Hong Leong Capital Berhad (213006-U)
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Hong Leong Capital Berhad (213006-U)

Annual Report 2013

Hong Leong Capital Berhad

Annual Report **2013**

Reaching out to you

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Corporate Section

Financial Section

RM2.9 bil

Total assets
(2012: RM2.6 bil)

RM190.7 mil

Revenue
(2012: RM136.9 mil)

RM67.9 mil

Profit before tax
(2012: RM51.9 mil)

RM90.2 mil

Profit attributable to owners of the parent
(2012: RM38.8 mil)

38.4 sen

Basic earnings per share
(2012: 16.5 sen)

INTRODUCTION

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

INTRODUCTION
(continued)

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

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

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

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

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

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of Hong Leong Capital Berhad ("HLCB" or "the Group") for the financial year ("FY") ended 30 June 2013.

CHAIRMAN'S STATEMENT
(continued)

OVERALL BUSINESS ENVIRONMENT

Despite a more challenging external environment, the Malaysian economy performed stronger in 2012, with real Gross Domestic Product ("GDP") expanding by 5.6% (2011: +5.1%). Domestic demand grew at the fastest pace over the decade, underpinned by robust consumption spending and investment expenditure catalysed by the implementation of the Economic Transformation Programme ("ETP").

In the first half of calendar year 2013, growth momentum moderated as weak commodity demand and prices weighed down the export sector. The Malaysian economy expanded by 4.1% year-on-year ("yoy") in the 1st quarter of calendar year 2013, supported mainly by resilient domestic demand that grew by 8.2% yoy during the quarter. For the second half of calendar year 2013, a mild growth recovery is envisaged as the drag from net exports diminishes while domestic demand sustains its impetus to growth. A full-year GDP growth of approximately 5% can be expected, driven by domestic sources of growth and reinforced by a resilient financial sector.

The FBM KLCI staged a strong performance during the financial year, closing at 1,774 as at 30 June 2013, up from 1,599 the last year. The inflow of foreign funds (a net buying of RM22.6 billion versus RM5.8 billion last year) contributed to the surge in the FBM KLCI. Reflecting the bullish undertone and net foreign buying, the average daily value transacted increased to RM1.75 billion, from RM1.6 billion.

The Securities Commission's ("SC") 2012 annual report showed that the Malaysian capital markets grew by 16.4% to RM2.47 trillion, with equity market capitalisation increasing by 14.1% to RM1.46 trillion, debt securities outstanding rising 19.8% to pass the RM1-trillion mark and the Islamic capital market growing 22.6% to RM1.41 trillion. Total funds raised were the highest on record at RM145.9 billion, of which RM123.8 billion was raised through bonds and sukuk, making the Malaysian market the fourth-most active in Asia for corporate issuance, with the bond market the third-largest in Asia relative to gross domestic product. The initial public offering (IPO) market, meanwhile, raised RM22.1 billion, making it the fifth-largest globally.

Riding on a more active capital market but in an intensely competitive operating environment, the capital market activities (debt and equity) undertaken by the investment banking arm of the Group under Hong Leong Investment Bank Berhad achieved a laudable performance for the fourth consecutive year since its inception in the second half of year 2009. This achievement is not only in the form of profitability but also market share in terms of league table recognition. This is in line with the division's business strategy to be a recognised niche player in the market by focusing on the offering of innovative and value-added financial solutions to our customers.

Demand for unit trust products has shown growth amidst competition with diverse wealth management offerings. The higher regulatory oversight on the asset management industry has helped to improve professionalism, offer more responsible product offerings as well as build trust in the unit trust industry. The funds under management by Hong Leong Asset Management grew from RM4.1 billion to RM6.4 billion, up 56% as at June 2013 (source: Lipper), making Hong Leong Asset Management the 6th largest private unit trust management company in the industry.

FINANCIAL PERFORMANCE

The Group recorded a profit before taxation of RM67.9 million for the financial year ended 30 June 2013 as compared to RM51.9 million in the previous corresponding year, an increase of RM16.0 million or 30.9% yoy.

The investment banking subsidiaries of the Group, namely Hong Leong Investment Bank Berhad (formerly known as MIMB Investment Bank Berhad) ("HLIB") and Promilia Berhad (formerly known as Hong Leong Investment Bank Berhad) (prior to merger with HLIB) recorded a profit before tax of RM73.0 million during the current reporting year compared to RM53.8 million last year. The higher profit was mainly contributed by the investment banking business division which achieved a better revenue of RM119.2 million (FY12: RM65.1 million) and a higher profit before tax of RM58.5 million (FY12: RM37.8 million).

The stockbroking business division of HLIB and Promilia recorded a revenue of RM56.6 million (FY12: RM52.7 million) and a profit before tax of RM14.5 million, a 9.8% decrease as compared to last year's profit before tax of RM16.1 million, due to lower brokerage income earned. Lower retail trades and volumes in Bursa Malaysia where HLIB's stockbroking business was centred, contributed to the decrease in brokerage income.

CHAIRMAN'S STATEMENT
(continued)

However, the impact from the drop in retail stockbroking business was partly countered by higher brokerage income generated from the institutional stockbroking business which has garnered more business volume from its major clients.

The Asset Management business registered a profit before taxation of RM1.5 million for the financial year as compared to a PBT of RM1.9 million in the previous financial year. These was mainly due to higher overheads incurred of RM2.8 million from non-recurring expenses, as well as lower other income of RM0.5 million. This was partially offset by higher management fee income of RM2.9 million.

Overall, earnings per share ("EPS") increased to 38.4 sen per share from 16.5 sen per share in the previous financial year. Besides the increase in pretax profit, the higher EPS was also due to recognition of deferred tax assets by HLIB in this financial year based on pre-tax cash flow projections for our 3 year financial budget.

As we continue to build our investment banking business, the Group has taken the decision to strengthen its capital base in anticipation of growth opportunities that may arise, and the challenges of operating in an increasingly stricter regulatory capital environment. Hence, no dividend had been recommended for the financial year 2013. HLIB's total capital ratio stands at a healthy 30.2% as at 30 June 2013.

CORPORATE DEVELOPMENTS

Malaysian Rating Corporation Berhad ("MARC") had reaffirmed the AA-/MARC-1 financial institution ratings of HLIB with a stable outlook in August 2013.

Despite the competitive operating environment, the investment banking division continued to demonstrate its capabilities in garnishing market share by achieving the following notable league table recognition:-

Bond Pricing Agency Malaysia Top Lead Arranger League Table

Full Year 2012	1H- Year 2013
• Ranked 4th for conventional PDS by issue size • Ranked 5th for conventional PDS by number of issues • Ranked 8th for Islamic PDS by number of issues • Ranked 5th for all PDS by issue size • Ranked 7th for all PDS by number of issues	• Ranked 2nd for conventional PDS by number of facilities issued • Ranked 4th for conventional PDS by issue size • Ranked 5th for conventional PDS by number of issues • Ranked 2nd for all PDS by number of facility issued • Ranked 6th for all PDS by issue size • Ranked 9th for all PDS by number of issues

International Financial Review Asia

Full Year 2012	1H- Year 2013
• Ranked 6th as top book runner for Malaysian Ringgit Bonds • Ranked 3rd as top book runner for Malaysian Ringgit Syndicated Loans	• Ranked 6th as top book runner for Malaysian Ringgit Bonds • Ranked 4th on Malaysian Global Equity & Equity Related Issues

Bloomberg

Full Year 2012	1H- Year 2013
• Ranked 6th on RM Debt Underwriter • Ranked 8th on RM Islamic Bonds Underwriter • Ranked 2nd on Malaysia Loans Book Runner • Ranked 7th on Malaysia Loans Mandated Arranger	• Ranked 6th on RM Debt Underwriter • Ranked 9th on RM Islamic Bonds Underwriter

CHAIRMAN'S STATEMENT
(continued)

RAM Top Lead Managers' League Table

Ranked 3rd by number of issues for year 2012.

For the financial year under review, the investment banking division had also won the following awards, which is in line with the division's business strategy to focus on innovative financial products and solutions to be a recognised niche player in the highly competitive market: -

- Alpha Southeast Asia Deals & Solutions Award – Best REIT Deal of South East Asia 2012;
- Alpha Southeast Asia Deals & Solutions Award – Most Innovative Deal in Southeast Asia 2012;
- RAM Award of Distinction 2012 – First Bond by an insurance company;
- RAM League Manager Award 2012 – 3rd Ranking by number of issues.

Another significant milestone achieved by HLIB was the winning of the Best Investment Bank in Malaysia for year 2013 awarded by World Finance, which was judged based on the following criteria: -

1) Customer service
2) Market share
3) Structured financial products
4) Ability to react to changing markets
5) Reaction to market cycle
6) Regulatory adherence
7) Ethical image
8) Control and auditing procedures

This is a significant win for HLIB given its short operating track record of just over 3 years, which had raised HLIB's profile domestically and internationally.

During the financial year, the Group had successfully integrated, streamlined the operations and rationalised the cost structure of its investment banking subsidiaries namely Hong Leong Investment Bank Berhad (formerly known as MIMB Investment Bank Berhad) ("HLIB") and Promilia Berhad (formerly known as Hong Leong Investment Bank Berhad) (prior to merger with HLIB).

OUTLOOK

HLIB's investments in its institutional business are starting to reap the fruits of our labour. Having strengthened and built on our existing investment banking business in the domestic market through integration and recognition by our clients and markets, HLIB is now ready to explore a regionalisation of its business, leveraging on the Hong Leong Group's presence in the South East Asia region.

Continuing efforts to enhance the efficiency of the Group's operations while developing human capital resources and the retention of talent will remain our top priority to keep ahead with the leaders in an intensely competitive industry.

ACKNOWLEDGEMENTS

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

QUEK LENG CHAN
Chairman
20 September 2013

CORPORATE SOCIAL RESPONSIBILITY

At Hong Leong Group ("HLG"), we believe that serving our communities is not only integral to running a business successfully; it is also part of our individual responsibilities as citizens of the world. We continue to support communities in ways that enhance the company's reputation with employees, customers, business partners and other stakeholders.

CORPORATE SOCIAL RESPONSIBILITY
(continued)

Guided by our company value of Social Responsibility, we are committed to meeting the highest standards of corporate citizenship. The Group aims to ensure the health and safety of our employees and all who are affected by our business operations. We are also committed to protecting the environment. We are committed as a company and as individuals to comply with the laws, respect the cultures, and to have a positive impact on the lives of the people in the communities where we conduct our businesses.

As the leading conglomerate and economic powerhouse in Malaysia, Hong Leong Group sees CSR beyond its core mission. The Group contributes significantly to the socio-economic development of the nation by promoting education, providing aid to marginalised communities, supporting and developing local talent, preserving the environment and practicing sustainable supply-chain in its operations.

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

WORKPLACE

HLG is committed to upholding the human rights of our employees and to treating them with dignity and respect. To maintain our market leadership in delivering innovative solutions ahead of the competitors, HLG consistently strives to create an inspiring and effective working environment.

HLG also aims to ensure that the health, safety, and welfare of our employees are well taken care of all the time. To honour this, we will always fully accept our responsibility towards employees who may be affected by our activities.

The Group identifies and hires local talent through our Graduate Development Programme – a programme in which we hire local fresh graduates to undergo a training program for 2 years. This programme aims to identify and develop young graduates into engineering talents to support the growth of the Group. It entails classroom training, on-the-job familiarisation, learning assignments as well as mentoring. For the non-executives, various in-house and external programmes were conducted to enhance their technical competencies as well as supervisory skills in order to develop a competent workforce that is knowledgeable and highly motivated.

Since its founding, HLG has demonstrated an on-going commitment to people and to fair employment practices. As HLG has grown and expanded throughout the region, its work force has become more diverse. HLG believes that this diverse work force helps the organisation realises its full potential. We benefit from the creativity and innovation that result from our people who have different experiences, perspectives and cultures working together.

This is what drives innovation and high performance at HLG as proven in its track record as well as numerous awards and accolades that the Group receives over the years. We believe that a well-managed, diverse work force expands the Group's base of knowledge, skills and cross-cultural understanding, which in turn, enables us to understand, relate and respond to our diverse and changing customers throughout the world, and connecting them to the power of technology. Our overall commitment is reflected in our diversity and inclusion philosophy.

Consistent with our Best Work Environment practices, we maintain a work environment free from discrimination, one where employees are treated with dignity, honour and respect. We also comply with all applicable international and local laws pertaining to non-discrimination and equal opportunity. This is evidenced by the diverse ethnic and social backgrounds of members, staff and clients. All job applicants, employees, members, and clients receive equal treatment regardless of race, religion, ethnic or national origins, sex, marital status, sexual orientation, disability or age.

ENVIRONMENT

The importance of the relationships between HLG's technology, our customers and their markets is reflected in our approach to the environment. HLG endeavours to identify and minimise the negative environmental impacts of our products and business activities, right from the top to downstream.

CORPORATE SOCIAL RESPONSIBILITY
(continued)

Our objective is to achieve high standards in environmental management and preservation, by examining our business and operations, and taking active steps to reduce environmental impact wherever possible. These include:

- minimising any adverse impact our activities may have on the environment
- minimising the consumption of resources wherever possible
- putting into consideration the environment when procuring goods and services
- promoting waste reduction, re-use and recovery
- fully complying with legislation and wherever possible exceed legislative requirements

We are passionate about the environment and committed to reducing the carbon footprint of our growing global business. We promote a culture of environmental awareness and engagement amongst our staff and our supply base.

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

Our commitment to the environment has guided us to continually strive to reduce our already minimised waste in all our manufacturing plants in Malaysia and elsewhere in the world, and offer more environmentally friendly and sustainable operations. Guided by our environmental principles, we consider the environment throughout all aspects of our business, from our supply chain, to delivery.

MARKETPLACE

For many years now, the Group has had in place internally generated best practices to ensure the economic sustainability of all its companies. Some of these best practices are:

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

HLG has a firm commitment to the highest standards of business ethics and integrity throughout our company. These standards are reflected in our associated policies, and wherever these polices require a higher standard than local practice or applicable laws, we adhere to the higher standards set in the HLG policies.

CORPORATE SOCIAL RESPONSIBILITY
(continued)

COMMUNITY

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

Incorporated in 1992, Hong Leong Foundation is a corporate foundation driven by the interest and passion of the Group. It is funded by contributions from Hong Leong Group Malaysia's (the "Group") companies and is thus effectively its charitable arm through which most of the Group's philanthropic activities are conducted. It has an annual budget of RM5 million and has the following programmes in place to address its primary concern – poverty in Malaysia:

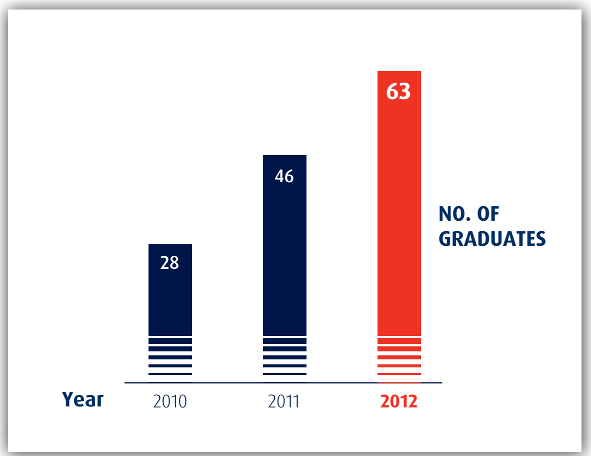
- Addressing Basic Needs – donations to provide adequate food and clean water, shelter, and clothing
- Towards Self Sufficiency:
  - Tertiary Scholarship Programme
  - After School Care Programme
- Building Infrastructure:
  - School Building Fund
  - Community Building Fund

The total funds disbursed in FY2012/13 were RM4.1 million benefiting 20 charity organisations. During the year, the Foundation awarded RM3.5 million in scholarships to benefit 67 high performing school leavers, all of whom are from financially-challenged families. Because gaps of opportunity exist along the entire spectrum of education development, the Foundation has set up a comprehensive programme to empower their scholars: enrichment camps and workshops, internships, mentorships, and other supports to help them excel in their formative years at university and beyond.

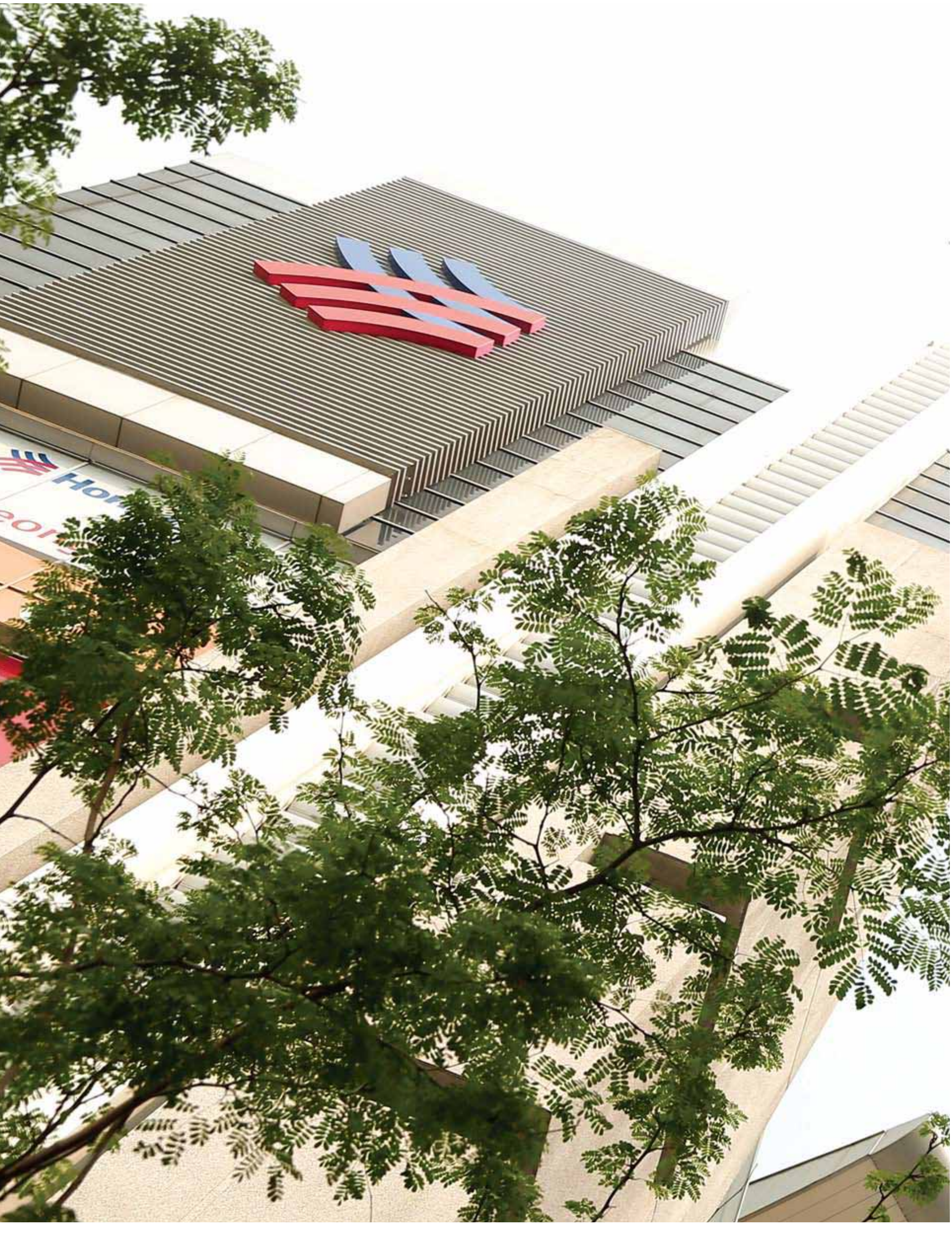
Since 1993, the Hong Leong Foundation has awarded more than RM22.6 million in scholarships to 1,126 scholars via its scholarship programmes for diplomas, degrees or vocational training.

Education Level	Hong Leong Foundation Scholarship		Hong Leong Group Scholarship Award	
	Scholarship Value	Number of Awards	Scholarship Value	Number of Awards
Undergraduate (3+0 Twinning Programme)	Up to RM24,000	13	Up to RM12,000 (including overseas courses)	4
Undergraduate (Local University)	RM8,500	49	RM7,000	9
Diploma (Local College/Institute)	RM6,000	5	RM4,000	7
Pre-University	Not Available	Not Available	RM1,500	9

HLF Scholarship Graduates by Year:



CORPORATE INFORMATION



CORPORATE INFORMATION
(continued)

DIRECTORS

YBhg Tan Sri Quek Leng Chan
(Chairman)

YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman

YBhg Dato' Ahmad Fuaad bin Mohd Dahalan

YBhg Dato' Mohamed Nazim bin Abdul Razak

Mr Choong Yee How

Mr Quek Kon Sean

GROUP COMPANY SECRETARY

Ms Christine Moh Suat Moi
MAICSA 7005095

AUDITORS

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

REGISTRAR

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18 Jalan Perak
50450 Kuala Lumpur
Tel : 03-2164 1818
Fax : 03-2164 3703

REGISTERED OFFICE

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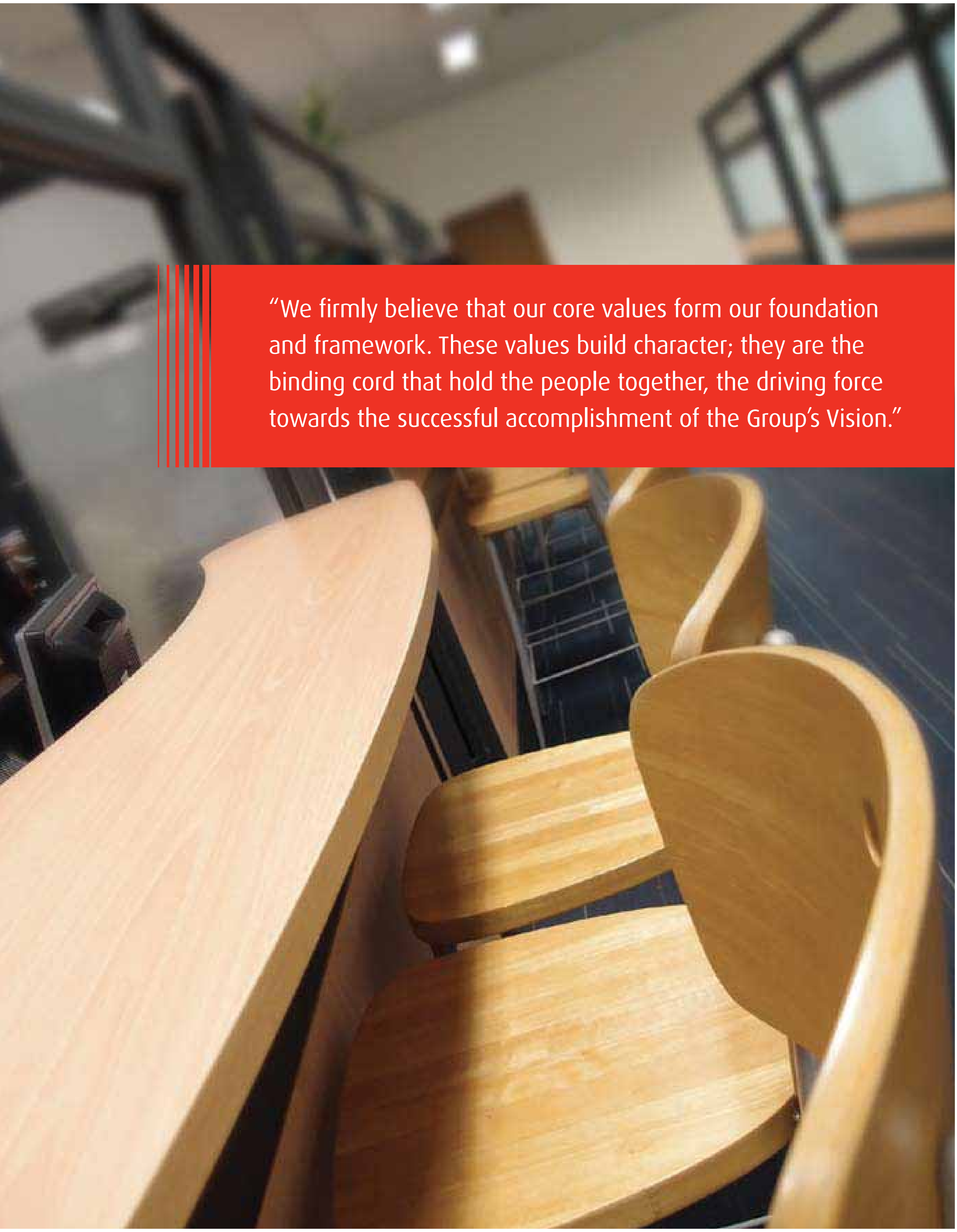
18 Jalan Perak
50450 Kuala Lumpur
Tel : 03-2164 8228
Fax : 03-2164 2503

WEBSITE

www.hlcap.com.my

BOARD OF DIRECTORS' PROFILE



"We firmly believe that our core values form our foundation and framework. These values build character; they are the binding cord that hold the people together, the driving force towards the successful accomplishment of the Group's Vision."

BOARD OF DIRECTORS' PROFILE
(continued)

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

Aged 70, YBhg Tan Sri Quek Leng Chan, a Malaysian, qualified as a Barrister-at-Law from Middle Temple, United Kingdom. He has extensive business experience in various business sectors, including financial services, manufacturing and real estate.

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

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

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

Aged 77, YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman, a Malaysian, was educated in England and was called to the English Bar at Middle Temple in 1964. He is a Consultant in a legal firm in Penang in which he was a Senior Partner from 1969 till June 2008. He was the Chairman of the Advocates and Solicitors Disciplinary Board from 2005 to 2013. He was in the Penang State Executive Council from 1974 to 1982 and has served on various statutory boards.

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

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

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

Aged 63, YBhg Dato' Ahmad Fuaad bin Mohd Dahalan, a Malaysian, holds a Bachelor of Arts (Hons) degree from the University of Malaya.

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

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

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

BOARD OF DIRECTORS' PROFILE
(continued)

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

Aged 51, YBhg Dato' Mohamed Nazim bin Abdul Razak, a Malaysian, an architect by profession, graduated from the Architectural Association, School of Architecture, London. He served with YRM Architects in London, a multi-disciplinary building design consultancy and has more than 20 years experience in the architectural field, 18 of which were in Kuala Lumpur. YBhg Dato' Mohamed Nazim is the Chief Executive Officer of NRY Architects Sdn Bhd.

