 July 2018 (continued)

Forward looking information (continued)

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

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

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

Accounting policies applied until 30 June 2018

(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.

Summary of Significant Accounting Policies

for the financial year ended 30 June 2019

H IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

Accounting policies applied from 1 July 2018 (continued)

(a) Assets carried at amortised cost (continued)

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

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in income statement. 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 income statements.

(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 income statement, the impairment loss is reversed through income statement.

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 income statement. The amount of cumulative loss that is reclassified to income statement is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in income statement. Impairment losses recognised in income statement on equity instruments are not reversed through the income statement.

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.

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)

Summary of Significant Accounting Policies

for the financial year ended 30 June 2019

L CLIENTS' AND BROKERS' BALANCES (CONTINUED)

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 qualify for hedge accounting are recognised immediately in the income statements.

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 income statements immediately.

Cash collateral held in relation to derivative transactions are carried at amortised cost.

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

N MANAGER'S STOCKS AND CONSUMABLES

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

O CASH AND CASH EQUIVALENTS

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

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

P BORROWINGS

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

P BORROWINGS (CONTINUED)

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

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

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

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

Q INCOME TAXES

Tax expense for the period comprises current and deferred tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in income statement, 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.

Summary of Significant Accounting Policies

for the financial year ended 30 June 2019

Q INCOME TAXES (CONTINUED)

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

Deferred income tax related to fair value re-measurement of financial investments at FVOCI (2018: 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 income statement using the effective interest method. Interest income for financial assets at FVTPL is disclosed as separate line item in income statements.

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

S RECOGNITION OF INTEREST INCOME (CONTINUED)

Accounting policies applied from 1 July 2018

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

Accounting policies applied until 30 June 2018
When a loan 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 continue unwinding the discount as interest income. Interest income on impaired loan receivables are recognised using the original effective interest rate.

T RECOGNITION OF FEES AND OTHER INCOME

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

Dividends from financial assets at FVTPL, financial investments FVOCI (2018: financial investments available-for-sale) and subsidiary companies are recognised when the rights to receive payment is established.

Net profit from financial assets at FVTPL and financial investments FVOCI (2018: 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 after fullfilling each of the performance obligation.

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.

Summary of Significant Accounting Policies

for the financial year ended 30 June 2019

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 income statements in the period to which they relate. Once the contributions have been paid, the Group and the Company have no further payment obligations.

Share-based compensation

The Group operates an equity-settled, share-based compensation plan under which the entity receives services from employees as consideration for equity instruments (share options) of the Group. The fair value of the employee services received in exchange for the grant of the share options is recognised as an expense in the income statement over the vesting periods of the grant with a corresponding increase in equity.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each reporting date, the Company revises its estimates of the number of share options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to share option reserve in equity.

A trust has been set up for the Employee Share Option Scheme ("ESOS") and is administered by an appointed trustee. The trustee will be entitled from time to time to accept financial assistance from the Company upon such terms and conditions as the Company and the trustee may agree to purchase the Company's stocks from the open market for the purposes of this trust, recognised as treasury shares in the equity.

When the options are exercised, the Company delivers the treasury shares to the employees. The proceeds received net of any directly attributable transaction costs are credited to equity when the options are exercised. When options are not exercised and lapsed, the share option reserve is transferred to retained profits. The difference between the net proceeds received and the cost of treasury shares is recorded as an adjustment to retained profits.

Summary of Significant Accounting Policies

for the financial year ended 30 June 2019

V IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the income statements unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in the income statements unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus reserve.

W CURRENCY TRANSLATIONS

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's and the Company's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia, which is the Group's presentation currency and the Company's functional and presentation currency.

(b) Foreign currency transactions and balance

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

Changes in the fair value of monetary securities denominated in foreign currency classified as FVOCI (2018: 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 income statements, and other changes in the carrying amount are recognised in other comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as financial investments at FVOCI (2018: available-for-sale) are included in other comprehensive income.

Summary of Significant Accounting Policies
for the financial year ended 30 June 2019

X SHARE CAPITAL

(a) Classification

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

(b) Share issue costs

Incremental external costs directly attributable to the issue of new shares or options are deducted against equity.

(c) Dividends

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

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

Y SEGMENT REPORTING

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

Segment revenue, expense, assets and liabilities are those amount resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

Z FINANCIAL GUARANTEE CONTRACTS

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans and other banking facilities.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where financial guarantees in relation to loans or payables of subsidiaries are provided by the Bank for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of investment in subsidiaries.

Z FINANCIAL GUARANTEE CONTRACTS (CONTINUED)

Accounting policies applied from 1 July 2018

Financial guarantee contracts are subsequently measured at the higher of the amount determined in accordance with the ECL model under MFRS 9 'Financial instruments' and the amount initially recognised less cumulative amount of income recognised in accordance with the principles of MFRS 15 'Revenue from Contracts with Customers', where appropriate.

Accounting policies applied until 30 June 2018

Financial guarantee contracts are subsequently measured 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.

AA CONTINGENT ASSETS AND LIABILITIES

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

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

AB TRANSACTION WITH OWNERS

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

AC EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:
- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares; and
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures in the determination of basic earnings per share to take into account:
- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Notes to the Financial Statements

for the financial year ended 30 June 2019

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 15 to the financial statements.

The Company is a public limited company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

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

The registered office of the Company is located at Level 30, Menara Hong Leong, No 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur.

2 CASH AND SHORT-TERM FUNDS

	The Group		The Company	
	30.06.2019 RM'000	30.06.2018 RM'000	30.06.2019 RM'000	30.06.2018 RM'000
Cash and balances with banks and other financial institutions	**152,755**	101,550	**513**	44
Money at call and deposit placements maturing within one month	**367,902**	26,097	**-**	-
	520,657	127,647	**513**	44

Inclusive in cash and short-term funds of the Group are accounts in trust for dealer's representative amounting to RM13,011,000 (30.06.2018: RM13,799,000).

3 CLIENTS' AND BROKERS' BALANCES

Clients' and brokers' balances represent amounts receivable from outstanding purchase contracts in respect of the Group's stockbroking business entered on behalf of clients, amounts due from brokers and contra losses.

	The Group	
	30.06.2019 RM'000	**30.06.2018 RM'000**
Performing accounts	**247,150**	313,785
Impaired accounts	**602**	2,828
	247,752	316,613
Less: Allowance for bad and doubtful debts:		
- expected credit losses	**(220)**	-
- individual assessment allowance	**-**	(351)
- collective assessment allowance	**-**	(28)
	247,532	316,234

Movements of impaired accounts are as follows:

At 1 July	**2,828**	1,264
New financial assets originated	**181**	-
Financial assets derecognised	**(184)**	-
Impaired during the financial year	**16,323**	2,311
Written back during the financial year	**(18,536)**	(747)
Amount written off during the financial year	**(10)**	-
At 30 June	**602**	2,828

Notes to the Financial Statements
for the financial year ended 30 June 2019

3 CLIENTS' AND BROKERS' BALANCES (CONTINUED)

Movements in the allowance for losses on clients' and brokers' balances are as follows:

(a) Expected credit losses

The Group	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Collective assessment allowance RM'000	Individual assessment allowance RM'000	Total ECL RM'000
At 1 July 2018					
- as previously reported	-	-	28	351	379
- effect of adopting MFRS 9	28	351	(28)	(351)	-
At 1 July 2018, as restated	28	351	-	-	379
New financial assets originated	78	47	-	-	125
Financial assets derecognised	(104)	(117)	-	-	(221)
Allowance made	33	548	-	-	581
Allowance written-back	(31)	(603)	-	-	(634)
Allowance written-off	-	(10)	-	-	(10)
At 30 June 2019	4	216	-	-	220

The Group	30.06.2019 RM'000	30.06.2018 RM'000
Individual assessment allowance		
At 1 July		
- as previously reported	351	417
- effect of adopting MFRS 9	(351)	-
At 1 July, as restated	-	417
Allowance made during the financial year	-	204
Allowance written back during the financial year	-	(270)
At 30 June	-	351
Collective assessment allowance		
At 1 July		
- as previously reported	28	28
- effect of adopting MFRS 9	(28)	-
At 1 July, as restated	-	28
At 30 June	-	28

4 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group	
	30.06.2019 RM'000	30.06.2018 RM'000
Licensed banks	-	40,645

5 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

	The Group		The Company	
	30.06.2019 RM'000	30.06.2018 RM'000	30.06.2019 RM'000	30.06.2018 RM'000
Money market instruments				
Malaysian Government Securities	20,806	-	-	-
Negotiable instruments of deposits	991,171	-	-	-
Cagamas bonds	5,017	-	-	-
	1,016,994	-	-	-
Quoted securities				
In Malaysia:				
Shares	62,490	-	26,263	-
Unit trust investment	233,847	-	233,483	-
	296,337	-	259,746	-
Unquoted securities				
Shares	1,365	-	-	-
Corporate bond and/or sukuk	191,509	-	-	-
	192,874	-	-	-
	1,506,205	-	259,746	-

Notes to the Financial Statements

for the financial year ended 30 June 2019

6 FINANCIAL ASSETS HELD-FOR-TRADING

	The Group		The Company	
	30.06.2019 RM'000	30.06.2018 RM'000	30.06.2019 RM'000	30.06.2018 RM'000
Money market instruments				
Malaysian Government Securities	-	10,029	-	-
Malaysian Government Investment Issues	-	81,076	-	-
Negotiable instruments of deposits	-	864,200	-	-
Bankers' acceptances	-	55,084	-	-
	-	1,010,389	-	-
Quoted securities				
In Malaysia:				
Shares	-	22,242	-	16,090
Unit trust investment	-	4,460	-	4,460
	-	26,702	-	20,550
Unquoted securities				
Foreign currency bonds	-	20,095	-	-
Corporate bond and/or sukuk	-	187,248	-	-
	-	207,343	-	-
	-	1,244,434	-	20,550

7 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")

	The Group	
	30.06.2019 RM'000	30.06.2018 RM'000
Money market instruments		
Malaysian Government Securities	235,724	-
Malaysian Government Investment Issues	31,073	-
Cagamas bonds	56,022	-
	322,819	-
Unquoted securities		
Foreign currency bonds	111,351	-
Corporate bond and/or sukuk	676,745	-
	788,096	-
	1,110,915	-

The carrying amount of debt instruments at FVOCI is equivalent to their fair value. The expected credit losses is recognised in other comprehensive income and does not reduce the carrying amount in the statements of financial position.

Movements in expected credit losses of debt instruments at FVOCI are as follows:

The Group	12 Months ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total ECL RM'000
At 1 July 2018				
- as previously reported	-	-	-	-
- effect of adopting MFRS 9 (Note 51)	205	-	-	205
At 1 July 2018, restated	205	-	-	205
Allowances made	44	-	-	44
Amount written-back	(20)	-	-	(20)
New financial assets originated or purchased	524	-	-	524
Financial assets derecognised	(607)	-	-	(607)
Exchange differences	(3)	-	-	(3)
At 30 June 2019	143	-	-	143

Notes to the Financial Statements
for the financial year ended 30 June 2019

7 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI") (CONTINUED)

Movements in carrying amount of debt instruments at FVOCI are as follows:

The Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 July 2018				
- as previously reported	-	-	-	-
- effect of adopting MFRS 9 (Note 51)	1,341,551	-	-	1,341,551
At 1 July 2018, restated	1,341,551	-	-	1,341,551
New financial assets originated or purchased	2,117,030	-	-	2,117,030
Financial assets derecognised	(2,371,762)	-	-	(2,371,762)
Exchange differences	3,643	-	-	3,643
Others	20,453	-	-	20,453
At 30 June 2019	1,110,915	-	-	1,110,915

8 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	The Group		The Company	
	30.06.2019 RM'000	30.06.2018 RM'000	30.06.2019 RM'000	30.06.2018 RM'000
Money market instruments				
Malaysian Government Securities	-	81,306	-	-
Malaysian Government Investment Issues	-	101,874	-	-
Cagamas bonds	-	55,233	-	-
	-	238,413	-	-
Quoted securities				
In Malaysia:				
Unit trust investment	-	221,994	-	142,410
Unquoted securities				
Shares	-	245	-	-
Foreign currency bonds	-	93,197	-	-
Corporate bond and/or sukuk	-	884,066	-	-
	-	977,508	-	-
	-	1,437,915	-	142,410

9 FINANCIAL INVESTMENTS AT AMORTISED COST

	The Group	
	30.06.2019 RM'000	30.06.2018 RM'000
Money market instruments		
Malaysian Government Securities	157,905	-
Malaysian Government Investment Issues	478,451	-
	636,356	-
Unquoted securities		
Foreign currency bonds	53,810	-
Corporate bond and/or sukuk	45,535	-
	99,345	-
Less: Expected credit losses	(36)	-
	735,665	-

Movements in expected credit losses of financial investments at amortised cost are as follows:

The Group	12 Months ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total ECL RM'000
At 1 July 2018				
- as previously reported	-	-	-	-
- effect of adopting MFRS 9 (Note 51)	24	-	-	24
At 1 July 2018, restated	24	-	-	24
New financial assets originated or purchased	15	-	-	15
Exchange differences	(3)	-	-	(3)
At 30 June 2019	36	-	-	36

Notes to the Financial Statements

for the financial year ended 30 June 2019

9 FINANCIAL INVESTMENTS AT AMORTISED COST (CONTINUED)

Movements in gross carrying amount of financial investments at amortised cost are as follows:

The Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 July 2018				
- as previously reported	-	-	-	-
- effect of adopting MFRS 9 (Note 51)	667,393	-	-	667,393
At 1 July 2018, restated	667,393	-	-	667,393
New financial assets originated or purchased	118,087	-	-	118,087
Financial assets derecognised	(71,756)	-	-	(71,756)
Exchange differences	1,003	-	-	1,003
Others	20,974	-	-	20,974
At 30 June 2019	735,701	-	-	735,701

10 FINANCIAL INVESTMENTS HELD-TO-MATURITY

	The Group	
	30.06.2019 RM'000	30.06.2018 RM'000
Money market instruments		
Malaysian Government Securities	-	216,787
Malaysian Government Investment Issues	-	518,318
	-	735,105
Unquoted securities		
Foreign currency bonds	-	36,861
Corporate bond and/or sukuk	-	75,693
	-	112,554
	-	847,659

Included in financial investments held-to-maturity are Malaysian Government Investment Issues, which are pledged as collateral for obligations on securities sold under repurchase agreements amounting RM103,109,000 as at 30.06.2018.

