



**HongLeong** Capital Berhad

ANNUAL REPORT **2018**





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VISION 

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



## INTRODUCTION

# Hong Leong Capital Berhad (“HLCB”) is an investment holding company of the investment banking and asset management business group under Hong Leong Financial Group.

It aims to be a leading regional financial services institution providing diversified clients with a full range of value propositions and financial solutions in the areas of investment banking, stockbroking, futures broking, nominees and custodian services, unit trust and fund management and related financial services, and investment management services. These segments are serviced by HLCB’s key operating subsidiaries, namely Hong Leong Investment Bank Berhad (“HLIB”) and Hong Leong Asset Management Berhad (“HLAM”).

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

The Stockbroking Division of HLIB provides the complete range of broking services for a wide range of clients, ranging from institutional and retail, to high net worth investors. Supported by a dedicated

client centric sales team committed to providing timely advice and good trade execution, as well as a research team of professional industry specialists, HLIB strives to deliver groundbreaking insights and fresh perspectives on investing ideas.

HLAM, is an established asset management company with more than 20 years’ of operating track record via a merger between HLG Unit Trust Berhad, one of the pioneers in the Malaysian Unit Trust industry, and HLG Asset Management Sdn Bhd. HLAM currently offers and manages a broad spectrum of investment solutions in equities, fixed income, money market and mixed assets across segregated assets and unit trust funds for, amongst others, state governments, insurance companies, endowments, family offices, corporations, and high net worth individuals.

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







## FIVE YEAR GROUP FINANCIAL HIGHLIGHTS

The Group	2014 RM'Million	2015 RM'Million	2016 RM'Million	2017 RM'Million	2018 RM'Million
<b>Statements of Financial Position</b>					
Total Assets	4,326	3,717	4,149	4,264	<b>4,552</b>
Net Loans	431	326	372	237	<b>228</b>
Total Liabilities	3,724	3,064	3,449	3,519	<b>3,786</b>
Deposits from customers	632	842	1,032	649	<b>1,083</b>
Shareholders' Funds	602	654	700	745	<b>766</b>
Commitments and contingencies	5,466	7,413	8,732	7,931	<b>8,853</b>
<b>Statements of Income</b>					
Revenue	191	183	173	202	<b>196</b>
Profit before taxation	78	79	65	84	<b>79</b>
Net Profit	119	76	62	79	<b>71</b>
<b>Key Performance Indicators</b>					
Book Value per Share (RM)	2.53	2.71	2.90	3.09	<b>3.17</b>
Earnings per Share (sen)	49.9	31.7	25.6	32.8	<b>29.6</b>
Net Dividend per Share (sen)	15.0	8.5	12.0	19.0	<b>19.0</b>
<b>Financial Ratios (%)</b>					
<b>Profitability Ratios</b>					
Return on Equity	19.7%	11.7%	8.8%	10.6%	<b>9.3%</b>
Return on average assets	3.3%	1.9%	1.6%	1.9%	<b>1.6%</b>
Cost/income ratio	58.8%	57.6%	62.7%	58.4%	<b>59.5%</b>
<b>Asset Quality/Loan Ratios</b>					
Gross loans to deposits ratio	68.5%	38.8%	36.2%	36.5%	<b>21.1%</b>
Gross impaired loans ratio	0.2%	0.2%	0.2%	4.9%	<b>3.0%</b>

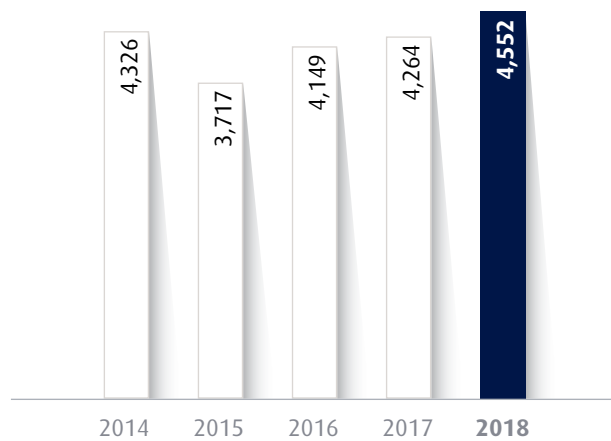


## FIVE YEAR GROUP FINANCIAL HIGHLIGHTS

### GROUP TOTAL ASSETS

(RM'Million)

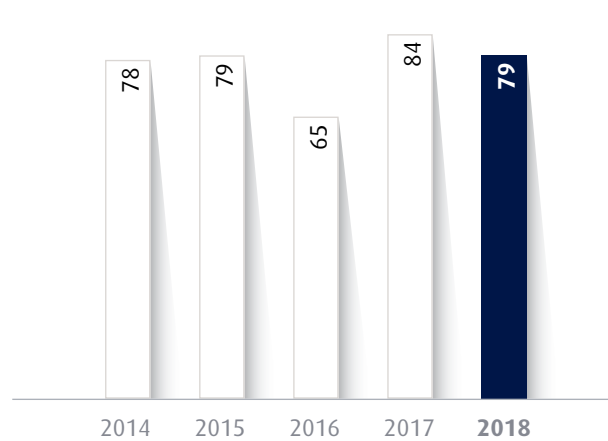
**YoY +7%**  
**CAGR = 1.3%**



### GROUP PROFIT BEFORE TAXATION

(RM'Million)