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

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

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

Aged 57, Mr Choong Yee How, a Malaysian, obtained a Bachelor of Science in Biochemistry (Honours) degree in 1979 and a Master of Business Administration in 1981 from the University of Otago, New Zealand. Mr Choong has over 28 years of experience in banking, of which 23 years were with Citibank in Malaysia. Mr Choong started his career with Citibank Malaysia as a Management Associate and was promoted to assume various senior positions within the Citibank Group; the last being President and Chief Executive Officer of Citibank Savings Inc, Philippines. Mr Choong is currently the President & Chief Executive Officer of HLFG.

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

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

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

Aged 33, Mr Quek Kon Sean, a Malaysian, obtained a Bachelor of Science and Master of Science degrees in Economics from the London School of Economics and Political Science. In 2002, he joined Goldman Sachs International, London as an Analyst in the Investment Banking Division and in 2003 he joined HSBC, London in Debt Capital Markets. Mr Quek is currently the Executive Director of HLFG. Prior to joining HLFG, Mr Quek was a Management Executive of HL Management Co Sdn Bhd.

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

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

Notes:

1. ***Family Relationship with Director and/or Major Shareholder***
   Tan Sri Quek Leng Chan and Mr Quek Leng Chye, a deemed major shareholder of HLCB, are brothers. Tan Sri Quek Leng Chan is the father of Mr Quek Kon Sean. Save as disclosed herein, none of the Directors has any family relationship with any other Director and/or major shareholder of HLCB.

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

3. ***Conviction of Offences***
   None of the Directors has been convicted of any offences in the past 10 years.

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

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT

CONSTITUTION

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

COMPOSITION OF BARMC

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

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

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

SECRETARY

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

TERMS OF REFERENCE

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

AUTHORITY

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

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

MEETINGS

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

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT
(continued)

MEETINGS (continued)

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

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

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

ACTIVITIES

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

During the financial year ended 30 June 2013 ("FYE 2013"), four (4) BARMC meetings were held and the attendance of the BARMC members was as follows:

Member	Attendance
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman	4 of 4
YBhg Dato' Ahmad Fuaad bin Mohd Dahalan	4 of 4
YBhg Dato' Mohamed Nazim bin Abdul Razak	2 of 4

The BARMC reviewed the quarterly reports and annual financial statements of the Group. The BARMC met with the external auditors and discussed the nature and scope of the audit, considered any significant changes in accounting and auditing issues, reviewed the management letter and management's response, reviewed pertinent issues which had significant impact on the results of the Group and discussed applicable accounting and auditing standards. The BARMC also 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 reviewed the Internal Auditor's audit findings and recommendations.

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

The BARMC reviewed and verified that the allocation and vesting of the conditional incentive share options granted to the option holders pursuant to the Executive Share Option Scheme of the Company were in accordance with the performance criteria as approved by the Board.

The BARMC reviewed various related party transactions carried out by the Group.

INTERNAL AUDIT

The Group's Internal Audit function is carried out by the Group Internal Audit Division.

During the FYE 2013, the Group Internal Audit Division carried out its duties covering business audit, system and financial audit.

The cost incurred for the Internal Audit function in respect of the FYE 2013 was RM685,000.

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

CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL

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

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

A. ROLES AND RESPONSIBILITIES OF THE BOARD

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

The roles and responsibilities of the Board are set out in the Board Charter which is published on the Company's website, and broadly cover formulation of corporate policies and strategies; overseeing and evaluating the conduct of the Group's businesses; identifying principal risks and ensuring the implementation of appropriate systems to manage those risks; and reviewing and approving key matters such as financial results, investments and divestments, acquisitions and disposals and major capital expenditure.

The Chairman ensures the smooth and effective functioning of the Board.

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

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

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

B. BOARD COMPOSITION

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

The Company adheres to Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa") in determining its Board composition. The Board shall determine the appropriate size of the board to enable an efficient and effective conduct of Board deliberation. The Board shall have a balance of skills and experience commensurate with the complexity, size, scope and operations of the Company. Board members should have the ability to commit time and effort to carry out duties and responsibilities effectively.

CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL
(continued)

B. BOARD COMPOSITION (continued)

The Board recognises the merits of Board diversity in adding value to collective skills, perspectives and strengths to the Board. The Board will consider appropriate targets in Board diversity including gender balance on the Board and will take the necessary measures to meet these targets from time to time as appropriate.

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

C. BOARD COMMITTEES

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

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

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

(b) Nominating Committee ("NC")

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

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

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

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

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

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

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

- Recommend to the Board the minimum requirements for appointments to the Board, Board committees and for the position of Chief Executive Officer.
- Review and recommend to the Board all Board appointments and re-appointments and removals including of the Chief Executive Officer.
- Review annually the overall composition of the Board in terms of the appropriate size and skills, the balance between executive directors, non-executive and independent directors, and mix of skills and other core competencies required.
- Assess annually the effectiveness of the Board and key senior management officers as a whole and the contribution by each individual director to the effectiveness of the Board and various Board committees based on criteria approved by the Board.

CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL
(continued)

C. BOARD COMMITTEES (continued)

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

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

- Oversee the appointment, management succession planning and performance evaluation of key senior management officers and recommend their removal if they are found ineffective, errant and negligent in discharging their responsibilities.

- Ensure that the Board receives an appropriate continuous training programme.

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

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

A formal evaluation process has been put in place to assess the effectiveness of the Board as a whole, the Board committees and the contribution and performance of each individual director.

Having reviewed the assessments in respect of the financial year ended 30 June 2013 ("FYE 2013"), the NC is satisfied that the Board as a whole, Board committees and individual directors have effectively discharged their duties and responsibilities, and are suitably qualified to hold their positions.

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

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

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

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

During the FYE 2013, one (1) NC meeting was held and the attendance of the NC members was as follows:

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

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

CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL
(continued)

C. BOARD COMMITTEES (continued)

(c) Remuneration Committee ("RC")

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

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

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

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

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

- Recommend to the Board the framework governing the remuneration of the:
  - Directors;
  - Chief Executive Officer; and
  - Key senior management officers.

- Review and recommend to the Board the specific remuneration packages of executive directors and the Chief Executive Officer.

- Review the remuneration packages of key senior management officers.

During the FYE 2013, one (1) RC meeting was held and the attendance of the RC members was as follows:

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

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

The level of remuneration of non-executive directors reflects the level of responsibilities undertaken by them.

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

CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL
(continued)

C. BOARD COMMITTEES (continued)

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

The aggregate remuneration of directors (including remuneration earned as directors of subsidiaries) for the FYE 2013 is as follows:

	Fees (RM)	Salaries & Other Emoluments (RM)	Total (RM)
Executive Directors	-	-	-
Non-Executive Directors	250,000	124,918	374,918

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

Range of Remuneration (RM)	Executive	Non-Executive
50,001 – 100,000	-	2
150,001 – 200,000	-	1

D. INDEPENDENCE

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

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

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

E. COMMITMENT

The directors are aware of their responsibilities and will devote sufficient time to carry out such responsibilities. In line with the MMLR, directors are required to comply with the restrictions on the number of directorships in public listed companies. Directors provide notifications to the Board for acceptance of any new Board appointments. This ensures that their commitment, resources and time are focused on the affairs on the Company to enable them to discharge their duties effectively. Board meetings are scheduled a year ahead in order to enable full attendance at Board meetings. Directors are required to attend at least 50% of Board Meetings held in each financial year pursuant to the MMLR.

The Board is supported by a qualified and competent Company Secretary.

CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL

(continued)

E. COMMITMENT (continued)

All directors have access to the advice and services of the Company Secretary and internal auditors. All directors also have access to independent professional advice at the Company's expense, in consultation with the Chairman of the Company.

The Board met six (6) times during FYE 2013 with timely notices of issues to be discussed. Details of attendance of each director are as follows:-

Director	Attendance
YBhg Tan Sri Quek Leng Chan	6/6
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman	5/6
YBhg Dato' Ahmad Fuaad bin Mohd Dahalan	6/6
YBhg Dato' Mohamed Nazim bin Abdul Razak	6/6
Mr Choong Yee How	6/6
Mr Quek Kon Sean	6/6

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

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

The Company is guided by a Directors' Training Policy, which covers an Induction Programme for newly appointed directors to assist them to familiarise and to get acquainted with the Company's business, governance process, roles and responsibilities as director of the Company and continuing professional development which encompasses areas related to the industry or business of the Company, governance, risk management and regulations through a combination of courses and conferences.

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

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

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

During the FYE 2013, the directors received regular briefings and updates on the Group's businesses, operations, risk management, internal controls, corporate governance, finance and any changes relevant legislation, rules and regulations from in-house professionals. The Company also organised in-house programmes for its directors and senior management.

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

During the FYE 2013, the directors of the Company, collectively or on their own, attended various training programmes, seminars, briefings and/or workshops including:

- BNM – Financial Institutions Directors' Education ("FIDE") Core Programme
- Financial Services Act and Islamic Financial Services Act
- Enterprise Risk Management
- Internal Capital Adequacy Assessment Process (ICAAP) Workshop
- The 10th Islamic Financial Services Board Summit 2013 – The Future of the Islamic Financial Services Industry – Resilience, Stability and Inclusive Growth
- Bursa - Board Governance Programme: Nominating Committee

CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL
(continued)

F. ACCOUNTABILITY AND AUDIT

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

I Financial Reporting

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

II Internal Control

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

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

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

III Relationship with Auditors

The appointment of external auditors is recommended by the BARMC, which determines the remuneration of the external auditors. The BARMC reviews the suitability and independence of the external auditors annually.

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

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

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

G. DISCLOSURE

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

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

H. SHAREHOLDERS

I Dialogue between Companies and Investors

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

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

CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL
(continued)

H. SHAREHOLDERS (continued)

I Dialogue between Companies and Investors (continued)

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

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

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

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

Queries may be conveyed to the Group Financial Controller at:

Tel No	:	03-2176 2611
Fax No	:	03-2161 2815
e-mail address	:	YSLau@hlgs.hongleong.com.my

II AGM

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

I. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

I The Responsibilities of the Board

The Board recognises the practice of good governance is an important continuous process and has established the BARMC to ensure maintenance of a sound system of internal controls and good risk management practices. The processes for risks and controls assessment and improvement are on-going continuously and are reviewed in accordance with the guidelines on the Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers.

The Board acknowledges its overall responsibility for the risk management and internal control environment and its effectiveness in safeguarding shareholders' interests and the Group's assets. The risk management and internal control framework is designed to manage rather than eliminate the risk of failure in the achievement of goals and objectives of the Group, and therefore only provide reasonable assurance and not absolute assurance, against material misstatements, losses or frauds.

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

The Board has received assurance from the Group Chief Operating Officer and Group Financial Controller that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.

Based on the outcome of these reviews as well as the assurance it has received from management, the Board is of the view that the Group's risk management and internal control system is operating adequately and effectively for the financial year under review and up to the date of approval of this report.

CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL

(continued)

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

II Key Risk Management and Internal Control Processes

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

a. *Risk Management Framework*

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

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

These processes have been in place throughout the FYE 2013 and have continued up to the date this statement was approved.

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

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

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

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

b. *Internal Control Review and Regulatory Compliance Procedures*

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

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

CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL

(continued)

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

II Key Internal Control Processes

c. Compliance

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

d. Other Major Internal Controls

- The Board receives and reviews reports from the management on the key operating statistics, business dynamics, legal matters and regulatory issues.
- The BARMC reviews and holds discussions with management on the actions taken on internal control issues identified in reports prepared by the GIAD, external auditors and regulatory authorities.
- Policies on delegation and authority limits are strictly imposed to ensure a culture that respects integrity and honesty.
- Policies and procedures are set out in operation manuals and disseminated for easy reference and in support of a learning environment.

J. DIRECTORS' RESPONSIBILITY IN FINANCIAL REPORTING

The MMLR require the directors to prepare financial statements for each financial year which give a true and fair view of the financial position of the Group and of the Company as at the end of the financial year and of its financial performance and cash 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 2013, the Group has used the appropriate accounting policies and applied them consistently. The directors are also of the view that relevant approved accounting standards have been followed in the preparation of these financial statements.

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

DIRECTORS' REPORT
for the financial year ended 30 June 2013

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 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

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

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

FINANCIAL RESULTS

	The Group	The Company
	RM'000	RM'000
Net profit for the financial year	90,221	176,621

DIVIDENDS

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

The Directors do not recommend the payment of any final dividend for the financial year ended 30 June 2013.

BUSINESS STRATEGY FOR THE CURRENT FINANCIAL YEAR

The business strategy for the current financial year is disclosed in the annual report.

OUTLOOK AND BUSINESS PLAN FOR THE COMING FINANCIAL YEAR

The outlook and business plan for the coming financial year are disclosed in the annual report.

CORPORATE GOVERNANCE

Disclosures on:

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

The above are disclosed in the annual report.

DIRECTORS' REPORT
for the financial year ended 30 June 2013
(continued)

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 43 to the financial statements.

SIGNIFICANT EVENT AFTER THE FINANCIAL YEAR

Significant event after the financial year is disclosed in Note 44 to the financial statements.

RESERVES AND PROVISIONS

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

DIRECTORS

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

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

STATEMENTS OF DIRECTORS' RESPONSIBILITY

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

It is the responsibility of the Directors to ensure that the financial statements of the Group and of the Company present a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2013 and of the results and cash flows of the Group and of the Company for financial year ended on that date.

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

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

The Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965 is set out on page 159.

DIRECTORS' REPORT
for the financial year ended 30 June 2013
(continued)

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year who had beneficial interests in the ordinary shares and/or preference shares and/or convertible bonds and/or options over ordinary shares of the Company and/or its related corporations during the financial year ended 30 June 2013, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 are as follows:

	Shareholdings in which Directors have direct interests Number of ordinary shares/preference shares/*shares issued or to be issued or acquired arising from the exercise of options/convertible bonds				
	Nominal value per share RM	As at 01.07.2012	Acquired	(Sold)	As at 30.06.2013
Interests of YBhg Tan Sri Quek Leng Chan in:					
Hong Leong Company (Malaysia) Berhad	1.00	390,000	-	-	390,000
Hong Leong Financial Group Berhad	1.00	4,989,600	-	-	4,989,600
Narra Industries Berhad	1.00	8,150,200	-	-	8,150,200
Guoco Group Limited	USD0.50	1,056,325	-	-	1,056,325
GuocoLand Limited	(1)	13,333,333	-	-	13,333,333
GuocoLand (Malaysia) Berhad	0.50	19,506,780	-	-	19,506,780
GuocoLeisure Limited	USD0.20	735,000	-	-	735,000
Interests of YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman in:					
Hong Leong Financial Group Berhad	1.00	5,544,000	-	-	5,544,000
Hong Leong Bank Berhad	1.00	400,000	-	-	400,000
Hong Leong Industries Berhad	0.50	52,800	-	-	52,800
Malaysian Pacific Industries Berhad	0.50	20,800	-	-	20,800
Interest of Mr Choong Yee How in:					
Hong Leong Financial Group Berhad	1.00	2,992,000	1,792,000 (8)	-	4,784,000
		6,188,000 *	-	(1,792,000) (8)	4,396,000 *
Interest of Mr Quek Kon Sean in:					
Hong Leong Financial Group Berhad	1.00	935,000	560,000 (8)	-	1,495,000
		2,640,000 *	-	(560,000) (8)	2,080,000 *

DIRECTORS' REPORT
for the financial year ended 30 June 2013
(continued)

DIRECTORS' INTERESTS (continued)

	Shareholdings in which Directors have indirect interests Number of ordinary shares/preference shares/*shares issued or to be issued or acquired arising from the exercise of options/convertible bonds				
	Nominal value per share RM	As at 01.07.2012	Acquired	(Sold)	As at 30.06.2013
Interests of YBhg Tan Sri Quek Leng Chan in:					
Hong Leong Company (Malaysia) Berhad	1.00	13,069,100	-	-	13,069,100
Hong Leong Financial Group Berhad	1.00	824,437,300	-	-	824,437,300
Hong Leong Capital Berhad	1.00	195,263,227	5,541,831 (9)	-	200,805,058
Hong Leong Bank Berhad	1.00	1,163,983,985	-	(3,364,700)	1,160,619,285
Hong Leong MSIG Takaful Berhad	1.00	65,000,000	-	-	65,000,000
Hong Leong Assurance Berhad	1.00	140,000,000	-	-	140,000,000
Hong Leong Industries Berhad	0.50	246,136,603 (6)	-	-	246,136,603 (6)
Hong Leong Yamaha Motor Sdn Bhd	1.00	17,352,872	-	-	17,352,872
	1.00	6,941 (7)	-	-	6,941 (7)
Guocera Tile Industries (Meru) Sdn Bhd	1.00	19,600,000	-	-	19,600,000
Hong Leong Maruken Sdn Bhd (In members' voluntary liquidation)	1.00	1,750,000	-	-	1,750,000
Century Touch Sdn Bhd (In members' voluntary liquidation)	1.00	6,545,001	-	-	6,545,001
Varinet Sdn Bhd (In members' voluntary liquidation)	1.00	10,560,627	-	-	10,560,627
RZA Logistics Sdn Bhd (In members' voluntary liquidation)	1.00	7,934,247	-	-	7,934,247
Guocera Tile Industries (Vietnam) Co., Ltd	(5)	5,286,500	-	(5,286,500)	-
Malaysian Pacific Industries Berhad	0.50	110,245,457 (6)	-	(2,463,100)	107,782,357 (6)
Carter Realty Sdn Bhd	1.00	7	-	-	7
Carsem (M) Sdn Bhd	1.00	84,000,000	-	-	84,000,000
	100.00	22,400 (7)	-	-	22,400 (7)
Narra Industries Berhad	1.00	38,314,000	-	-	38,314,000
Guoco Group Limited	USD0.50	235,948,529	8,467,401 (12)	-	244,415,930
GuocoLand Limited	(1)	819,244,363 (6)	-	-	819,244,363 (6)
Southern Steel Berhad	1.00	301,541,202	-	-	301,541,202

DIRECTORS' REPORT
for the financial year ended 30 June 2013
(continued)

DIRECTORS' INTERESTS (continued)

	Shareholdings in which Directors have indirect interests Number of ordinary shares/preference shares/*shares issued or to be issued or acquired arising from the exercise of options/convertible bonds				
	Nominal value per share RM	As at 01.07.2012	Acquired	(Sold)	As at 30.06.2013
Interests of YBhg Tan Sri Quek Leng Chan in: (continued)					
Southern Pipe Industry (Malaysia) Sdn Bhd	1.00	54,383,093	64,439,860 (13)	-	118,822,953
	1.00	100,000 (14)	-	(50,000) (15)	50,000 (14)
Belmeth Pte Ltd	(1)	40,000,000	-	-	40,000,000
Guston Pte Ltd	(1)	8,000,000	-	-	8,000,000
Perfect Eagle Pte. Ltd.	(1)	24,000,000	-	-	24,000,000
First Garden Development Pte Ltd	(1)	63,000,000	-	-	63,000,000
Sanctuary Land Pte Ltd	(1)	90,000	-	-	90,000
Beijing Minghua Property Development Co., Ltd (In members' voluntary liquidation)	(2)	150,000,000	-	-	150,000,000
Nanjing Mahui Property Development Co., Ltd	(2)	271,499,800	-	-	271,499,800
Nanjing Xinhaoning Property Development Co., Ltd	(3)	11,800,800	86,209,200	-	98,010,000
Nanjing Xinhaoxuan Property Development Co., Ltd	(3)	11,800,800	-	-	11,800,800
Shanghai Xinhaojia Property Development Co., Ltd	(2)	3,150,000,000	-	-	3,150,000,000
Shanghai Xinhaozhong Property Development Co., Ltd	(3)	19,600,000	-	-	19,600,000
Beijing Cheng Jian Dong Hua Real Estate Development Company Limited	(2)	50,000,000	-	-	50,000,000
Lam Soon (Hong Kong) Limited	HKD1.00	140,008,659	-	-	140,008,659
Kwok Wah Hong Flour Company Limited	HKD100.00	9,800	-	-	9,800
Guangzhou Lam Soon Food Products Limited	(4)	6,570,000	-	-	6,570,000
GuocoLand (Malaysia) Berhad	0.50	456,055,616	-	-	456,055,616
Guoman Hotel & Resort Holdings Sdn Bhd	1.00	277,000,000	-	-	277,000,000
JB Parade Sdn Bhd	1.00	28,000,000	-	-	28,000,000
	0.01	68,594,000 (7)	-	-	68,594,000 (7)

DIRECTORS' REPORT
for the financial year ended 30 June 2013
(continued)

DIRECTORS' INTERESTS (continued)

	Shareholdings in which Directors have indirect interests Number of ordinary shares/preference shares/*shares issued or to be issued or acquired arising from the exercise of options/convertible bonds				
	Nominal value per share RM	**As at 01.07.2012**	**Acquired**	**(Sold)**	**As at 30.06.2013**
Interests of YBhg Tan Sri Quek Leng Chan in: (continued)					
GuocoLeisure Limited	USD0.20	921,840,425	1,415,000	-	923,255,425
The Rank Group Plc	GBP13 8/9p	291,046,540	-	-	291,046,540
Park House Hotel Limited (In members' voluntary liquidation)	GBP10p	2,883,440	-	(2,883,440) (16)	-
Interests of YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman in:					
Hong Leong Financial Group Berhad	1.00	3,600 (11)	-	-	3,600 (11)
Hong Leong Capital Berhad	1.00	100,000 (11)	-	(100,000) (10)	-
Interests of Mr Quek Kon Sean in:					
Hong Leong Industries Berhad	0.50	750,000	-	-	750,000
Malaysian Pacific Industries Berhad	0.50	281,250	-	-	281,250

Legend:

(1) Concept of par value was abolished with effect from 30 January 2006 pursuant to the Singapore Companies (Amendment) Act, 2005
(2) Capital contribution in RMB
(3) Capital contribution in USD
(4) Capital contribution in HKD
(5) Capital contribution in VND
(6) Inclusive of interest pursuant to Section 134(12)(c) of the Companies Act, 1965 in shares held by family member
(7) Redeemable Preference Shares
(8) Exercise of share options
(9) Acceptances received pursuant to the voluntary take-over offer
(10) Acceptance of voluntary take-over offer
(11) Interest pursuant to Section 134(12)(c) of the Companies Act, 1965 in shares held by family member
(12) Inclusive of acceptances received pursuant to the unconditional cash offer
(13) Acceptance of rights issue
(14) Redeemable Convertible Cumulative Preference Shares ("RCCPS")
(15) Redemption of RCCPS
(16) Dissolved during the financial year

DIRECTORS' REPORT
for the financial year ended 30 June 2013
(continued)

DIRECTORS' BENEFITS

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

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

EXECUTIVE SHARE OPTION SCHEME

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

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

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

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

1. Eligible executives are those executives of the Group who have been confirmed in service on the date of offer or Directors (executive or non-executive) of the Company and its subsidiaries. The maximum allowable allotments for the full time Executive Directors had been approved by the shareholders of the Company in a general meeting. The Board may from time to time at its discretion select and identify suitable eligible executives to be offered options.

2. The aggregate number of shares to be issued under the ESOS shall not exceed 15% of the issued and paid-up ordinary share capital of the Company for the time being ("Aggregate Maximum Allocation")

3. The Scheme shall be in force for a period of ten (10) years from 23 January 2006.

4. The option price shall not be at a discount of more than ten percent (10%) (or such discount as the relevant authorities shall permit) from the 5-day weighted average market price of the shares of the Company preceding the date of offer and shall in no event be less than the par value of the shares of the Company.

5. The option granted to an option holder under the ESOS is exercisable by the option holder only during his employment with the Group and within the option exercise period subject to any maximum limit as may be determined by the Board under the Bye-Laws of the ESOS.

6. The exercise of the options may, at the absolute discretion of the Board of Directors of the Company, be satisfied by way of issuance of new shares; transfer of existing shares purchased by a trust established for the ESOS; or a combination of both new shares and existing shares.

Pursuant to this, a trust has been set up for the ESOS and it is administered by an appointed trustee. This trustee will be entitled from time to time to accept financial assistance from the Company upon such terms and conditions as the Company and the trustee may agree to purchase the Company's shares from the open market for the purposes of this trust. In accordance with MFRS 132, the shares purchased for the benefit of the ESOS holdings are recorded as "Treasury Shares for ESOS Scheme" in equity on the statements of financial position. The cost of operating the ESOS scheme is charged to the statement of income.

DIRECTORS' REPORT
for the financial year ended 30 June 2013
(continued)

EXECUTIVE SHARE OPTION SCHEME (continued)

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

The Company had granted 2,300,000 share options at an exercise price of RM1.20 during the financial year to eligible executives of the Company pursuant to the ESOS of the Company.

As at 30 June 2013, a total of 6,775,000 options have been granted under the ESOS, out of which 2,510,000 options have been exercised, with 3,710,000 options remaining outstanding. The aggregate options granted to directors and chief executives of the HLCB Group under the ESOS amounted to 3,500,000, out of which 1,450,000 options have been exercised, with 2,050,000 options outstanding.

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

As at 30 June 2013, the actual percentage of options granted to directors and senior management of the HLCB Group under the ESOS was 2.99% of the issued and paid up ordinary share capital of the Company, and the actual percentage granted to the directors and senior management of the HLCB Group during the financial year ended 30 June 2013 was 0.81% of the issued and paid up ordinary share capital of the Company.

SHARE CAPITAL

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

STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(a) As at the end of the financial year

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

- to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- to ensure that any current assets, other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

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

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

- which would render the amount written off for bad debts or the amount of the allowance for doubtful debts inadequate to any material extent; or
- which would render the values attributed to current assets in the financial statements misleading; or
- which had arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

(ii) In the opinion of the Directors:

- the results of the operations of the Group and the Company for the financial year ended 30 June 2013 are not likely to be substantially affected by any item, transaction or event of a material and unusual nature.
- there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, to affect substantially the results of the operation of the Group or the Company for the financial year in which this report is made; and
- no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and the Company to meet their obligations as and when they fall due.