11 LOANS AND ADVANCES

	The Group	
	30.06.2019 RM'000	30.06.2018 RM'000
Term loan financing	**19,862**	19,874
Share margin financing	**188,217**	208,125
Staff loans	**51**	58
Other loans	**515**	490
Gross loans and advances	**208,645**	228,547
Allowance for impairment losses:		
- expected credit losses	**(3,355)**	-
- individual assessment allowance	**-**	(119)
- collective assessment allowance	**-**	(671)
Total net loans and advances	**205,290**	227,757

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

	30.06.2019 RM'000	30.06.2018 RM'000
Maturity within one year	**202,210**	208,615
One year to three years	**6,384**	19,874
Over five years	**51**	58
Gross loans and advances	**208,645**	228,547

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

	30.06.2019 RM'000	30.06.2018 RM'000
Domestic business enterprises:		
- small and medium enterprises	**509**	112
- others	**71,282**	112,062
Individuals	**128,253**	108,243
Foreign entities	**8,601**	8,130
Gross loans and advances	**208,645**	228,547

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

	30.06.2019 RM'000	30.06.2018 RM'000
Fixed rate:		
- staff housing loans	**51**	58
- other fixed rate loans	**515**	490
Variable rate:		
- cost plus	**208,079**	227,999
Gross loans and advances	**208,645**	228,547

Notes to the Financial Statements

for the financial year ended 30 June 2019

11 LOANS AND ADVANCES (CONTINUED)

	The Group	
	30.06.2019 RM'000	30.06.2018 RM'000

(iv) Loans and advances analysed by their economic purposes are as follows:

	30.06.2019 RM'000	30.06.2018 RM'000
Purchase of securities	**201,696**	221,604
Working capital	**6,384**	6,395
Purchase of transport vehicles	**126**	119
Purchase of landed property	**439**	429
Gross loans and advances	**208,645**	228,547

(v) Loans and advances analysed by geographical distribution are as follows:

	30.06.2019 RM'000	30.06.2018 RM'000
Malaysia	**208,645**	228,547

(vi) Impaired loans and advances

Movements in the impaired loans and advances are as follows:

	30.06.2019 RM'000	30.06.2018 RM'000
At 1 July		
- as previously reported	**6,884**	11,576
- effect of adopting MFRS 9 (Note 51)	**(11)**	-
At 1 July, as restated	**6,873**	11,576
Impaired during the financial year	**25**	34
Amount written-back during the financial year	**-**	(4,726)
At 30 June	**6,898**	6,884

Impaired loans and advances analysed by their economic purposes are as follows:

	30.06.2019 RM'000	30.06.2018 RM'000
Purchase of transport vehicles	**126**	119
Purchase of landed properties	**388**	371
Working capital	**6,384**	6,394
	6,898	6,884

Impaired loans and advances analysed by geographical distribution are as follows:

	30.06.2019 RM'000	30.06.2018 RM'000
Malaysia	**6,898**	6,884

11 LOANS AND ADVANCES (CONTINUED)

(vii) Movements in the allowance for losses on loans and advances:

Movements in expected credit losses

The Group	12 Months ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Individual/ collective assessment allowance RM'000	Total ECL RM'000
At 1 July 2018					
- as previously reported	-	-	-	790	790
- effect of adopting MFRS 9 (Note 51)	223	3	2,959	(790)	2,395
At 1 July 2018, as restated	223	3	2,959	-	3,185
Transferred to Stage 1	18	(18)	-	-	-
Transferred to Stage 2	(16)	16	-	-	-
New financial assets originated	21	1	-	-	22
Financial assets derecognised	(4)	-	-	-	(4)
Allowance made	29	1	287	-	317
Allowance written-back	(131)	(2)	(32)	-	(165)
At 30 June 2019	140	1	3,214	-	3,355

	The Group	
	30.06.2019 RM'000	30.06.2018 RM'000
Individual assessment allowance		
At 1 July		
- as previously reported	119	110
- effect of adopting of MFRS 9 (Note 51)	(119)	-
At 1 July, as restated	-	110
Allowance made during the financial year	-	9
At 30 June	-	119
Collective assessment allowance		
At 1 July		
- as previously reported	671	340
- effect of adopting MFRS 9 (Note 51)	(671)	-
At 1 July, as restated	-	340
Allowance made during the financial year	-	331
At 30 June	-	671

Notes to the Financial Statements

for the financial year ended 30 June 2019

11 LOANS AND ADVANCES (CONTINUED)

(viii) Movement in the gross carrying amount of financial assets that contributed to changes in the expected credit losses:

The Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Loans and advances RM'000	Total RM'000
At 1 July 2018					
- as previously reported	-	-	-	228,547	228,547
- effect of adopting of MFRS 9 (Note 51)	214,339	7,324	6,873	(228,547)	(11)
At 1 July 2018, as restated	214,339	7,324	6,873	-	228,536
Transferred to Stage 1	24,342	(24,342)	-	-	-
Transferred to Stage 2	(19,849)	19,849	-	-	-
New financial assets originated	144,316	2,997	25	-	147,338
Financial assets derecognised	(162,936)	(4,293)	-	-	(167,229)
At 30 June 2019	200,212	1,535	6,898	-	208,645

12 OTHER ASSETS

	The Group		The Company	
	30.06.2019 RM'000	30.06.2018 RM'000	30.06.2019 RM'000	30.06.2018 RM'000
Amounts due from subsidiary companies (a)	-	-	130	150
Deposits	5,542	6,352	5	5
Prepayments	3,041	2,570	30	30
Fee income receivables	8,883	4,315	-	-
Cash collaterals pledged for derivative transactions	7,417	3,922	-	-
Treasury related receivables	19,185	4,080	-	-
Equity related receivables	-	4,706	-	-
Other receivables	12,665	26,359	775	15,984
Manager's stocks and consumables	46	790	-	-
	56,779	53,094	940	16,169
Allowance for impairment losses:				
- Expected credit losses	(1,370)	-	-	-
- Individual assessment allowance	-	(1,473)	-	-
	55,409	51,621	940	16,169

12 OTHER ASSETS (CONTINUED)

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

(b) Movements of expected credit losses on fee income receivables is as follows:

Expected credit losses

The Group	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Individual assessment allowance RM'000	Total ECL RM'000
At 1 July 2018				
- as previously reported	-	-	1,473	1,473
- effect of adopting of MFRS 9 (Note 51)	2	1,473	(1,473)	2
At 1 July 2018, as restated	2	1,473	-	1,475
New financial assets originated	4	50	-	54
Financial assets derecognised	(1)	(169)	-	(170)
Allowance made	-	11	-	11
At 30 June 2019	5	1,365	-	1,370

	The Group	
	30.06.2019 RM'000	30.06.2018 RM'000
Individual assessment allowance		
At 1 July		
- as previously reported	1,473	1,015
- effect of adoption of MFRS 9	(1,473)	-
At 1 July, as restated	-	1,015
Allowance made during the financial year	-	816
Allowance written-back during the financial year	-	(358)
At 30 June	-	1,473

13 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.

Notes to the Financial Statements
for the financial year ended 30 June 2019

14 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	
	Note	30.06.2019 RM'000	30.06.2018 RM'000
Deferred tax assets		**82,556**	88,325
At 1 July			
- as previously reported		**88,325**	90,948
- effect of adopting MFRS 9	51	**(92)**	-
At 1 July, as restated		**88,233**	90,948
Charged to income statements	36	**(2,756)**	(4,137)
(Charged)/credited to equity		**(2,921)**	1,514
At 30 June		**82,556**	88,325
Deferred tax assets			
- settled more than 12 months		**67,432**	66,317
- settled within 12 months		**17,653**	22,722
Deferred tax liabilities			
- settled more than 12 months		**(2,212)**	64
- settled within 12 months		**(317)**	(778)
		82,556	88,325

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

The Group	Property and equipment RM'000	Financial investments at FVOCI RM'000	Unutilised tax credits RM'000	Provisions RM'000	Total RM'000
At 1 July 2018					
- as previously reported	**(709)**	**1,059**	**82,527**	**5,448**	**88,325**
- effect of adopting MFRS 9 (Note 51)	**-**	**(555)**	**463**	**-**	**(92)**
At 1 July 2018, as restated	**(709)**	**504**	**82,990**	**5,448**	**88,233**
Credited/(charged) to income statements	**597**	**-**	**(3,008)**	**(345)**	**(2,756)**
Charged to equity	**-**	**(2,921)**	**-**	**-**	**(2,921)**
At 30 June 2019	**(112)**	**(2,417)**	**79,982**	**5,103**	**82,556**

14 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

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

The Group	Property and equipment RM'000	Financial investments available-for-sale RM'000	Unutilised tax credits RM'000	Provisions RM'000	Total RM'000
At 1 July 2017	(1,058)	(455)	85,613	6,848	90,948
Credited/(charged) to income statements	349	-	(3,086)	(1,400)	(4,137)
Credited to equity	-	1,514	-	-	1,514
At 30 June 2018	(709)	1,059	82,527	5,448	88,325

Unrecognised deferred tax assets

	The Group	
	30.06.2019 RM'000	30.06.2018 RM'000
Tax losses		
Unutilised tax losses for which the related tax credit has not been recognised in the financial statements	**21,320**	21,091
Tax credit		
Tax credit which has not been recognised in the financial statements	**88,348**	96,654
Capital allowances		
Unutilised capital allowances for which the related tax credit has not been recognised in the financial statements	**391**	391

Deferred tax assets of certain subsidiaries have not been recognised in respect of these items as it is not probable that taxable profits will be available against which the unutilised tax losses, tax credit and capital allowances can be utilised.

The Group's unutilised tax credit and capital allowances have no expiration date under current tax legislation.

Under the Malaysia Finance Act 2018 which was gazetted on 27 December 2018, the Group's unutilised tax losses with no expiry period amounting to RM21,320,000 as at 30 June 2019 will be imposed with a time limit of utilisation. Any accumulated unutilised tax losses brought forward from year of assessment 2018 can be carried forward for another 7 consecutive years of assessment (i.e. from year of assessments 2019 to 2025).

Notes to the Financial Statements

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15 INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	30.06.2019 RM'000	30.06.2018 RM'000
Subsidiary companies:		
Unquoted shares at cost (a)	**374,256**	444,256
Less: Accumulated impairment losses (b)	**(127,682)**	(127,682)
	246,574	316,574

(a) On 6 March 2019, HLG Capital Markets Sdn Bhd and HLCB Assets Sdn Bhd were placed under member's voluntary liquidation. As a result, the capital return to the Company amounts to RM70,850,000.

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

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

Details of the subsidiary companies are as follows:

Name of companies	Country of incorporation	Effective equity interest 2019 %	Effective equity interest 2018 %	Principal activities
Hong Leong Investment Bank Berhad and its subsidiaries	Malaysia	**100**	100	Investment banking, stockbroking business, futures broking and related financial services
- HLIB Nominees (Tempatan) Sdn. Bhd.	Malaysia	**100**	100	Nominee and custodian services for Malaysia clients
- HLIB Nominees (Asing) Sdn. Bhd.	Malaysia	**100**	100	Nominee and custodian services for foreign clients
- SSSB Jaya (1987) Sdn Bhd	Malaysia	**100**	100	In creditors' voluntary liquidation
HLG Capital Markets Sdn Bhd	Malaysia	**100**	100	In member's voluntary liquidation

15 INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

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

Name of companies	Country of incorporation	Effective equity interest 2019 %	Effective equity interest 2018 %	Principal activities
HLG Securities Sdn Bhd	Malaysia	**100**	100	In member's voluntary liquidation
HLCB Assets Sdn Bhd	Malaysia	**100**	100	In member's voluntary liquidation
Hong Leong Asset Management Bhd and its subsidiary	Malaysia	**100**	100	Unit trust management, fund management and sale of unit trusts
- Hong Leong Fund Management Sdn Bhd	Malaysia	**100**	-	Dormant
Unincorporated trust for ESOS	Malaysia	**-**	-	Special purpose vehicle for ESOS purpose

Significant judgments and assumptions used to determine the scope of the consolidation

Determining whether the Group has control of an entity is generally straightforward based on ownership of the majority of the voting capital. However, in certain instances this determination will involve significant judgment, particularly in the case of structured entities where voting rights are often not the determining factor in decisions over the relevant activities. This judgment may involve assessing the purpose and design of the entity. It will also often be necessary to consider whether the group or another involved party with power over the relevant activities, is acting as a principal in its own right or as an agent on behalf of others.

There is also often considerable judgment involved in the ongoing assessment of control over structured entities. In this regard, where market conditions have deteriorated such that the other investors' exposures to the structure's variable returns have been substantively eliminated the Group may conclude that the Group which acts as managers of the structured entity are acting as its principal and therefore will consolidate the structured entity.

An interest in equity voting rights exceeding 50% would typically indicate that the Group has control of an entity. However certain entities are excluded from consolidation because the Group does not have exposure to their variable returns.

Significant restrictions

Capital requirements

The Group's banking subsidiary, Hong Leong Investment Bank Berhad ("HLIB") is required to maintain minimum capital adequacy ratios in accordance with BNM Capital Adequacy Framework guidelines. Please refer to Note 43.

Notes to the Financial Statements
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15 INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

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.

16 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 statements of financial position relating to the interests in unconsolidated SEs is summarised as below:

	The Group	
	30.06.2019 RM'000	**30.06.2018 RM'000**
Assets		
Derivative financial assets	**15**	19
Liabilities		
Other liabilities	**1**	60
Derivative financial liabilities	**573**	1,198

16 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	
	30.06.2019 RM'000	30.06.2018 RM'000
Non-interest income		
- Unrealised (loss)/gain on revaluation of derivative financial assets and derivative financial liabilities - call options	**(5)**	(616)
- interest rate swaps	**625**	458
Interest expense		
- Interest rate swaps	**630**	558

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

	The Group	
	30.06.2019 RM'000	30.06.2018 RM'000
Commitments and contingencies		
Interest rate related contracts:		
- Interest rate swaps	**35,000**	35,000
Equity related contracts:		
- Call options	**7,000**	7,000

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

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17 PROPERTY AND EQUIPMENT

The Group 30.06.2019	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 2018	**350**	**783**	**871**	**21,963**	**3,475**	**22,482**	**801**	**50,725**
Additions	**-**	**-**	**-**	**549**	**25**	**2,884**	**316**	**3,774**
Disposals	**-**	**-**	**-**	**-**	**-**	**-**	**(206)**	**(206)**
Write-off	**-**	**-**	**-**	**(245)**	**(853)**	**(3,413)**	**-**	**(4,511)**
At 30 June 2019	**350**	**783**	**871**	**22,267**	**2,647**	**21,953**	**911**	**49,782**
Accumulated depreciation								
At 1 July 2018	**-**	**50**	**159**	**20,263**	**2,698**	**11,163**	**650**	**34,983**
Charge for the financial year	**-**	**8**	**16**	**840**	**163**	**2,280**	**85**	**3,392**
Disposals	**-**	**-**	**-**	**-**	**-**	**-**	**(206)**	**(206)**
Write-off	**-**	**-**	**-**	**(232)**	**(806)**	**(2,531)**	**-**	**(3,569)**
At 30 June 2019	**-**	**58**	**175**	**20,871**	**2,055**	**10,912**	**529**	**34,600**
Net book value								
At 30 June 2019	**350**	**725**	**696**	**1,396**	**592**	**11,041**	**382**	**15,182**
The Group								
30.06.2018								
Cost								
At 1 July 2017	350	783	871	20,851	2,762	12,827	633	39,077
Additions	-	-	-	1,127	729	10,478	168	12,502
Write-off	-	-	-	(15)	(16)	(823)	-	(854)
At 30 June 2018	350	783	871	21,963	3,475	22,482	801	50,725
Accumulated depreciation								
At 1 July 2017	-	42	143	19,452	2,625	10,445	633	33,340
Charge for the financial year	-	8	16	826	89	1,179	17	2,135
Write-off	-	-	-	(15)	(16)	(461)	-	(492)
At 30 June 2018	-	50	159	20,263	2,698	11,163	650	34,983
Net book value								
At 30 June 2018	350	733	712	1,700	777	11,319	151	15,742

18 OTHER INTANGIBLE ASSETS

	The Group	
Computer software	**30.06.2019 RM'000**	**30.06.2018 RM'000**
Cost		
At 1 July	**22,830**	21,589
Additions	**2,167**	1,241
At 30 June	**24,997**	22,830
Amortisation		
At 1 July	**(19,134)**	(16,334)
Charge for the financial year	**(2,761)**	(2,800)
At 30 June	**(21,895)**	(19,134)
Net book value		
At 30 June	**3,102**	3,696

19 GOODWILL

	The Group	
	30.06.2019 RM'000	**30.06.2018 RM'000**
Cost		
At 1 July/30 June	**33,059**	33,059

Allocation of goodwill to cash-generating units

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

	The Group	
CGUs	**30.06.2019 RM'000**	**30.06.2018 RM'000**
Investment banking and stockbroking	**28,986**	28,986
Unit trust management	**4,073**	4,073
	33,059	33,059

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19 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 4.7% (30.06.2018: 4.7%), based on historical Gross Domestic Product ("GDP") growth rate of Malaysia on perpetual basis and discounted using pre-tax discount rates which reflect the specific risks relating to CGU.

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

	The Group	
	30.06.2019	30.06.2018
	%	%
CGUs		
Investment banking and stockbroking	**10.5**	8.9
Unit trust management	**10.6**	8.9

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

For the current financial year, impairment was not required for goodwill arising from investment banking and stockbroking, and unit trust management. Management believes that any reasonable possible change to the assumptions applied is not likely to cause the recoverable amount to be lower than carrying amount.