DIRECTORS' REPORT
for the financial year ended 30 June 2013
(continued)

STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (continued)

(c) As at the date of this report

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

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

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

HOLDING AND ULTIMATE HOLDING COMPANIES

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

AUDITORS

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

Signed on behalf of the Board of Directors in accordance with their resolution.

Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman
Director

Choong Yee How
Director

Kuala Lumpur
18 September 2013

STATEMENTS OF FINANCIAL POSITION
as at 30 June 2013

		The Group			The Company		
	Note	As At 30.06.2013 RM'000	As At 30.06.2012 RM'000	As At 01.07.2011 RM'000	As At 30.06.2013 RM'000	As At 30.06.2012 RM'000	As At 01.07.2011 RM'000
Assets							
Cash and short-term funds	2	**665,574**	503,776	473,704	**77,386**	2,297	10,157
Clients' and brokers' balances	3	**150,509**	175,875	169,726	**-**	-	-
Reverse repurchase agreements		**274,388**	-	159,684	**-**	-	-
Deposits and placements with banks and other financial institutions	4	**325,561**	92,167	60,125	**360**	-	-
Financial assets held-for-trading	5	**660,864**	705,692	430,746	**414**	409	477
Financial investments available-for-sale	6	**265,333**	348,185	135,081	**-**	-	-
Financial investments held-to-maturity	7	**253,911**	272,855	52,077	**-**	-	-
Loans and advances	8	**174,184**	256,578	108,996	**-**	-	-
Other assets	9	**12,855**	78,311	66,374	**14**	19,046	110
Derivative financial assets	19	**28,785**	25,666	5,574	**-**	-	-
Statutory deposits with Bank Negara Malaysia	10	**24,500**	19,550	17,800	**-**	-	-
Tax recoverable		**1,464**	928	605	**1,365**	893	1,306
Deferred tax assets	11	**56,322**	35,226	42,151	**-**	-	-
Investment in subsidiary companies	12	**-**	-	-	**372,659**	402,474	268,189
Property and equipment	13	**6,888**	8,106	8,354	**-**	-	-
Intangible assets - computer software	14	**1,070**	1,135	1,094	**-**	-	-
Goodwill	15	**33,059**	33,059	33,059	**-**	-	-
Total assets		**2,935,267**	2,557,109	1,765,150	**452,198**	425,119	280,239
Liabilities							
Clients' and brokers' balances		**140,353**	138,491	177,768	**-**	-	-
Deposits from customers	16	**470,169**	633,625	395,243	**-**	-	-
Deposits and placements of banks and other financial institutions	17	**1,542,975**	973,644	747,999	**-**	-	-
Repurchased agreements		**177,033**	115,167	-	**-**	-	-
Other liabilities	18	**89,664**	84,966	77,505	**1,887**	2,359	601
Derivative financial liabilities	19	**32,773**	49,229	5,345	**12,156**	-	-
Current tax liabilities		**735**	994	417	**-**	-	-
Deferred tax liabilities	11	**-**	2,943	-	**-**	-	-
Borrowings	20	**-**	165,051	20,075	**-**	165,051	20,075
Total liabilities		**2,453,702**	2,164,110	1,424,352	**14,043**	167,410	20,676
Equity							
Share capital	21	**246,896**	246,896	246,896	**246,896**	246,896	246,896
Reserves	22	**245,175**	159,306	107,105	**200,637**	24,016	25,870
Treasury shares for ESOS scheme	23	**(10,506)**	(13,203)	(13,203)	**(9,378)**	(13,203)	(13,203)
Total equity		**481,565**	392,999	340,798	**438,155**	257,709	259,563
Total equity and liabilities		**2,935,267**	2,557,109	1,765,150	**452,198**	425,119	280,239
Commitments and contingencies	34	**6,178,687**	6,793,260	4,359,314	**2,858**	-	-

INCOME STATEMENTS
for the financial year ended 30 June 2013

		The Group		The Company	
	Note	30.06.2013 RM'000	30.06.2012 RM'000	30.06.2013 RM'000	30.06.2012 RM'000
Interest income	24	**79,776**	71,422	**1,063**	356
Interest expense	25	**(49,401)**	(51,836)	**(5,187)**	(1,351)
Net interest income/(expense)		**30,375**	19,586	**(4,124)**	(995)
Non-interest income	26	**160,292**	117,358	**193,005**	2,416
		190,667	136,944	**188,881**	1,421
Overhead expenses	27	**(120,730)**	(90,101)	**(1,852)**	(3,220)
Operating profit/(loss) before allowances		**69,937**	46,843	**187,029**	(1,799)
(Allowance)/writeback of impairment losses on loans and advances and other losses	28	**(245)**	5,056	**(40)**	-
Impairment losses on securities	29	**(1,759)**	-	**-**	-
Profit/(loss) before taxation		**67,933**	51,899	**186,989**	(1,799)
Taxation	31	**22,288**	(13,122)	**(10,368)**	(55)
Net profit/(loss) for the financial year		**90,221**	38,777	**176,621**	(1,854)
Earnings per share (sen)					
- Basic	32	**38.4**	16.5		
- Diluted	32	**38.4**	16.5		

STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 30 June 2013

		The Group		The Company	
	Note	30.06.2013 RM'000	30.06.2012 RM'000	30.06.2013 RM'000	30.06.2012 RM'000
Net profit/(loss) for the financial year		**90,221**	38,777	**176,621**	(1,854)
Other comprehensive income/(expenses):					
Net fair value changes on financial investments available-for-sale		**(7,148)**	8,720	-	-
Income tax relating to net fair value changes on financial investments available-for-sale	11	**1,787**	(2,181)	-	-
Currency translation differences in respect of foreign operation		**(2)**	14	-	-
Other comprehensive income for the financial year, net of tax		**(5,363)**	6,553	-	-
Total comprehensive income/(expense) for the financial year		**84,858**	45,330	176,621	(1,854)

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 30 June 2013

		Attributable to owners of the parent								
The Group	**Note**	**Share capital RM'000**	**Treasury shares for ESOS scheme RM'000**	**Statutory reserve RM'000**	**Share options reserve RM'000**	**Fair value reserve RM'000**	**General reserve RM'000**	**Exchange fluctuation reserve RM'000**	**Retained profits RM'000**	**Total RM'000**
At 1 July 2012										
- as previously reported		**246,896**	**(13,203)**	**47,352**	**884**	**356**	**543**	**14**	**101,608**	**384,450**
- effects of adopting MFRS 1 and full adoption of MFRS 139		**-**	**-**	**-**	**-**	**5,961**	**-**	**-**	**2,588**	**8,549**
At 1 July 2012, as restated		**246,896**	**(13,203)**	**47,352**	**884**	**6,317**	**543**	**14**	**104,196**	**392,999**
Net profit for the financial year		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**90,221**	**90,221**
Other comprehensive income, net of tax		**-**	**-**	**-**	**-**	**(5,361)**	**-**	**(2)**	**-**	**(5,363)**
Total comprehensive income		**-**	**-**	**-**	**-**	**(5,361)**	**-**	**(2)**	**90,221**	**84,858**
Transfer to statutory reserve		**-**	**-**	**22,360**	**-**	**-**	**-**	**-**	**(22,360)**	**-**
ESOS exercised		**-**	**2,697**	**-**	**(338)**	**-**	**-**	**-**	**930**	**3,289**
Option charge arising from ESOS granted		**-**	**-**	**-**	**419**	**-**	**-**	**-**	**-**	**419**
At 30 June 2013		**246,896**	**(10,506)**	**69,712**	**965**	**956**	**543**	**12**	**172,987**	**481,565**
At 1 July 2011										
- as previously reported		246,896	(13,203)	28,222	288	56	543	-	77,513	340,315
- effects of adopting MFRS 1 and full adoption of MFRS 139		-	-	-	-	(278)	-	-	761	483
At 1 July 2011, as restated		246,896	(13,203)	28,222	288	(222)	543	-	78,274	340,798
Net profit for the financial year		-	-	-	-	-	-	-	38,777	38,777
Other comprehensive income, net of tax		-	-	-	-	6,539	-	14	-	6,553
Total comprehensive income		-	-	-	-	6,539	-	14	38,777	45,330
Transfer to statutory reserve		-	-	19,130	-	-	-	-	(19,130)	-
Grant of equity-settled ESOS		-	-	-	596	-	-	-	-	596
Acquisition of a subsidiary:										
- effect of predecessor accounting		-	-	-	-	-	-	-	(16,604)	(16,604)
- merger surplus adjusted against retained profits		-	-	-	-	-	-	-	22,879	22,879
At 30 June 2012		246,896	(13,203)	47,352	884	6,317	543	14	104,196	392,999

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 30 June 2013
(continued)

	Non-distributable		Distributable	
The Company	**Share capital RM'000**	**Treasury shares for ESOS scheme RM'000**	**Retained profits RM'000**	**Total RM'000**
At 1 July 2012	**246,896**	**(13,203)**	**24,016**	**257,709**
Net profit for the financial year	**-**	**-**	**176,621**	**176,621**
Total comprehensive income	**-**	**-**	**176,621**	**176,621**
ESOS exercise	**-**	**2,697**	**-**	**2,697**
Treasury shares transferred to trustee of subsidiary	**-**	**1,128**	**-**	**1,128**
At 30 June 2013	**246,896**	**(9,378)**	**200,637**	**438,155**
At 1 July 2011	246,896	(13,203)	25,870	259,563
Net loss for the financial year	-	-	(1,854)	(1,854)
Total comprehensive expense	-	-	(1,854)	(1,854)
At 30 June 2012	246,896	(13,203)	24,016	257,709

STATEMENTS OF CASH FLOWS

for the financial year ended 30 June 2013

	The Group	
	30.06.2013 RM'000	30.06.2012 RM'000
Cash flows from operating activities		
Profit before taxation	**67,933**	51,899
Adjustments for:		
Depreciation of property and equipment	**2,322**	2,506
Amortisation of intangible assets - computer software	**665**	796
Option charge arising from ESOS granted	**419**	596
Gain on disposal of property and equipment	**(55)**	(356)
Property and equipment written off	**209**	-
Intangible assets written off	**37**	-
Gain on disposal of a subsidiary	**-**	(571)
Impairment on securities	**1,759**	-
Allowance/(writeback of) impairment for losses on loans and advances	**153**	(4,295)
Writeback of allowance for losses on clients' and brokers' balances	**(399)**	(643)
Net unrealised (gain)/loss on revaluation of:		
- Financial assets held-for-trading	**3,221**	(881)
- Derivative financial instruments	**(19,718)**	23,590
Interest income from:		
- Financial assets held-for-trading	**(28,301)**	(23,597)
- Financial investments available-for-sale	**(5,246)**	(4,643)
- Financial investments held-to-maturity	**(13,415)**	(15,696)
- Derivative financial instruments	**(3,092)**	(1,812)
Interest expense from:		
- Derivative financial instruments	**4,307**	2,503
- Borrowings	**1,829**	1,334
Dividend income from:		
- Financial assets held-for-trading	**(2,048)**	(1,402)
- Financial investments available-for-sale	**(118)**	(220)
	(57,471)	(22,791)
Operating profit before working capital changes	**10,462**	29,108
(Increase)/decrease in operating assets		
Reverse repurchase agreements	**(274,388)**	159,684
Deposits and placements with banks and other financial institutions	**(233,394)**	38,397
Financial assets held-for-trading	**37,244**	(270,329)
Financial investments available-for-sale	**73,955**	(204,173)
Financial investments held-to-maturity	**14,065**	(219,067)
Derivative financial instruments	**66**	24
Loans and advances	**82,241**	(71,934)
Clients' and brokers' balances	**25,765**	5,752
Other assets	**65,350**	248
Statutory deposits with Bank Negara Malaysia	**(4,950)**	(1,750)
	(214,046)	(563,148)

STATEMENTS OF CASH FLOWS

for the financial year ended 30 June 2013
(continued)

	Note	The Group 30.06.2013 RM'000	The Group 30.06.2012 RM'000
Increase/(decrease) in operating liabilities			
Deposits from customers		**(163,456)**	238,382
Deposits and placements of banks and other financial institutions		**569,331**	225,645
Repurchased agreements		**61,866**	115,167
Clients' and brokers' balances		**1,862**	(72,720)
Other liabilities		**4,878**	(17,834)
		474,481	488,640
Cash generated from/(used in) operations		**270,897**	(45,400)
Net income tax (paid)/refund		**(803)**	432
Net cash generated from/(used in) operating activities		**270,094**	(44,968)
Cash flows from investing activities			
Dividends received from:			
- Financial assets held-for-trading		**2,023**	1,358
- Financial investments available-for-sale		**113**	165
Interest received from financial assets held-for-trading, financial investments available-for-sale, financial investments held-to-maturity and derivatives		**59,221**	39,939
Interest paid on derivative financial instruments		**(4,165)**	(2,174)
Proceeds from disposal of property and equipment		**59**	553
Proceeds from sale of a subsidiary		**-**	81
Purchase of property and equipment		**(1,317)**	(1,433)
Purchase of intangible assets		**(637)**	(813)
Net cash flows arising from acquisition of MIMB	43(b)	**-**	(106,292)
Net cash generated from/(used in) investing activities		**55,297**	(68,616)
Cash flows from financing activities			
Interest paid on borrowings		**(1,880)**	(1,358)
(Repayments)/drawdown of borrowings		**(165,000)**	145,000
Cash received from ESOS exercised		**3,289**	-
Net cash (used in)/generated from financing activities		**(163,591)**	143,642
Net increase in cash and cash equivalents during the financial year		**161,800**	30,058
Effect of exchange rate changes		**(2)**	14
Cash and cash equivalents at beginning of the financial year		**503,776**	473,704
Cash and cash equivalents at end of the financial year		**665,574**	503,776
Cash and cash equivalents comprise:			
Cash and short-term funds	2	**665,574**	503,776

STATEMENTS OF CASH FLOWS

for the financial year ended 30 June 2013
(continued)

		The Company	
	Note	30.06.2013 RM'000	30.06.2012 RM'000
Cash flows from operating activities			
Profit/(loss) before taxation		**186,989**	(1,799)
Adjustments for:			
Unrealised (gain)/loss on financial assets held-for-trading		**(6)**	138
Unrealised loss on derivative financial instruments		**8,867**	-
Interest expense on borrowings		**1,829**	1,334
Interest income		**(1,063)**	(356)
Dividend income from subsidiary companies		**(46,800)**	(2,400)
Gain on capital reduction of a subsidiary		**(155,063)**	-
		(192,236)	(1,284)
Operating loss before working capital changes		**(5,247)**	(3,083)
Increase in deposits and placements with banks and other financial institutions		**(360)**	-
Decrease/(increase) in financial assets held-for-trading		**1**	(70)
Decrease/(increase) in receivables		**19,032**	(18,936)
(Decrease)/increase in payables		**(89,344)**	1,758
Cash used in operating activities		**(75,918)**	(20,331)
Income tax refund		**860**	958
Interest received		**1,063**	356
Net cash used in operating activities		**(73,995)**	(19,017)
Cash flows from investing activities			
Dividend income from subsidiary companies		**35,100**	1,800
Capital reduction of a subsidiary		**278,167**	5,000
Net purchase consideration for acquisition of Hong Leong Investment Bank Berhad (formerly known as MIMB Investment Bank Berhad)	43(b)	**-**	(139,285)
Net cash generated from/(used in) investing activities		**313,267**	(132,485)
Cash flows from financing activities			
Interest paid on borrowings		**(1,880)**	(1,358)
(Repayment)/drawdown of borrowings		**(165,000)**	145,000
Cash received from ESOS exercised		**2,697**	-
Net cash (used in)/generated from financing activities		**(164,183)**	143,642
Net increase/(decrease) in cash and cash equivalents during the financial year		**75,089**	(7,860)
Cash and cash equivalents at beginning of the financial year		**2,297**	10,157
Cash and cash equivalents at end of the financial year		**77,386**	2,297
Cash and cash equivalents comprise:			
Cash and short-term funds	2	**77,386**	2,297

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the financial year ended 30 June 2013

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 Malaysian Accounting Standards Board ("MASB") announced on 19 November 2011 that Malaysian reporting entities are required to comply with the new International Financial Reporting Standards ("IFRS") compliant framework, Malaysian Financial Reporting Standards ("MFRS") for financial year commencing on or after 1 January 2012.

The financial statements of the Group and the Company have been prepared in accordance with MFRS, IFRS and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements of the Group and the Company for the financial year ended 30 June 2013 are the first set of financial statements prepared in accordance with the MFRS, including MFRS 1 "First-time Adoption of MFRS".

Subject to certain transition elections disclosed in Note 45 to the financial statements, the Group and the Company have consistently applied the same accounting policies in its opening MFRS statement of financial position at 1 July 2011 (transition date) and throughout all years presented, as if these policies had always been in effect. Comparative figures for 2012 in these financial statements have been restated to give effect to these changes. Note 45 discloses the impact of the transition to MFRS on the Group's and the Company's reported financial position, financial performance and cash flows.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale securities and financial assets and financial liabilities (including derivative 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.

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

(i) Financial year beginning on/after 1 July 2013

- MFRS 10 "Consolidated financial statements" (effective from 1 January 2013) changes the definition of control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. It establishes control as the basis for determining which entities are consolidated in the consolidated financial statements and sets out the accounting requirements for the preparation of consolidated financial statements. It replaces all the guidance on control and consolidation in MFRS 127 "Consolidated and separate financial statements" and IC Interpretation 112 "Consolidation – special purpose entities".

- MFRS 12 "Disclosures of interests in other entities" (effective from 1 January 2013) sets out the required disclosures for entities reporting under the two new standards, MFRS 10 and MFRS 11, and replaces the disclosure requirements currently found in MFRS 128 "Investments in associates". It requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

- MFRS 13 "Fair value measurement" (effective from 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7 "Financial instruments: Disclosures", but apply to all assets and liabilities measured at fair value, not just financial ones.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the financial year ended 30 June 2013
(continued)

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

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

(i) Financial year beginning on/after 1 July 2013 (continued)

- The revised MFRS 127 "Separate financial statements" (effective from 1 January 2013) includes the provisions on separate financial statements that are left after the control provisions of MFRS 127 have been included in the new MFRS 10.

- Amendment to MFRS 7 "Financial instruments: Disclosures" (effective from 1 January 2013) requires more extensive disclosures focusing on quantitative information about recognised financial instruments that are offset in the statement of financial position and those that are subject to master netting or similar arrangements irrespective of whether they are offset.

(ii) Financial year beginning on/after 1 July 2014

- Amendment to MFRS 132 "Financial instruments: Presentation" (effective from 1 January 2014) does not change the current offsetting model in MFRS 132. It clarifies the meaning of 'currently has a legally enforceable right of set-off' that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. It clarifies that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.

(iii) Financial year beginning on/after 1 July 2015

- MFRS 9 "Financial instruments - classification and measurement of financial assets and financial liabilities" (effective from 1 January 2015) replaces the multiple classification and measurement models in MFRS 139 with a single model that has only two classification categories: amortised cost and fair value. The basis of classification depends on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

  The accounting and presentation for financial liabilities and for de-recognising financial instruments has been relocated from MFRS 139, without change, except for financial liabilities that are designated at fair value through profit or loss ("FVTPL"). Entities with financial liabilities designated at FVTPL recognise changes in the fair value due to changes in the liability's credit risk directly in other comprehensive income ("OCI"). There is no subsequent recycling of the amounts in OCI to profit or loss, but accumulated gains or losses may be transferred within equity.

  The guidance in MFRS 139 on impairment of financial assets and hedge accounting continues to apply.

  MFRS 7 requires disclosure on transition from MFRS 139 to MFRS 9.

The adoption of the new standards, amendments to published standards are not expected to have a material impact on the financial results of the Group and the Company, except that the Group is in the process of reviewing the requirements of MFRS 9 and expects this process to be completed prior to the effective date on 1 July 2015.

B CONSOLIDATION

(a) Subsidiaries

The Company treats as subsidiaries those corporations, partnerships or other entities (including special purpose entities) in which the Company has the power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the financial year ended 30 June 2013
(continued)

B CONSOLIDATION (continued)

(a) Subsidiaries (continued)

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.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

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

Acquisition-related costs are expensed as incurred.

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the financial year ended 30 June 2013
(continued)

B CONSOLIDATION (continued)

(c) Disposal of subsidiaries

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

(d) Investments in subsidiaries

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

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

C PROPERTY AND EQUIPMENT AND DEPRECIATION

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item can be measured reliably. The carrying amount of the replaced part is de-recognised. All other repair and maintenance costs are charged to the profit or loss during the financial period in which they are incurred.

Freehold land is not depreciated as it has an infinite life. Property and equipment are depreciated on a straight line basis to write off the cost of the assets to their residual values over their estimated useful lives, summarised as follows:

Leasehold land	Over the remaining period of the lease or 100 years whichever is shorter
Buildings on leasehold land	Over the remaining period of the lease or 50 years whichever is shorter
Buildings on freehold land	50 years
Office and computer equipment	3 - 10 years
Furniture and fittings	3 - 10 years
Renovations	5 - 10 years
Motor vehicles	4 - 5 years

The assets' residual value and useful lives are reviewed and adjusted if appropriate, at each reporting period.

Property and equipment are reviewed for impairment at each reporting date and whenever events or changes in circumtances indicate that the carrying amount may not be recoverable. Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount. Any subsequent increase in the recoverable amount is recognised in the profit or loss. Refer to Note V on impairment of non-financial assets.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the financial year ended 30 June 2013
(continued)

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 represents the excess of the cost of acquisition of subsidiaries over the Group's share of net fair value of the identifiable assets, liabilities and contingent liabilities of subsidiaries at the date of acquisition.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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 mentioned and is not larger than a reportable business segment. Impairment testing is performed annually by comparing the present value of the CGU's projected cash flows against the carrying amount of its net assets which include allocated goodwill.

E LEASES

(a) Finance lease

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

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

(b) Operating lease

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

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

F FINANCIAL ASSETS

(a) Classification

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2013
(continued)

F FINANCIAL ASSETS (continued)

(a) Classification (continued)

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

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

(ii) Loans and receivables

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

(iii) Financial investments held-to-maturity

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

(iv) Financial investments available-for-sale

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

(b) Recognition and initial measurement

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

(c) Subsequent measurement

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the financial year ended 30 June 2013
(continued)

G FINANCIAL LIABILITIES

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

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

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

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

(b) Financial liabilities at amortised cost

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

H IMPAIRMENT OF FINANCIAL ASSETS

(a) Assets carried at amortised cost

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

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

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

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

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2013
(continued)

H IMPAIRMENT OF FINANCIAL ASSETS (continued)

(a) Assets carried at amortised cost (continued)

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written-off after taking into consideration the realisable value of collateral, if any, when in the judgement of the management, there is no prospect of recovery.

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

Change in accounting policy

Previously, the Group applied the Amendment to FRS 139 "Financial Instruments: Recognition and Measurement", which included an additional transitional arrangement for financial sectors, whereby BNM prescribed the use of an alternative basis for collective assessment of impairments on loans, advances and financing. This transitional arrangement is prescribed in BNM's Guidelines on Classification and Impairment Provisions for Loans/Financing, whereby banking institutions are required to maintain collective allowances of at least 1.5% of total outstanding loans/financing, net of individual impairment allowances under the transitional provisions in the guidelines.

With effect from 1 January 2012, BNM has removed the transitional provision for banking institutions on collective evaluation of loan impairment assessment and loan loss provisioning to comply with MFRS 139 requirements. Exposures not individually known to be impaired are placed into pools of similar assets with similar risk characteristics to be collectively assessed for losses that have been incurred but not identified yet. The required loan loss allowance is estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the collective pool. The historical loss experience is adjusted based on current observable data. The financial impact arising on the adoption of MFRS 139 is set out in Note 45 to the financial 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 profit or loss, the impairment loss is reversed through profit or loss.

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

I DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the financial year ended 30 June 2013
(continued)

J OFFSETTING FINANCIAL INSTRUMENTS

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

K SALE AND REPURCHASE AGREEMENTS

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

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

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

L CLIENTS' AND BROKERS' BALANCES

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

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

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

M DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are initially recognised at fair values on the date on which derivative contracts are entered into and are subsequently re-measured at their fair values. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair values are positive and as liabilities when fair values are negative. Changes in the fair value of any derivatives that do not quality for hedge accounting are recognised immediately in the profit or loss.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique which variables include only data from observable markets. When such evidence exists, the banking subsidiary recognise the profit or loss immediately.

N MANAGER'S STOCKS AND CONSUMABLES

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2013
(continued)

O CASH AND CASH EQUIVALENTS

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

P BORROWINGS

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

Q INCOME TAXES

The tax expense for the financial year comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that its relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries operate and generate taxable income.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

Deferred income tax is recognised on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax related to fair value re-measurement of financial investments available-for-sale, which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the income statements together with the deferred gain or loss.

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

R PROVISIONS

Provisions are recognised by the Group and the Company when all of the following conditions have been met:

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2013
(continued)

R PROVISIONS (continued)

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

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

S RECOGNITION OF INTEREST INCOME

Interest income and expense for all interest-bearing financial instruments are recognised within "interest income" and "interest expense" in the profit or loss using the effective interest method.

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

Interest on impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. 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.

T RECOGNITION OF FEES AND OTHER INCOME

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

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

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

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

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2013
(continued)

U EMPLOYEE BENEFITS

Short term employee benefits

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

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

Defined contribution plan

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

The Group and the Company contributes to a national defined contribution plan (the Employee Provident Fund) on a mandatory basis and the amounts contributed to the plan are charged to the profit or loss in the period to which they relate. Once the contributions have been paid, the Group and the Company has no further payment obligations.

Share-based compensation

The Company operates an equity-settled, share-based compensation plan for the employees of the Company. The fair value of the employee services received in exchange for the grant of the share options is recognised as an expense in the profit or loss over the vesting periods of the grant with a corresponding increase in equity.

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

V IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

W CURRENCY TRANSLATIONS

(a) Functional and presentation currency

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2013
(continued)

W CURRENCY TRANSLATIONS (continued)

(b) Foreign currency transactions and balances

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

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

Translation differences on non-monetary financial assets and liabilities, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as financial investments available-for-sale are included in the fair value reserve in equity.

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

(b) Share issue costs

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

(c) Dividends

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

Y SEGMENT REPORTING

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

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

Z FINANCIAL GUARANTEE CONTRACTS

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2013
(continued)

Z FINANCIAL GUARANTEE CONTRACTS (continued)

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with MFRS 137 "Provisions, contingent liabilities and contingent assets" and the amount initially recognised less cumulative amortisation, where appropriate.

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

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

AA CONTINGENT ASSETS AND LIABILITIES

The Group and the Company do not recognise contingent assets and liabilities, 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. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

AB TRANSACTION WITH OWNERS

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

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013

1 GENERAL INFORMATION

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

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

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

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

The financial statements were authorised for issue by the Board of Directors of the Company in accordance with a resolution of the Directors on 29 July 2013.

2 CASH AND SHORT-TERM FUNDS

	The Group			The Company		
	As At 30.06.2013 RM'000	As At 30.06.2012 RM'000	As At 01.07.2011 RM'000	As At 30.06.2013 RM'000	As At 30.06.2012 RM'000	As At 01.07.2011 RM'000
Cash and balances with banks and other financial institutions	**98,207**	90,606	43,553	**2,827**	537	1,357
Money at call and deposit placements maturing within one month	**567,367**	413,170	430,151	**74,559**	1,760	8,800
	665,574	503,776	473,704	**77,386**	2,297	10,157

Inclusive in cash and short-term funds of the Group are accounts in trust for dealer's representative amounting to RM15,482,000 (30.06.2012: RM16,420,000, 01.07.2011: RM10,210,000).

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		
	As At 30.06.2013 RM'000	As At 30.06.2012 RM'000	As At 01.07.2011 RM'000
Performing accounts	**150,115**	175,368	169,525
Impaired accounts	**805**	1,403	12,589
	150,920	176,771	182,114
Less: Allowance for bad and doubtful debts:			
- individual assessment allowance	**(378)**	(752)	(12,381)
- collective assessment allowance	**(33)**	(144)	(7)
	150,509	175,875	169,726

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

3 CLIENTS' AND BROKERS' BALANCES (continued)

	The Group	
	As At 30.06.2013 RM'000	As At 30.06.2012 RM'000
Movements of impaired accounts are as follows:		
At 1 July	1,403	12,589
Arising from acquisition of Hong Leong Investment Bank Berhad (formerly known as MIMB Investment Bank Berhad) ("HLIB")	-	1,272
Impaired during the financial year	-	(2,335)
Written back during the financial year	(221)	-
Amount written off during the financial year	(377)	(10,123)
At 30 June	805	1,403

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

	The Group	
	As At 30.06.2013 RM'000	As At 30.06.2012 RM'000
Individual assessment allowance		
At 1 July	752	12,381
Arising from acquisition of HLIB	-	147
Allowance made during the financial year	352	107
Allowance written back during the financial year	(640)	(887)
Amount written off during the financial year	(86)	(10,996)
At 30 June	378	752
Collective assessment allowance		
At 1 July		
- as previously reported	-	-
- effect of full adoption of MFRS 139	144	7
At 1 July, as restated	144	7
Allowance (written back)/made during the financial year	(111)	137
At 30 June	33	144

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

4 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group			The Company		
	As At 30.06.2013 RM'000	As At 30.06.2012 RM'000	As At 01.07.2011 RM'000	As At 30.06.2013 RM'000	As At 30.06.2012 RM'000	As At 01.07.2011 RM'000
Licensed banks	**275,548**	92,167	60,125	**360**	-	-
Licensed investment banks	**50,013**	-	-	**-**	-	-
	325,561	92,167	60,125	**360**	-	-

Included in deposits placed with banks and other financial institutions of the Group and the Company is RM360,000 (30.06.2012: RM Nil, 01.07.2011: RM Nil) pledged with licensed banks for revolving credit facilities of the Group and the Company.

5 FINANCIAL ASSETS HELD-FOR-TRADING

	The Group			The Company		
	As At 30.06.2013 RM'000	As At 30.06.2012 RM'000	As At 01.07.2011 RM'000	As At 30.06.2013 RM'000	As At 30.06.2012 RM'000	As At 01.07.2011 RM'000
Money market instruments						
Malaysian Government Securities	**20,107**	-	-	**-**	-	-
Negotiable instruments of deposits	**150,372**	375,719	20,143	**-**	-	-
Bankers' acceptances	**219,476**	-	212,418	**-**	-	-
Bank Negara Malaysia Bills	**-**	199,683	-	**-**	-	-
	389,955	575,402	232,561	**-**	-	-
Quoted securities						
In Malaysia:						
Shares	**9,570**	8,433	52,463	**-**	-	-
Unit trust investment	**3,666**	14,797	7,401	**414**	409	477
Outside Malaysia:						
Foreign currency bonds	**63,074**	8,684	98,036	**-**	-	-
	76,310	31,914	157,900	**414**	409	477
Unquoted securities						
Private and Islamic debt securities	**194,599**	98,376	40,285	**-**	-	-
	660,864	705,692	430,746	**414**	409	477

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013
(continued)

6 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	The Group		
	As At 30.06.2013 RM'000	As At 30.06.2012 RM'000	As At 01.07.2011 RM'000
Money market instruments			
Malaysian Government Securities	**20,205**	-	-
Malaysian Government Investment Issues	**59,669**	-	-
Cagamas bonds	**5,122**	5,150	5,140
	84,996	5,150	5,140
Quoted securities			
In Malaysia:			
Unit trust investment	**695**	-	-
Outside Malaysia:			
Foreign currency bonds	**86,476**	253,099	71,101
	87,171	253,099	71,101
Unquoted securities			
Shares	**686**	2,445	2,445
Private and Islamic debt securities	**92,480**	87,491	56,395
	93,166	89,936	58,840
	265,333	348,185	135,081

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

7 FINANCIAL INVESTMENTS HELD-TO-MATURITY

	The Group		
	As At 30.06.2013 RM'000	**As At 30.06.2012 RM'000**	**As At 01.07.2011 RM'000**
Money market instruments			
Cagamas bonds	**10,161**	10,240	10,319
Malaysian Government Investment Issues	**5,107**	5,131	5,153
	15,268	15,371	15,472
Quoted securities			
Outside Malaysia:			
Foreign currency bonds	**192,912**	211,542	16,140
Unquoted securities			
Private and Islamic debt securities	**45,731**	45,942	20,465
	253,911	272,855	52,077

8 LOANS AND ADVANCES

	The Group		
	As At 30.06.2013 RM'000	**As At 30.06.2012 RM'000**	**As At 01.07.2011 RM'000**
Term loan financing	**33,533**	107,891	15,022
Share margin financing	**139,049**	147,228	76,819
Revolving credit	**60**	963	22,457
Staff loans	**458**	734	-
Other loans	**2,074**	1,855	-
Gross loans and advances	**175,174**	258,671	114,298
Less:			
Allowance for losses on loans and advances:			
- individual assessment allowance	**(252)**	(1,256)	(4,679)
- collective assessment allowance	**(738)**	(837)	(623)
Total net loans and advances	**174,184**	256,578	108,996
(i) The maturity structure of loans and advances is as follows:			
Maturity within one year	**172,658**	256,062	113,338
One year to three years	**149**	398	960
Three years to five years	**119**	52	-
Over five years	**2,248**	2,159	-
	175,174	258,671	114,298

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

8 LOANS AND ADVANCES (continued)

	The Group		
	As At 30.06.2013 RM'000	As At 30.06.2012 RM'000	As At 01.07.2011 RM'000
(ii) The loans and advances are disbursed to the following types of customers:			
Domestic business enterprises:			
- small and medium enterprises	**26,600**	18,703	8,807
- others	**52,708**	133,754	35,568
Individuals	**95,563**	102,669	69,923
Foreign entities	**303**	3,545	-
Gross loans and advances	**175,174**	258,671	114,298
(iii) Loans and advances analysed by interest rate sensitivity are as follows:			
Fixed rate:			
- staff housing loans	**388**	492	-
- other fixed rate loans	**51,237**	45,977	11,237
Variable rate:			
- cost plus	**123,482**	212,012	103,061
Non-interest bearing	**67**	190	-
Gross loans and advances	**175,174**	258,671	114,298
(iv) Loans and advances analysed by their economic purposes are as follows:			
Purchase of securities	**139,049**	175,484	89,354
Working capital	**33,592**	80,598	24,944
Purchase of transport vehicles	**235**	633	-
Purchase of landed property	**2,298**	1,956	-
Gross loans and advances	**175,174**	258,671	114,298
(v) Loans and advances analysed by geographical distribution are as follows:			
Malaysia	**175,174**	258,671	114,298

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

8 LOANS AND ADVANCES (continued)

	The Group	
	As At 30.06.2013 RM'000	As At 30.06.2012 RM'000
(vi) Movements in the impaired loans and advances are as follows:		
At 1 July	**1,256**	9,374
Impaired during the financial year	**1,123**	136
Amount written back during the financial year	**-**	(8,254)
Amount written off during the financial year	**(1,256)**	-
At 30 June	**1,123**	1,256
Ratio of impaired loans to total loans and advances net of individual assessment allowance	**0.6%**	0.5%
(vii) Movements in the allowance for loss on loans and advances are as follows:		
Individual assessment allowance		
At 1 July	**1,256**	4,679
Allowance made during the financial year	**252**	136
Amount written back during the financial year	**-**	(3,559)
Amount written off during the financial year	**(1,256)**	-
At 30 June	**252**	1,256
Collective assessment allowance		
At 1 July		
- as previously reported	**3,901**	1,644
- effect of full adoption of MFRS 139	**(3,064)**	(1,021)
At 1 July, restated	**837**	623
Arising from acquisition of HLIB	**-**	1,086
Allowance written back during the financial year	**(99)**	(872)
At 30 June	**738**	837

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

8 LOANS AND ADVANCES (continued)

	The Group		
	As At 30.06.2013 RM'000	As At 30.06.2012 RM'000	As At 01.07.2011 RM'000
(viii) Impaired loans and advances analysed by their economic purposes are as follows:			
Purchase of securities	**-**	1,256	1,120
Working capital	**-**	-	8,254
Purchase of transport vehicles	**156**	-	-
Purchase of landed properties	**967**	-	-
	1,123	1,256	9,374
(ix) Impaired loans and advances analysed by geographical distribution are as follows:			
Malaysia	**1,123**	1,256	9,374

9 OTHER ASSETS

	The Group			The Company		
	As At 30.06.2013 RM'000	As At 30.06.2012 RM'000	As At 01.07.2011 RM'000	As At 30.06.2013 RM'000	As At 30.06.2012 RM'000	As At 01.07.2011 RM'000
Amounts due from subsidiary companies (a)	**-**	-	-	**3**	424	105
Amounts due from related companies	**171**	21,399	-	**-**	18,615	-
Deposits	**3,864**	4,486	4,323	**5**	5	5
Prepayments	**900**	547	648	**6**	2	-
Other receivables	**7,761**	51,458	61,014	**-**	-	-
Manager's stocks and consumables	**159**	421	389	**-**	-	-
	12,855	78,311	66,374	**14**	19,046	110

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013
(continued)

9 OTHER ASSETS (continued)

(a) The amounts due from subsidiary companies comprise the following:

	The Company		
	As At 30.06.2013 RM'000	As At 30.06.2012 RM'000	As At 01.07.2011 RM'000
Advances (unsecured)	**3**	424	168,006
Less: Allowance for impairment loss	**-**	-	(167,901)
	3	424	105

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

10 STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA ("BNM")

The non-interest bearing statutory deposits are maintained by the banking subsidiary with BNM in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act 2009, the amount of which is determined at set percentages of total eligible liabilities.

11 DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statements of financial position:

		The Group		
	Note	As At 30.06.2013 RM'000	As At 30.06.2012 RM'000	As At 01.07.2011 RM'000
Deferred tax assets	(a)	**56,322**	35,226	42,151
Deferred tax liabilities	(b)	**-**	(2,943)	-
		56,322	32,283	42,151

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013
(continued)

11 DEFERRED TAX ASSETS/(LIABILITIES) (continued)

		The Group	
	Note	As At 30.06.2013 RM'000	As At 30.06.2012 RM'000
At 1 July			
- as previously reported		**34,602**	42,311
- effects of adopting MFRS 1 and full adoption of MFRS 139		**(2,319)**	(160)
At 1 July, as restated		**32,283**	42,151
Arising from acquisition of HLIB	43(b)	**-**	6,275
Transfer from income statements	31	**42,215**	(13,962)
Transfer from equity		**1,787**	(2,181)
Reversal against taxation payable		**(19,963)**	-
At 30 June		**56,322**	32,283

	The Group		
	As At 30.06.2013 RM'000	As At 30.06.2012 RM'000	As At 01.07.2011 RM'000
Deferred tax assets			
- settled more than 12 months	**39,416**	35,019	24,745
- settled within 12 months	**18,142**	564	18,216
	57,558	35,583	42,961
Deferred tax liabilities			
- settled more than 12 months	**(876)**	(2,625)	(451)
- settled within 12 months	**(360)**	(675)	(359)
	(1,236)	(3,300)	(810)
	56,322	32,283	42,151

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

11 DEFERRED TAX ASSETS/(LIABILITIES) (continued)

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

(a) Deferred tax assets

The Group	Collective assessment allowance RM'000	Unutilised tax credit RM'000	Unutilised tax losses RM'000	Provisions RM'000	Total RM'000
At 1 July 2012					
- as previously reported	**335**	**35,060**	**-**	**520**	**35,915**
- effect of full adoption of MFRS 139	**(332)**	**-**	**-**	**-**	**(332)**
At 1 July 2012, as restated	**3**	**35,060**	**-**	**520**	**35,583**
(Charged)/credited to income statements	**(3)**	**34,043**	**-**	**7,898**	**41,938**
Reversal against taxation payable	**-**	**(19,963)**	**-**	**-**	**(19,963)**
At 30 June 2013	**-**	**49,140**	**-**	**8,418**	**57,558**
At 1 July 2011					
- as previously reported	411	-	39,045	3,758	43,214
- effect of full adoption of MFRS 139	(253)	-	-	-	(253)
At 1 July 2011, as restated	158	-	39,045	3,758	42,961
Arising from acquisition of HLIB	335	35,060	(24,798)	(4,031)	6,566
(Charged)/credited to profit or loss	(490)	-	(14,247)	793	(13,944)
At 30 June 2012	3	35,060	-	520	35,583

(b) Deferred tax liabilities

The Group	Property and equipment RM'000	Financial investments available-for-sale RM'000	Other temporary differences RM'000	Total RM'000
At 1 July 2012				
- as previously reported	**903**	**119**	**291**	**1,313**
- effect of adopting MFRS 1	**-**	**1,987**	**-**	**1,987**
At 1 July 2012, as restated	**903**	**2,106**	**291**	**3,300**
Charged/(credited) to income statements	**14**	**-**	**(291)**	**(277)**
Charged to equity	**-**	**(1,787)**	**-**	**(1,787)**
At 30 June 2013	**917**	**319**	**-**	**1,236**

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

11 DEFERRED TAX ASSETS/(LIABILITIES) (continued)

(b) Deferred tax liabilities (continued)

The Group	Property and equipment RM'000	Financial investments available-for-sale RM'000	Other temporary differences RM'000	Total RM'000
At 1 July 2011				
- as previously reported	885	18	-	903
- effect of adopting MFRS 1	-	(93)	-	(93)
At 1 July 2011, as restated	885	(75)	-	810
Arising from acquisition of HLIB	-	-	291	291
Charged to income statements	18	-	-	18
Charged to equity	-	2,181	-	2,181
At 30 June 2012	903	2,106	291	3,300

12 INVESTMENT IN SUBSIDIARY COMPANIES

	The Company		
	As At 30.06.2013 RM'000	As At 30.06.2012 RM'000	As At 01.07.2011 RM'000
Subsidiary companies:			
Unquoted shares at cost	**377,736**	407,551	273,266
Less: Accumulated impairment losses	**(5,077)**	(5,077)	(5,077)
	372,659	402,474	268,189

Details of the subsidiary companies are as follows:

Name of companies	Country of incorporation	Effective equity interest			Principal activities
		2013 %	2012 %	2011 %	
Hong Leong Investment Bank Berhad (formerly known as MIMB Investment Bank Berhad) and its subsidiaries	Malaysia	**100**	100	100	Investment banking, stockbroking business, futures broking and related financial services
- HLG Nominee (Tempatan) Sdn Bhd	Malaysia	**100**	100	100	Nominee and custodian services for Malaysian clients
- HLG Nominee (Asing) Sdn Bhd	Malaysia	**100**	100	100	Nominee and custodian services for foreign clients

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

12 INVESTMENT IN SUBSIDIARY COMPANIES (continued)

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

Name of companies	Country of incorporation	Effective equity interest			Principal activities
		2013 %	2012 %	2011 %	
- RC Holdings Sdn Bhd [1]	Malaysia	**-**	-	100	Dormant
- RC Nominees (Asing) Sdn Bhd	Malaysia	**100**	100	100	In member's voluntary liquidation
- RC Nominees (Tempatan) Sdn Bhd	Malaysia	**100**	100	100	In member's voluntary liquidation
- RC Research Sdn Bhd	Malaysia	**100**	100	100	In member's voluntary liquidation
- ECS Jaya (1969) Sdn Bhd [2]	Malaysia	**100**	100	-	Dormant
- MIMB Nominees (Tempatan) Sendirian Berhad [2]	Malaysia	**100**	100	-	In member's voluntary liquidation
- MIMB Nominees (Asing) Sendirian Berhad [2]	Malaysia	**100**	100	-	In member's voluntary liquidation
- HLIB Nominees (Tempatan) Sdn. Bhd. (formerly known as M.I.T.Nominees (Tempatan) Sdn. Bhd.) [2]	Malaysia	**100**	100	-	Nominee and custodian services for Malaysia clients
- HLIB Nominees (Asing) Sdn. Bhd. (formerly known as F.I.T.Nominees (Asing) Sdn. Bhd.) [2]	Malaysia	**100**	100	-	Nominee and custodian services for foreign clients
- SSSB Jaya (1987) Sdn Bhd and its subsidiaries [2]	Malaysia	**100**	100	-	In creditors' voluntary liquidation
- SSSB Nominees (Tempatan) Sdn Bhd [2]	Malaysia	**100**	100	-	In member's voluntary liquidation
- SSSB Nominees (Asing) Sdn Bhd [2]	Malaysia	**100**	100	-	In member's voluntary liquidation
HLG Asset Management Sdn Bhd	Malaysia	**100**	100	100	In member's voluntary liquidation
HLG Capital Markets Sdn Bhd and its subsidiary	Malaysia	**100**	100	100	Investment holding

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

12 INVESTMENT IN SUBSIDIARY COMPANIES (continued)

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

Name of companies	Country of incorporation	Effective equity interest			Principal activities
		2013 %	2012 %	2011 %	
- HLG Principal Investments (L) Limited	Labuan	**100**	100	100	Dormant
HLG Securities Sdn Bhd	Malaysia	**100**	100	100	Investment holding
HLG Futures Sdn Bhd	Malaysia	**100**	100	100	Dormant
Hong Leong Asset Management Bhd and its subsidiary	Malaysia	**100**	100	100	Unit trust management, fund management and sale of unit trusts
- HL Asset Management Pte Ltd	Singapore	**100**	100	100	Dormant
Promilia Berhad (formerly known as Hong Leong Investment Bank Berhad)	Malaysia	**100**	100	100	Ceased operation on 29 September 2012
Unincorporated trust for ESOS [3]	Malaysia	**-**	-	-	Special purpose vehicle for ESOS purpose

[1] The subsidiary was disposed on 28 June 2012.
[2] The subsidiaries were acquired on 1 June 2012.
[3] Deemed subsidiary pursuant to IC 112 - Consolidation: Special Purpose Entities.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

13 PROPERTY AND EQUIPMENT

The Group	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
30.06.2013								
Cost								
At 1 July 2012	350	783	871	19,704	2,788	14,006	782	39,284
Additions	-	-	-	768	295	254	-	1,317
Disposals	-	-	-	(12)	(10)	(18)	(145)	(185)
Write-off	-	-	-	(178)	(7)	(151)	-	(336)
At 30 June 2013	350	783	871	20,282	3,066	14,091	637	40,080
Accumulated depreciation								
At 1 July 2012	-	4	63	17,836	2,051	10,742	482	31,178
Charge for the financial year	-	-	16	993	263	953	97	2,322
Disposals	-	-	-	(11)	(8)	(17)	(145)	(181)
Write-off	-	-	-	(80)	(4)	(43)	-	(127)
At 30 June 2013	-	4	79	18,738	2,302	11,635	434	33,192
Net book value								
At 30 June 2013	350	779	792	1,544	764	2,456	203	6,888
30.06.2012								
Cost								
At 1 July 2011	350	783	871	17,988	2,461	10,112	1,205	33,770
Arising from acquisiton of HLIB	-	-	-	1,099	210	3,197	-	4,506
Additions	-	-	-	619	117	697	-	1,433
Disposals	-	-	-	(2)	-	-	(423)	(425)
At 30 June 2012	350	783	871	19,704	2,788	14,006	782	39,284
Accumulated depreciation								
At 1 July 2011	-	3	46	15,875	1,759	7,202	531	25,416
Arising from acquisiton of HLIB	-	-	-	767	70	2,647	-	3,484
Charge for the financial year	-	1	17	1,194	222	893	179	2,506
Disposals	-	-	-	-	-	-	(228)	(228)
At 30 June 2012	-	4	63	17,836	2,051	10,742	482	31,178
Net book value								
At 30 June 2012	350	779	808	1,868	737	3,264	300	8,106

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

14 INTANGIBLE ASSETS - COMPUTER SOFTWARE

	The Group	
	As At 30.06.2013 RM'000	As At 30.06.2012 RM'000
Cost		
At 1 July	**12,922**	12,047
Arising from acquisition of HLIB	**-**	62
Additions	**637**	813
Write-off	**(60)**	-
At 30 June	**13,499**	12,922
Amortisation		
At 1 July	**(11,787)**	(10,953)
Arising from acquisition of HLIB	**-**	(38)
Charge for the financial year	**(665)**	(796)
Write-off	**23**	-
At 30 June	**(12,429)**	(11,787)
At end of the financial year	**1,070**	1,135

15 GOODWILL

	The Group		
	As At 30.06.2013 RM'000	As At 30.06.2012 RM'000	As At 01.07.2011 RM'000
Cost			
At 1 July/30 June	**33,059**	33,059	33,059

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013
(continued)

15 GOODWILL (continued)

Allocation of goodwill to cash-generating units

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

	The Group		
	As At 30.06.2013 RM'000	As At 30.06.2012 RM'000	As At 01.07.2011 RM'000
CGUs			
Investment banking and stockbroking	**28,986**	28,986	28,986
Unit trust management	**4,073**	4,073	4,073
	33,059	33,059	33,059

Impairment test on goodwill

The recoverable amount of CGUs have been determined based on value in use calculation. These calculations use pre-tax cash flows projections based on financial budgets approved by Directors covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rates of 4% (30.06.2012: 4%) 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	
	30.06.2013 %	30.06.2012 %
CGUs		
Investment banking and stockbroking	**16.00**	13.78
Unit trust management	**20.23**	13.37

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

For the current financial year, impairment was not required for goodwill arising from investment banking and stockbroking, and unit trust management. Management believes that any reasonable possible change to the assumptions applied is not likely to cause the recoverable amount to be lower than carrying amount.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

16 DEPOSITS FROM CUSTOMERS

	The Group		
	30.06.2013 RM'000	**30.06.2012 RM'000**	**01.07.2011 RM'000**
Fixed deposits	**470,169**	633,625	395,243
(i) Maturity structure of fixed deposits is as follows:			
Due within six months	**470,169**	633,625	395,243
(ii) The deposits are sourced from the following customers:			
Government and statutory bodies	**429,322**	617,832	205,501
Business enterprises	**40,847**	15,793	188,724
Individual	**-**	-	1,018
	470,169	633,625	395,243

17 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group		
	30.06.2013 RM'000	**30.06.2012 RM'000**	**01.07.2011 RM'000**
Bank Negara Malaysia	**316,207**	-	-
Licensed banks	**128,060**	406,153	211,431
Licensed investment banks	**105,866**	-	-
Other financial institutions	**992,842**	567,491	536,568
	1,542,975	973,644	747,999

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

18 OTHER LIABILITIES

		The Group			The Company		
	Note	As At 30.06.2013 RM'000	As At 30.06.2012 RM'000	As At 01.07.2011 RM'000	As At 30.06.2013 RM'000	As At 30.06.2012 RM'000	As At 01.07.2011 RM'000
Amounts due to:							
- immediate holding company	(a)	**2**	2	2	**2**	2	2
- subsidiary company	(a)	**-**	-	-	**1,001**	-	80
- other related companies	(a)	**142**	125	1,880	**-**	24	27
Remisiers' trust deposits		**15,482**	16,420	10,210	**-**	-	-
Other payables and accrued liabilities		**73,742**	59,039	64,896	**884**	2,333	492
Provision for commitments and contingencies		**-**	9,039	-	**-**	-	-
Post employment benefits obligation:							
- defined contribution plan		**296**	286	517	**-**	-	-
- defined benefit plan		**-**	55	-	**-**	-	-
		89,664	84,966	77,505	**1,887**	2,359	601

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

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

19 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 analyse below.