20 DEPOSITS FROM CUSTOMERS

	The Group	
	30.06.2019	30.06.2018
	RM'000	RM'000
Fixed deposits	**748,004**	1,082,656
(i) Maturity structure of fixed deposits is as follows:		
Due within:		
- six months	**748,004**	1,081,537
- six months to one year	**-**	1,119
	748,004	1,082,656
(ii) The deposits are sourced from the following customers:		
Government and statutory bodies	**525,319**	841,509
Business enterprises	**180,092**	215,116
Individual	**42,593**	26,031
	748,004	1,082,656

21 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group	
	30.06.2019 RM'000	30.06.2018 RM'000
Licensed banks	**319,492**	50,084
Licensed investment banks	**130,032**	159,570
Other financial institutions	**1,972,596**	1,849,306
	2,422,120	2,058,960

22 OBLIGATIONS ON SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

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

The financial assets sold under repurchase agreements are as follows:

	The Group	
	30.06.2019 RM'000	30.06.2018 RM'000
Financial investments held-to-maturity	**-**	103,109

23 OTHER LIABILITIES

		The Group		The Company	
	Note	30.06.2019 RM'000	30.06.2018 RM'000	30.06.2019 RM'000	30.06.2018 RM'000
Amount due to holding company	(a)	**169**	38	**-**	-
Amount due to other related companies	(a)	**14**	29	**-**	-
Remisiers' trust deposits		**13,011**	13,799	**-**	-
Treasury related payables		**20,624**	30,449	**-**	-
Advance payments received for corporate exercise		**66,015**	-	**-**	-
Other payables and accrued liabilities		**44,590**	54,581	**612**	16,574
Post employment benefits obligation:					
- defined contribution plan		**212**	207	**-**	-
		144,635	99,103	**612**	16,574

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

24 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**
30.06.2019	**RM'000**	**RM'000**	**RM'000**
Interest rate related contracts:			
- interest rate swaps	**8,005,000**	**16,732**	**(29,429)**
- futures	**91,819**	**-**	**(134)**
- cross currency swaps	**82,720**	**2,745**	**-**
Foreign exchange related contracts:			
- foreign currency swaps	**2,313,381**	**8,731**	**(4,228)**
- foreign currency forwards	**170,641**	**48**	**(519)**
Equity related contracts:			
- futures	**29,152**	**39**	**-**
- call options	**7,000**	**15**	**-**
	10,699,713	**28,310**	**(34, 310)**
30.06.2018			
Interest rate related contracts:			
- interest rate swaps	4,915,000	7,665	(12,910)
- futures	272,531	368	(6)
- cross currency swaps	80,750	5,031	-
Foreign exchange related contracts:			
- foreign currency swaps	2,848,060	15,958	(31,506)
- foreign currency forwards	57,563	308	(6)
- foreign currency spots	4,070	2	-
Equity related contracts:			
- call options	7,000	19	-
	8,184,974	29,351	(44,428)

25 SUBORDINATED OBLIGATIONS

	The Group	
	30.06.2019 RM'000	30.06.2018 RM'000
RM150.0 million Tier 2 subordinated notes, at par	**150,000**	50,000
Add: Interest payable	**603**	399
	150,603	50,399
Less: Unamortised discounts	**(98)**	(109)
	150,505	50,290

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.

Subsequently, on 14 June 2019, the Bank issued a second tranche of RM100.0 million nominal value of 10-year non-callable 5 years Sub Notes callable on 14 June 2024 (and thereafter) and due on 14 June 2029 out of its RM1.0 billion Multi-Currency Sub Notes Programme. The coupon rate for this second tranche of the Sub Notes is 4.23% per annum, which is payable semi-annually in arrears from the date of the issue.

26 SHARE CAPITAL

	The Group and The Company			
	30.06.2019		30.06.2018	
	Number of ordinary shares '000	RM'000	Number of ordinary shares '000	RM'000
Ordinary share issued and fully paid:				
At 1 July/30 June - Ordinary shares	**246,896**	**246,896**	246,896	246,896

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27 RESERVES

		The Group		The Company	
	Note	30.06.2019 RM'000	30.06.2018 RM'000	30.06.2019 RM'000	30.06.2018 RM'000
Retained profits	(i)	**537,342**	526,427	**266,184**	238,406
Regulatory reserve	(ii)	**11,606**	2,071	**-**	-
Fair value reserve	(iii)	**7,794**	(3,305)	**-**	31
- Financial investment at FVOCI		**7,794**	-	**-**	-
- Financial investment available-for-sale		**-**	(3,305)	**-**	31
		556,742	525,193	**266,184**	238,437

(i) Retained profits

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

(ii) Regulatory reserve

Regulatory reserves represent the Group's banking subsidiary, HLIB, compliance with BNM's Revised Policy Documents on Financial Reporting with effect from 1 July 2018, whereby HLIB and its domestic banking subsidiaries must maintain, in aggregate, loss allowance for non-credit impaired exposures and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.

Prior to 1 July 2018, HLIB complies with BNM's Policy on Classification and Impairment Provisions for Loans/Financing, to maintain, in aggregate, the collective impairment allowances and regulatory reserves of no less than 1.2% of total outstanding loans/financing, net of individual impairment allowances.

27 RESERVES (CONTINUED)

(iii) Fair value reserve

Movement of the fair value reserve is as follows:

	Note	The Group 30.06.2019 RM'000	The Group 30.06.2018 RM'000	The Company 30.06.2019 RM'000	The Company 30.06.2018 RM'000
At 1 July					
- as previously reported		**(3,305)**	1,422	**31**	(14)
- effect of adoption of MFRS 9	51	**1,914**	-	**(31)**	-
At 1 July, as restated		**(1,391)**	1,422	**-**	(14)
Net gain/(loss) from change in fair value		**11,713**	(5,089)	**-**	39
Reclassification to net profit on disposal		**455**	(1,152)	**-**	6
Reclassification to net profit on credit impairment loss		**(62)**	-	**-**	-
Deferred taxation	14	**(2,921)**	1,514	**-**	-
Net change in fair value reserve		**9,185**	(4,727)	**-**	45
At 30 June		**7,794**	(3,305)	**-**	31

28 TREASURY SHARES

Treasury shares for ESOS scheme

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

In accordance with MFRS 132 - Financial Instruments: Presentation and Disclosure, the shares purchased for the benefit of the ESOS holders are recorded as "Treasury Shares for ESOS Scheme" in the equity on the statements of financial position. As at reporting date, the number of shares held by the appointed trustee for the Group and the Company are as follows:

	30.06.2019 Number of trust shares held '000	30.06.2019 Cost RM'000	30.06.2018 Number of trust shares held '000	30.06.2018 Cost RM'000
The Group				
As at 1 July/30 June	**5,613**	**6,031**	5,613	6,031
The Company				
As at 1 July/30 June	**5,508**	**5,918**	5,508	5,918

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29a INTEREST INCOME

	The Group		The Company	
	30.06.2019 RM'000	30.06.2018 RM'000	30.06.2019 RM'000	30.06.2018 RM'000
Loans and advances	**13,752**	14,920	**-**	-
Money at call and deposit placements with financial institutions	**4,218**	4,162	**7**	29
Financial assets held-for-trading	**-**	37,123	**-**	-
Financial investments at FVOCI	**55,905**	-	**-**	-
Financial investments available-for-sale	**-**	39,832	**-**	-
Financial investments at amortised cost	**27,058**	-	**-**	-
Financial investments held-to-maturity	**-**	32,894	**-**	-
Derivative financial instruments	**-**	8,131	**-**	-
Others	**14,343**	16,601	**-**	-
	115,276	153,663	**7**	29

29b INTEREST INCOME FOR FINANCIAL ASSETS AT FVTPL

	The Group	
	30.06.2019 RM'000	30.06.2018 RM'000
Financial assets at FVTPL	**48,190**	-

30 INTEREST EXPENSE

	The Group	
	30.06.2019 RM'000	30.06.2018 RM'000
Deposits and placements of banks and other financial institutions	**32,567**	32,381
Deposits from customers	**76,882**	58,105
Derivative financial instruments	**8,376**	11,423
Subordinated obligations	**2,867**	2,671
Others	**634**	5,398
	121,326	109,978

31 NON-INTEREST INCOME

	The Group		The Company	
	30.06.2019 RM'000	30.06.2018 RM'000	30.06.2019 RM'000	30.06.2018 RM'000
Fee income				
Brokerage income	**52,457**	65,650	**-**	-
Unit trust fee income	**50,199**	34,353	**-**	-
Commission for futures contracts	**731**	855	**-**	-
Fees on loans and advances	**118**	554	**-**	-
Arranger fees	**4,363**	4,439	**-**	-
Placement fees	**8,426**	2,243	**-**	-
Corporate advisory fees	**5,052**	5,446	**-**	-
Underwriting commissions	**2,629**	-	**-**	-
Other fee income	**4,115**	23,488	**-**	-
	128,090	137,028	**-**	-
Net income from securities				
Net realised gain/(loss) arising from sale of:				
- Financial assets at FVTPL	**6,085**	-	**302**	-
- Financial assets held-for-trading	**-**	6,935	**-**	-
- Financial investments at FVOCI	**14,859**	-	**-**	-
- Financial investments available-for-sale	**-**	1,212	**-**	-
- Derivative financial instruments	**(35,915)**	(49,935)	**-**	-
Net unrealised gain/(loss) on revaluation of:				
- Financial assets at FVTPL	**6,326**	-	**(64)**	-
- Financial assets held-for-trading	**-**	(6,849)	**-**	195
- Derivative financial instruments	**9,790**	12,232	**-**	-
Dividend income from:				
- Financial assets at FVTPL	**10,437**	-	**7,738**	-
- Financial assets held-for-trading	**-**	3,735	**-**	-
- Financial investments available-for-sale	**-**	7,583	**-**	5,389
- Subsidiary companies	**-**	-	**66,830**	60,500
	11,582	(25,087)	**74,806**	66,084
Other income				
Gain on disposal of property and equipment	**64**	-	**-**	-
Gain on liquidation of a subsidiary	**-**	-	**850**	20
Foreign exchange gain	**16,750**	39,884	**-**	-
Other non-operating income	**250**	247	**187**	134
	17,064	40,131	**1,037**	154
	156,736	152,072	**75,843**	66,238

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32 OVERHEAD EXPENSES

	The Group		The Company	
	30.06.2019 RM'000	30.06.2018 RM'000	30.06.2019 RM'000	30.06.2018 RM'000
Personnel costs	**75,575**	73,289	**219**	458
Establishment costs	**19,652**	18,640	**67**	86
Marketing expenses	**3,595**	3,191	**2**	32
Administration and general expenses	**23,531**	21,318	**1,820**	1,306
	122,353	116,438	**2,108**	1,882

(i) Personnel costs comprise the following:

	The Group		The Company	
	30.06.2019 RM'000	30.06.2018 RM'000	30.06.2019 RM'000	30.06.2018 RM'000
Salaries, allowances and bonuses	**61,362**	60,430	**-**	90
Other employees benefits	**14,213**	12,859	**219**	368
	75,575	73,289	**219**	458

(ii) Establishment costs comprise the following:

	The Group		The Company	
	30.06.2019 RM'000	30.06.2018 RM'000	30.06.2019 RM'000	30.06.2018 RM'000
Depreciation of property and equipment	**3,392**	2,135	**-**	-
Amortisation of intangible assets - computer software	**2,761**	2,800	**-**	-
Rental of premises	**4,694**	4,693	**-**	-
Information technology expenses	**5,970**	6,097	**17**	17
Others	**2,835**	2,915	**50**	69
	19,652	18,640	**67**	86

(iii) Marketing expenses comprise the following:

	The Group		The Company	
	30.06.2019 RM'000	30.06.2018 RM'000	30.06.2019 RM'000	30.06.2018 RM'000
Advertisement and publicity	**911**	566	**-**	-
Travelling and accomodation	**612**	445	**-**	-
Others	**2,072**	2,180	**2**	32
	3,595	3,191	**2**	32

32 OVERHEAD EXPENSES (CONTINUED)

(iv) Administration and general expenses comprise the following:

	The Group		The Company	
	30.06.2019 RM'000	30.06.2018 RM'000	30.06.2019 RM'000	30.06.2018 RM'000
Communication expenses	**1,795**	1,591	**4**	8
Stationery and printing expenses	**732**	730	**12**	11
Management fees	**4,087**	4,141	**499**	498
Professional fees	**6,695**	4,353	**604**	46
Property and equipment written off	**942**	362	**-**	-
Auditors' remuneration:				
- statutory audit fees	**535**	446	**79**	87
- regulatory related fees	**54**	84	**11**	11
- tax compliance fees	**25**	32	**-**	-
- other fees	**15**	134	**-**	32
Others	**8,651**	9,445	**611**	613
	23,531	21,318	**1,820**	1,306

Included in the overhead expenses of the Group and the Company are Directors' remuneration amounting to RM384,000 (2018: RM475,000) and RM384,000 (2018: RM397,000) respectively.

There was no indemnity given or insurance effected for any auditor of the Group and the Company during the annual financial year and its comparative financial year.

33 ALLOWANCE FOR IMPAIRMENT LOSSES ON LOANS AND ADVANCES

	The Group	
	30.06.2019 RM'000	30.06.2018 RM'000
Allowance for impairment losses on loans and advances		
- Expected credit losses	**(170)**	-
- Individual assessment allowance	**-**	(9)
- Collective assessment allowance	**-**	(331)
	(170)	(340)

Notes to the Financial Statements
for the financial year ended 30 June 2019

34 WRITE-BACK OF/(ALLOWANCE FOR) IMPAIRMENT LOSSES ON FINANCIAL INVESTMENTS AND OTHER FINANCIAL ASSETS

	The Group	
	30.06.2019 RM'000	30.06.2018 RM'000
Expected credit losses/allowance for impairment losses on:		
(a) Financial investments:		
- Financial investments at FVOCI	**62**	-
- Financial investments at amortised cost	**(12)**	-
	50	-
(b) Other financial assets:		
(i) Clients' and brokers' balances:		
- Expected credit losses	**149**	-
- Individual assessment allowance	**-**	66
- Impaired clients' and brokers' balances recovered	**51**	-
(ii) Deposits and placements with banks and other financial institutions	**22**	-
(iii) Securities purchased under resale agreements	**2**	-
(iv) Other assets	**105**	(458)
	329	(392)
	379	(392)

Notes to the Financial Statements

for the financial year ended 30 June 2019

35 DIRECTORS' REMUNERATION

	The Group			The Company		
30.06.2019	**Director fees RM'000**	**Salaries, bonuses, allowances and defined contribution retirement plan RM'000**	**Total RM'000**	**Director fees RM'000**	**Salaries, bonuses, allowances and defined contribution retirement plan RM'000**	**Total RM'000**
Non-Executive Directors:						
Mr Tan Kong Khoon	**-**	**-**	**-**	**-**	**-**	**-**
Ms Tai Siew Moi	**115**	**9**	**124**	**115**	**9**	**124**
Ms Leong Ket Ti *(Appointed on 15.11.2018)*	**72**	**6**	**78**	**72**	**6**	**78**
Mr Peter Ho Kok Wai *(Appointed on 20.12.2018)*	**63**	**4**	**67**	**63**	**4**	**67**
Ms Koid Swee Lian *(Appointed on 19.09.2018 and resigned on 20.12.2018)*	**24**	**3**	**27**	**24**	**3**	**27**
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman *(Retired on 30.10.2018)*	**41**	**4**	**45**	**41**	**4**	**45**
YBhg Dato' Ahmad Fuaad bin Mohd Dahalan *(Retired on 30.10.2018)*	**39**	**4**	**43**	**39**	**4**	**43**
	354	**30**	**384**	**354**	**30**	**384**
Directors of subsidiaries	**719**	**1,519**	**2,238**	**-**	**-**	**-**
Total directors' remuneration	**1,073**	**1,549**	**2,622**	**354**	**30**	**384**

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

30.06.2018						
Non-Executive Directors:						
Mr Tan Kong Khoon	-	-	-	-	-	-
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman	197	15	212	124	10	134
YBhg Dato' Ahmad Fuaad bin Mohd Dahalan	118	10	128	118	10	128
Ms Tai Siew Moi *(Appointed on 18.09.2017)*	89	7	96	89	7	96
Ms Koid Swee Lian *(Appointed on 19.09.2018)*	-	-	-	-	-	-
YBhg Dato' Mohamed Nazim bin Abdul Razak *(Retired on 26.10.2017)*	38	1	39	38	1	39
	442	33	475	369	28	397
Directors of subsidiaries	588	1,098	1,686	-	-	-
Total directors' remuneration	1,030	1,131	2,161	369	28	397

35 DIRECTORS' REMUNERATION (CONTINUED)

The Directors' Remuneration in the current financial year represents remuneration for Directors of the Group, the Company and its subsidiaries to comply with the requirements of the Companies Act, 2016. The names of directors of subsidiaries and their remuneration details are set out in the respective subsidiary's statutory accounts and the said information is deemed incorporated herein by such reference and made a part thereof.

During the financial year, Directors and Officers of the Group are covered under the Directors' & Officers' Liability Insurance in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors and Officers of the Group subject to the terms of the policy. The total amount of Directors' & Officers' Liability Insurance effected for the Directors & Officers of the immediate holding company and its subsidiaries was RM10 million. The total amount of premium paid for the Directors' & Officers' Liability Insurance by the immediate holding company and its subsidiaries was RM67,688 (2018: RM67,688) and the apportioned amount of the said premium paid by Hong Leong Investment Bank Berhad was RM1,178 (2018: RM1,720 paid by the Company).