The Group 30.06.2013	Contract or underlying principal amount RM'000	Year-end positive fair value RM'000	Year-end negative fair value RM'000
Interest rate related contracts:			
- interest rate swaps	1,888,500	6,615	(11,778)
- futures	894,809	2,239	(942)
- cross currency swaps	94,809	222	(278)
Foreign exchange related contracts:			
- foreign currency swaps	2,064,470	14,835	(19,645)
- foreign currency forwards	19,011	-	(128)
- foreign currency spots	12,641	12	(2)
Equity related contracts:			
- call options	10,000	4,862	-
	4,984,240	28,785	(32,773)
The Company			
30.06.2013			
Equity related contracts:			
- put options	2,858	-	(12,156)
The Group			
30.06.2012			
Interest rate related contracts:			
- interest rate swaps	1,408,500	7,240	(14,673)
- futures	2,157,121	881	(3,426)
- cross currency swaps	31,772	56	(6)
Foreign exchange related contracts:			
- foreign currency swaps	2,231,056	15,228	(31,121)
- foreign currency forwards	585	11	(3)
Equity related contracts:			
- call options	10,000	2,250	-
	5,839,034	25,666	(49,229)

The Company
30.06.2012

Nil

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013
(continued)

19 DERIVATIVE FINANCIAL ASSETS/(LIABILITIES) (continued)

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 analyse below. (continued)

The Group 01.07.2011	Contract or underlying principal amount RM'000	Year-end positive fair value RM'000	Year-end negative fair value RM'000
Interest rate related contracts:			
- interest rate swaps	455,000	838	(1,786)
- futures	2,253,753	515	(919)
Foreign exchange related contracts			
- foreign currency swaps	811,255	1,192	(2,247)
- foreign currency spot	18,119	29	(25)
- foreign currency forwards	30,198	-	(301)
Equity related contracts:			
- futures	44,675	-	(67)
- call options	10,000	3,000	-
	3,623,000	5,574	(5,345)

The Company

01.07.2011

Nil

20 BORROWINGS

	The Group and The Company		
	30.06.2013 RM'000	30.06.2012 RM'000	01.07.2011 RM'000
Revolving credit	-	165,051	20,075

The revolving credit facilities are unsecured. The interest rate of the revolving credit facilities ranges from 3.71% to 4.21% (30.06.2012: 3.71% to 4.25%, 01.07.2011: 3.62% to 4.16%) per annum. The revolving credit facilities are repayable within 12 months.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013
(continued)

21 SHARE CAPITAL

	The Group and The Company		
	30.06.2013 RM'000	30.06.2012 RM'000	01.07.2011 RM'000
Authorised:			
Ordinary shares of RM1.00 each			
At beginning/end of the financial year	**500,000**	500,000	500,000
Issued and fully paid:			
Ordinary shares of RM1.00 each			
At beginning/end of the financial year	**246,896**	246,896	246,896

22 RESERVES

		The Group			The Company		
	Note	30.06.2013 RM'000	30.06.2012 RM'000	01.07.2011 RM'000	30.06.2013 RM'000	30.06.2012 RM'000	01.07.2011 RM'000
Retained profits	(i)	**172,987**	104,196	78,274	**200,637**	24,016	25,870
Statutory reserve	(ii)	**69,712**	47,352	28,222	**-**	-	-
Share options reserve		**965**	884	288	**-**	-	-
Fair value reserve	(iii)	**956**	6,317	(222)	**-**	-	-
General reserve		**543**	543	543	**-**	-	-
Exchange fluctuation reserve		**12**	14	-	**-**	-	-
		245,175	159,306	107,105	**200,637**	24,016	25,870

(i) Retained profits

Subject to agreement with the tax authorities, the Company has tax credits under Section 108 of the Income Tax Act, 1967 to frank payment of dividends out of the Company's retained profits to the extent of RM266,650,029 (30.06.2012: RM266,650,029, 01.07.2011: RM266,650,029). In addition, the Company has tax exempt income of approximately RM466,953 (30.06.2012: RM466,953, 01.07.2011: RM466,953) available for future distribution of tax exempt dividends.

(ii) Statutory reserve

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

(iii) Fair value reserve

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013
(continued)

23 TREASURY SHARES

Treasury shares for ESOS scheme

The Company has entered into a Trust for ESOS purposes established via the signing of a Trust Deed on 23 January 2006 with AmTrustee Berhad in conjunction with the establishment of Executive Share Option Schemes ("ESOS"). The trustee will be entitled from time to time to accept financial assistance from the Company upon such terms and conditions as the Company and the trustee may agree to purchase the Company's shares from the open market for the purposes of this trust.

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

In accordance with MFRS 132 - Financial Instruments: Presentation and Disclosure, the shares purchased for the benefit of the ESOS holders are recorded as "Treasury Shares for ESOS Scheme" in the equity on the statements of financial position. As at reporting date, the number of shares held by the appointed trustee for the Group was 9,777,200 shares (30.06.2012: 12,287,200 shares, 01.07.2011: 12,287,200 shares) at a carrying value of RM10,506,289 (30.06.2012: RM13,203,461, 01.07.2011: RM13,203,461) inclusive of transaction costs.

24 INTEREST INCOME

	The Group		The Company	
	30.06.2013 RM'000	30.06.2012 RM'000	30.06.2013 RM'000	30.06.2012 RM'000
Loans and advances	**15,495**	9,545	**-**	-
Money at call and deposit placements with financial institutions	**13,013**	15,554	**921**	356
Financial assets held-for-trading	**28,301**	23,597	**-**	-
Financial investments available-for-sale	**5,246**	4,643	**-**	-
Financial investments held-to-maturity	**13,415**	15,696	**-**	-
Derivative financial instruments	**3,092**	1,812	**-**	-
Others	**1,214**	575	**142**	-
	79,776	71,422	**1,063**	356
Of which:				
Interest income earned on impaired loans and advances	**-**	972	**-**	-

NOTES TO THE FINANCIAL STATEMENTS
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(continued)

25 INTEREST EXPENSE

	The Group		The Company	
	30.06.2013 RM'000	30.06.2012 RM'000	30.06.2013 RM'000	30.06.2012 RM'000
Deposits and placements of banks and other financial institutions	**10,221**	10,980	**-**	-
Deposits from customers	**33,280**	36,875	**-**	-
Derivative financial instruments	**4,307**	2,503	**-**	-
Borrowings	**1,829**	1,334	**1,829**	1,334
Others	**(236)**	144	**3,358**	17
	49,401	51,836	**5,187**	1,351

26 NON-INTEREST INCOME

	The Group		The Company	
	30.06.2013 RM'000	30.06.2012 RM'000	30.06.2013 RM'000	30.06.2012 RM'000
Fee income				
Brokerage income	**43,511**	40,918	**-**	-
Unit trust fee income	**19,534**	16,651	**-**	-
Commissions from future contracts	**1,052**	882	**-**	-
Fees on loans and advances	**1,459**	1,828	**-**	-
Arranger fees	**11,667**	12,511	**-**	-
Placement fees	**30,861**	1,122	**-**	-
Corporate advisory fees	**7,455**	7,808	**-**	-
Underwriting commissions	**1,420**	1,286	**-**	-
Guarantee fees	**880**	700	**-**	-
Other fee income	**18,144**	17,114	**-**	-
	135,983	100,820	**-**	-

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

26 NON-INTEREST INCOME (continued)

	The Group		The Company	
	30.06.2013 RM'000	30.06.2012 RM'000	30.06.2013 RM'000	30.06.2012 RM'000
Net income from securities				
Net realised gain/(loss) arising from sale of:				
- Financial assets held-for-trading	15	4,580	-	144
- Financial investments available-for-sale	16,048	444	-	-
- Derivative financial instruments	(25,996)	4,309	-	-
Net unrealised gain/(loss) on revaluation of:				
- Financial assets held-for-trading	(3,221)	881	6	(138)
- Derivative financial instruments	19,718	(23,590)	(8,867)	-
Dividend income from:				
- Financial assets held-for-trading	2,048	1,402	-	-
- Financial investments available-for-sale	118	220	-	-
- Subsidiary companies	-	-	46,800	2,400
	8,730	(11,754)	37,939	2,406
Other income				
Gain on disposal of property and equipment	55	356	-	-
Gain on disposal of a subsidiary	-	571	-	-
Gain on capital reduction of a subsidiary	-	-	155,063	-
Foreign exchange gain	15,172	25,658	-	-
Other non-operating income	352	1,707	3	10
	15,579	28,292	155,066	10
	160,292	117,358	193,005	2,416

27 OVERHEAD EXPENSES

	The Group		The Company	
	30.06.2013 RM'000	30.06.2012 RM'000	30.06.2013 RM'000	30.06.2012 RM'000
Personnel costs	75,749	52,553	342	277
Establishment costs	19,087	16,120	78	163
Marketing expenses	2,337	2,255	40	16
Administration and general expenses	23,557	19,173	1,392	2,764
	120,730	90,101	1,852	3,220

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

27 OVERHEAD EXPENSES (continued)

(i) Personnel costs comprise the following:

	The Group		The Company	
	30.06.2013 RM'000	30.06.2012 RM'000	30.06.2013 RM'000	30.06.2012 RM'000
Salaries, bonus and allowances	**64,523**	42,913	**149**	199
Option charge arising from ESOS granted	**419**	596	**-**	-
Other employees benefits	**10,807**	9,044	**193**	78
	75,749	52,553	**342**	277

(ii) Establishment costs comprise the following:

	The Group		The Company	
	30.06.2013 RM'000	30.06.2012 RM'000	30.06.2013 RM'000	30.06.2012 RM'000
Depreciation of property and equipment	**2,322**	2,506	**-**	-
Amortisation of intangible assets - computer software	**665**	796	**-**	-
Rental of premises	**6,293**	5,427	**-**	-
Information technology expenses	**6,162**	5,175	**24**	140
Others	**3,645**	2,216	**54**	23
	19,087	16,120	**78**	163

(iii) Marketing expenses comprise the following:

	The Group		The Company	
	30.06.2013 RM'000	30.06.2012 RM'000	30.06.2013 RM'000	30.06.2012 RM'000
Advertisement and publicity	**650**	449	**35**	5
Travelling and accomodation	**1,245**	496	**4**	9
Others	**442**	1,310	**1**	2
	2,337	2,255	**40**	16

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013
(continued)

27 OVERHEAD EXPENSES (continued)

(iv) Administration and general expenses comprise the following:

	The Group		The Company	
	30.06.2013 RM'000	30.06.2012 RM'000	30.06.2013 RM'000	30.06.2012 RM'000
Communication expenses	**1,976**	1,149	**8**	3
Stationery and printing expenses	**839**	722	**23**	18
Management fee	**3,584**	3,054	**180**	117
Professional fees	**9,958**	6,658	**476**	172
Property and equipment written off	**209**	-	**-**	-
Intangible asset written off	**37**	-	**-**	-
Auditors' remuneration:				
- statutory audit				
- current financial year	**438**	454	**63**	60
- underprovision in prior financial year	**-**	90	**-**	-
- tax compliance fees				
- current financial year	**40**	16	**4**	4
- underprovision in prior financial year	**-**	4	**-**	4
- other fees				
- current financial year	**46**	229	**10**	194
- underprovision in prior financial year	**-**	45	**-**	5
Others	**6,430**	6,752	**628**	2,187
	23,557	19,173	**1,392**	2,764

Included in the overhead expenses of the Group and the Company are Directors' remuneration amounting to RM375,000 (2012: RM660,000) and RM300,000 (2012: RM490,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
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28 ALLOWANCE FOR/(WRITEBACK OF) IMPAIRMENT FOR LOSSES ON LOANS AND ADVANCES AND OTHER LOSSES

	The Group		The Company	
	30.06.2013 RM'000	30.06.2012 RM'000	30.06.2013 RM'000	30.06.2012 RM'000
Allowance for/(writeback of) losses on loans and advances:				
(a) Individual assessment allowance:				
- made during the financial year	252	136	-	-
- written back during the financial year	-	(3,559)	-	-
(b) Collective assessment allowance:				
- written back during the financial year	(99)	(872)	-	-
	153	(4,295)	-	-
Bad debts on loans and advances				
- written off	2	-	-	-
- recovered	-	(118)	-	-
Writeback of allowance for losses on clients' and brokers' balances				
(b) Individual assessment allowance:				
- made during the financial year	352	107	-	-
- written back during the financial year	(640)	(887)	-	-
(b) Collective assessment allowance:				
- (written back)/made during the financial year	(111)	137	-	-
	(399)	(643)	-	-
Bad debts on clients and brokers' balances				
- recovered	(309)			
Allowance for losses on other assets				
(a) Individual assessment allowance:				
- made during the financial year	415	-	-	-
- written back during the financial year	(70)	-	-	-
	345	-	-	-
Bad debts on other assets				
- written off	453	-	40	-
	245	(5,056)	40	-

29 IMPAIRMENT LOSSES ON SECURITIES

	The Group	
	30.06.2013 RM'000	30.06.2012 RM'000
Financial investments available-for-sale	1,759	-

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

30 DIRECTORS' REMUNERATION

	The Group		The Company	
	30.06.2013 RM'000	30.06.2012 RM'000	30.06.2013 RM'000	30.06.2012 RM'000
Directors of the Company				
Non-Executive Directors:				
Fee:				
YBhg Tan Sri Quek Leng Chan	**-**	74 [1]	**-**	74 [1]
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman	**179**	179	**104**	104
YBhg Dato' Mohamed Nazim bin Abdul Razak	**98**	94	**98**	94
YBhg Dato' Ahmad Fuaad bin Mohd Dahalan	**98**	94	**98**	94
Mr Choong Yee How	**-**	159 [1]	**-**	64 [1]
Mr Quek Kon Sean	**-**	60 [1]	**-**	60 [1]
	375	660	**300**	490

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

Note:

[1] These fees have been assigned in favour of the Company where the Director is employed.

31 TAXATION

	The Group		The Company	
	30.06.2013 RM'000	30.06.2012 RM'000	30.06.2013 RM'000	30.06.2012 RM'000
Malaysian income tax:				
- current financial year's charge	**19,483**	138	**10,368**	55
- under/(over) provision in prior financial years	**444**	(978)	**-**	-
	19,927	(840)	**10,368**	55
Deferred taxation (Note 11):				
- relating to origination and reversal of temporary differences	**(42,615)**	14,013	**-**	-
- recognition of deferred tax previously not recognised	**400**	(51)	**-**	-
	(42,215)	13,962	**-**	-
	(22,288)	13,122	**10,368**	55

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

31 TAXATION (continued)

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

	The Group		The Company	
	30.06.2013 RM'000	30.06.2012 RM'000	30.06.2013 RM'000	30.06.2012 RM'000
Profit/(loss) before taxation	**67,933**	51,899	**186,989**	(1,799)
Tax calculated at a rate of 25% (2011: 25%)	**16,983**	12,975	**46,747**	(450)
Tax effects of:				
- Income not subject to tax	**(390)**	(333)	**(36,551)**	-
- Expenses not deductible for tax purposes	**4,666**	1,907	**172**	505
- Deferred tax assets not recognised during the financial year	**-**	(449)	**-**	-
- Reversal of temporary differences previously not recognised	**(43,991)**	-	**-**	-
- Under/(over) provision in prior financial years	**444**	(978)	**-**	-
Tax (income)/expense for the financial year	**(22,288)**	13,122	**10,368**	55

Unrecognised deferred tax assets

	The Group	
	30.06.2013 RM'000	30.06.2012 RM'000
Tax losses		
Tax losses for which the related tax credit has not been recognised in the financial statements	**23,127**	23,127
Tax credit		
Tax credit which has not been recognised in the financial statements	**204,825**	244,430
Capital allowances		
Deductible temporary differences and unutilised capital allowances for which the related tax credit has not been recognised in the financial statements	**391**	391

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

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

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

32 EARNINGS PER SHARE

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

		The Group	
		30.06.2013 RM'000	**30.06.2012 RM'000**
(a)	**Basic earnings per share**		
	Net profit attributable to equity holders of the Company (RM'000)	**90,221**	38,777
	Weighted average number of ordinary shares in issue ('000)	**235,104**	234,609
	Basic earnings per share (sen)	**38.4**	16.5

(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 2013 and 30 June 2012.

33 DIVIDENDS

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

The Directors do not recommend the payment of any final dividend for the financial year ended 30 June 2013.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

34 COMMITMENTS AND CONTINGENCIES

(a) Investment banking subsidiary company related commitments and contingencies

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

The commitments and contingencies constitute are as follows:

	30.06.2013	30.06.2012	01.07.2011
	Principal amount RM'000	Principal amount RM'000	Principal amount RM'000
The Group			
Commitments and contingent liabilities			
Direct Credit Substitutes	**50,750**	50,750	-
Obligations under underwriting agreement	**-**	-	20,238
Any commitment that are unconditionally cancelled at any time by the Group without prior notice			
- maturity less than one year	**507,022**	426,568	302,249
Other commitments, such as formal standby facilities and credit lines			
- maturity less than one year	**-**	15,266	-
- maturity more than one year	**69**	641	-
Others	**636,606**	461,001	413,827
Derivative financial instruments			
Interest rate related contracts:			
- One year or less	**716,412**	960,241	527,573
- Over one year to five years	**2,161,706**	2,579,963	2,057,370
- Over five years	**-**	57,189	123,810
Foreign exchange related contracts:			
- One year or less	**2,096,122**	2,231,641	859,572
Equity related contracts:			
- One year or less	**-**	-	44,675
- Over one year to five years	**10,000**	10,000	10,000
	6,178,687	6,793,260	4,359,314
The Company			
Derivative financial instruments			
Equity related contracts:			
- One year or less	**1,429**	-	-
- Over one year to five years	**1,429**	-	-
	2,858	-	-

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
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34 COMMITMENTS AND CONTINGENCIES (continued)

(b) Other commitments and contingencies - unsecured

Hong Leong Asset Management Bhd, a wholly owned subsidiary of the Company, is the Manager of HLG Sectoral Funds ("Funds"). The Company provided a guarantee to Universal Trustee (Malaysia) Berhad, the trustee of the Funds, that if any of the five sector 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 each of the five funds was above the minimum of RM1,000,000 as at 30 June 2013.

35 CAPITAL COMMITMENTS

	The Group		
	30.06.2013 RM'000	30.06.2012 RM'000	01.07.2011 RM'000
Property and equipment:			
- Approved and contracted but not provided for	**1,104**	4,026	794
- Approved but not contracted for	**3,583**	1,745	269
	4,687	5,771	1,063

36 LEASE COMMITMENTS

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

	The Group		
	30.06.2013 RM'000	30.06.2012 RM'000	01.07.2011 RM'000
Less than one year	**6,543**	4,915	4,610
More than one year but less than five years	**8,912**	4,256	3,649
More than five years	**5**	-	1

37 CAPITAL MANAGEMENT

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

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
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38 CAPITAL ADEQUACY

The Group's banking subsidiary's regulatory capital is governed by BNM Capital Adequacy Framework guidelines. With effect from 1 January 2013, the capital adequacy ratios of the banking subsidiary are computed in accordance with BNM's Capital Adequacy Framework issued on 28 November 2012. The Framework sets out the approach for computing the regulatory capital adequacy ratios, as well as the levels of the ratios at which banking institutions are required to operate. The Framework is to strengthen capital adequacy standards, in line with the requirements set forth under Basel III. In line with the transitional arrangements under the BNM's Capital Adequacy Framework (Capital Components), the minimum capital adequacy requirement for common equity Tier I (CET I) capital ratio and Tier I capital ratio are 3.5% and 4.5% respectively for year 2013. The minimum regulatory capital adequacy requirement remains at 8.0% (2012: 8%) for total capital ratio.

On 28 September 2012, Promilia had vested its entire assets, liabilities, activities, business and undertakings to HLIB. Following from the vesting, Promilia had surrendered its merchant banking license to Bank Negara Malaysia and its Capital Markets Services License to the Securities Commission on 1 October 2012 and ceased its business operation. Hence, the capital adequacy requirement was applicable to Promilia prior to the cessation of operations.

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

30 June 2013 - Basel III

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

	HLIB 30.06.2013
Before deducting proposed dividends:	
Common equity tier 1 ("CET1") capital ratio	33.194%
Tier 1 capital ratio	33.194%
Total capital ratio	33.288%
After deducting proposed dividends:	
CET1 capital ratio	30.099%
Tier 1 capital ratio	30.099%
Total capital ratio	30.193%

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

	HLIB 30.06.2013 RM'000
CET1 capital	
Paid-up ordinary share capital	165,000
Share premium	87,950
Other reserves	138,810
	391,760
Regulatory adjustments:	
- Goodwill	(28,986)
- Deferred tax assets	(61,978)
- Other regulatory adjusments	(525)
Total CET1 capital	300,271

NOTES TO THE FINANCIAL STATEMENTS
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38 CAPITAL ADEQUACY (continued)

30 June 2013 - Basel III (continued)

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

	HLIB 30.06.2013 RM'000
Tier-1 capital	300,271
Tier-2 capital	
Redeemable preference shares	1,631
Collective assessment allowance for losses on loans and advances [1]	678
Regulatory adjustments:	
- Investment in subsidiaries	(1,455)
Total Tier 2 capital	854
Total capital	301,125

Note:

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

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

	HLIB 30.06.2013 RM'000
Credit risk	464,961
Market risk	321,448
Operational risk	118,189
	904,598

Restated 30 June 2012 and 1 July 2011 - Basel II

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

	HLIB		Promilia	
	30.06.2012	01.07.2011	30.06.2012	01.07.2011
Before deducting proposed dividends:				
Core capital ratio	145.5%	77.8%	26.9%	44.0%
Risk-weighted capital ratio	145.4%	77.7%	27.1%	44.3%

NOTES TO THE FINANCIAL STATEMENTS
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38 CAPITAL ADEQUACY (continued)

Restated 30 June 2012 and 1 July 2011 - Basel II (continued)

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

	HLIB		Promilia	
	30.06.2012	01.07.2011	30.06.2012	01.07.2011
After deducting proposed dividends:				
Core capital ratio	145.5%	77.8%	25.1%	41.1%
Risk-weighted capital ratio	145.4%	77.7%	25.3%	41.4%

(ii) The components of Tier 1 and Tier 2 capital of the banking subsidiaries are as follows:

	HLIB		Promilia	
	30.06.2012 RM'000	01.07.2011 RM'000	30.06.2012 RM'000	01.07.2011 RM'000
Tier 1 capital				
Paid-up ordinary share capital	75,000	75,000	265,535	265,535
Share premium	87,950	87,950	-	-
Other reserves (1)	12,369	94,217	18,063	54,175
	175,319	257,167	283,598	319,710
Less:				
- Goodwill	-	(66,663)	-	(30,236)
- Deferred tax assets	(35,271)	(35,317)	-	(41,556)
Total Tier 1 capital	140,048	155,187	283,598	247,918
Tier 2 capital				
Redeemable preference shares	-	-	1,631	1,631
Collective assessment allowance				
for losses on loans and advances (2)	160	172	677	623
Total Tier 2 capital	160	172	2,308	2,254
Total capital	140,208	155,359	285,906	250,172
Less: Investment in subsidiaries	(220)	(220)	(588)	(588)
Total capital base	139,988	155,139	285,318	249,584

Note:
(1) Fair value reserve has been excluded from the capital base.
(2) Excludes collective assessment allowance attributable to loans and advances classified as impaired.

NOTES TO THE FINANCIAL STATEMENTS
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(continued)

38 CAPITAL ADEQUACY (continued)

Restated 30 June 2012 and 1 July 2011 - Basel II (continued)

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

	HLIB		Promilia	
	30.06.2012 RM'000	01.07.2011 RM'000	30.06.2012 RM'000	01.07.2011 RM'000
Credit risk	36,496	79,746	669,073	203,707
Market risk	-	55,130	204,798	237,494
Operational risk	59,760	64,717	180,741	122,594
	96,256	199,593	1,054,612	563,795

39 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Related parties and relationships

The related parties and their relationships with the Company are as follows:

Related parties	Relationship
Hong Leong Company (Malaysia) Berhad ("HLCM")	Ultimate holding company
Hong Leong Financial Group Berhad ("HLFG")	Immediate holding company
Subsidiary companies of the Company as disclosed in Note 12	Subsidiaries
Subsidiary companies of HLCM	Subsidiaries of ultimate holding company
Subsidiary companies of HLFG	Subsidiaries of immediate holding company
Key management personnel	The key management personnel of the Group and the Company consists of: - All Directors of the Company and its holding company - Key management personnel of the Company who are in charge of the Group
Related parties of key management personnel (deemed as related to the Company)	(i) Close family members and dependents of key management personnel (ii) Entities that are controlled, jointly controlled or for which significant voting power in such entity resides with, directly or indirectly by key management personnel or its close family members

NOTES TO THE FINANCIAL STATEMENTS
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39 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(b) Related parties transactions

Transactions with related parties are as follows:

	Parent company RM'000	Other related companies RM'000	Key management personnel RM'000
The Group			
30.06.2013			
Income			
Interest income	171	13,937	-
Non-interest income from derivatives	13	(3,138)	-
Brokerage income	-	2,608	271
Corporate advisory fee	40	90	-
Arranger fee	-	1,000	-
Placement fee	-	525	-
Other fee income	57	178	-
	281	15,200	271
Expenses			
Interest expense	-	16,447	-
Rental	-	3,759	-
Management fee	1,348	1,982	-
Commission	-	3,140	-
Others	-	5,869	-
	1,348	31,197	-
Amounts due from:			
Cash and short-term funds	-	142,049	-
Deposits and placements with banks and other financial institutions	-	10,672	-
Financial assets held-for-trading	-	59,652	-
Financial investments held-to-maturity	-	48,471	-
Derivative financial assets	-	1,535	-
Clients' and brokers' balances	-	-	70,939
Other assets	-	776	-
	-	263,155	70,939
Amounts due to:			
Deposits and placements of banks and other financial institutions	-	258,717	-
Derivative financial liabilities	-	912	-
Clients' and brokers' balances	-	-	-
Other liabilities	51	608	497
	51	260,237	497

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

39 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(b) Related parties transactions (continued)

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

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

39 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(b) Related parties transactions (continued)

Transactions with related parties are as follows:

	Parent company RM'000	Other related companies RM'000	Key management personnel RM'000
The Group			
30.06.2012			
Income			
Interest income	-	7,965	-
Non-interest income from derivatives	-	3,234	-
Brokerage income	-	3,572	365
Corporate advisory fee	-	60	-
Arranger fee	395	850	-
Service charge	-	1,126	-
Gain on disposal of property and equipments	-	106	-
	395	16,913	365
Expenses			
Interest expense	-	10,507	-
Rental	-	3,825	-
Management fee	3,054	-	-
Commission	-	4,027	-
Others	3	1,622	-
	3,057	19,981	-
Amounts due from:			
Cash and short-term funds	-	240,196	-
Financial assets held-for-trading	-	158,969	-
Financial investments held-to-maturity	-	48,923	-
Derivative financial assets	-	3,635	-
Clients' and brokers' balances	-	1,304	-
Other assets	-	21,529	-
	-	474,556	-
Amounts due to:			
Deposits and placements of banks and other financial institutions	-	329,103	-
Derivative financial liabilities	-	3,197	-
Clients' and brokers' balances	-	14,761	55,271
Other liabilities	59	68	-
	59	347,129	55,271

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

39 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(b) Related parties transactions (continued)

	Parent company RM'000	Subsidiaries RM'000	Other related companies RM'000	Key management personnel RM'000
The Company				
30.06.2012				
Income				
Interest income	-	-	351	-
Dividends	-	2,400	-	-
Guarantee fee	-	10	-	-
	-	2,410	351	-
Expenses				
Interest expense	-	17	-	-
Management fee	117	-	-	-
Corporate advisory fee	-	250	-	-
Others	3	-	179	-
	120	267	179	-
Amounts due from:				
Cash and short-term funds	-	-	1,327	-
Financial assets held-for-trading	-	-	409	-
Investment in subsidiary companies	-	402,474	-	-
Other assets	-	420	18,615	-
	-	402,894	20,351	-
Amounts due to:				
Other liabilities	2	-	24	1,326
	2	-	24	1,326

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

39 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(b) Related parties transactions (continued)

Transactions with related parties are as follows:

	Parent company RM'000	Other related companies RM'000	Key management personnel RM'000
The Group			
01.07.2011			
Amounts due from:			
Cash and short-term funds	-	367,488	-
Derivative financial assets	-	9	-
Clients' and brokers' balances	-	17,918	-
Other assets	-	181	-
	-	385,596	-
Amounts due to:			
Deposits from customers	-	30,534	-
Derivative financial liabilities	-	376	-
Clients' and brokers' balances	-	18,174	63,914
Other liabilities	2	1,880	-
	2	50,964	63,914

	Parent company RM'000	Subsidiaries RM'000	Other related companies RM'000	Key management personnel RM'000
The Company				
01.07.2011				
Amounts due from:				
Cash and short-term funds	-	-	10,157	-
Other assets	-	105	-	-
	-	105	10,157	-
Amounts due to:				
Other liabilities	2	80	27	-
	2	80	27	-

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

39 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(c) Key management personnel

Key management compensation

	The Group	
	30.06.2013 RM'000	**30.06.2012 RM'000**
Fees	**528**	1,646
Salaries and other short-term employee benefits	**5,125**	5,153
Defined contribution plan	**820**	655
	6,473	7,454

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

40 SEGMENTAL INFORMATION

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

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. Unallocated items mainly comprise tax recoverable, deferred tax, other corporate assets and other corporate liabilities.