36 TAXATION

	The Group		The Company	
	30.06.2019 RM'000	30.06.2018 RM'000	30.06.2019 RM'000	30.06.2018 RM'000
Malaysian income tax:				
- current financial year's charge	**6,398**	3,072	**129**	38
- (over)/under provision in prior financial years	**(134)**	56	**2**	40
	6,264	3,128	**131**	78
Deferred taxation (Note 14):				
- relating to origination and reversal of temporary differences	**2,756**	4,137	**-**	-
	2,756	4,137	**-**	-
	9,020	7,265	**131**	78

36 TAXATION (CONTINUED)

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

	The Group		The Company	
	30.06.2019 RM'000	30.06.2018 RM'000	30.06.2019 RM'000	30.06.2018 RM'000
Profit before taxation	**76,732**	78,587	**73,742**	64,385
Tax calculated at a rate of 24% (2018: 24%)	**18,416**	18,861	**17,698**	15,452
Tax effects of:				
- Income not subject to tax	**(2,510)**	(2,433)	**(18,087)**	(15,865)
- Expenses not deductible for tax purposes	**2,422**	2,213	**518**	451
- Utilisation of unutilised tax losses previously not recognised	**-**	(2)	**-**	-
- Recognition of unutilised tax credit previously not recognised	**(8,306)**	(11,835)	**-**	-
- Origination of temporary differences previously not recognised	**(868)**	405	**-**	-
- (Over)/under provision in prior financial years	**(134)**	56	**2**	40
Tax expense for the financial year	**9,020**	7,265	**131**	78

37 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	
(a) Basic earnings per share	30.06.2019	30.06.2018
Net profit attributable to equity holders of the Company (RM'000)	**67,712**	71,322
Weighted average number of ordinary shares in issue ('000)	**241,283**	241,283
Basic earnings per share (sen)	**28.1**	29.6

(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 2019 and 30 June 2018.

38 DIVIDENDS

Dividends declared and proposed as follows:

	The Group			
	30.06.2019		30.06.2018	
	Single-tier dividend per share Sen	Amount of dividend RM'000	Single-tier dividend per share Sen	Amount of dividend RM'000
Ordinary shares	**22.0**	**54,317**	19.0	46,910

At the forthcoming Annual General Meeting, the Directors of the Company recommend the payment of a final single-tier dividend of 22.0 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 RM54.3 million for the financial year ended 30 June 2019.

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

	The Group			
	30.06.2019		30.06.2018	
	Single-tier dividend per share Sen	Amount of dividend RM'000	Single-tier dividend per share Sen	Amount of dividend RM'000
Ordinary shares	**19.0**	**45,844**	19.0	45,844

	The Company			
	30.06.2019		30.06.2018	
	Single-tier dividend per share Sen	Amount of dividend RM'000	Single-tier dividend per share Sen	Amount of dividend RM'000
Ordinary shares	**19.0**	**45,864**	19.0	45,864

In respect of the financial year ended 30 June 2018, dividend paid on the shares held in trust pursuant to the Company's Executive Share Option Scheme ("ESOS") which are classified as treasury shares held for ESOS scheme are not accounted for in the total equity. An amount of RM1,066,413 (Group) and RM1,046,463 (Company), being dividend paid for these shares was added back to the appropriation of retained profits.

39 COMMITMENTS AND CONTINGENCIES

(a) Investment banking subsidiary company related commitments and contingencies

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

The commitments and contingencies are as follows:

The Group	30.06.2019 Principal amount RM'000	30.06.2018 Principal amount RM'000
Commitments and contingencies		
Direct credit substitutes	**1,000**	1,000
Obligations under underwriting agreement	**18,860**	-
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	**-**	4,914
Any commitment that are unconditionally cancelled at any time by the Group without prior notice - maturity less than one year	**750,103**	662,442
	769,963	668,356
Derivative financial instruments		
Interest rate related contracts^:		
- One year or less	**4,566,819**	1,472,531
- Over one year to five years	**3,367,720**	3,580,750
- Over five years	**245,000**	215,000
Foreign exchange related contracts^:		
- One year or less	**2,484,022**	2,909,693
Equity related contracts^:		
- One year or less	**36,152**	-
- Over one year to five years	**-**	7,000
	10,699,713	8,184,974
	11,469,676	8,853,330

^ These derivatives are revalued at gross position basis and the fair value have been reflected in Note 24 to the financial statements as derivative financial assets or derivatives financial liabilities.

Notes to the Financial Statements

for the financial year ended 30 June 2019

39 COMMITMENTS AND CONTINGENCIES (CONTINUED)

(b) Other commitments and contingencies - unsecured

Hong Leong Asset Management Bhd, a wholly owned subsidiary of the Company, is the Manager of Hong Leong Consumer Products Sector Fund ("Funds"). The Company provided a guarantee to Deutsche Trustees Malaysia Berhad, the trustee of the Funds, that if the funds falls below the minimum fund size of RM1,000,000, the Company would invest cash, equivalent to the shortfall, into the relevant fund.

The size of the funds was above the minimum of RM1,000,000 as at 30 June 2019.

40 CAPITAL COMMITMENTS

	The Group	
	30.06.2019 RM'000	30.06.2018 RM'000
Property and equipment		
- approved and contracted but not provided for	**6,922**	9,852

41 LEASE COMMITMENTS

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

	The Group	
	30.06.2019 RM'000	30.06.2018 RM'000
Less than one year	**4,538**	4,660
More than one year but less than five years	**2,264**	6,518

42 CAPITAL MANAGEMENT

The Group's capital is in relation to its risk profile and strategic objectives set by the Board to meet shareholders' requirements and expectations. The components of the total capital are disclosed in Note 26 and 27. The Group's banking subsidiary's Capital Management framework for maintaining appropriate capital levels has complied with the requirements of Bank Negara Malaysia's Revised Risk Weighted Capital Adequacy Framework. The capital adequacy ratios of the banking subsidiary are disclosed in Note 43.

43 CAPITAL ADEQUACY

The Group's banking subsidiary's regulatory capital is governed by BNM's Capital Adequacy Framework guidelines. The capital adequacy ratios of the Group's banking subsidiary are computed in accordance with BNM's Capital Adequacy Framework (Capital Components) (the "Framework"). The Framework sets out the approach for computing the regulatory capital adequacy ratios, the minimum levels of the ratios at which banking institutions are required to operate as well as requirement on Capital Conservation Buffer ("CCB") and Counter Cyclical Buffer ("CCyB"). The Group's banking subsidiary is also required to maintain CCB of up to 2.500% of total risk weighted assets ("RWA"), which is phased in starting with 0.625% in year 2016, 1.250% in year 2017, 1.875% in year 2018 and 2.500% in year 2019. The CCyB which ranges from 0% up to 2.500% is determined as the weighted average of prevailing CCyB rates applied in the jurisdictions in which a financial institution has credit exposures.

The minimum capital adequacy including CCB for Common Equity Tier I (CETI) capital ratio, Tier I capital ratio and Total capital ratio for year 2019 are 7.000%, 8.500% and 10.500% respectively.

The Group's banking subsidiary has adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk computation in deriving the RWA.

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

	HLIB	
	30.06.2019	**30.06.2018**
Before deducting proposed dividends:		
Common equity tier 1 ("CET1") capital ratio	**30.907%**	33.073%
Tier 1 capital ratio	**30.907%**	33.073%
Total capital ratio	**43.489%**	37.619%
After deducting proposed dividends: [1]		
CET1 capital ratio	**28.642%**	29.115%
Tier 1 capital ratio	**28.642%**	29.115%
Total capital ratio	**41.224%**	33.661%

Note:

[1] Proposed dividends of RM28,000,005 (2018: RM45,500,070).

Notes to the Financial Statements

for the financial year ended 30 June 2019

43 CAPITAL ADEQUACY (CONTINUED)

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

	HLIB	
	30.06.2019 RM'000	**30.06.2018 RM'000**
CET1 capital		
Paid-up ordinary share capital	**252,950**	252,950
Retained profits	**237,920**	250,085
Other reserves	**7,794**	(3,355)
Less: goodwill and intangibles	**(31,129)**	(31,672)
Less: deferred tax assets	**(80,926)**	(87,582)
Less: investment in subsidiary companies	**(200)**	(200)
Less: 55% of cumulative gains of financial instruments available-for-sale	**(4,287)**	-
Total CET1 capital	**382,122**	380,226
Tier 1 capital	**382,122**	380,226
Tier 2 capital		
Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves [2]	**5,556**	-
Collective assessment allowance [3] and regulatory reserve [2]	**-**	2,266
Subordinated obligations	**150,000**	50,000
Total Tier 2 capital	**155,556**	52,266
Total capital	**537,678**	432,492

Note:

[2] Includes the qualifying regulatory reserve for non-impaired loans and advances.

[3] Excludes collective assessment allowance attributable to loans and advances classified as impaired.

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

	HLIB	
	30.06.2019 RM'000	**30.06.2018 RM'000**
Credit risk	**444,468**	407,598
Market risk	**519,266**	457,231
Operational risk	**272,622**	284,840
	1,236,356	1,149,669

44 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Related parties and relationships

The related parties and their relationships with the Company are as follows:

Related parties	Relationship
Hong Leong Company (Malaysia) Berhad ("HLCM")	Ultimate holding company
Hong Leong Financial Group Berhad ("HLFG")	Immediate holding company
Subsidiary companies of the Company as disclosed in Note 15	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 and its holding company - Key management personnel of the Company who have the authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly
Related parties of key management personnel (deemed as related to the Company)	(i) Close family members and dependents of key management personnel (ii) Entities that are controlled, jointly controlled or for which significant voting power in such entity resides with, directly or indirectly by key management personnel or its close family members

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44 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Related parties transactions

Transactions with related parties are as follows:

The Group	Parent company RM'000	Other related companies RM'000	Key management personnel RM'000
30.06.2019			
Income			
Interest income	202	19,554	-
Brokerage income	-	18,791	-
Corporate advisory fee	-	180	-
Arranger fee	-	120	-
Placement fee	2,350	224	-
Other fee income	125	1,398	-
Gain on securities and derivatives	18	2,860	-
	2,695	43,127	-
Expenses			
Interest expense	-	27,044	604
Rental	-	4,453	-
Management fees	4,066	-	-
Others	18	26,937	-
	4,084	58,434	604
Amounts due from:			
Cash and short-term funds	-	63,638	-
Financial assets held-for-trading	113	555,677	-
Derivative financial assets	-	1,517	-
Clients' and brokers' balances	-	6,952	-
Other assets	-	1,709	-
	113	629,493	-
Amounts due to:			
Deposits from customers	-	722	16,166
Deposits and placements of banks and other financial institutions	-	500,342	-
Derivative financial liabilities	-	1,470	-
Clients' and brokers' balances	-	7,859	-
Other liabilities	257	15	356
	257	510,408	16,522

44 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Related parties transactions (continued)

Transactions with related parties are as follows: (continued)

The Group	Parent company RM'000	Other related companies RM'000	Key management personnel RM'000
30.06.2019			
Commitments and contingencies			
Derivative financial instruments	-	42,000	-

The Company	Parent company RM'000	Subsidiaries RM'000	Other related companies RM'000	Key management personnel RM'000
30.06.2019				
Income				
Interest income	-	-	7	-
Dividends	-	74,568	-	-
Guarantee fee	-	2	-	-
Others	-	185	-	-
	-	74,755	7	-
Expenses				
Management fees	499	-	55	-
Others	-	-	1,443	-
	499	-	1,498	-
Amounts due from:				
Cash and short-term funds	-	-	132	-
Financial investments available-for-sale	-	-	249,546	-
Other assets	-	906	-	-
	-	906	249,678	-
Amounts due to:				
Other liabilities	88	15	-	356
	88	15	-	356

Notes to the Financial Statements
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44 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Related parties transactions (continued)

Transactions with related parties are as follows: (continued)

The Group	Parent company RM'000	Other related companies RM'000	Key management personnel RM'000
30.06.2018			
Income			
Interest income	-	17,183	-
Brokerage income	-	20,506	179
Arranger fee	640	620	-
Placement fee	850	-	-
Other fee income	105	1,634	-
Gain on securities and derivatives	-	737	-
	1,595	40,680	179
Expenses			
Interest expense	-	15,644	489
Rental	-	2,876	-
Management fees	4,130	-	-
Others	-	4,052	-
	4,130	22,572	489
Amounts due from:			
Cash and short-term funds	-	3,093	-
Financial assets held-for-trading	-	235,850	-
Financial investments available-for-sale	-	142,702	-
Derivative financial assets	-	778	-
Clients' and brokers' balances	-	23,180	-
Other assets	73	1,435	-
	73	407,038	-
Amounts due to:			
Deposits from customers	-	1,413	16,648
Deposits and placements of banks and other financial institutions	-	326,552	-
Derivative financial liabilities	-	1,733	-
Other liabilities	52	89	360
	52	329,787	17,008

44 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Related parties transactions (continued)

Transactions with related parties are as follows: (continued)

The Group	Parent company RM'000	Other related companies RM'000	Key management personnel RM'000
30.06.2018			
Commitments and contingencies			
Derivative financial instruments	-	42,000	-

The Company	Parent company RM'000	Subsidiaries RM'000	Other related companies RM'000	Key management personnel RM'000
30.06.2018				
Income				
Interest income	-	-	29	-
Dividends	-	65,889	-	-
Guarantee fee	-	2	-	-
Others	-	132	-	-
	-	66,023	29	-
Expenses				
Management fees	498	-	-	-
Others	-	-	49	-
	498	-	49	-
Amounts due from:				
Cash and short-term funds	-	-	39	-
Financial investments available-for-sale	-	-	142,410	-
Other assets	-	150	-	-
	-	150	142,449	-
Amounts due to:				
Other liabilities	-	-	-	360
	-	-	-	360

Notes to the Financial Statements

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44 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key management personnel

Key management compensation

	The Group		The Company	
	30.06.2019 RM'000	30.06.2018 RM'000	30.06.2019 RM'000	30.06.2018 RM'000
Salaries, allowances and other short-term employee benefits	**8,816**	10,079	**84**	141
Fees	**354**	442	**354**	369
	9,170	10,521	**438**	510

Included in the above is the Directors' remuneration which is disclosed in Note 35.

45 SEGMENTAL INFORMATION

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

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

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

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

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

Business segments

The Group comprises the following main business segments:

Investment banking and stockbroking - Investment banking, stockbroking business, futures broking and related financial services

Fund management and unit trust management - Unit trust management, fund management and sale of unit trusts

Investment holding and others - Investment holdings and others

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45 SEGMENTAL INFORMATION (CONTINUED)

The Group	Investment banking and stockbroking RM'000	Fund management and unit trust management RM'000	Investment holding and others RM'000	Elimination RM'000	Consolidated RM'000
30.06.2019					
Revenue					
External revenue	138,468	51,052	9,356	-	198,876
Inter-segment revenue	33	(2)	67,782	(67,813)	-
Total revenue [1]	138,501	51,050	77,138	(67,813)	198,876
Overhead expenses	(90,729)	(29,223)	(2,401)	-	(122,353)
Net allowance for impairment losses on loans and advances and other losses	209	-	-	-	209
Results					
Segment results from operations	47,981	21,827	74,737	(67,813)	76,732
Tax expense for the financial year					(9,020)
Net profit for the financial year					67,712
Assets					
Segment assets	4,175,956	136,363	515,041	(246,166)	4,581,194
Liabilities					
Segment liabilities	3,665,686	111,454	7,195	(748)	3,783,587
Other informations					
Capital expenditure	5,322	619	-	-	5,941
Depreciation of property and equipment	2,646	746	-	-	3,392
Amortisation of intangible assets - computer software	2,288	473	-	-	2,761
Allowance for impairment losses on loans and advances	170	-	-	-	170
Write-back of allowance for impairment losses on financial investments	50	-	-	-	50
Write-back of allowance for losses on clients' and brokers' balances	149	-	-	-	149
Impaired clients' and brokers' balances recovered	51	-	-	-	51
Write-back of allowance for impairment losses on other financial assets	129	-	-	-	129

Note:
[1] Total segment revenue comprises of net interest income and non-interest income.

45 SEGMENTAL INFORMATION (CONTINUED)

The Group	Investment banking and stockbroking RM'000	Fund management and unit trust management RM'000	Investment holding and others RM'000	Elimination RM'000	Consolidated RM'000
30.06.2018					
Revenue					
External revenue	154,262	34,914	6,581	-	195,757
Inter-segment revenue	42	(2)	60,522	(60,562)	-
Total revenue [1]	154,304	34,912	67,103	(60,562)	195,757
Overhead expenses	(91,745)	(22,546)	(2,147)	-	(116,438)
Net allowance for impairment losses on loans and advances and other losses	(732)	-	-	-	(732)
Result					
Segment results from operations	61,827	12,366	64,956	(60,562)	78,587
Taxation for the financial year					(7,265)
Net profit for the financial year					71,322
Assets					
Segment assets	4,202,556	86,961	576,011	(313,450)	4,552,078
Liabilities					
Segment liabilities	3,700,805	69,212	16,604	(601)	3,786,020
Other informations					
Capital expenditure	10,264	3,479	-	-	13,743
Depreciation of property and equipment	1,693	442	-	-	2,135
Amortisation of intangible assets - computer software	2,665	135	-	-	2,800
Allowance for losses on loans and advances	340	-	-	-	340
Write-back of allowance for losses on clients' and brokers' balances	66	-	-	-	66
Allowance for losses on fee income receivables	458	-	-	-	458

Note:
[1] Total segment revenue comprises of net interest income and non-interest income.

46 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.

46 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk

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

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

(i) Interest rate sensitivity analysis

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

	The Group	
30.06.2019	**Impact on profit after tax RM'000**	**Impact on equity RM'000**
+100 bps	**6,029**	**(29,942)**
-100 bps	**(6,029)**	**29,942**
30.06.2018		
+100 bps	14,320	(31,227)
-100 bps	(14,320)	31,227

46 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

(ii) Foreign currency sensitivity analysis

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

Impact of profit after tax by currency

	30.06.2019		30.06.2018	
The Group	**+1% RM'000**	**-1% RM'000**	**+1% RM'000**	**-1% RM'000**
USD	**37**	**(37)**	(16)	16
SGD	**-**	**-**	4	(4)
Others	**13**	**(13)**	8	(8)
	50	**(50)**	(4)	4

(iii) Equity prices sensitivity analysis

The Group's exposure to equity securites price risk arises from investments held by the Group and classified in the statements of financial position as financial assets held-for-trading and financial investments available-for-sale. The Company does not have significant exposure to equity price risks.

46 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest rate risk

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

	Non-trading book							
The Group 30.06.2019	**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	367,472	-	-	-	-	153,185	-	520,657
Clients' and brokers' balances	-	-	-	-	-	247,532	-	247,532
Financial assets at FVTPL	-	-	-	-	-	-	1,506,205	1,506,205
Financial investments at FVOCI	10,001	114,028	68,484	483,237	424,673	10,492	-	1,110,915
Financial investments at amortised cost	22,731	-	84,377	447,593	171,397	9,567	-	735,665
Loans and advances	188,474	13,436	-	3,296	51	33	-	205,290
Other financial assets	-	-	-	-	-	52,368	-	52,368
Derivative financial assets	-	-	-	-	-	-	28,310	28,310
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	37,259	-	37,259
Total assets	**588,678**	**127,464**	**152,861**	**934,126**	**596,121**	**510,436**	**1,534,515**	**4,444,201**

46 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest rate risk (continued)

The Group 30.06.2019	Non-trading book Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Liabilities								
Clients' and brokers' balances	-	-	-	-	-	282,521	-	282,521
Deposits from customers	636,308	82,748	27,725	-	-	1,223	-	748,004
Deposits and placements of banks and other financial institutions	2,183,871	84,312	151,077	-	-	2,860	-	2,422,120
Other financial liabilities	-	-	-	-	-	144,635	-	144,635
Derivative financial liabilities	-	-	-	-	-	-	34,310	34,310
Subordinated obligations	-	-	-	-	149,902	603	-	150,505
Total liabilities	2,820,179	167,060	178,802	-	149,902	431,842	34,310	3,782,095
Net interest sensitivity gap	(2,231,501)	(39,596)	(25,941)	934,126	446,219			
Direct credit substitutes	-	-	-	-	-	1,000		
Credit related commitments and contingencies	-	-	-	-	-	768,963		
Net interest sensitivity gap	-	-	-	-	-	769,963		

46 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest rate risk (continued)

The Group 30.06.2018	Non-trading book Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Assets								
Cash and short-term funds	26,097	-	-	-	-	101,550	-	127,647
Clients' and brokers' balances	-	-	-	-	-	316,234	-	316,234
Securities purchased under resale agreements	-	-	35,000	-	-	126	-	35,126
Deposits and placements with banks and other financial institutions	-	-	40,375	-	-	270	-	40,645
Financial assets held-for-trading	-	-	-	-	-	-	1,244,434	1,244,434
Financial investments available-for-sale	5,000	-	35,071	847,782	315,294	234,768	-	1,437,915
Financial investments held-to-maturity	-	20,007	35,026	662,687	119,756	10,183	-	847,659
Loans and advances	208,614	-	-	19,829	58	(744)	-	227,757
Other financial assets	-	-	-	-	-	49,051	-	49,051
Derivative financial assets	-	-	-	-	-	-	29,351	29,351
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	52,500	-	52,500
Total assets	239,711	20,007	145,472	1,530,298	435,108	763,938	1,273,785	4,408,319

46 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest rate risk (continued)

The Group 30.06.2018	Non-trading book Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Liabilities								
Clients' and brokers' balances	-	-	-	-	-	350,730	-	350,730
Deposits from customers	1,010,633	57,612	11,345	-	-	3,066	-	1,082,656
Deposits and placements of banks and other financial institutions	1,957,307	44,308	55,156	-	-	2,189	-	2,058,960
Obligations on securities sold under repurchase agreements	99,029	-	-	-	-	625	-	99,654
Other financial liabilities	-	-	-	-	-	99,103	-	99,103
Derivative financial liabilities	-	-	-	-	-	-	44,428	44,428
Subordinated obligations	-	-	-	-	49,891	399	-	50,290
Total liabilities	3,066,969	101,920	66,501	-	49,891	456,112	44,428	3,785,821
Net interest sensitivity gap	(2,827,258)	(81,913)	78,971	1,530,298	385,217			
Direct credit substitutes	-	-	-	-	-	1,000		
Credit related commitments and contingencies	-	-	-	-	-	667,356		
Net interest sensitivity gap	-	-	-	-	-	668,356		

46 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest rate risk (continued)

The Company 30.06.2019	Non-trading book Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Assets								
Cash and short-term funds	-	-	-	-	-	513	-	513
Financial assets at FVTPL	-	-	-	-	-	-	259,746	259,746
Other financial assets	-	-	-	-	-	910	-	910
Total assets	-	-	-	-	-	1,423	259,746	261,169
Liabilities								
Other financial liabilities	-	-	-	-	-	612	-	612
Total liabilities	-	-	-	-	-	612	-	612
Net interest sensitivity gap	-	-	-	-	-			
Direct credit substitutes	-	-	-	-	-	-		
Credit related commitments and contingencies	-	-	-	-	-	-		
Net interest sensitivity gap	-	-	-	-	-	-		

46 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest rate risk (continued)

The Company 30.06.2018	Non-trading book Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Assets								
Cash and short-term funds	-	-	-	-	-	44	-	44
Financial assets held-for-trading	-	-	-	-	-	-	20,550	20,550
Financial investments available-for-sale	-	-	-	-	-	142,410	-	142,410
Other financial assets	-	-	-	-	-	16,139	-	16,139
Total assets	-	-	-	-	-	158,593	20,550	179,143
Liabilities								
Other financial liabilities	-	-	-	-	-	16,574	-	16,574
Total liabilities	-	-	-	-	-	16,574	-	16,574
Net interest sensitivity gap	-	-	-	-	-			
Direct credit substitutes	-	-	-	-	-	-		
Credit related commitments and contingencies	-	-	-	-	-	-		
Total interest rate sensitivity gap	-	-	-	-	-	-		

46 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk

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

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

The Group 30.06.2019	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	187,228	333,429	-	-	-	-	-	520,657
Clients' and brokers' balances	247,532	-	-	-	-	-	-	247,532
Financial assets at FVTPL	20,441	452,234	543,954	-	58,690	133,184	297,702	1,506,205
Financial investments at FVOCI	10,217	-	115,017	43,690	25,412	916,579	-	1,110,915
Financial investments at amortised cost	23,082	-	-	34,671	50,247	627,665	-	735,665
Loans and advances	188,507	-	13,436	-	-	3,347	-	205,290
Derivative financial assets	1,571	1,857	4,779	1,111	1,778	17,214	-	28,310
Other assets*	-	-	-	-	47,421	-	179,199	226,620
Total assets	678,578	787,520	677,186	79,472	183,548	1,697,989	476,901	4,581,194

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

46 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

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

The Group 30.06.2019	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	282,521	-	-	-	-	-	-	282,521
Deposits from customers	219,720	417,605	82,862	27,817	-	-	-	748,004
Deposits and placements of banks and other financial institutions	1,498,071	687,613	84,680	151,756	-	-	-	2,422,120
Derivative financial liabilities	106	1,822	3,270	832	2,161	26,119	-	34,310
Subordinated obligations	-	-	-	-	-	150,505	-	150,505
Other liabilities**	13,388	-	-	-	132,527	212	-	146,127
Total liabilities	2,013,806	1,107,040	170,812	180,405	134,688	176,836	-	3,783,587
Total equity	-	-	-	-	-	-	797,607	797,607
Total liabilities and equity	2,013,806	1,107,040	170,812	180,405	134,688	176,836	797,607	4,581,194

** Includes current tax liabilities.

46 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

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

The Group 30.06.2018	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	117,647	10,000	-	-	-	-	-	127,647
Clients' and brokers' balances	316,234	-	-	-	-	-	-	316,234
Securities purchased under resale agreements	-	-	-	35,126	-	-	-	35,126
Deposits and placements with banks and other financial institutions	-	-	-	40,645	-	-	-	40,645
Financial assets held-for-trading	307,565	-	461,369	150,350	-	298,448	26,702	1,244,434
Financial investments available-for-sale	5,105	-	-	-	35,559	1,175,012	222,239	1,437,915
Financial investments held-to-maturity	-	-	20,267	-	35,104	792,288	-	847,659
Loans and advances	207,870	-	-	-	-	19,887	-	227,757
Derivative financial assets	2,280	3,255	2,458	2,896	6,125	12,337	-	29,351
Other assets*	-	-	-	-	44,414	-	200,896	245,310
Total assets	956,701	13,255	484,094	229,017	121,202	2,297,972	449,837	4,552,078

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

46 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

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

The Group 30.06.2018	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	350,730	-	-	-	-	-	-	350,730
Deposits from customers	734,730	278,800	57,723	10,284	1,119	-	-	1,082,656
Deposits and placements of banks and other financial institutions	1,358,734	600,012	44,668	47,286	8,260	-	-	2,058,960
Obligations on securities sold under repurchase agreements	-	99,654	-	-	-	-	-	99,654
Derivative financial liabilities	10,372	3,705	12,671	3,822	1,222	12,636	-	44,428
Subordinated obligations	-	-	-	-	-	50,290	-	50,290
Other liabilities**	14,074	-	-	-	85,021	207	-	99,302
Total liabilities	2,468,640	982,171	115,062	61,392	95,622	63,133	-	3,786,020
Total equity	-	-	-	-	-	-	766,058	766,058
Total liabilities and equity	2,468,640	982,171	115,062	61,392	95,622	63,133	766,058	4,552,078

** Includes current tax liabilities.

46 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

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

The Company 30.06.2019	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	513	-	-	-	-	-	-	513
Financial assetsat FVTPL	-	-	-	-	-	-	259,746	259,746
Other assets	130	-	-	-	810	-	-	940
Tax recoverable	-	-	-	-	-	-	1	1
Investment in subsidiary companies	-	-	-	-	-	-	246,574	246,574
Total assets	643	-	-	-	810	-	506,321	507,774
Liabilities								
Other liabilities	-	-	-	-	612	-	-	612
Total liabilities	-	-	-	-	612	-	-	612
Total equity	-	-	-	-	-	-	507,162	507,162
Total liabilities and equity	-	-	-	-	612	-	507,162	507,774

46 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

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

The Company 30.06.2018	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	44	-	-	-	-	-	-	44
Financial assets held-for-trading	-	-	-	-	-	-	20,550	20,550
Financial investments available-for-sale	-	-	-	-	-	-	142,410	142,410
Other assets	150	-	-	-	16,019	-	-	16,169
Tax recoverable	-	-	-	-	-	-	242	242
Investment in subsidiary companies	-	-	-	-	-	-	316,574	316,574
Total assets	194	-	-	-	16,019	-	479,776	495,989
Liabilities								
Other liabilities	-	-	-	-	16,574	-	-	16,574
Total liabilities	-	-	-	-	16,574	-	-	16,574
Total equity	-	-	-	-	-	-	479,415	479,415
Total liabilities and equity	-	-	-	-	16,574	-	479,415	495,989

46 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

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

The Group 30.06.2019	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	282,521	-	-	-	-	-	282,521
Deposits from customers	637,879	111,744	-	-	-	-	749,623
Deposits and placements of banks and other financial institutions	2,186,706	238,577	-	-	-	-	2,425,283
Derivative financial liabilities							
- Gross settled derivatives							
- Inflow	(1,275,656)	(932,156)	(276,577)	-	-	-	(2,484,389)
- Outflow	1,274,333	927,731	278,558	-	-	-	2,480,622
- Net settled derivatives	(48)	(32)	574	(1,659)	1,496	(19)	312
Other liabilities	13,388	-	131,035	-	-	212	144,635
Subordinated obligations	-	3,499	3,431	13,748	13,779	172,497	206,954
Total financial liabilities	3,119,123	349,363	137,021	12,089	15,275	172,690	3,805,561

46 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

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

The Group 30.06.2018	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	350,730	-	-	-	-	-	350,730
Deposits from customers	1,014,212	68,506	1,141	-	-	-	1,083,859
Deposits and placements of banks and other financial institutions	1,960,017	92,645	8,352	-	-	-	2,061,014
Obligations on securities sold under repurchase agreements	-	99,654	-	-	-	-	99,654
Derivative financial liabilities							
- Gross settled derivatives							
- Inflow	(1,563,447)	(1,028,476)	(301,906)	-	-	-	(2,893,829)
- Outflow	1,570,264	1,042,318	297,379	-	-	-	2,909,961
- Net settled derivatives	(144)	(987)	(531)	(6,287)	(4,185)	(126)	(12,260)
Other liabilities	14,074	-	84,822	-	-	207	99,103
Subordinated obligations	-	1,343	1,307	5,307	5,315	53,979	67,251
Total financial liabilities	3,345,706	275,003	90,564	(980)	1,130	54,060	3,765,483

46 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

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

The Company 30.06.2019	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	-	-	612	-	-	-	612
Total financial liabilities	-	-	612	-	-	-	612
30.06.2018							
Liabilities							
Other liabilities	-	-	16,574	-	-	-	16,574
Total financial liabilities	-	-	16,574	-	-	-	16,574

46 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

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

The Group	Less than 1 year	Over 1 year	Total
30.06.2019	**RM'000**	**RM'000**	**RM'000**
Direct credit substitutes	**1,000**	**-**	**1,000**
Obligations under underwriting agreement	**18,860**	**-**	**18,860**
Any commitment that are unconditionally cancelled at anytime by the Group without prior notice	**750,103**	**-**	**750,103**
	769,963	**-**	**769,963**
30.06.2018			
Direct credit substitutes	1,000	-	1,000
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	4,914	-	4,914
Any commitment that are unconditionally cancelled at anytime by the Group without prior notice	662,442	-	662,442
	668,356	-	668,356

Notes to the Financial Statements

for the financial year ended 30 June 2019

46 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	
	30.06.2019 RM'000	30.06.2018 RM'000	30.06.2019 RM'000	30.06.2018 RM'000
Credit risk exposure relating to on-balance sheet assets:				
Short-term funds (exclude cash in hand)	**520,643**	127,633	**513**	44
Clients' and brokers' balances	**247,532**	316,234	**-**	-
Securities purchased under resale agreements	**-**	35,126	**-**	-
Deposits and placements with banks and other financial institutions	**-**	40,645	**-**	-
Financial assets and investments portfolios (exclude shares and unit trust investment)				
- financial assets at FVTPL	**1,208,503**	-	**-**	-
- financial assets held-for-trading	**-**	1,217,732	**-**	-
- financial investments at FVOCI	**1,110,915**	-	**-**	-
- financial investments available-for-sale	**-**	1,215,676	**-**	-
- financial investments at amortised cost	**735,665**	-	**-**	-
- financial investments held-to-maturity	**-**	847,659	**-**	-
Loans and advances	**205,290**	227,757	**-**	-
Other assets	**52,368**	49,051	**910**	16,139
Derivative financial assets	**28,310**	29,351	**-**	-
	4,109,226	4,106,864	**1,423**	16,183
Credit risk exposure relating to off-balance sheet items:				
Commitments and contingencies	**769,963**	668,356	**-**	-
Total maximum credit risk exposure	**4,879,189**	4,775,220	**1,423**	16,183

46 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(ii) Collaterals

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

(a) Fixed deposits, Mudharabah General Investment Account, negotiable instrument of deposits, foreign currency deposits and cash deposits/margins
(b) Land and buildings
(c) Aircrafts, vessels and automobiles
(d) Quoted shares, unit trust, Malaysian Governments Bonds and securities and private debt securities
(e) Other tangible business assets, such as inventory and equipment

The Group also accept non-tangible securities such as support, guarantees from individuals, corporates and institutions, bank guarantees, debentures, assignment of contract payments, which are subject to internal guidelines on eligibility.