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

Business segments

The Group comprises the following main business segments:

Investment banking and stock broking	- Investment banking, stockbroking business, future broking and related financial services
Fund management and unit trust management	- Unit trust management, fund management and sale of unit trusts
Investment holding and others	- Investment holdings and others

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

40 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
30.06.2013					
Revenue					
External revenue	170,106	20,257	304	-	190,667
Inter-segment revenue	12,088	3	50,319	(62,410)	-
Total revenue	182,194	20,260	50,623	(62,410)	190,667
Overhead expenses	(107,043)	(18,771)	(2,250)	7,334	(120,730)
(Impairment)/write back of losses on loans and advances and other losses	(347)	-	(40)	142	(245)
Impairment losses on securities	(1,759)	-	-	-	(1,759)
Results					
Segment results from operations	73,045	1,489	48,333	(54,934)	67,933
Tax expense for the financial year					22,288
Net profit for the financial year					90,221
Assets					
Segment assets	2,835,915	35,912	480,249	(416,809)	2,935,267
Liabilities					
Segment liabilities	2,442,522	18,417	14,653	(21,890)	2,453,702
Other informations					
Capital expenditure	1,844	110	-	-	1,954
Depreciation of property and equipment	2,153	169	-	-	2,322
Amortisation of intangible assets					
- computer software	616	49	-	-	665
Allowance for losses on loans and advances	153	-	-	-	153
Bad debts on loans and advances written off	2	-	-	-	2
Writeback of allowance for losses on clients' and brokers' balances	(399)	-	-	-	(399)
Bad debts on clients' and brokers' balances recovered	(309)	-	-	-	(309)
Allowance for losses on bad debts	345	-	-	-	345
Bad debts on other assets written off	453	-	-	-	453
Impairment on securities	1,759	-	-	-	1,759

Note:
1. Total segment revenue comprises of net interest income and non-interest income.
2. Other corporate assets are not directly attributed to the business segments and cannot be allocated on a reasonable basis.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

40 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
30.06.2012					
Revenue					
External revenue	118,712	17,890	342	-	136,944
Inter-segment revenue	250	(10)	18,718	(18,958)	-
Total revenue	118,962	17,880	19,060	(18,958)	136,944
Overhead expenses	(70,179)	(15,997)	(3,228)	(697)	(90,101)
Writeback of impairment losses on loans and advances and other losses	5,047	-	9	-	5,056
Result					
Segment results from operations	53,830	1,883	15,841	(19,655)	51,899
Taxation					(13,122)
Net profit for the financial year					38,777
Assets					
Segment assets	2,460,844	22,066	607,789	(533,590)	2,557,109
Liabilities					
Segment liabilities	1,993,004	4,228	167,601	(723)	2,164,110
Other informations					
Capital expenditure	1,910	336	-	-	2,246
Depreciation of property and equipment	2,230	276	-	-	2,506
Amortisation of intangible assets					
- computer software	733	63	-	-	796
Writeback of allowance for losses on loans and advances	(4,295)	-	-	-	(4,295)
Bad debts on loans and advances recovered	(118)	-	-	-	(118)
Allowance for losses on clients' and brokers' balances	(643)	-	-	-	(643)

Note:
1. Total segment revenue comprises of net interest income and non-interest income.
2. Other corporate assets and liabilities are not directly attributed to the business segments and cannot be allocated on a reasonable basis.

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013
(continued)

41 FINANCIAL INSTRUMENTS

(a) Risk management objectives and policies

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

Credit risk

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

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

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

Market risk

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

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

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

Liquidity risk

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

(b) Market risk

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

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

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(b) Market risk (continued)

(i) Interest rate sensitivity analysis

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

	The Group		The Company	
	Impact on profit after tax RM'000	Impact on equity RM'000	Impact on profit after tax RM'000	Impact on equity RM'000
30.06.2013				
+100 bps	**(16,544)**	**(8,220)**	**-**	**-**
-100 bps	**16,544**	**8,220**	**-**	**-**
30.06.2012				
+100 bps	(588)	(2,881)	(1,650)	-
-100 bps	588	2,881	1,650	-
01.07.2011				
+100 bps	4,334	(2,131)	(200)	-
-100 bps	(4,334)	2,131	200	-

(ii) Foreign currency sensitivity analysis

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

	Impact on profit after tax		
The Group	30.06.2013 RM'000	30.06.2012 RM'000	01.07.2011 RM'000
+1%	**(121)**	(10)	10
-1%	**121**	10	(10)

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(b) Market risk (continued)

Interest rate risk

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

	Non-trading book							
The Group 30.06.2013	**Up to 1 month RM'000**	**1 – 3 months RM'000**	**3 - 12 months RM'000**	**1 - 5 years RM'000**	**Over 5 years RM'000**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Assets								
Cash and short-term funds	580,729	-	-	-	-	84,845	-	665,574
Clients' and brokers' balances	-	-	-	-	-	150,509	-	150,509
Reverse repurchase agreements	80,271	194,117	-	-	-	-	-	274,388
Deposits and placements with banks and other financial institutions	-	261,658	63,903	-	-	-	-	325,561
Financial assets held-for-trading	-	-	-	-	-	-	660,864	660,864
Financial investments available-for-sale	-	5,102	5,071	173,904	79,874	1,382	-	265,333
Financial investments held-to-maturity	-	-	15,225	238,686	-	-	-	253,911
Loans and advances	172,644	-	12	269	2,249	(990)	-	174,184
Derivative financial assets	-	-	-	-	-	-	28,785	28,785
Other assets *	-	-	-	-	-	136,158	-	136,158
Total assets	833,644	460,877	84,211	412,859	82,123	371,904	689,649	2,935,267

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

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(b) Market risk (continued)

Interest rate risk (continued)

	Non-trading book							
The Group 30.06.2013	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Liabilities								
Clients' and brokers' balances	-	-	-	-	-	140,353	-	140,353
Deposits from customers	470,169	-	-	-	-	-	-	470,169
Deposits and placements of banks and other financial institutions	1,149,591	350,803	42,581	-	-	-	-	1,542,975
Repurchased agreements	-	129,625	47,408	-	-	-	-	177,033
Derivative financial liabilities	-	-	-	-	-	-	32,773	32,773
Other liabilities **	-	-	-	-	-	90,399	-	90,399
Total liabilities	1,619,760	480,428	89,989	-	-	230,752	32,773	2,453,702
Total equity	-	-	-	-	-	481,565	-	481,565
Total liabilities and equity	1,619,760	480,428	89,989	-	-	712,317	32,773	2,935,267
On-balance sheet interest sensitivity gap	(786,116)	(19,551)	(5,778)	412,859	82,123			
Off-balance sheet interest sensitivity gap	-	-	-	-	-			
Total interest rate sensitivity gap	(786,116)	(19,551)	(5,778)	412,859	82,123			

** Include current tax liabilities.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(b) Market risk (continued)

Interest rate risk (continued)

	Non-trading book							
The Group 30.06.2012	**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	463,767	-	-	-	-	40,009	-	503,776
Clients' and brokers' balances	-	-	-	-	-	175,875	-	175,875
Deposits and placements with banks and other financial institutions	-	50,584	41,583	-	-	-	-	92,167
Financial assets held-for-trading	-	-	-	-	-	-	705,692	705,692
Financial investments available-for-sale	-	-	14,712	295,216	35,812	2,445	-	348,185
Financial investments held-to-maturity	-	-	16,315	246,497	10,043	-	-	272,855
Loans and advances	228,335	-	27,787	391	2,158	(2,093)	-	256,578
Derivative financial assets	-	-	-	-	-	-	25,666	25,666
Other assets *	-	-	-	-	-	176,315	-	176,315
Total assets	692,102	50,584	100,397	542,104	48,013	392,551	731,358	2,557,109

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

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(b) Market risk (continued)

Interest rate risk (continued)

	Non-trading book							
The Group 30.06.2012	**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	-	-	-	-	-	138,491	-	138,491
Deposits from customers	474,745	127,105	31,775	-	-	-	-	633,625
Deposits and placements of banks and other financial institutions	793,950	173,484	6,210	-	-	-	-	973,644
Repurchased agreements	-	-	115,167	-	-	-	-	115,167
Derivative financial liabilities	-	-	-	-	-	-	49,229	49,229
Other liabilities **	-	-	-	-	-	88,903	-	88,903
Borrowings	165,051	-	-	-	-	-	-	165,051
Total liabilities	1,433,746	300,589	153,152	-	-	227,394	49,229	2,164,110
Total equity	-	-	-	-	-	392,999	-	392,999
Total liabilities and equity	1,433,746	300,589	153,152	-	-	620,393	49,229	2,557,109
On-balance sheet interest sensitivity gap	(741,644)	(250,005)	(52,755)	542,104	48,013			
Off-balance sheet interest sensitivity gap	-	-	-	-	-			
Total interest rate sensitivity gap	(741,644)	(250,005)	(52,755)	542,104	48,013			

** Include current tax liabilities and deferred tax liabilities.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(b) Market risk (continued)

Interest rate risk (continued)

	Non-trading book							
The Group 01.07.2011	**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	430,151	-	-	-	-	43,553	-	473,704
Clients' and brokers' balances	-	-	-	-	-	169,726	-	169,726
Reverse repurchase agreements	86,423	73,261	-	-	-	-	-	159,684
Deposits and placements with banks and other financial institutions	-	60,125	-	-	-	-	-	60,125
Financial assets held-for-trading	-	-	-	-	-	-	430,746	430,746
Financial investments available-for-sale	-	-	-	72,446	60,190	2,445	-	135,081
Financial investments held-to-maturity	-	-	-	52,077	-	-	-	52,077
Loans and advances	24,137	90,161	-	-	-	(5,302)	-	108,996
Derivative financial assets	-	-	-	-	-	-	5,574	5,574
Other assets *	-	-	-	-	-	169,437	-	169,437
Total assets	540,711	223,547	-	124,523	60,190	379,859	436,320	1,765,150

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

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(b) Market risk (continued)

Interest rate risk (continued)

	Non-trading book							
The Group 01.07.2011	**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	-	-	-	-	-	177,768	-	177,768
Deposits from customers	391,005	4,238	-	-	-	-	-	395,243
Deposits and placements of banks and other financial institutions	746,079	-	1,920	-	-	-	-	747,999
Derivative financial liabilities	-	-	-	-	-	-	5,345	5,345
Other liabilities **	-	-	-	-	-	77,922	-	77,922
Borrowings	20,075	-	-	-	-	-	-	20,075
Total liabilities	1,157,159	4,238	1,920	-	-	255,690	5,345	1,424,352
Total equity	-	-	-	-	-	340,798	-	340,798
Total liabilities and equity	1,157,159	4,238	1,920	-	-	596,488	5,345	1,765,150
On-balance sheet interest sensitivity gap	(616,448)	219,309	(1,920)	124,523	60,190			
Off-balance sheet interest sensitivity gap	-	-	-	-	-			
Total interest rate sensitivity gap	(616,448)	219,309	(1,920)	124,523	60,190			

** Include current tax liabilities.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(b) Market risk (continued)

Interest rate risk (continued)

	Non-trading book							
The Company 30.06.2013	**Up to 1 month RM'000**	**1 - 3 months RM'000**	**3 - 12 months RM'000**	**1 - 5 years RM'000**	**Over 5 years RM'000**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Assets								
Cash and short-term funds	74,559	-	-	-	-	2,827	-	77,386
Deposits and placements with banks and other financial institutions	-	-	360	-	-	-	-	360
Financial assets held-for-trading	-	-	-	-	-	-	414	414
Other assets	-	-	-	-	-	14	-	14
Tax recoverable	-	-	-	-	-	1,365	-	1,365
Investment in subsidiary companies	-	-	-	-	-	372,659	-	372,659
Total assets	74,559	-	360	-	-	376,865	414	452,198
Liabilities								
Other liabilities	-	-	-	-	-	1,887	-	1,887
Derivative financial instruments	-	-	-	-	-	-	12,156	12,156
Total liabilities	-	-	-	-	-	1,887	12,156	14,043
Total equity	-	-	-	-	-	438,155	-	438,155
Total liabilities and equity	-	-	-	-	-	440,042	12,156	452,198
On-balance sheet interest sensitivity gap	74,559	-	360	-	-			
Off-balance sheet interest sensitivity gap	-	-	-	-	-			
Total interest rate sensitivity gap	74,559	-	360	-	-			

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(b) Market risk (continued)

Interest rate risk (continued)

	Non-trading book							
The Company 30.06.2012	**Up to 1 month RM'000**	**1 - 3 months RM'000**	**3 - 12 months RM'000**	**1 - 5 years RM'000**	**Over 5 years RM'000**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Assets								
Cash and short-term funds	1,760	-	-	-	-	537	-	2,297
Financial assets held-for-trading	-	-	-	-	-	-	409	409
Other assets	-	-	-	-	-	19,046	-	19,046
Tax recoverable	-	-	-	-	-	893	-	893
Investment in subsidiary companies	-	-	-	-	-	402,474	-	402,474
Total assets	1,760	-	-	-	-	422,950	409	425,119
Liabilities								
Other liabilities	-	-	-	-	-	2,359	-	2,359
Borrowings	165,051	-	-	-	-	-	-	165,051
Total liabilities	165,051	-	-	-	-	2,359	-	167,410
Total equity	-	-	-	-	-	257,709	-	257,709
Total liabilities and equity	165,051	-	-	-	-	260,068	-	425,119
On-balance sheet interest sensitivity gap	(163,291)	-	-	-	-			
Off-balance sheet interest sensitivity gap	-	-	-	-	-			
Total interest rate sensitivity gap	(163,291)	-	-	-	-			

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(b) Market risk (continued)

Interest rate risk (continued)

	Non-trading book							
The Company 01.07.2011	**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	-	-	-	-	-	10,157	-	10,157
Financial assets held-for-trading	-	-	-	-	-	-	477	477
Other assets	-	-	-	-	-	110	-	110
Tax recoverable	-	-	-	-	-	1,306	-	1,306
Investment in subsidiary companies	-	-	-	-	-	268,189	-	268,189
Total assets	-	-	-	-	-	279,762	477	280,239
Liabilities								
Other liabilities	-	-	-	-	-	601	-	601
Borrowings	20,075	-	-	-	-	-	-	20,075
Total liabilities	20,075	-	-	-	-	601	-	20,676
Total equity	-	-	-	-	-	259,563	-	259,563
Total liabilities and equity	20,075	-	-	-	-	260,164	-	280,239
On-balance sheet interest sensitivity gap	(20,075)	-	-	-	-			
Off-balance sheet interest sensitivity gap	-	-	-	-	-			
Total interest rate sensitivity gap	(20,075)	-	-	-	-			

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk

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

The table below analyses the carrying amount of assets and liabilites (include non-financial instruments) as at reporting date based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM/GP8:

The Group 30.06.2013	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	323,713	341,861	-	-	-	-	-	665,574
Clients' and brokers' balances	150,509	-	-	-	-	-	-	150,509
Reverse repurchase agreements	-	80,271	194,117	-	-	-	-	274,388
Deposits and placements with banks and other financial institutions	-	-	261,658	15,935	47,968	-	-	325,561
Financial assets held-for-trading	27,845	171,193	170,802	-	-	277,788	13,236	660,864
Financial investments available-for-sale	-	-	5,103	-	5,071	254,473	686	265,333
Financial investments held-to-maturity	-	-	-	-	15,225	238,686	-	253,911
Loans and advances	138,375	-	-	33,593	2	2,214	-	174,184
Derivative financial assets	648	2,760	3,625	6,819	3,315	11,618	-	28,785
Other assets *	171	-	-	-	12,684	-	123,303	136,158
Total assets	641,261	596,085	635,305	56,347	84,265	784,779	137,225	2,935,267

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilites (include non-financial instruments) as at reporting date based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM/GP8: (continued)

The Group 30.06.2013	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Clients' and brokers' balances	140,353	-	-	-	-	-	-	140,353
Deposits from customers	236,013	234,156	-	-	-	-	-	470,169
Deposits and placements of banks and other financial institutions	915,545	234,047	350,802	42,581	-	-	-	1,542,975
Repurchased agreements	-	-	129,625	47,408	-	-	-	177,033
Derivative financial liabilities	1,382	5,966	6,549	3,401	2,886	12,589	-	32,773
Other liabilities **	98	15,778	-	2,665	55,092	11,727	5,039	90,399
Total liabilities	1,293,391	489,947	486,976	96,055	57,978	24,316	5,039	2,453,702
Total equity	-	-	-	-	-	-	481,565	481,565
Total liabilities and equity	1,293,391	489,947	486,976	96,055	57,978	24,316	486,604	2,935,267

** Includes current tax liabilities.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilites (include non-financial instruments) as at reporting date based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM/GP8: (continued)

The Group 30.06.2012	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	276,154	221,254	-	-	-	-	6,368	503,776
Clients' and brokers' balances	173,382	2,493	-	-	-	-	-	175,875
Deposits and placements with banks and other financial institutions	-	-	50,584	-	41,583	-	-	92,167
Financial assets held-for-trading	50,004	249,979	49,847	225,592	-	107,040	23,230	705,692
Financial investments available-for-sale	-	-	-	10,055	4,657	331,028	2,445	348,185
Financial investments held-to-maturity	-	-	-	16,315	-	256,540	-	272,855
Loans and advances	145,620	-	-	79,843	28,159	2,956	-	256,578
Derivative financial assets	2,964	1,825	10,869	3,820	1,587	4,601	-	25,666
Other assets *	16	4,814	18,656	257	45,863	9,646	97,063	176,315
Total assets	648,140	480,365	129,956	335,882	121,849	711,811	129,106	2,557,109

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

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilites (include non-financial instruments) as at reporting date based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM/GP8: (continued)

The Group 30.06.2012	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	136,802	1,689	-	-	-	-	-	138,491
Deposits from customers	355,088	119,657	127,105	-	31,775	-	-	633,625
Deposits and placements of banks and other financial institutions	382,532	411,418	173,484	4,599	1,611	-	-	973,644
Repurchased agreements	-	-	-	115,167	-	-	-	115,167
Derivative financial liabilities	1,699	12,441	19,089	1,796	2,752	11,452	-	49,229
Other liabilities **	10,439	2,867	1,103	4,658	32,370	18,272	19,194	88,903
Borrowings	-	165,051	-	-	-	-	-	165,051
Total liabilities	886,560	713,123	320,781	126,220	68,508	29,724	19,194	2,164,110
Total equity	-	-	-	-	-	-	392,999	392,999
Total liabilities and equity	886,560	713,123	320,781	126,220	68,508	29,724	412,193	2,557,109

** Includes current tax liabilities and deferred tax liabilities.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilites (include non-financial instruments) as at reporting date based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM/GP8: (continued)

The Group 01.07.2011	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	473,704	-	-	-	-	-	-	473,704
Clients' and brokers' balances	169,726	-	-	-	-	-	-	169,726
Reverse repurchase agreements	-	86,423	73,261	-	-	-	-	159,684
Deposits and placements with banks and other financial institutions	-	-	60,125	-	-	-	-	60,125
Financial assets held-for-trading	19,262	134,903	78,477	20,071	5,036	113,133	59,864	430,746
Financial investments available-for-sale	-	-	-	-	10,099	122,537	2,445	135,081
Financial investments held-to-maturity	-	-	-	-	-	52,077	-	52,077
Loans and advances	74,565	14,208	15,599	-	-	4,624	-	108,996
Derivative financial assets	396	650	2,218	50	48	2,212	-	5,574
Other assets *	30,108	-	10,876	-	43,515	24,294	60,644	169,437
Total assets	767,761	236,184	240,556	20,121	58,698	318,877	122,953	1,765,150

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

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilites (include non-financial instruments) as at reporting date based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM/GP8: (continued)

The Group 01.07.2011	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	177,768	-	-	-	-	-	-	177,768
Deposits from customers	309,917	81,088	4,238	-	-	-	-	395,243
Deposits and placements of banks and other financial institutions	540,705	201,288	-	4,448	1,558	-	-	747,999
Derivative financial liabilities	914	803	2,857	29	2	740	-	5,345
Other liabilities **	12,609	-	-	-	65,313	-	-	77,922
Borrowings	-	20,075	-	-	-	-	-	20,075
Total liabilities	1,041,913	303,254	7,095	4,477	66,873	740	-	1,424,352
Total equity	-	-	-	-	-	-	340,798	340,798
Total liabilities and equity	1,041,913	303,254	7,095	4,477	66,873	740	340,798	1,765,150

** Includes current tax liabilities.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilites (include non-financial instruments) as at reporting date based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM/GP8: (continued)

The Company 30.06.2013	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	2,827	74,559	-	-	-	-	-	77,386
Deposits and placements with banks and other financial institutions	-	-	-	-	360	-	-	360
Financial assets held-for-trading	-	-	-	-	-	-	414	414
Other assets	3	-	-	-	11	-	-	14
Tax recoverable	-	-	-	-	-	-	1,365	1,365
Investment in subsidiary companies	-	-	-	-	-	-	372,659	372,659
Total assets	2,830	74,559	-	-	371	-	374,438	452,198
Liabilities								
Other liabilities	1,003	-	-	-	884	-	-	1,887
Derivative financial liabilities	-	-	-	-	6,078	6,078	-	12,156
Total liabilities	1,003	-	-	-	6,962	6,078	-	14,043
Total equity	-	-	-	-	-	-	438,155	438,155
Total liabilities and equity	1,003	-	-	-	6,962	6,078	438,155	452,198

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilites (include non-financial instruments) as at reporting date based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM/GP8: (continued)

The Company 30.06.2012	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	1,337	960	-	-	-	-	-	2,297
Financial assets held-for-trading	-	-	-	-	-	-	409	409
Other assets	424	-	18,614	-	7	-	1	19,046
Tax recoverable	-	-	-	-	-	-	893	893
Investment in subsidiary companies	-	-	-	-	-	-	402,474	402,474
Total assets	1,761	960	18,614	-	7	-	403,777	425,119
Liabilities								
Other liabilities	26	-	-	-	2,333	-	-	2,359
Borrowings	-	165,051	-	-	-	-	-	165,051
Total liabilities	26	165,051	-	-	2,333	-	-	167,410
Total equity	-	-	-	-	-	-	257,709	257,709
Total liabilities and equity	26	165,051	-	-	2,333	-	257,709	425,119

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilites (include non-financial instruments) as at reporting date based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM/GP8: (continued)

The Company 01.07.2011	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	10,157	-	-	-	-	-	-	10,157
Financial assets held-for-trading	-	-	-	-	-	-	477	477
Other assets	105	-	-	-	5	-	-	110
Tax recoverable	-	-	-	-	-	-	1,306	1,306
Investment in subsidiary companies	-	-	-	-	-	-	268,189	268,189
Total assets	10,262	-	-	-	5	-	269,972	280,239
Liabilities								
Other liabilities	109	-	-	-	492	-	-	601
Borrowings	-	20,075	-	-	-	-	-	20,075
Total liabilities	109	20,075	-	-	492	-	-	20,676
Total equity	-	-	-	-	-	-	259,563	259,563
Total liabilities and equity	109	20,075	-	-	492	-	259,563	280,239

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

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

The Group 30.06.2013	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Liabilities							
Clients' and brokers' balances	140,353	-	-	-	-	-	140,353
Deposits from customers	470,515	-	-	-	-	-	470,515
Deposits and placements of banks and other financial institutions	1,149,865	394,150	-	-	-	-	1,544,015
Repurchased agreements	-	177,139	-	-	-	-	177,139
Derivative financial liabilities							
- Gross settled derivatives							
- Inflow	(637,390)	(1,115,505)	(364,159)	(62,381)	-	-	(2,179,435)
- Outflow	640,950	1,116,145	364,101	63,587	-	-	2,184,783
- Net settled derivatives	85	1,524	1,881	6,534	1,344	-	11,368
Other liabilities	17,641	2,665	45,447	19,745	-	4,901	90,399
Total financial liabilities	1,782,019	576,118	47,270	27,485	1,344	4,901	2,439,137

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

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

The Group 30.06.2012	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	138,491	-	-	-	-	-	138,491
Deposits from customers	475,051	127,281	31,966	-	-	-	634,298
Deposits and placements of banks and other financial institutions	794,607	178,772	1,664	-	-	-	975,043
Repurchased agreements	-	-	116,511	-	-	-	116,511
Derivative financial liabilities							
- Gross settled derivatives							
- Inflow	(642,073)	(767,917)	(93,453)	-	-	-	(1,503,443)
- Outflow	653,915	783,122	95,380	-	-	-	1,532,417
- Net settled derivatives	85	2,021	2,410	9,232	4,463	70	18,281
Borrowings	165,490	-	-	-	-	-	165,490
Other liabilities	13,306	5,761	32,370	18,272	-	19,194	88,903
Total financial liabilities	1,598,872	329,040	186,848	27,504	4,463	19,264	2,165,991