The outstanding balance for loans and advances for which no allowances is recognised because of collaterals at 30 June 2019 amounted to RM0.4 million for the Group.

The financial effect of collateral (quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held for loans and advances as at 30 June 2019 for the Group is 99.1% (30 June 2018: 99.3%). The financial effect of collateral held for the other financial assets is not significant.

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for net loans and advances that are credit impaired as at 30 June 2019 for the Group is 100.0%.

(iii) Credit exposure by stage

Financial assets of the Group are classified into three stages as below:

Stages	Description
Stage 1: 12 months ECL – not credit impaired	Stage 1 includes financial assets which have not had a significant increase in credit risk since initial recognition or which have low credit risk at reporting date. 12-months ECL is recognised and interest income is calculated on the gross carrying amount of the financial assets.
Stage 2: Lifetime ECL – not credit impaired	Stage 2 includes financial assets which have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but do not have objective evidence of impairment. Lifetime ECL is recognised and interest income is calculated on the gross carrying amount of the financial assets.
Stage 3: Lifetime ECL – credit impaired	Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. Lifetime ECL is recognised and interest income is calculated on the net carrying amount of the financial assets.

For further details on the stages, refer to accounting policy Note H.

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46 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality

The Group and the Company assess credit quality of loans and advances using internal rating techniques tailored to the various categories of products and counterparties. These techniques have been developed internally and combine statistical analysis with credit officers judgement.

Credit quality description is summarised as follows:

Credit Quality	Description
Good	Exposures demonstrate a strong capacity to meet financial commitments, with negligible or low probability of default and/or levels of expected loss to the Group
Fair	Exposures demonstrate fairly acceptable capacity to meet financial commitments and may require varying degrees of concern to the Group
Un-graded	Counterparties which do not satisfy the criteria to be graded based on internal credit rating system
Credit impaired	Exposures that have been assessed as credit-impaired

The credit quality of financial assets other than loans and advances are determined based on the ratings of counterparties as defined by Moody's or equivalent ratings of other internationals rating agencies as defined below:

Credit Quality	Rating
Good	AAA to AA3
Good	A1 to A3
Fair	Baa1 to Baa3
Fair	P1 to P3
Un-graded	Non-rated
Credit impaired	Default

46 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality (continued)

The following table shows an analysis of the credit exposure by stages, together with the ECL allowance provision:

The Group 30.06.2019	(Stage 1) 12 Months ECL RM'000	(Stage 2) Lifetime ECL no credit impaired RM'000	(Stage 3) Lifetime ECL credit impaired RM'000	Total ECL RM'000
Short-term funds and placements with banks and securities purchased under resale agreements				
Good	320,429	-	-	320,429
Fair	200,111	-	-	200,111
Un-graded	103	-	-	103
Gross carrying amount	520,643	-	-	520,643
Expected credit losses	-	-	-	-
Net carrying amount	520,643	-	-	520,643
Financial investments at FVOCI				
Good	549,355	-	-	549,355
Fair	63,530	-	-	63,530
Un-graded	498,030	-	-	498,030
Gross carrying amount	1,110,915	-	-	1,110,915
Expected credit losses	-	-	-	-
Net carrying amount	1,110,915	-	-	1,110,915

46 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality (continued)

The following table shows an analysis of the credit exposure by stages, together with the ECL allowance provision: (continued)

The Group 30.06.2019	(Stage 1) 12 Months ECL RM'000	(Stage 2) Lifetime ECL no credit impaired RM'000	(Stage 3) Lifetime ECL credit impaired RM'000	Total ECL RM'000
Financial investments at amortised cost				
Good	29,616	-	-	29,616
Fair	39,271	-	-	39,271
Un-graded	666,814	-	-	666,814
Gross carrying amount	735,701	-	-	735,701
Expected credit losses	(36)	-	-	(36)
Net carrying amount	735,665	-	-	735,665
Loans and advances				
Good	13,478	-	-	13,478
Un-graded	186,734	1,535	-	188,269
Credit impaired	-	-	6,898	6,898
Gross carrying amount	200,212	1,535	6,898	208,645
Expected credit losses	(140)	(1)	(3,214)	(3,355)
Net carrying amount	200,072	1,534	3,684	205,290
The Company				
30.06.2019				
Short-term funds and placements with banks and securities purchased under resale agreements				
Fair	513	-	-	513
Gross/net carrying amount	513	-	-	513

46 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality (continued)

(a) Loans and advances

All loans and advances are categorised as either:
- neither past due nor impaired;
- past due but not impaired; or
- impaired

Past due loans and advances refers to loans that are overdue by one day or more. Impaired loans and advances are loans and advances with months-in-arrears more than 90 days or with impaired allowances.

The Group	30.06.2019 RM'000	30.06.2018 RM'000
Neither past due nor impaired	**201,747**	221,663
Past due but not impaired	**-**	-
Individually impaired	**6,898**	6,884
Gross loans and advances	**208,645**	228,547
Less : Allowance for impaired loans, advances and financing:		
- expected credit losses	**(3,355)**	-
- individual assessment allowance	**-**	(119)
- collective assessment allowance	**-**	(671)
Total net loans and advances	**205,290**	227,757

(i) Loans and advances neither past due nor impaired

Analysis of loans, advances and financing that are neither past due nor impaired analysed based on the Group's internal credit grading system is as follows:

The Group	30.06.2019 RM'000	30.06.2018 RM'000
Grading classification:		
- Good	**13,478**	13,481
- Satisfactory	**-**	-
- Un-graded	**188,269**	208,182
	201,747	221,663

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for the financial year ended 30 June 2019

46 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality (continued)

(a) Loans and advances (continued)

(i) Loans and advances neither past due nor impaired (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	30.06.2019 RM'000	30.06.2018 RM'000
Gross amount of individually impaired loans	**6,898**	6,884
Less: Expected credit losses	**(3,214)**	-
Individual assessment allowance	**-**	(119)
Total net amount of individually impaired loans	**3,684**	6,765

(b) Other financial assets

The credit quality of financial assets other than loans and advances are determined based on the ratings of counterparties as defined by Moody's or equivalent ratings of other international rating agencies as defined belows:

- AAA to AA3
- A1 to A3
- Baa1 to Baa3
- P1 to P3

46 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality (continued)

(b) Other financial assets (continued)

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

The Group 30.06.2019	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Clients' and brokers' balances RM'000	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Financial investments at amortised cost RM'000	Other assets RM'000	Derivative financial assets RM'000
Neither past due nor impaired	520,643	247,150	1,208,503	1,110,915	735,701	52,373	28,310
Individually impaired	-	602	-	-	-	1,365	-
Less: Impairment losses	-	(220)	-	-	(36)	(1,370)	-
	520,643	247,532	1,208,503	1,110,915	735,665	52,368	28,310

46 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality (continued)

(b) Other financial assets (continued)

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

The Group 30.06.2018	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Clients' and brokers' balances RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Other assets RM'000	Derivative financial assets RM'000
Neither past due nor impaired	168,278	313,785	35,126	1,217,732	1,215,676	847,659	49,051	29,351
Individually impaired	-	2,828	-	-	-	-	1,473	-
Less: Impairment losses	-	(379)	-	-	-	-	(1,473)	-
	168,278	316,234	35,126	1,217,732	1,215,676	847,659	49,051	29,351

46 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality (continued)

(b) Other financial assets (continued)

Short-term funds and other assets are summarised as follows:

The Company	Short-term funds and deposits RM'000	Other assets RM'000
30.06.2019		
Neither past due nor impaired	**513**	**910**
Individually impaired	**-**	**-**
Less: Impairment losses	**-**	**-**
	513	**910**
30.06.2018		
Neither past due nor impaired	44	16,139
Individually impaired	-	-
Less: Impairment losses	-	-
	44	16,139

46 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality (continued)

(b) Other financial assets (continued)

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

The Group 30.06.2019	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Clients' and brokers' balances RM'000	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Financial investments at amortised cost RM'000	Other assets RM'000	Derivative financial assets RM'000
AAA to AA3	320,429	-	1,011,612	501,535	15,076	-	27,416
A1 to A3	-	-	-	47,820	14,535	-	790
Baa1 to Baa3	-	-	-	63,530	39,241	-	50
P1 to P3	200,111	-	5,017	-	-	6,330	-
B1	-	-	-	-	-	-	-
Non-rated, of which:							
- Bank Negara Malaysia	103	-	-	-	-	-	-
- Malaysia Government Investment Issues	-	-	-	31,073	478,451	-	-
- Malaysian Government Securities	-	-	20,806	235,724	157,905	-	-
- Government guaranteed corporate bond and/or sukuk	-	-	74,292	195,802	30,457	-	-
- Others	-	247,532	96,776	35,431	-	46,038	54
	103	247,532	191,874	498,030	666,813	46,038	54
	520,643	247,532	1,208,503	1,110,915	735,665	52,368	28,310

46 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality (continued)

(b) Other financial assets (continued)

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

The Group 30.06.2018	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Clients' and brokers' balances RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Other assets RM'000	Derivative financial assets RM'000
AAA to AA3	-	-	-	1,006,677	676,590	10,092	-	22,518
A1 to A3	-	-	-	4,077	31,913	14,239	-	4,328
Baa1 to Baa3	-	-	-	16,018	61,284	22,622	-	916
P1 to P3	168,250	-	-	-	-	-	1,321	-
Non-rated, of which:								
- Bank Negara Malaysia	28	-	-	-	-	-	-	-
- Malaysia Government Investment Issues	-	-	-	81,076	101,874	518,318	-	-
- Malaysian Government Securities	-	-	-	10,029	81,306	216,787	-	-
- Government guaranteed corporate bond and/or sukuk	-	-	-	99,855	206,409	65,601	-	-
- Others	-	316,234	35,126	-	56,300	-	47,730	1,589
	28	316,234	35,126	190,960	445,889	800,706	47,730	1,589
	168,278	316,234	35,126	1,217,732	1,215,676	847,659	49,051	29,351

Notes to the Financial Statements

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46 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality (continued)

(b) Other financial assets (continued)

Analysis of short-term funds and other assets that are neither past due nor impaired by rating agency designation as at reporting date are as follows:

The Company	Short-term funds and deposits RM'000	Other assets RM'000
30.06.2019		
P1 to P3	**513**	**-**
Non-rated, of which:		
- Others	**-**	**910**
	-	**910**
	513	**910**
30.06.2018		
P1 to P3	44	-
Non-rated, of which:		
- Others	-	16,139
	-	16,139
	44	16,139

(v) Collateral and other credit enhancements obtained

(a) Repossessed collateral

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

46 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(vi) Write-off policy

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

A write-off constitutes a derecognition event. The Group may apply enforcement activities to financial assets written off. Recoveries resulting from the Group's enforcement activities will be written back as bad debts recovered in the income statements.

There were no contractual amount outstanding on loans and advances and securities portfolio that were written off during the financial year ended 30 June 2019, and are still subject to enforcement activities for the Group.

(vii) Sensitivity analysis

The Group has performed ECL sensitivity assessment on loans and advances based on the changes in the key macroeconomic variable i.e. banking system credit while all other variables remain unchanged. The sensitivity factors used are assumptions based on parallel shifts in the macroeconomic variable to project the impact to ECL of the Group.

The table below outlines the effect of ECL on the changes in the macroeconomic variable used while other variables remain constant:

	Changes
Banking credit system	+/- 100bps

The Group	**30.06.2019 RM'000**
The effect of ECL on the positive changes in macroeconomic variable	**2**
The effect of ECL on the negative changes in macroeconomic variable	**(2)**

46 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

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

The Group 30.06.2019	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Clients' and brokers' balances RM'000	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Financial investments at amortised cost RM'000	Loans and advances RM'000	Other assets RM'000	Derivative financial assets RM'000	On-balance sheet total RM'000	Credit related commitments and contingencies RM'000
Agriculture	-	-	-	-	-	-	241	-	241	-
Manufacturing	-	-	-	-	-	-	449	-	449	-
Electricity, gas and water	-	-	20,441	158,837	-	-	550	-	179,828	-
Construction	-	-	96,776	10,290	4,988	-	1,179	-	113,233	1,000
Transport, storage and communications	-	-	63,813	26,098	-	-	64	-	89,975	-
Finance, insurance, real estate and business services	520,540	-	1,006,667	617,501	94,322	-	892	28,310	2,268,232	-
Government and government agencies	103	-	20,806	287,944	636,355	-	-	-	945,208	-
Purchase of securities	-	247,532	-	-	-	188,086	-	-	435,618	750,103
Others	-	-	-	10,245	-	17,204	48,993	-	76,442	18,860
	520,643	247,532	1,208,503	1,110,915	735,665	205,290	52,368	28,310	4,109,226	769,963

46 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

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

The Group 30.06.2018	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Clients' and brokers' balances RM'000	Securities purchased under resale agreements RM'000	Financial assets 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	-	-	-	-	-	-	-	1,003	-	1,003	-
Electricity, gas and water	-	-	-	-	145,801	-	-	277	-	146,078	-
Construction	-	-	35,126	10,256	92,657	-	-	88	-	138,127	1,000
Transport, storage and communications	-	-	-	59,733	65,722	-	-	17	-	125,472	-
Finance, insurance, real estate and business services	168,250	-	-	1,056,638	647,851	112,553	-	2,004	29,351	2,016,647	4,914
Government and government agencies	28	-	-	91,105	243,363	735,106	-	-	-	1,069,602	-
Education, health and others	-	-	-	-	-	-	-	33	-	33	-
Purchase of securities	-	316,234	-	-	-	-	208,042	-	-	524,276	662,442
Others	-	-	-	-	20,282	-	19,715	45,629	-	85,626	-
	168,278	316,234	35,126	1,217,732	1,215,676	847,659	227,757	49,051	29,351	4,106,864	668,356

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46 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

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

The Company 30.06.2019	Short-term funds and deposits RM'000	Other assets RM'000	On-balance sheet total RM'000
Finance, insurance, real estate and business services	**513**	**130**	**643**
Others	**-**	**780**	**780**
	513	**910**	**1,423**
30.06.2018			
Finance, insurance, real estate and business services	44	150	194
Others	-	15,989	15,989
	44	16,139	16,183

46 FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement

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

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

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

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

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

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

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

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). This category includes unquoted shares held for socio economic reasons. Fair values for shares held for socio economic reasons are based on the net tangible assets of the affected companies. The Group's exposure to financial instruments classified as Level 3 comprised a small number of financial instruments which constitute an insignificant component of the Group's portfolio of financial instruments. Hence, changing one or more of the inputs to reasonable alternative assumptions would not change the value significantly for the financial assets in Level 3 of the fair value hierarchy.

The Group and the Company recognise transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. Transfers between fair value hierarchy primarily due to change in the level of trading activity, change in observable market activity related to an input, reassessment of available pricing information and change in the significance of the unobservable input. There were no transfers between Level 1, 2 and 3 of the fair value hierarchy during the financial year (30 June 2018 - Nil).

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for the financial year ended 30 June 2019

46 FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement (continued)

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

The Group 30.06.2019	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Financial assets at FVTPL	**296,337**	**1,208,503**	**1,365**	**1,506,205**
- money market instruments	**-**	**1,016,994**	**-**	**1,016,994**
- quoted securities	**296,337**	**-**	**-**	**296,337**
- unquoted securities	**-**	**191,509**	**1,365**	**192,874**
Financial investments at FVOCI	**-**	**1,110,915**	**-**	**1,110,915**
- money market instruments	**-**	**322,819**	**-**	**322,819**
- unquoted securities	**-**	**788,096**	**-**	**788,096**
Derivative financial assets	**-**	**28,310**	**-**	**28,310**
	296,337	**2,347,728**	**1,365**	**2,645,430**
Financial liability				
Derivative financial liabilities	**-**	**34,310**	**-**	**34,310**
30.06.2018				
Financial assets				
Financial assets held-for-trading	26,702	1,217,732	-	1,244,434
- money market instruments	-	1,010,389	-	1,010,389
- quoted securities	26,702	-	-	26,702
- unquoted securities	-	207,343	-	207,343
Financial investments available-for-sale	221,994	1,215,676	245	1,437,915
- money market instruments	-	238,413	-	238,413
- quoted securities	221,994	-	-	221,994
- unquoted securities	-	977,263	245	977,508
Derivative financial assets	-	29,351	-	29,351
	248,696	2,462,759	245	2,711,700
Financial liability				
Derivative financial liabilities	-	44,428	-	44,428

46 FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement (continued)

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

The Company **30.06.2019**	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Financial asset				
Financial assets at FVTPL				
- quoted securities	**259,746**	**-**	**-**	**259,746**
30.06.2018				
Financial asset				
Financial assets held-for-trading				
- quoted securities	20,550	-	-	20,550
Financial investments available-for-sale				
- quoted securities	142,410	-	-	142,410
	162,960	-	-	162,960

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

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

	The Group	
	30.06.2019 RM'000	**30.06.2018 RM'000**
Financial assets at FVTPL		
At 1 July		
- as previously reported	**-**	-
- effect of adopting MFRS 9	**1,380**	-
At 1 July, as restated	**1,380**	-
Fair value changes recognised in income statement	**(15)**	
At 30 June	**1,365**	-
Financial investments available-for-sale		
At 1 July		
- as previously reported	**245**	245
- effect of adopting MFRS 9	**(245)**	-
At 1 July, as restated	**-**	245
At 30 June	**-**	245

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46 FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement (continued)

Effect of changes in significant unobservable assumptions to reasonably possible alternatives

As at reporting date, financial instruments measured with valuation techniques using significant unobservable inputs (Level 3) mainly include unquoted shares held for socio economic purposes.

Qualitative information about the fair value measurements using significant unobservable inputs (Level 3):

Description	Fair value assets 30.06.2019 RM'000	30.06.2018 RM'000	Valuation technique	Unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at FVTPL					
The Group					
Unquoted shares	**1,365**		Net tangible assets	Net tangible assets	Higher net tangible assets results in higher fair value

(ii) The table below summarises the carrying amount and analyses the fair value within the fair value 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 30.06.2019	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 at amortised cost					
- money market instruments	636,356	-	644,371	-	644,371
- unquoted securities	99,309	-	100,137	-	100,137
	735,665	-	744,508	-	744,508
Financial liabilities					
Deposits from customers	748,004	-	748,004	-	748,004
Deposits and placements of banks and other financial institutions	2,422,120	-	2,422,120	-	2,422,120
Subordinated obligations	150,505	-	150,771	-	150,771
	3,320,629	-	3,320,895	-	3,320,895

46 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: (continued)

The Group 30.06.2018	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	735,105	-	735,335	-	735,335
- unquoted securities	112,554	-	112,153	-	112,153
	847,659	-	847,488	-	847,488
Financial liabilities					
Deposits from customers	1,082,656	-	1,082,656	-	1,082,656
Deposits and placements of banks and other financial institutions	2,058,960	-	2,058,944	-	2,058,944
Subordinated obligations	50,290	-	50,477	-	50,477
	3,191,906	-	3,192,077	-	3,192,077

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

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

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

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

Financial investments at amortised cost

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

46 FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement (continued)

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

Loans and advances

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

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

Clients' and brokers' balances

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

Other assets and liabilities

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

Deposits from customers

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

Deposits and placements of other financial institutions and repurchased agreements

The estimated fair values of deposits and placements of other financial institutions and repurchased agreements with maturities of less than six months approximate the carrying values. For the items with maturities six months and above, the fair values are estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturities.

Subordinated obligations

The fair value of subordinated obligations are based on quoted market prices where available.

Credit related commitment and contingencies

The net fair value of these items was not calculated as estimated fair values are not readily ascertainable. These financial instruments generally relate to credit risks and attract fees in line with market prices for similar arrangements. They are not presently sold nor traded. The fair value may be represented by the present value of fees expected to be received less associated costs.

47 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 securities purchased under resale agreements and obligations on securities sold under repurchase agreements and other similar secured lending and borrowing agreements that are subject to enforceable master netting arrangements or similar agreements, but do not qualify for balance sheet netting.

The table identifies the amounts that have been offset in the balance sheet and also those amounts that are covered by enforceable netting 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 30.06.2019	**Gross amount RM'000**	**Amount 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	**396,258**	**(148,726)**	**247,532**	**-**	**-**	**247,532**
Derivative financial assets	**28,310**	**-**	**28,310**	**(17,127)**	**(2,068)**	**9,115**
Total assets	**424,568**	**(148,726)**	**275,842**	**(17,127)**	**(2,068)**	**256,647**
Financial liabilities						
Clients' and brokers' balances	**431,247**	**(148,726)**	**282,521**	**-**	**-**	**282,521**
Derivative financial liabilities	**34,310**	**-**	**34,310**	**(17,127)**	**(6,330)**	**10,853**
Total liabilities	**465,557**	**(148,726)**	**316,831**	**(17,127)**	**(6,330)**	**293,374**
30.06.2018						
Financial assets						
Clients' and brokers' balances	563,390	(247,156)	316,234	-	-	316,234
Derivative financial assets	29,351	-	29,351	(6,930)	(1,450)	20,971
Total assets	592,741	(247,156)	345,585	(6,930)	(1,450)	337,205

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47 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

The Group 30.06.2018	Effects of offsetting on balance sheet: Gross amount RM'000	Amount offset RM'000	Net amount reported on the balance sheet RM'000	Related amounts not offset: Financial instruments RM'000	Financial collateral RM'000	Net amount RM'000
Financial liabilities						
Clients' and brokers' balances	597,886	(247,156)	350,730	-	-	350,730
Derivative financial liabilities	44,428	-	44,428	(6,930)	(6,330)	31,168
Obligations on securities agreement	99,654	-	99,654	(99,654)	-	-
Total liabilities	741,968	(247,156)	494,812	(106,584)	(6,330)	381,898

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.

48 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:

	30.06.2019		30.06.2018	
	Number of trust shares held '000	Market value RM'000	Number of trust shares held '000	Market value RM'000
The Group	**5,613**	**6,050**	5,613	5,371
The Company	**5,508**	**5,937**	5,508	5,271

49 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) 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 28 June 2019 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.

The Company had previously announced that its majority shareholder, Hong Leong Financial Group Berhad ("HLFG"), had informed the Company that it was considering various options to address the non-compliance with the 25% public spread requirement and would inform the Company accordingly as needed. The Company will continue to discuss with HLFG, options to comply with the shareholding spread requirement.

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49 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(b) Acquisition of subsidiary

Hong Leong Asset Management Bhd ("HLAM"), a wholly-owned subsidiary of HLCB, has on 28 June 2019 entered into a sale and purchase agreement ("SPA") with HL Management Co Sdn Bhd ("HLMC") for the acquisition of the entire equity interest in Hong Leong Fund Management Sdn Bhd ("HLFM") comprising 2,600,000 ordinary shares in HLFM ("Sale Shares") for a cash consideration of RM2,554,815.82 ("the Acquisition").

The Acquisition has been completed on even date.

The Acquisition does not have any material effects on the earnings of HLCB Group for the financial year ended 30 June 2019, as well as the net asset value and gearing of HLCB Group.

The effect of the acquisition on the Group's cash flows is as follows:

	The Group RM'000
At date of acquisition:	
Cash and short-term funds	**2,527**
Other assets	**40**
Other liabilities	**(9)**
Current tax liabilities	**(3)**
Net assets acquired at the date of acquisition/total purchase consideration	**2,555**
Less: Cash consideration paid	**(2,555)**
Net acquisition	**-**
Cash consideration paid	**2,555**
Less: Cash and short-term funds of a subsidiary acquired	**(2,527)**
Net cash flows of the Group on acquisition of a subsidiary	**28**

50 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.

51 CHANGES IN ACCOUNTING POLICIES

(i) Adoption of MFRS 9 'Financial Instruments'

With the effect from financial year beginning on/after 1 July 2018, the Group and the Company apply MFRS 9, replacing MFRS 139 and include requirements for classification and measurement of financial assets and liabilities and impairment of financial assets.

51 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(i) Adoption of MFRS 9 'Financial Instruments' (continued)

The following table analyses the impact of transition on the Statements of Financial Position of the Group and the Company from MFRS 139 to MFRS 9 as at 1 July 2018:

	Impact of adopting MFRS 9 as at 1 July 2018	
	The Group RM'000	The Company RM'000
Securities purchased under resale agreements		
Closing balance under MFRS 139 as at 30 June 2018	35,126	-
- recognition of expected credit losses under MFRS 9	(2)	-
Opening balance under MFRS 9 as at 1 July 2018	35,124	-
Deposits and placements with banks and other financial institutions		
Closing balance under MFRS 139 as at 30 June 2018	40,645	-
- recognition of expected credit losses under MFRS 9	(22)	-
Opening balance under MFRS 9 as at 1 July 2018	40,623	-
Financial assets at FVTPL		
Closing balance under MFRS 139 as at 30 June 2018	-	-
- redesignation from financial assets held-for-trading	1,244,434	20,550
- redesignation from financial investments available-for-sale	278,539	142,410
- unrealised gain on financial investments available-for-sale redesignated	1,135	-
Opening balance under MFRS 9 as at 1 July 2018	1,524,108	162,960
Financial assets held-for-trading		
Closing balance under MFRS 139 as at 30 June 2018	1,244,434	20,550
- redesignation to financial assets at FVTPL	(1,244,434)	(20,550)
Opening balance under MFRS 9 as at 1 July 2018	-	-
Financial investments at FVOCI		
Closing balance under MFRS 139 as at 30 June 2018	-	-
- redesignation from financial investments available-for-sale	1,159,376	-
- redesignation from financial investments held-to-maturity	180,266	-
- unrealised gain on financial investments held-to-maturity redesignated	1,909	-
Opening balance under MFRS 9 as at 1 July 2018	1,341,551	-

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51 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(i) Adoption of MFRS 9 'Financial Instruments' (continued)

The following table analyses the impact of transition on the Statements of Financial Position of the Group and the Company from MFRS 139 to MFRS 9 as at 1 July 2018: (continued)

	Impact of adopting MFRS 9 as at 1 July 2018	
	The Group RM'000	**The Company RM'000**
Financial investments available-for-sale		
Closing balance under MFRS 139 as at 30 June 2018	1,437,915	142,410
- redesignation to financial investments at FVOCI	(1,159,376)	-
- redesignation to financial assets at FVTPL	(278,539)	(142,410)
Opening balance under MFRS 9 as at 1 July 2018	-	-
Financial investments at amortised cost		
Closing balance under MFRS 139 as at 30 June 2018	-	-
- redesignation from financial investments held-to-maturity	667,393	-
- recognition of expected credit losses under MFRS 9	(24)	-
Opening balance under MFRS 9 as at 1 July 2018	667,369	-
Financial investments held-to-maturity		
Closing balance under MFRS 139 as at 30 June 2018	847,659	-
- redesignation to financial investments at FVOCI	(180,266)	-
- redesignation to financial investments at amortised cost	(667,393)	-
Opening balance under MFRS 9 as at 1 July 2018	-	-
Loans and advances		
Closing balance under MFRS 139 as at 30 June 2018	227,757	-
- recognition of expected credit losses under MFRS 9	(2,395)	-
- remeasurement of unwinding of income	(11)	-
Opening balance under MFRS 9 as at 1 July 2018	225,351	-
Other assets		
Closing balance under MFRS 139 as at 30 June 2018	51,621	16,169
- recognition of expected credit losses under MFRS 9	(2)	-
Opening balance under MFRS 9 as at 1 July 2018	51,619	16,169

51 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(i) Adoption of MFRS 9 'Financial Instruments' (continued)

The following table analyses the impact of transition on the Statements of Financial Position of the Group and the Company from MFRS 139 to MFRS 9 as at 1 July 2018: (continued)

	Impact of adopting MFRS 9 as at 1 July 2018	
	The Group RM'000	**The Company RM'000**
Deferred tax assets		
Closing balance under MFRS 139 as at 30 June 2018	88,325	-
- in respect of unrealised gain on financial assets at FVTPL	(272)	-
- in respect of unrealised gain on financial investments at FVOCI	(458)	-
- in respect of recognition of expected credit losses under MFRS 9	636	-
- Others	2	-
Opening balance under MFRS 9 as at 1 July 2018	88,233	-
Regulatory reserve		
Closing balance under MFRS 139 as at 30 June 2018	2,071	-
- Transfer from retained profts (Revised Financial Reporting Guidelines)	10,672	-
Opening balance under MFRS 9 as at 1 July 2018	12,743	-
Fair value reserve		
Closing balance under MFRS 139 as at 30 June 2018	(3,305)	31
- Unrealised gain on financial investments at FVOCI	1,909	-
- Deferred tax in respect of unrealised gain on financial investments at FVOCI	(458)	-
- Reversal of unrealised loss on financial investments at FVOCI	355	(31)
- Deferred tax in respect of reversal of unrealised loss on financial investments at FVOCI	(97)	-
- Recognition of expected credit losses under MFRS 9	205	-
Opening balance under MFRS 9 as at 1 July 2018	(1,391)	-
Retained profits		
Closing balance under MFRS 139 as at 30 June 2018	526,427	238,406
- Transfer to regulatory reserve (Revised Financial Reporting Guidelines)	(10,672)	-
- Unrealised gain on financial assets at FVTPL	780	31
- Recognition of expected credit loss	(2,650)	-
- Deferred tax assets in respect of unrealised gain on financial assets at FVTPL and expected credit loss	463	-
- Other classification and measurement	(11)	-
Opening balance under MFRS 9 as at 1 July 2018	514,337	238,437

51 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(i) Adoption of MFRS 9 'Financial Instruments' (continued)

The following table analyses the impact of transition on the Statements of Financial Position of the Group and the Company from MFRS 139 to MFRS 9 as at 1 July 2018: (continued)

The Group	MFRS 139 carrying amount 30 June 2018 RM'000	Classification and measurement RM'000	Expected credit losses RM'000	MFRS 9 carrying amount 1 July 2018 RM'000
Assets				
Cash and short-term funds	127,647	-	-	127,647
Clients' and brokers' balances	316,234	-	-	316,234
Securities purchased under resale agreements	35,126	-	(2)	35,124
Deposits and placements with banks and other financial institutions	40,645	-	(22)	40,623
Financial assets at FVTPL	-	1,524,108	-	1,524,108
Financial assets held-for-trading	1,244,434	(1,244,434)	-	-
Financial investments at FVOCI	-	1,341,551	-	1,341,551
Financial investments available-for-sale	1,437,915	(1,437,915)	-	-
Financial investments at amortised cost	-	667,393	(24)	667,369
Financial investments held-to-maturity	847,659	(847,659)	-	-
Loans and advances	227,757	(11)	(2,395)	225,351
Other assets	51,621	-	(2)	51,619
Derivative financial assets	29,351	-	-	29,351
Statutory deposits with Bank Negara Malaysia	52,500	-	-	52,500
Tax recoverable	367	-	-	367
Deferred tax assets	88,325	(728)	636	88,233
Property and equipment	15,742	-	-	15,742
Other intangible assets	3,696	-	-	3,696
Goodwill	33,059	-	-	33,059
Total assets	4,552,078	2,305	(1,809)	4,552,574
Liabilities				
Clients' and brokers' balances	350,730	-	-	350,730
Deposits from customers	1,082,656	-	-	1,082,656
Deposits and placements of banks and other financial institutions	2,058,960	-	-	2,058,960
Obligations on securities sold under repurchase agreements	99,654	-	-	99,654
Other liabilities	99,103	-	-	99,103
Derivative financial liabilities	44,428	-	-	44,428
Provision for tax	199	-	-	199
Subordinated obligations	50,290	-	-	50,290
Total liabilities	3,786,020	-	-	3,786,020

51 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(i) Adoption of MFRS 9 'Financial Instruments' (continued)

The following table analyses the impact of transition on the Statements of Financial Position of the Group and the Company from MFRS 139 to MFRS 9 as at 1 July 2018: (continued)

The Group	**MFRS 139 carrying amount 30 June 2018 RM'000**	**Classification and measurement RM'000**	**Expected credit losses RM'000**	**MFRS 9 carrying amount 1 July 2018 RM'000**
Equity				
Share capital	246,896	-	-	246,896
Reserves	525,193	(8,367)	8,863	525,689
Regulatory reserve	2,071	-	10,672	12,743
Fair value reserve	(3,305)	1,709	205	(1,391)
Retained profits	526,427	(10,076)	(2,014)	514,337
Treasury share for ESOS scheme	(6,031)	-	-	(6,031)
Total equity	766,058	(8,367)	8,863	766,554
Total equity and liabilities	4,552,078	(8,367)	8,863	4,552,574
The Company				
Assets				
Cash and short-term funds	44	-	-	44
Financial assets at FVTPL	20,550	142,410	-	162,960
Financial investments available-for-sale	142,410	(142,410)	-	-
Other assets	16,169	-	-	16,169
Tax recoverable	242	-	-	242
Investment in subsidiary companies	316,574	-	-	316,574
Total assets	495,989	-	-	495,989
Liabilities				
Other liabilities	16,574	-	-	16,574
Total liabilities	16,574	-	-	16,574
Equity				
Share capital	246,896	-	-	246,896
Reserves	238,437	-	-	238,437
Fair value reserve	31	(31)	-	-
Retained profits	238,406	31	-	238,437
Treasury share for ESOS scheme	(5,918)	-	-	(5,918)
Total equity	479,415	-	-	479,415
Total equity and liabilities	495,989	-	-	495,989

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51 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(ii) Presentation of interest for derivatives and other financial instruments measured at FVTPL

MFRS 9 introduced a consequential amendment to paragraph 82(a) of MFRS 101 'Presentation of Financial Statements', which is effective for accounting periods beginning on or after 1 January 2018. Under this amendment, interest revenue calculated using the effective interest method should be separately presented as a component of revenue on the face of the income statements.