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

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

The Group 01.07.2011	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	177,768	-	-	-	-	-	177,768
Deposits from customers	391,286	4,240	-	-	-	-	395,526
Deposits and placements of banks and other financial institutions	742,272	4,507	1,584	-	-	-	748,363
Derivative financial liabilities							
- Gross settled derivatives							
- Inflow	(557,566)	(303,551)	-	-	-	-	(861,117)
- Outflow	558,279	304,201	-	-	-	-	862,480
- Net settled derivatives	(38)	547	311	1,370	123	18	2,331
Borrowings	20,134	-	-	-	-	-	20,134
Other liabilities	12,609	-	65,313	-	-	-	77,922
Total financial liabilities	1,344,744	9,944	67,208	1,370	123	18	1,423,407

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

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

The Company	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
30.06.2013							
Liabilities							
Derivative financial liabilities							
- Net settled derivatives	**-**	**-**	**6,078**	**6,078**	**-**	**-**	**12,156**
Other liabilities	**1,003**	**-**	**884**	**-**	**-**	**-**	**1,887**
Total financial liabilities	**1,003**	**-**	**6,962**	**6,078**	**-**	**-**	**14,043**
30.06.2012							
Liabilities							
Borrowings	165,490	-	-	-	-	-	165,490
Other liabilities	26	-	2,333	-	-	-	2,359
Total financial liabilities	165,516	-	2,333	-	-	-	167,849
01.07.2011							
Liabilities							
Borrowings	20,134	-	-	-	-	-	20,134
Other liabilities	109	-	492	-	-	-	601
Total financial liabilities	20,243	-	492	-	-	-	20,735

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

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

The Group	Less than 1 year RM'000	Over 1 year RM'000	Total RM'000
30.06.2013			
Direct credit substitutes	**-**	**50,750**	**50,750**
Obligations under underwriting agreement	**-**	**-**	**-**
Other commitments, such as formal standby facilities and credit lines	**-**	**69**	**69**
Any commitment that are unconditionally cancelled at anytime by the bank withour prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	**507,022**	**-**	**507,022**
Others	**636,606**	**-**	**636,606**
	1,143,628	**50,819**	**1,194,447**
30.06.2012			
Direct credit substitutes	-	50,750	50,750
Other commitments, such as formal standby facilities and credit lines	15,266	641	15,907
Any commitment that are unconditionally cancelled at anytime by the bank withour prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	426,568	-	426,568
Others	461,001	-	461,001
	902,835	51,391	954,226
01.07.2011			
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	20,238	-	20,238
Any commitment that are unconditionally cancelled at anytime by the bank withour prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	302,249	-	302,249
Others	413,827	-	413,827
	736,314	-	736,314

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk

(i) Maximum exposure to credit risk

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

	The Group			The Company		
	30.06.2013 RM'000	30.06.2012 RM'000	01.07.2011 RM'000	30.06.2013 RM'000	30.06.2012 RM'000	01.07.2011 RM'000
Credit risk exposure relating to on-balance sheet assets:						
Short-term funds (exclude cash in hand)	**665,559**	503,755	473,691	**77,386**	2,297	10,157
Clients' and brokers' balances	**150,509**	175,875	169,726	**-**	-	-
Reverse repurchase agreements	**274,388**	-	159,684	**-**	-	-
Deposits and placements with banks and other financial institutions	**325,561**	92,167	60,125	**360**	-	-
Financial assets and investments portfolios (exclude shares and unit trust investment)						
- financial assets held-for-trading	**647,628**	682,462	370,882	**-**	-	-
- financial investments available-for-sale	**263,952**	345,740	132,636	**-**	-	-
- financial investments held-to-maturity	**253,911**	272,855	52,077	**-**	-	-
Loans and advances	**174,184**	256,578	108,996	**-**	-	-
Other assets	**11,955**	77,343	65,336	**8**	19,046	110
Derivative financial assets	**28,785**	25,666	5,574	**-**	-	-
	2,796,432	2,432,441	1,598,727	**77,754**	21,343	10,267
Credit risk exposure relating to off-balance sheet items:						
Commitments and contingencies	**1,194,447**	954,226	736,314	**-**	-	-
Total maximum credit risk exposure	**3,990,879**	3,386,667	2,335,041	**77,754**	21,343	10,267

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(ii) Collaterals

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

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

The Group also accept non-tangible securities such as support, guarantees from individuals, corporates and institutions, bank guarantees, debentures, assignment of contract payments, which are subject to internal guidelines on eligibility.

The financial effect of collateral (quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held for loans and advances as at 30 June 2013 for the Group is 99.0% (30 June 2012: 88.2%, 1 July 2011: 91.0%). The financial effect of collateral held for the other financial assets is not significant.

(iii) Credit quality

(a) Loans and advances

All loans and advances are categorised as either:
- neither past due nor impaired;
- past due but not impaired; or
- impaired

Past due loans and advances refers to loans that are overdue by one day or more. Impaired loans and advances are loans and advances with months-in-arrears more than 90 days or with impaired allowances.

Loans and advances are summarised as follows:

The Group	30.06.2013 RM'000	30.06.2012 RM'000	01.07.2011 RM'000
Neither past due nor impaired	**174,051**	257,415	104,924
Past due but not impaired	**-**	-	-
Individually impaired	**1,123**	1,256	9,374
Gross loans and advances	**175,174**	258,671	114,298
Less : Allowance for impaired loans, advances and financing:			
- individual assessment allowance	**(252)**	(1,256)	(4,679)
- collective assessment allowance	**(738)**	(837)	(623)
Total net loans and advances	**174,184**	256,578	108,996

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(iii) Credit quality (continued)

(a) Loans and advances (continued)

(i) Loans and advances neither past due nor impaired

Analysis of loans, advances and financing that are neither past due nor impaired analysed based on the Group's internal credit grading system is as follows:

The Group	30.06.2013 RM'000	30.06.2012 RM'000	01.07.2011 RM'000
Grading classification:			
- Good	**174,051**	255,592	104,924
- Fair	**-**	1,823	-
Total neither past due nor impaired	**174,051**	257,415	104,924

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

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

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

(ii) Loans and advances past due but not impaired

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(iii) Credit quality (continued)

(a) Loans and advances (continued)

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

The Group	30.06.2013 RM'000	30.06.2012 RM'000	01.07.2011 RM'000
Gross amount of individually impaired loans	**1,123**	1,256	9,374
Less: Individual assessment allowance	**(252)**	(1,256)	(4,679)
Total net amount of individually impaired loans	**871**	-	4,695

(b) The credit quality of financial assets other than loans and advances are determined based on the ratings of counterparties as defined by Moody's or equivalent ratings of other international rating agencies as defined belows:

- AAA to AA3
- A1 to A3
- Baa1 to Baa3
- P1 to P3

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(iii) Credit quality (continued)

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

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

The Group	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Clients' and brokers' balances RM'000	Reverse repurchase agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Other assets RM'000	Derivative financial assets RM'000
30.06.2013								
Neither past due nor impaired	**991,120**	**150,115**	**274,388**	**647,628**	**263,952**	**253,911**	**11,955**	**28,785**
Individually impaired	**-**	**805**	**-**	**-**	**-**	**-**	**443**	**-**
Less: Impairment losses	**-**	**(411)**	**-**	**-**	**-**	**-**	**(443)**	**-**
	991,120	**150,509**	**274,388**	**647,628**	**263,952**	**253,911**	**11,955**	**28,785**
30.06.2012								
Neither past due nor impaired	595,922	175,368	-	682,462	345,740	272,855	77,343	25,666
Individually impaired	-	1,403	-	-	-	-	-	-
Less: Impairment losses	-	(896)	-	-	-	-	-	-
	595,922	175,875	-	682,462	345,740	272,855	77,343	25,666
01.07.2011								
Neither past due nor impaired	533,816	169,525	159,684	370,882	132,636	52,077	65,336	5,574
Individually impaired	-	12,589	-	-	-	-	-	-
Less: Impairment losses	-	(12,388)	-	-	-	-	-	-
	533,816	169,726	159,684	370,882	132,636	52,077	65,336	5,574

The amount of short term funds, deposits and placements with banks and other financial institutions, financial assets and investment portfolios, other assets and derivative assets that are past due but not impaired is not material.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(iii) Credit quality (continued)

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

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

The Company	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Other assets RM'000
30.06.2013		
Neither past due nor impaired	**77,746**	**8**
Individually impaired	**-**	**-**
Less: Impairment losses	**-**	**-**
	77,746	**8**
30.06.2012		
Neither past due nor impaired	2,297	19,046
Individually impaired	-	-
Less: Impairment losses	-	-
	2,297	19,046
01.07.2011		
Neither past due nor impaired	10,157	110
Individually impaired	-	-
Less: Impairment losses	-	-
	10,157	110

The amount of short term funds, deposits and placements with banks and other financial institutions and other assets that are past due but not impaired is not material.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(iii) Credit quality (continued)

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

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

The Group	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Clients' and brokers' balances RM'000	Reverse repurchase agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Other assets RM'000	Derivative financial assets RM'000
30.06.2013								
AAA to AA3	31,852	-	-	294,762	87,380	35,702	3	19,429
A1 to A3	14	-	-	84,291	46,297	52,205	1,280	2,256
Baa1 to Baa3	-	-	-	28,988	40,179	140,707	-	-
P1 to P3	688,609	-	-	219,476	-	-	171	-
Non-rated, of which:								
- Bank Negara Malaysia	220,632	-	274,388	-	-	-	-	-
- Malaysia Government Investment Issues	-	-	-	-	59,669	5,107	-	-
- Government Guaranteed Private Debt Securities	-	-	-	20,107	30,427	20,190	-	-
- Others	50,013	150,509	-	5	-	-	10,501	7,100
	270,645	150,509	274,388	20,112	90,096	25,297	10,501	7,100
	991,120	150,509	274,388	647,629	263,952	253,911	11,955	28,785

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(iii) Credit quality (continued)

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

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

The Group	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Clients' and brokers' balances RM'000	Reverse repurchase agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Other assets RM'000	Derivative financial assets RM'000
30.06.2012								
AAA to AA3	17,503	1,363	-	98,344	82,354	84,877	26,030	18,240
A1 to A3	1	-	-	-	114,616	53,104	-	3,507
Baa1 to Baa3	-	-	-	8,684	120,498	109,514	-	-
P1 to P3	467,092	-	-	375,719	-	-	-	-
Non-rated, of which:								
- Bank Negara Malaysia	90,122	-	-	199,683	-	-	-	-
- Malaysia Government Investment Issues	-	-	-	-	-	5,131	-	-
- Government Guaranteed Private Debt Securities	-	-	-	-	28,272	20,229	-	-
- Others	21,203	174,512	-	32	-	-	51,313	3,919
	111,325	174,512	-	199,715	28,272	25,360	51,313	3,919
	595,921	175,875	-	682,462	345,740	272,855	77,343	25,666

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(iii) Credit quality (continued)

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

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

The Group	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Clients' and brokers' balances RM'000	Reverse repurchase agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Other assets RM'000	Derivative financial assets RM'000
01.07.2011								
AAA to AA3	-	-	-	265,033	51,298	20,565	9,221	2,058
A1 to A3	-	-	-	17,436	10,902	-	30,108	-
Baa1 to Baa3	-	-	-	68,210	60,199	16,140	-	-
P1 to P3	319,962	-	-	20,143	-	-	-	-
Non-rated, of which:								
- Bank Negara Malaysia	193,831	-	159,684	-	-	-	-	-
- Malaysia Government Investment Issues	-	-	-	-	-	5,153	-	-
- Government Guaranteed Private Debt Securities	-	-	-	-	10,237	10,219	-	-
- Others	20,023	169,726	-	60	-	-	26,007	3,516
	213,854	169,726	159,684	60	10,237	15,372	26,007	3,516
	533,816	169,726	159,684	370,882	132,636	52,077	65,336	5,574

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(iii) Credit quality (continued)

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

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

The Company	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Other assets RM'000
30.06.2013		
AAA to AA3	**-**	**-**
P1 to P3	**77,746**	**-**
Non-rated, of which:		
- Others	**-**	**8**
	-	**8**
	77,746	**8**
30.06.2012		
AAA to AA3	-	18,790
P1 to P3	2,297	-
Non-rated, of which:		
- Others	-	256
	-	256
	2,297	19,046
01.07.2011		
AAA to AA3	-	-
P1 to P3	10,157	-
Non-rated, of which:		
- Others	-	110
	-	110
	10,157	110

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(iv) Collateral and other credit enhancements obtained

(a) Repossessed collateral

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

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

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

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

The Group 30.06.2012	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Clients' and brokers' balances RM'000	Reverse repurchase agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Loans and advances RM'000	Other assets RM'000	Derivative financial assets RM'000	On-balance sheet total RM'000	Credit related commitments and contingencies RM'000
Agriculture	-	-	-	-	30,565	-	-	-	-	30,565	-
Mining and quarrying	-	-	-	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	10,208	1,213	198	-	11,619	241
Electricity, gas and water	-	-	-	-	6,781	-	-	11	-	6,792	-
Construction	-	-	-	-	-	-	636	9,041	2,250	11,927	2,364
Wholesale and retail	-	-	-	-	15,574	15,506	-	-	-	31,080	-
Transport, storage and communications	-	-	-	5,266	17,985	5,077	-	-	-	28,328	-
Finance, insurance, real estate and business services	505,797	1,363	-	477,503	274,835	226,890	116,014	36,326	23,416	1,662,144	547,748
Government and government agencies	90,125	-	-	199,693	-	15,174	-	16,434	-	321,426	-
Household	-	-	-	-	-	-	101,782	-	-	101,782	378,717
Purchase of securities	-	173,382	-	-	-	-	-	-	-	173,382	-
Others	-	1,130	-	-	-	-	36,933	15,333	-	53,396	25,156
	595,922	175,875	-	682,462	345,740	272,855	256,578	77,343	25,666	2,432,441	954,226

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

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

The Group 01.07.2011	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Clients' and brokers' balances RM'000	Reverse repurchase agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Loans and advances RM'000	Other assets RM'000	Derivative financial assets RM'000	On-balance sheet total RM'000	Credit related commitments and contingencies RM'000
Agriculture	-	-	-	-	10,099	-	800	-	-	10,899	-
Mining and quarrying	-	-	-	-	-	-	4,627	-	-	4,627	-
Manufacturing	-	-	-	-	-	10,246	12,169	-	-	22,415	-
Electricity, gas and water	-	-	-	-	6,482	-	-	-	-	6,482	20,078
Construction	-	-	-	-	-	-	-	-	3,000	3,000	
Wholesale and retail	-	-	-	-	10,398	-	-	-	-	10,398	-
Transport, storage and communications	-	-	-	59,163	-	5,089	-	-	-	64,252	-
Finance, insurance, real estate and business services	340,766	-	-	311,719	79,996	31,589	20,132	41,277	2,574	828,053	424,114
Government and government agencies	193,050	-	159,684	-	25,661	5,153	-	9,858	-	393,406	-
Household	-	-	-	-	-	-	66,420	-	-	66,420	281,824
Purchase of securities	-	165,806	-	-	-	-	-	-	-	165,806	-
Others	-	3,920	-	-	-	-	4,848	14,201	-	22,969	10,298
	533,816	169,726	159,684	370,882	132,636	52,077	108,996	65,336	5,574	1,598,727	736,314

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

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

The Company	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Financial assets held-for-trading RM'000	Other assets RM'000	On-balance sheet total RM'000
30.06.2013				
Finance, insurance, real estate and business services	**77,746**	**-**	**3**	**77,749**
Others	**-**	**-**	**5**	**5**
	77,746	**-**	**8**	**77,754**
30.06.2012				
Finance, insurance, real estate and business services	2,297	-	19,039	21,336
Others	-	-	7	7
	2,297	-	19,046	21,343
01.07.2011				
Finance, insurance, real estate and business services	10,157	-	-	10,157
Others	-	-	110	110
	10,157	-	110	10,267

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013
(continued)

41 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). Such inputs are generally determined based on observable inputs of a similar nature, historical observations on the level of the input or other analytical techniques.

The Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
30.06.2013				
Financial assets				
Financial assets held-for-trading	**13,236**	**647,628**	**-**	**660,864**
Financial investments available-for-sale	**695**	**263,952**	**686**	**265,333**
Derivative financial assets	**-**	**28,785**	**-**	**28,785**
	13,931	**940,365**	**686**	**954,982**
Financial liability				
Derivative financial liabilities	**-**	**32,773**	**-**	**32,773**
30.06.2012				
Financial assets				
Financial assets held-for-trading	23,230	682,462	-	705,692
Financial investments available-for-sale	-	345,740	2,445	348,185
Derivative financial assets	-	25,666	-	25,666
	23,230	1,053,868	2,445	1,079,543

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(e) Fair value measurement (continued)

The Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
30.06.2012 (continued)				
Financial liability				
Derivative financial liabilities	-	49,229	-	49,229
01.07.2011				
Financial assets				
Financial assets held-for-trading	59,864	370,882	-	430,746
Financial investments available-for-sale	-	132,636	2,445	135,081
Derivative financial assets	-	5,574	-	5,574
	59,864	509,092	2,445	571,401
Financial liability				
Derivative financial liabilities	-	5,345	-	5,345
The Company				
30.06.2013				
Financial asset				
Financial assets held-for-trading	**414**	**-**	**-**	**414**
Financial liability				
Derivative financial liabilities	**-**	**12,156**	**-**	**12,156**
30.06.2012				
Financial asset				
Financial assets held-for-trading	409	-	-	409
01.07.2011				
Financial asset				
Financial assets held-for-trading	477	-	-	477

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(e) Fair value measurement (continued)

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

	Financial investments	
The Group	**30.06.2013 RM'000**	**30.06.2012 RM'000**
As at 1 July	**2,445**	2,445
Impaired during the year	**(1,759)**	-
As at 30 June	**686**	-

The table below summarises the carrying amounts and the fair values of those financial assets not presented in the Group's and the Company's statements of financial position at their fair values:

	The Group and the Company	
	Carrying amount RM'000	**Fair value RM'000**
30.06.2013		
Financial asset		
Financial investments held-to-maturity	**253,911**	**258,446**
30.06.2012		
Financial asset		
Financial investments held-to-maturity	272,855	275,564
Financial liability		
Repurchased agreements	115,167	115,802
01.07.2011		
Financial asset		
Financial investments held-to-maturity	52,077	52,116

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(e) Fair value measurement (continued)

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

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

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

Financial investments held-to-maturity

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

Loans and advances

For floating rate loans, the carrying value is generally a reasonable estimate of fair value. For fixed rate loans, the fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of loans with similar credit risks and maturities.

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

Clients' and brokers' balances

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

Other assets and liabilities

The carrying value less any estimated allowance for financial assets and liabilities included in 'other assets and liabilities' are assumed to approximate their fair values as these items are not materially sensitive to the shift in market interest rates.

Deposits from customers

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

Deposits and placements of other financial institutions and repurchased agreements

The estimated fair values of deposits and placements of other financial institutions and repurchased agreements with maturities of less than six months approximate the carrying values. For the items with maturities six months and above, the fair values are estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturities.

Credit related commitment and contingencies

The net fair value of these items was not calculated as estimated fair values are not readily ascertainable. These financial instruments generally relate to credit risks and attract fees in line with market prices for similar arrangements. They are not presently sold nor traded. The fair value may be represented by the present value of fees expected to be received less associated costs.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013
(continued)

42 EQUITY COMPENSATION BENEFITS

Executive Share Option Scheme

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

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

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

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

1. Eligible executives are those executives of the Group who have been confirmed in service on the date of offer or Directors (executive or non-executive) of the Company and its subsidiaries. The maximum allowable allotments for the full time Executive Directors had been approved by the shareholders of the Company in a general meeting. The Board may from time to time at its discretion select and identify suitable eligible executives to be offered options.

2. The aggregate number of shares to be issued under the ESOS shall not exceed 15% of the issued and paid-up ordinary share capital of the Company for the time being ("Aggregate Maximum Allocation").

3. The Scheme shall be in force for a period of ten (10) years from 23 January 2006.

4. The option price shall not be at a discount of more than ten percent (10%) (or such discount as the relevant authorities shall permit) from the 5-day weighted average market price of the shares of the Company preceding the date of offer and shall in no event be less than the par value of the shares of the Company.

5. The option granted to an option holder under the ESOS is exercisable by the option holder only during his employment with the Group and within the option exercise period subject to any maximum limit as may be determined by the Board under the Bye-Laws of the ESOS.

6. The exercise of the options may, at the absolute discretion of the Board of Directors of the Company, be satisfied by way of issuance of new shares; transfer of existing shares purchased by a trust established for the ESOS; or a combination of both new shares and existing shares.

Pursuant to this, a trust has been set up for the ESOS and it is administered by an appointed trustee. This trustee will be entitled from time to time to accept financial assistance from the Company upon such terms and conditions as the Company and the trustee may agree to purchase the Company's shares from the open market for the purposes of this trust. In accordance with MFRS 132, the shares purchased for the benefit of the ESOS holdings are recorded as "Treasury Shares for ESOS Scheme" in equity on the statement of financial position. The cost of operating the ESOS scheme is charged to the statement of income.

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

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

42 EQUITY COMPENSATION BENEFITS (continued)

Executive Share Option Scheme (continued)

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

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

Grant date	Vesting date	Expiry date	As at 01.07.2012	Exercised	Lapsed	As at 30.06.2013
19 January 2011	18 January 2013	18 July 2013 *	1,260,000	(1,260,000)	-	**-**
19 January 2011	18 January 2014	18 April 2014 ^	1,470,000	-	(140,000)	**1,330,000**
19 January 2011	18 January 2015	18 April 2015 ^	1,470,000	-	(140,000)	**1,330,000**
			4,200,000	(1,260,000)	(280,000)	**2,660,000**

* The exercise period is up to 6 months from the date of notification of entitlement ("Vesting Date").
^ The exercise period is up to 3 months from the Vesting Date.

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

The options outstanding at reporting date had an exercise price of RM1.42 and weighted average remaining contractual life (from grant date to the end of exercise period) of 1 year (2012: 2 years).

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

Grant date	Vesting date	Expiry date	At grant date	Exercised	Lapsed	As at 30.06.2013
16 January 2013	16 January 2013	16 April 2015 ~	1,150,000	(1,150,000)	-	**-**
16 January 2013	16 January 2013	20 January 2016	1,150,000	(100,000)	-	**1,050,000**
			2,300,000	(1,250,000)	-	**1,050,000**

~ The exercise period is up to 3 months after the second anniversary of grant date.

The estimated fair value of each share option granted is between RM0.73 to RM0.80 per option. This was calculated using the Black-Scholes model. The model inputs were the share price at grant date of RM1.30, exercise price of RM1.20, expected volatility of 43.65%, expected yield of 0% and a risk free interest rate of 3.74%.

The options outstanding at reporting date had an exercise price of RM1.20 and weighted average remaining contractual life (from grant date to the end of exercise period) of 2 years.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

42 EQUITY COMPENSATION BENEFITS (continued)

Executive Share Option Scheme (continued)

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

	30.06.2013		30.06.2012		01.07.2011	
	Number of trust shares held '000	Market value RM'000	Number of trust shares held '000	Market value RM'000	Number of trust shares held '000	Market value RM'000
The Group	**9,777**	**53,774**	12,287	14,007	12,287	17,448
The Company	**8,727**	**47,999**	12,287	14,007	12,287	17,448

43 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) Increased share capital

On 13 August 2012, the Company's wholly-owned subsidiary, Hong Leong Investment Bank Berhad (formerly known as MIMB Investment Bank Berhad) ("HLIB") increased its authorised share capital from RM500,000,000 comprising 500,000,000 shares of RM1 each to RM620,000,000 comprising 600,000,000 shares of RM1 each and 2,000,000,000 redeemable preference shares ("RPS") of RM0.01 each.

On 29 September 2012, HLIB had issued 90,000,000 new ordinary shares of RM1.00 each and 163,076,524 new RPS of RM0.01 each.

(b) Business rationalisation

On 13 August 2012, Promilia Berhad (formerly known as Hong Leong Investment Bank Berhad) ("Promilia"), a wholly-owned subsidiary of HLCB, had entered into a Business Transfer Agreement with Hong Leong Investment Bank Berhad (formerly known as MIMB Investment Bank Berhad) ("HLIB"), a wholly-owned subsidiary of HLCB, for the transfer of the entire assets, liabilities, activities, business and undertakings of Promilia ("Business Undertakings") to HLIB for a provisional consideration of RM251.30 million.

The Business Undertakings was vested to HLIB on 29 September 2012 ("Vesting") pursuant to the Vesting Order granted by the High Court of Malaya. Accordingly, all of the direct subsidiaries of Promilia had, on the event day, become direct subsidiaries of HLIB.

Following the Vesting, Promilia had surrendered its merchant banking license to Bank Negara Malaysia ("BNM") and its Capital Markets Services License to the Securities Commission on 1 October 2012.

(c) Change of name

On 1 October 2012, the Company's wholly owned subsidiaries, Hong Leong Investment Bank Berhad had changed its name to Promilia Berhad and MIMB Investment Bank Berhad had changed its name to Hong Leong Investment Bank Berhad.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

43 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (continued)

(d) Conditional Voluntary Take-Over Offer

Hong Leong Financial Group Berhad ("HLFG"), the holding company of HLCB, through OSK Investment Bank Berhad ("OSK"), had served a notice of conditional voluntary take-over offer on the Board of Directors of HLCB on 14 January 2013 to acquire all the ordinary shares of RM1.00 in HLCB other than those already held by HLFG at a cash offer price of RM1.71 per Offer Share ("Offer").

On 18 February 2013, HLFG had received approval from Bank Negara Malaysia in relation to the Offer and the Offer had become unconditional.

The Offer had closed on 25 February 2013 and the acceptance of the Offer received by HLFG representing 2.24% of the issued and paid-up capital of HLCB. Accordingly, HLFG's equity interest in HLCB had increased to 81.33%.

(e) Capital reduction and cancellation of preference share capital of a subsidiary

On 28 May 2013, Promilia had completed the reduction of its issued and paid-up ordinary share capital to RM2.00 and cancelled its entire issued and paid-up preference share capital of RM1,630,765.24 comprising 163,076,524 non-cumulative redeemable preference shares of RM0.01 each.

(f) Public Shareholdings Spread

On 1 March 2013, HLCB announced that the public shareholding spread of HLCB was 9.66% based on the Record of Depositors of HLCB as at 28 February 2013. As the public shareholding spread of HLCB was less than 10% of the total HLCB shares in issue, pursuant to paragraph 16.02(2) of the Main Market Listing Requirements ("MMLR"), Bursa Malaysia Securities Berhad ("Bursa Securities") shall suspend the trading of HLCB shares with effect from 15 April 2013, being the market day immediately following the expiry of 30 market days from 1 March 2013.

On 21 March 2013, HLCB announced that as the public shareholding spread of HLCB was more than 10% of the total HLCB shares in issue, the suspension of the trading of HLCB shares on 15 April 2013 pursuant to paragraph 16.02(2) of the MMLR shall no longer apply.

On 26 June 2013, HLCB announced that the public shareholding spread of HLCB was 9.63% as at 26 June 2013. As the public shareholding spread of HLCB was less than 10% of the total HLCB shares in issue, pursuant to paragraph 16.02(2) of the MMLR, Bursa Securities shall suspend the trading of HLCB shares with effect from 12 August 2013, being the market day immediately following the expiry of 30 market days from 26 June 2013.

44 SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR

Public Shareholdings Spread

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

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

45 CHANGES IN ACCOUNTING POLICIES AND COMPARATIVES

(a) Adoption of MFRS 1

(i) MFRS 1 mandatoy exceptions

Estimates

MFRS estimates as at transition date are consistent with the estimates as at the same date made in conformity with FRS.

(ii) MFRS 1 exemption options

Re-designation of previously recognised financial instruments

MFRS 1 permits a previously recognised financial instrument to be re-designated as available-for-sale on the transition date provided the criteria in MFRS 139 "Financial instruments: Recognition and measurement" are met. The Group has designated previously recognised financial investments held-to-maturity with carrying amount of RM60,570,000 and fair value of RM60,199,000 to financial investments available-for-sale at transition date.

(iii) Explanation of transition from FRSs to MFRSs

MFRS 1 requires an entity to reconcile equity, total comprehensive income and cash flows for prior years. The following tables represent the reconciliations from FRSs to MFRSs for the respective years noted for total equity, total comprehensive income and statements of cash flows.

(a) Reconciliation of equity

The Group	01.07.2011 (Date of transition) RM'000	30.06.2012 RM'000
Total equity as reported under FRS	340,315	384,450
Add/(Less): Transitioning adjustments:		
Designation of previously recognised financial instruments		
- Revaluation reserve-financial investments available-for-sale	(371)	7,948
- Income tax effects	93	(1,987)
Effect of full adoption of MFRS 139		
- Collective impairment allowances written back	1,014	2,920
- Income tax effects	(253)	(332)
Total equity on transition to MFRS	340,798	392,999

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2013
(continued)

45 CHANGES IN ACCOUNTING POLICIES AND COMPARATIVES (continued)

(a) Adoption of MFRS 1 (continued)

(iii) Explanation of transition from FRSs to MFRSs (continued)

(b) Reconciliation of other total comprehensive income

The Group	30.06.2012 RM'000
Total comprehensive income as reported under FRS	37,264
Add/(Less): Transitioning adjustments:	
- Designation of previously recognised financial instruments	8,319
- Income tax effects	(2,080)
Effect of full adoption of MFRS 139	
- Collective impairment allowances written back	1,906
- Income tax effects	(79)
Total comprehensive income upon transition to MFRS	45,330

(c) Reconciliation of statements of cash flows

The transition from FRS to MFRS had no significant effect on the reported cash flows generated by the Group.

(b) Change in accounting policies

Financial Reporting Standards Implementation Committee ("FRSIC") Consensus 18

According to FRSIC 18, although a participating organisation is required by Capital Markets and Services Act (CMSA), 2007 and Bursa Securities Rules to maintain the trust account, it does not have any contractual or statutory obligation to its clients on the money deposited in the trust account that would result in an outflow of resources embodying economic benefits from the participating organisation. In addition, a participating organisation is prohibited under the provisions contained in Section 113 of CMSA 2007 to utilise the monies either for its own economic benefits or settlement of its own liability. The monies are also not available for distribution in the event the participating organisation is liquidated. As such, a participating organisation does not have any control over the trust monies to obtain the future economic benefits embodied in the trust monies. Accordingly, the trust monies should not be recognised as part of the participating organisation's asset with a corresponding liability.

Previously, monies held in trust forms part of the assets in the financial statements with a corresponding liability. Upon adoption of FRSIC 18, the monies held in trust are no longer included in the assets with corresponding liabilities in the financial statements of the Group.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

45 CHANGES IN ACCOUNTING POLICIES AND COMPARATIVES (continued)

(b) Change in accounting policies (continued)

MFRS 139 "Financial Instruments: Recognition and Measurement"

(i) Write-back of collective assessment arising from removal of transitional provision

Previously, the Group applied the Amendment to FRS 139 "Financial Instruments: Recognition and Measurement", which included an additional transitional arrangement for financial sectors, whereby BNM prescribed the use of an alternative basis for collective assessment of impairments on loans, advances and financing. This transitional arrangement is prescribed in BNM's Guidelines on Classification and Impairment Provisions for Loans/Financing, whereby banking institutions are required to maintain collective allowances of at least 1.5% of total outstanding loans/financing, net of individual impairment allowances under the transitional provisions in the guidelines.

With effect from 1 January 2012, BNM has removed the transitional provision for banking institutions on collective evaluation of loan impairment assessment and loan loss provisioning to comply with MFRS 139 requirements. Exposures not individually known to be impaired are placed into pools of similar assets with similar risk characteristics to be collectively assessed for losses that have been incurred but not identified yet. The required loan loss allowance is estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the collective pool. The historical loss experience is adjusted based on current observable data.

(ii) Designation of previously recognised financial instruments

Upon the adoption of MFRS 139 under the MFRS framework, the Group has assessed and designated previously recognised financial investments HTM as financial investments AFS on the basis of the facts and circumstances that exist as at acquisition date. As at 30 June 2012, the aggregate carrying amount of financial investments HTM amounting to RM158,780,000 were designated to available-for-sale with fair value of RM164,732,000.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

45 CHANGES IN ACCOUNTING POLICIES AND COMPARATIVES (continued)

(c) Impacts on the Statements of Financial Position

The effects of the changes in accounting policy described above on the financial positions of the Group as at 30 June 2012 and 1 July 2011 are as follows:

As at 1 July 2011 The Group	As previously reported RM'000	Adoption of FRSIC Consensus 18 RM'000	Adoption of MFRS 1 RM'000	Full adoption of MFRS 139 RM'000	As restated RM'000
Assets					
Cash and short term funds	887,262	(413,558)	-	-	473,704
Financial investments available-for-sale	74,882	-	60,199	-	135,081
Financial investments held-to-maturity	112,647	-	(60,570)	-	52,077
Loans and advances					
- Net loans and advances	107,975	-	-	1,021	108,996
- Collective impairment allowances	(1,644)	-	-	1,021	(623)
Clients' and brokers' balances					
- Net clients' and brokers' balances	169,733	-	-	(7)	169,726
- Collective impairment allowances	-	-	-	(7)	(7)
Other assets	66,643	(269)	-	-	66,374
Deferred tax assets	42,311	-	93	(253)	42,151
Liabilities					
Clients' and brokers' balances	591,595	(413,827)	-	-	177,768
Equity					
Fair value reserve	56	-	(278)	-	(222)
Retained profits	77,513	-	-	761	78,274
Total equity	340,315	-	(278)	761	340,798

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

45 CHANGES IN ACCOUNTING POLICIES AND COMPARATIVES (continued)

(c) Impacts on the Statements of Financial Position (continued)

The effects of the changes in accounting policy described above on the financial positions of the Group as at 30 June 2012 and 1 July 2011 are as follows: (continued)

As at 30 June 2012 The Group	As previously reported RM'000	Adoption of FRSIC Consensus 18 RM'000	Adoption of MFRS 1 RM'000	Full adoption of MFRS 139 RM'000	As restated RM'000
Assets					
Cash and short term funds	965,576	(461,800)	-	-	503,776
Financial investments available-for-sale	117,712	-	65,741	164,732	348,185
Financial investments held-to-maturity	495,380	-	(63,745)	(158,780)	272,855
Loans and advances					
- Net loans and advances	244,133	9,381	-	3,064	256,578
- Collective impairment allowances	(3,901)	-	-	3,064	(837)
Clients' and brokers' balances					
- Net clients' and brokers' balances	176,019	-	-	(144)	175,875
- Collective impairment allowances	-	-	-	(144)	(144)
Other assets	77,512	799	-	-	78,311
Deferred tax assets	35,558	-	-	(332)	35,226
Liabilities					
Clients' and brokers' balances	590,111	(451,620)	-	-	138,491
Deferred tax liabilities	956	-	499	1,488	2,943
Equity					
Fair value reserve	356	-	1,497	4,464	6,317
Retained profits	101,608	-	-	2,588	104,196
Total equity	384,450	-	1,497	7,052	392,999

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
(continued)

45 CHANGES IN ACCOUNTING POLICIES AND COMPARATIVES (continued)

(d) Impacts on the Group's Income Statements
For the financial year ended 30 June 2012

The Group	As previously reported RM'000	Full adoption of MFRS 139 RM'000	As restated RM'000
Write-back of allowance for impairment on loans, advances and other losses	3,150	1,906	5,056
Profit before taxation	49,993	1,906	51,899
Taxation	(13,043)	(79)	(13,122)
Net profit for the financial period	36,950	1,827	38,777
Earnings per share (sen) - basic	15.7	0.8	16.5

(e) Impacts on the Group's Statements of Comprehensive Income
For the financial year ended 30 June 2012

The Group	As previously reported RM'000	Adoption of MFRS 1 RM'000	Full adoption of MFRS 139 RM'000	As restated RM'000
Net profit for the financial year	36,950	-	1,827	38,777
Other comprehensive income/(expenses):				
Net fair value changes on financial investments available-for-sale	401	2,376	5,943	8,720
Income tax relating to net fair value changes on financial investments available-for-sale	(101)	(594)	(1,486)	(2,181)
Other comprehensive income for the financial year, net of tax	314	1,782	4,457	6,553
Total comprehensive income for the financial year	37,264	1,782	6,284	45,330

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2013
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46 REALISED AND UNREALISED PROFITS

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

	30.06.2013 RM'000	30.06.2012 RM'000
The Group		
Total retained profits of Hong Leong Capital Berhad and its subsidiaries		
- Realised	**174,154**	104,753
- Unrealised - in respect of deferred tax recognised in the profit or loss	**56,322**	32,283
- in respect of other items of income and expenses	**36,337**	25,684
	266,813	162,720
Less: Consolidation adjustments	**(93,826)**	(58,524)
Total Group's retained profits	**172,987**	104,196
The Company		
Total retained profits of Hong Leong Capital Berhad		
- Realised	**200,623**	24,007
- Unrealised - in respect of other items of income and expenses	**14**	9
	200,637	24,016

The Group views translation gains or losses on monetary items as realised as it is incurred in the ordinary course of business.

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

STATEMENT BY DIRECTORS

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

We, Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman and Choong Yee How, the Directors of Hong Leong Capital Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 38 to 158 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2013 and of the results and cash flows of the Group and the Company for the year then ended on that date, in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act, 1965 in Malaysia.

On behalf of the Board,

TAN SRI DATO' SERI KHALID AHMAD BIN SULAIMAN
Director

CHOONG YEE HOW
Director

Kuala Lumpur
18 September 2013

STATUTORY DECLARATION

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

I, Lau Yew Sun, the officer primarily responsible for the financial management of Hong Leong Capital Berhad, do solemnly and sincerely declare that the financial statements set out on pages 38 to 158 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the above named Lau Yew Sun
Kuala Lumpur in Wilayah Persekutuan on
18 September 2013

Before me,

LEONG SEE KEONG
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Hong Leong Capital Berhad on pages 38 to 157 which comprise the statements of financial position as at 30 June 2013 of the Group and of the Company, and the statements of income, comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 45.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 30 June 2013 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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

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

INDEPENDENT AUDITORS' REPORT

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

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 46 on page 158 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

ONG CHING CHUAN
(No. 2907/11/13 (J))
Chartered Accountant

Kuala Lumpur
18 September 2013

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-second Annual General Meeting of Hong Leong Capital Berhad ("Company") will be held at the Theatrette, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Tuesday, 29 October 2013 at 10.00 a.m. in order:

1. To lay before the meeting the audited financial statements together with the reports of the Directors and Auditors thereon for the financial year ended 30 June 2013.

2. To approve the payment of Directors' fees of RM180,000 for the financial year ended 30 June 2013 (2012: RM370,000), to be divided amongst the Directors in such manner as the Directors may determine. ***(Resolution 1)***

3. To re-elect the following retiring Director:-

   (a) YBhg Dato' Ahmad Fuaad bin Mohd Dahalan ***(Resolution 2)***

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

   (a) "**THAT** YBhg Tan Sri Quek Leng Chan, a Director who retires in compliance with Section 129 of the Companies Act, 1965, be and is hereby re-appointed a Director of the Company to hold office until the conclusion of the next Annual General Meeting." ***(Resolution 3)***

   (b) "**THAT** YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman, a Director who retires in compliance with Section 129 of the Companies Act, 1965, be and is hereby re-appointed a Director of the Company to hold office until the conclusion of the next Annual General Meeting." ***(Resolution 4)***

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

SPECIAL BUSINESS

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

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

   "**THAT** pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby empowered to issue shares in the Company, at any time and from time to time, and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." ***(Resolution 6)***

7. **Ordinary Resolution**

   Proposed Renewal of Shareholders' Mandate on Recurrent Related Party Transactions of a Revenue or Trading Nature with Hong Leong Company (Malaysia) Berhad ("HLCM") and Persons Connected with HLCM

   "**THAT** approval be and is hereby given for the Company and/or its subsidiaries to enter into any of the transactions falling within the types of recurrent related party transactions of a revenue or trading nature as disclosed in Section 2.3(A) and (C) of Part A of the Company's Circular to Shareholders dated 7 October 2013 ("the Circular") with HLCM and persons connected with HLCM ("Hong Leong Group"), as set out in Appendix II of the Circular provided that such transactions are undertaken in the ordinary course of business, on arm's length basis and on commercial terms which are not more favourable to Hong Leong Group than those generally available to and/or from the public and are not, in the Company's opinion, detrimental to the minority shareholders;

NOTICE OF ANNUAL GENERAL MEETING
(continued)

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

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

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

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

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution." ***(Resolution 7)***

8. **Ordinary Resolution**
Proposed Renewal of Shareholders' Mandate on Recurrent Related Party Transactions of a Revenue or Trading Nature with Tower Real Estate Investment Trust ("Tower REIT")

"**THAT** approval be and is hereby given for the Company and/or its subsidiaries to enter into any of the transactions falling within the types of recurrent related party transactions of a revenue or trading nature as disclosed in Section 2.3(B) of Part A of the Company's Circular to Shareholders dated 7 October 2013 with Tower REIT provided that such transactions are undertaken in the ordinary course of business, on arm's length basis and on commercial terms which are not more favourable to Tower REIT than those generally available to and/or from the public and are not, in the Company's opinion, detrimental to the minority shareholders;

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

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

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

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

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution." ***(Resolution 8)***

9. **Special Resolution**
Proposed Amendments to the Articles of Association of the Company

"**THAT** the deletions, alterations, modifications, variations and additions to the Articles of Association of the Company as set out in Appendix IV of the Circular to Shareholders dated 7 October 2013 be and are hereby approved." ***(Resolution 9)***

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

By Order of the Board

CHRISTINE MOH SUAT MOI
(MAICSA 7005095)
Group Company Secretary

Kuala Lumpur
7 October 2013

NOTICE OF ANNUAL GENERAL MEETING
(continued)

NOTES:

1. For the purpose of determining members' eligibility to attend this meeting, only members whose name appear in the Record of Depositors as at 23 October 2013 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.
2. Save for a member who is an exempt authorised nominee, a member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. A member who is an authorised nominee may appoint not more than two (2) proxies in respect of each securities account it holds. A member who is an exempt authorised nominee for multiple beneficial owners in one securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.
3. Where two (2) or more proxies are appointed, the proportions of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which the appointments shall be invalid.
4. The Form of Proxy must be deposited at the Registered Office of the Company at Level 8, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than 48 hours before the time and date of the meeting or adjourned meeting.

EXPLANATORY NOTE

Resolution 4 on Re-appointment of YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman

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

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

EXPLANATORY NOTES ON SPECIAL BUSINESS

1. **Resolution 6 on Authority to Directors to Issue Shares**

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

   As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last AGM held on 30 October 2012 and which will lapse at the conclusion of the Twenty-second AGM.

   The Renewed Mandate will enable the Directors to take swift action in case of, inter alia, a need for corporate exercises or in the event business opportunities or other circumstances arise which involve the issue of new shares and to avoid delay and cost in convening general meetings to approve such issue of shares.

2. **Resolutions 7 and 8 on Proposed Renewal of Shareholders' Mandate 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 Amendments to the Articles of Association of the Company**

   The proposed Special Resolution, if passed, will ensure clarity and enable the Company to align the Articles of Association of the Company with the amendments to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Detailed information on the Proposed Renewal of Shareholders' Mandate and Proposed Amendments to the Articles of Association of the Company are set out in the Circular to Shareholders dated 7 October 2013 which is despatched together with the Company's 2013 Annual Report.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING
(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

- **Details of individuals who are standing for election as Directors**

  No individual is seeking election as a Director at the forthcoming Twenty-second Annual General Meeting of the Company.

OTHER INFORMATION

1. MATERIAL CONTRACTS

There are no material contracts (not being contracts entered into in the ordinary course of business) which had been entered into by the Company and its subsidiaries involving the interest of Directors and major shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year pursuant to Item 21, Part A, Appendix 9C of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

2. ANALYSIS OF SHAREHOLDINGS AS AT 2 SEPTEMBER 2013

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

Distribution Schedule of Shareholders as at 2 September 2013

Size of Holdings	No. of Shareholders	%	No. of Shares	%
Less than 100	49	6.34	1,771	0.00
100 – 1,000	250	32.34	206,390	0.08
1,001 – 10,000	361	46.70	1,369,017	0.56
10,001 – 100,000	72	9.31	2,363,332	0.96
100,001 – less than 5% of issued shares	40	5.18	42,151,100	17.07
5% and above of issued shares	1	0.13	200,805,058	81.33
	773	100.00	246,896,668	100.00

List of Thirty Largest Shareholders as at 2 September 2013

	Name of Shareholders	No. of Shares	%
1.	Assets Nominees (Tempatan) Sdn Bhd *- Hong Leong Financial Group Berhad*	200,805,058	81.33
2.	AmTrustee Berhad *- Exempt AN for Hong Leong Capital Berhad (ESOS)*	9,777,200	3.96
3.	RHB Capital Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Yu Kuan Chon (CEB)*	4,202,800	1.70
4.	AIBB Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Yu Kuan Chon*	3,481,000	1.41
5.	ECML Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Yu Kuan Chon (001)*	3,314,800	1.34
6.	Kenanga Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Yu Kuan Chon*	3,070,400	1.24
7.	AllianceGroup Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Ho Swee Ming (8080176)*	2,881,500	1.17
8.	Amsec Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Yu Kuan Chon*	2,205,000	0.89

OTHER INFORMATION
(continued)

2. ANALYSIS OF SHAREHOLDINGS AS AT 2 SEPTEMBER 2013 (continued)

List of Thirty Largest Shareholders as at 2 September 2013 (continued)

	Name of Shareholders	No. of Shares	%
9.	RHB Capital Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Chan Weng Fui (CEB)*	1,572,100	0.64
10.	RHB Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Yu Kuan Chon*	1,099,800	0.45
11.	RHB Capital Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Ho Swee Ming (CEB)*	952,000	0.39
12.	Assets Nominees (Tempatan) Sdn Bhd *- Lee Jim Leng*	951,000	0.39
13.	RHB Capital Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Lim Fung Neng*	766,000	0.31
14.	AIBB Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Ho Swee Ming*	763,000	0.31
15.	Amsec Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Lim Fung Neng*	739,600	0.30
16.	Public Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Yu Kuan Chon (E-TAI/KMT)*	623,500	0.25
17.	MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Yu Kuan Chon (MGN-YKC0008M)*	563,400	0.23
18.	Cimsec Nominees (Tempatan) Sdn Bhd *- CIMB Bank for Yu Kuan Chon (M73105)*	455,000	0.18
19.	AllianceGroup Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Yu Kuan Chon (8100841)*	405,000	0.16
20.	HLB Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Ho Swee Ming*	399,600	0.16
21.	AllianceGroup Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Yu Kuan Chon (8076930)*	350,000	0.14
22.	JF Apex Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Yu Kuan Chon (Margin)*	341,400	0.14
23.	Hong Kee Kok	336,200	0.14
24.	AllianceGroup Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Chan Yan Meng (8079675)*	264,500	0.11
25.	ECML Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Yu Kuan Chon*	235,000	0.10
26.	HLB Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Chan Yan Meng*	226,600	0.09
27.	RHB Capital Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Chan Yan Meng*	222,000	0.09
28.	JF Apex Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Tan Ching Ching (Margin)*	202,200	0.08
29.	AllianceGroup Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Ching Nye Mi @ Chieng Ngie Chay (8087463)*	185,400	0.07
30.	UOB Kay Hian Nominees (Asing) Sdn Bhd *- Exempt AN for UOB Kay Hian (Hong Kong) Limited - A/C Clients*	166,000	0.07
		241,557,058	97.84

OTHER INFORMATION
(continued)

2. ANALYSIS OF SHAREHOLDINGS AS AT 2 SEPTEMBER 2013 (continued)

Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 2 September 2013 are as follows:-

	Direct Interest		Indirect Interest	
Shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**
Hong Leong Financial Group Berhad	200,805,058	81.33	-	-
Tan Sri Quek Leng Chan	-	-	200,805,058 [B]	81.33
Hong Leong Company (Malaysia) Berhad	-	-	200,805,058 [A]	81.33
HL Holdings Sdn Bhd	-	-	200,805,058 [B]	81.33
Kwek Holdings Pte Ltd	-	-	200,805,058 [B]	81.33
Kwek Leng Beng	-	-	200,805,058 [B]	81.33
Hong Realty (Private) Limited	-	-	200,805,058 [B]	81.33
Hong Leong Investment Holdings Pte Ltd	-	-	200,805,058 [B]	81.33
Davos Investment Holdings Private Limited	-	-	200,805,058 [B]	81.33
Kwek Leng Kee	-	-	200,805,058 [B]	81.33
Quek Leng Chye	-	-	200,805,058 [B]	81.33
Guoco Assets Sdn Bhd	-	-	200,805,058 [A]	81.33
Guoco Group Limited	-	-	200,805,058 [A]	81.33
GuoLine Overseas Limited	-	-	200,805,058 [A]	81.33
GuoLine Capital Assets Limited	-	-	200,805,058 [A]	81.33
Yu Kuan Chon	20,395,900	8.26	-	-

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

3. DIRECTORS' INTERESTS AS AT 2 SEPTEMBER 2013

Subsequent to the financial year end, there is no change, as at 2 September 2013, to the Directors' interests in the ordinary shares, preference shares and/or options over ordinary shares or convertible bonds of the Company and/or its related corporations (other than wholly-owned subsidiaries), appearing in the Directors' Report on pages 31 to 34 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 except for the change set out below:

Indirect Interest	No. of Ordinary Shares	%
YBhg Tan Sri Quek Leng Chan in:		
Nanjing Xinhaoning Property Development Co., Ltd	Nil	Nil

OTHER INFORMATION
(continued)

4. LIST OF PROPERTIES

Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM 000)	Date of acquisition
51-53, Persiaran Greenhill, 30450 Ipoh, Perak	Freehold & leasehold – 999 years	Branch premises	4,793	19	1,921	31/12/1993

Hong Leong Capital Berhad (213006-U)

FORM OF PROXY

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-second Annual General Meeting of the Company to be held at the Theatrette, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Tuesday, 29 October 2013 at 10.00 a.m. and at any adjournment thereof.

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

	RESOLUTIONS	FOR	AGAINST
1.	To approve the payment of Directors' fees		
2.	To re-elect YBhg Dato' Ahmad Fuaad bin Mohd Dahalan as a Director		
3.	To re-appoint YBhg Tan Sri Quek Leng Chan as a Director pursuant to Section 129 of the Companies Act, 1965		
4.	To re-appoint YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman as a Director pursuant to Section 129 of the Companies Act, 1965		
5.	To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and authorise the Directors to fix their remuneration		
	Special Business		
6.	To approve the ordinary resolution on authority to Directors to issue shares		
7.	To approve the ordinary resolution on the proposed renewal of shareholders' mandate on 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 on recurrent related party transactions of a revenue or trading nature with Tower Real Estate Investment Trust		
9.	To approve the special resolution on Proposed Amendments to the Articles of Association of the Company		

Dated this .... day of 2013

______________________ 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 23 October 2013 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.
(2) If you wish to appoint other person(s) to be your proxy, insert the name(s) and address(es) of the person(s) desired in the space so provided.
(3) If there is no indication as to how you wish your vote(s) to be cast, the proxy will vote or abstain from voting at his/her discretion.
(4) A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
(5) Save for a member who is an exempt authorised nominee, a member shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. A member who is an exempt authorised nominee for multiple beneficial owners in one securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.
(6) Where two (2) or more proxies are appointed, the proportions of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which the appointments shall be invalid (please see note 9 below).
(7) In the case where a member is a corporation, this Form of Proxy must be executed under its Common Seal or under the hand of its Attorney.
(8) All Forms of Proxy must be duly executed and deposited at the Registered Office of the Company at Level 8, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than 48 hours before the time and date of the meeting or adjourned meeting.
(9) In the event two (2) or more proxies are appointed, please fill in the ensuing section:

Name of Proxies	% of shareholdings to be represented

Fold This Flap For Sealing

Then Fold Here

Affix
Stamp

The Group Company Secretary
Hong Leong Capital Berhad
(Company No. 213006-U)

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

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