The effective interest method does not apply to derivatives and other instruments measured at FVTPL. The interest arising on such instruments should not be included in the line item of 'interest income' (except for gains and losses arising from related hedging instruments that are accounted for as hedges under MFRS 9).

Accordingly, the Group has changed the classification of interest income for financial assets measured at FVTPL and derivative instruments from 'Interest income' to 'Interest income for financial assets at FVTPL' as reflected in Note 29b.

52 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were authorised for issue by the Board of Directors of the Company in accordance with a resolution of the Directors on 11 September 2019.

Statement by Directors
pursuant to Section 251(2) of the Companies Act, 2016

We, Peter Ho Kok Wai and Tan Kong Khoon, being two of the Directors of Hong Leong Capital Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 71 to 206 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2019 and financial performance of the Group and the Company for the financial year ended 30 June 2019, in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act, 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution dated 11 September 2019.

Peter Ho Kok Wai
Director

Tan Kong Khoon
Director

Kuala Lumpur
11 September 2019

Statutory Declaration
pursuant to Section 251(1) of the Companies Act, 2016

I, Lau Yew Sun, the officer primarily responsible for the financial management of Hong Leong Capital Berhad, do solemnly and sincerely declare that the financial statements set out on pages 71 to 206 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the above named Lau Yew Sun (MIA No. 8752)
Petaling Jaya in Selangor Darul Ehsan on
11 September 2019

Before me,

Commissioner for Oaths

Independent Auditors' Report

To The Members Of Hong Leong Capital Berhad
(Incorporated in Malaysia)
(Company No: 213006-U)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Hong Leong Capital Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 30 June 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 30 June 2019 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 71 to 206.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

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

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and of the Company. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters to report for the Group

Key audit matter	How our audit addressed the key audit matter
Recognition of deferred tax assets arising from unutilised tax credit Refer to Summary of Significant Accounting Policies for the financial year ended 30 June 2019 Note A, Note Q, Note 14 and Note 36 to the financial statements. The Group recognised deferred tax assets on unutilised tax credit to the extent that is probable that future taxable profit will be available against which tax credit can be utilised. Deferred tax assets of RM82.6 million as at 30 June 2019 arose mainly from unutilised tax credit of a banking subsidiary. Significant judgement is required to estimate the amount of deferred tax assets that could be recognised were dependant on the availability of future taxable profits. Future taxable profits which are subject to future events and economic conditions which are inherently uncertain. Therefore, the extent of judgement and the amount of the deferred tax assets recognised resulted in this matter being identified as an area of audit focus.	We performed the following audit procedures: • Obtained an understanding about the local tax developments, in particular those related to changes in the statutory income tax rate and of the statutes of limitation since these were key assumptions used in determining the amount of deferred tax assets recognised. • Checked the available tax credit to correspondence between the banking subsidiary and the Inland Revenue Board. • Checked the profit projection to the budgets approved by the Board of Directors. • Compared historical profits with the budget to assess the accuracy of forecasting. • Assessed the reasonableness of assumptions used by management in determining the amount of taxable profit.

There are no key audit matters to report for the Company.

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report and 2019 Annual Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Independent Auditors' Report

To The Members Of Hong Leong Capital Berhad
(Incorporated in Malaysia)
(Company No: 213006-U)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon (continued)

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

NG YEE LING
03032/01/2021 J
Chartered Accountant

Kuala Lumpur
11 September 2019

Notice of
Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twenty-eighth Annual General Meeting ("AGM") of Hong Leong Capital Berhad ("Company") will be held at the Auditorium, Ground Floor, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur on Thursday, 31 October 2019 at 10.30 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 2019.

2. To declare a final single-tier dividend of 22 sen per share for the financial year ended 30 June 2019 to be paid on 21 November 2019 to members registered in the Record of Depositors on 6 November 2019. (Resolution 1)

3. To approve the payment of Directors' Fees of RM382,798 for the financial year ended 30 June 2019 to be divided amongst the Directors in such manner as the Directors may determine and Directors' Other Benefits of up to an amount of RM30,000 from the 28th AGM to the 29th AGM of the Company. (Resolution 2)

4. To re-elect the following Directors pursuant to the Company's Constitution:

   (a) Ms Leong Ket Ti (Resolution 3)

   (b) Mr Peter Ho Kok Wai (Resolution 4)

   (c) Mr Tan Kong Khoon (Resolution 5)

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

SPECIAL BUSINESS

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

6. **Ordinary Resolution**
   Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Hong Leong Company (Malaysia) Berhad ("HLCM") 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), Part A of the Company's Circular to Shareholders dated 2 October 2019 ("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 the 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 340(2) of the Companies Act 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or

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

   whichever is the earlier;

   AND THAT the Directors of the Company be and are hereby authorised to complete and to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution." (Resolution 7)

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 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), Part A of the Company's Circular to Shareholders dated 2 October 2019 with Tower REIT provided that such transactions are undertaken in the ordinary course of business, on arm's length basis and on commercial terms which are not more favourable to Tower REIT than those generally available to and/or from the public and are not, in the Company's opinion, detrimental to the minority shareholders;

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

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

(b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or

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

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution." (Resolution 8)

8. **Special Resolution**
Proposed Adoption of New Constitution

"**THAT** the proposed Constitution as set out in Appendix IV of the Circular to Shareholders dated 2 October 2019, be approved and adopted as the new Constitution of the Company in substitution for and to the exclusion of the existing Constitution thereof;

AND THAT the Board of Directors be and is hereby authorised to assent to any modification, variation and/or amendment as may be required by any relevant authorities and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing." (Resolution 9)

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 6 November 2019 in respect of ordinary transfers; and

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

By Order of the Board

JACK LEE TIONG JIE
(MAICSA 7060133)
Company Secretary

Kuala Lumpur
2 October 2019

Notice of Annual General Meeting

NOTES:

1. For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 22 October 2019 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, participate, speak and vote in his stead. A proxy may but need not be a member of the Company. A member who is an authorised nominee may appoint not more than two (2) proxies in respect of each securities account it holds. A member who is an exempt authorised nominee for multiple beneficial owners in one securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.
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 30, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 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 Securities ("MMLR"), all the resolutions set out in this Notice will be put to a vote by way of a poll.

EXPLANATORY NOTES

1. **Resolution 2 on Directors' Fees and Other Benefits**
   - Directors' Fees of RM382,798 are inclusive of Board Committee fees of RM139,504 and Meeting Allowances of RM28,500.
   - Directors' Other Benefits refer to Directors' training benefits of up to an amount of RM30,000.

2. **Resolutions 7 and 8 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 Renewal of Shareholders' Mandate").

3. **Resolution 9 on Proposed Adoption of New Constitution**
   The proposed Special Resolution, if passed, will bring the Company's Constitution in line with the provisions of the Companies Act 2016 and the Main Market Listing Requirements of Bursa Securities as well as to enhance administrative efficiency ("Proposed Adoption of New Constitution").

   The proposed new Constitution of the Company is set out in Appendix IV of the Circular to Shareholders dated 2 October 2019 which is dispatched together with the Company's 2019 Annual Report.

Detailed information on the Proposed Renewal of Shareholders' Mandate and the Proposed Adoption of New Constitution is set out in the Circular to Shareholders dated 2 October 2019 which is dispatched together with the Company's 2019 Annual Report.

Statement Accompanying **Notice of Annual General Meeting**

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

- **Details of individuals who are standing for election as Directors**

  No individual is seeking election as a Director at the forthcoming Twenty-eighth Annual General Meeting of the Company.

Other
Information

1. MATERIAL CONTRACTS

There are no material contracts (not being contracts entered into in the ordinary course of business) which had been entered into by the Company and its subsidiaries involving the interest of Directors, chief executives and major shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year pursuant to Item 21, Part A, Appendix 9C of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2019

Total number of issued shares	:	246,896,668
Class of shares	:	Ordinary shares
Voting rights	:	1 vote for each share held

Distribution Schedule of Shareholders as at 30 August 2019

Size of Holdings	No. of Shareholders	%	No. of Shares	%
Less than 100	56	8.20	2,028	0.00
100 – 1,000	228	33.38	163,661	0.07
1,001 – 10,000	246	36.02	929,721	0.38
10,001 – 100,000	101	14.79	4,276,200	1.73
100,001 – less than 5% of issued shares	51	7.47	40,720,000	16.49
5% and above of issued shares	1	0.14	200,805,058	81.33
	683	100.00	246,896,668	100.00

List of Thirty Largest Shareholders as at 30 August 2019

	Name of Shareholders	No. of Shares	%
1.	Hong Leong Financial Group Berhad	200,805,058	81.33
2.	UOB Kay Hian Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Yu Kuan Chon	6,005,100	2.43
3.	MTrustee Berhad - Exempt AN for Hong Leong Capital Berhad (ESOS)	5,507,700	2.23
4.	Tong Chin Hen	2,863,500	1.16
5.	AllianceGroup Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Ho Swee Ming (7006659)	2,338,300	0.95
6.	Rapid Synergy Berhad	2,191,400	0.89
7.	Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lim Fung Neng	2,064,500	0.84
8.	AllianceGroup Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Ho Swee Ming	1,415,500	0.57
9.	Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Yu Kuan Chon	1,204,800	0.49
10.	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 2019 (CONTINUED)

List of Thirty Largest Shareholders as at 30 August 2019 (continued)

	Name of Shareholders	No. of Shares	%
11.	RHB Capital Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Chan Weng Fui (CEB)	1,018,900	0.41
12.	Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Ho Swee Ming	941,000	0.38
13.	Koh Liong Boon	931,500	0.38
14.	RHB Capital Nominees (Tempatan) Sdn Bhd - Yu Kuan Chon	870,000	0.35
15.	Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Chan Yan Meng	852,500	0.35
16.	Kenanga Nominees (Tempatan) Sdn Bhd - Ding Ming Hea	833,100	0.34
17.	Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Tan Kooi Ming @ Tam Kooi Ming	780,000	0.32
18.	RHB Capital Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Liew Kok Tze	776,000	0.31
19.	Ng Bing Tiam @ Goh Kee Sang	513,000	0.21
20.	Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lee Chun Weng	500,000	0.20
21.	AllianceGroup Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Chan Yan Meng (7006711)	483,500	0.20
22.	Yu Kuan Chon	476,000	0.19
23.	AllianceGroup Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Chan Weng Fui (7006455)	475,600	0.19
24.	AllianceGroup Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lim Fung Neng (8080723)	410,300	0.17
25.	Chan Weng Fui	381,400	0.15
26.	Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Ng Bing Tiam @ Goh Kee Sang	370,000	0.15
27.	AllianceGroup Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lim Leong Wouh (6000718)	364,200	0.15
28.	Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Hong Kee Kok	349,600	0.14
29.	HLB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Ho Swee Ming	340,600	0.14
30.	Yew Hock Ming	308,000	0.12
		237,390,658	96.15

Other Information

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2019 (CONTINUED)

Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 30 August 2019 are as follows:

	Direct Interest		Indirect Interest	
Names of Shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**
Hong Leong Financial Group Berhad	200,805,058	81.33	-	-
Tan Sri Quek Leng Chan	-	-	200,805,058[B]	81.33
Hong Leong Company (Malaysia) Berhad	-	-	200,805,058[A]	81.33
HL Holdings Sdn Bhd	-	-	200,805,058[B]	81.33
Kwek Holdings Pte Ltd	-	-	200,805,058[B]	81.33
Kwek Leng Beng	-	-	200,805,058[B]	81.33
Hong Realty (Private) Limited	-	-	200,805,058[B]	81.33
Hong Leong Investment Holdings Pte Ltd	-	-	200,805,058[B]	81.33
Davos Investment Holdings Private Limited	-	-	200,805,058[B]	81.33
Kwek Leng Kee	-	-	200,805,058[B]	81.33
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 2019

Subsequent to the financial year end, there is no change, as at 30 August 2019, to the Directors' interests in the ordinary shares, preference shares and/or options over ordinary shares of the Company and/or its related corporations (other than wholly-owned subsidiaries), appearing in the Directors' Report on page 68 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016.

4. LIST OF PROPERTIES

Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM '000)	Date of acquisition
51-53, Persiaran Greenhill, 30450, Ipoh, Perak	Freehold & leasehold - 999 years	Branch premises	4,793	25	1,771	31/12/1993

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FORM OF PROXY

HongLeong Capital Berhad
(213006-U)

I/We____

NRIC/Passport/Company No.___________________________

of ____

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

____

NRIC/Passport No.___________________________________

of____

____

or failing him/her___________________________________

NRIC/Passport No.___________________________________

of ____

____

or failing him/her, the Chairman of the meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Twenty-eighth Annual General Meeting of the Company to be held at the Auditorium, Ground Floor, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur on Thursday, 31 October 2019 at 10.30 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 22 sen per share		
2.	To approve the payment of Directors' Fees and Directors' Other Benefits		
3.	To re-elect Ms Leong Ket Ti as a Director		
4.	To re-elect Mr Peter Ho Kok Wai as a Director		
5.	To re-elect Mr Tan Kong Khoon as a Director		
6.	To re-appoint PricewaterhouseCoopers PLT as Auditors of the Company and to authorise the Directors to fix their remuneration		
	SPECIAL BUSINESS		
7.	To approve the ordinary resolution on the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Hong Leong Company (Malaysia) Berhad ("HLCM") and persons connected with HLCM		
8.	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		
9	To approve the special resolution on the Proposed Adoption of New Constitution		

Dated this_________day of_________2019

_____________________________ Number of shares held

_____________________________ Signature(s) of Member

Notes:-

1. *For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 22 October 2019 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.*
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, participate, speak and vote at the same meeting. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may not appoint more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. A member who is an exempt authorised nominee for multiple beneficial owners in one securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.*
6. *Where two (2) or more proxies are appointed, the proportions of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which the appointments shall be invalid (please see note 9 below).*
7. *In the case where a member is a corporation, this Form of Proxy must be executed under its Common Seal or under the hand of its Attorney.*
8. *All Forms of Proxy must be duly executed and deposited at the Registered Office of the Company at Level 30, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 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 a vote by way of a poll.*

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AFFIX
STAMP

The Company Secretary

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

Level 30, Menara Hong Leong
No. 6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Malaysia

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