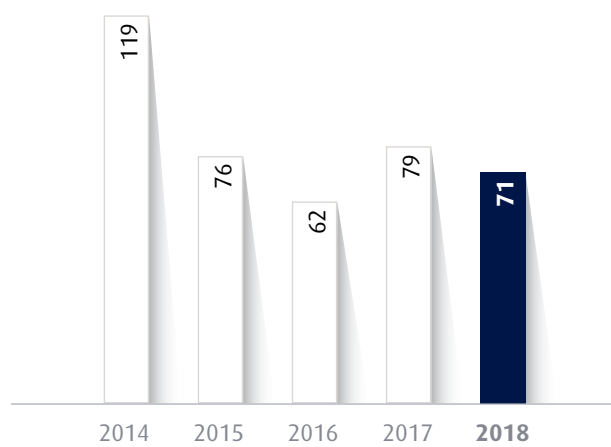
**YoY -6%**  
**CAGR = 0.1%**



### GROUP NET PROFIT

(RM'Million)

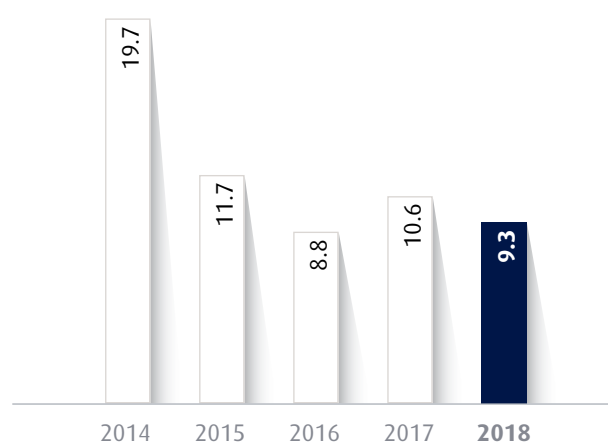
**YoY -10%**  
**CAGR = -12.0%**



### GROUP RETURN ON EQUITY

(%)

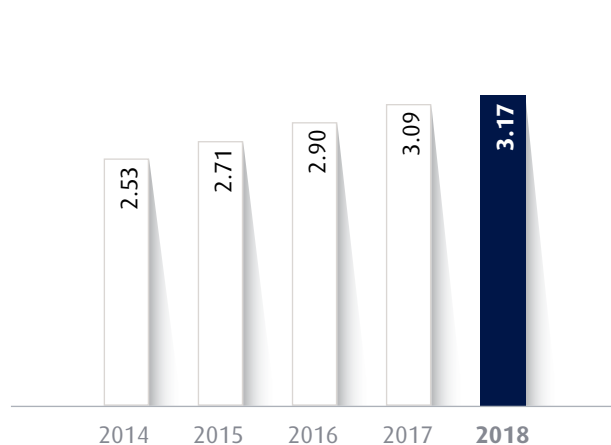
**YoY -12%**



### BOOK VALUE PER SHARE

(RM)

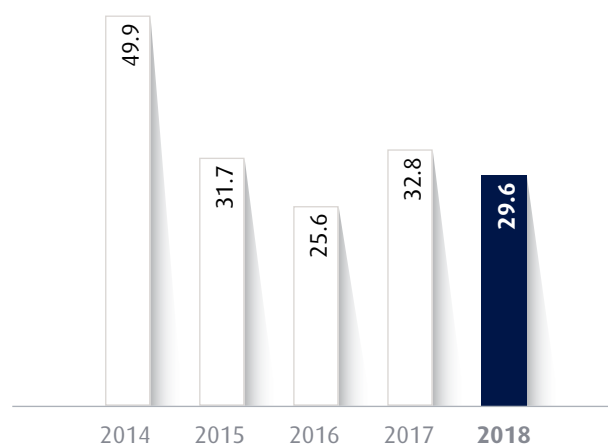
**YoY +3%**



### GROUP EARNINGS PER SHARE

(SEN)

**YoY -10%**



## 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 2018.**

### OVERALL BUSINESS ENVIRONMENT

When our financial year started in the second half of calendar year 2017, the global economy was in a strengthening mode. The pickup in growth was broad-base, with upside surprises in major countries such as in the Eurozone and Japan while domestically, the Malaysian economy recorded a stellar growth rate of 6.1% year-on-year ("YoY") with private sector spending being a key driver of growth. Private investments continued to register strong growth as companies undertook capital spending following the increase in capacity utilisation. Favourable labour market conditions, sustained private sector wages and improving consumer sentiment underpinned the continued recovery in private consumption. The external sector also contributed positively to growth, supported by continued demand from major trading partners.

However, in the first half of calendar year 2018, the global economic expansion began to moderate as the base effect eased due partly to the end of restocking activities. The rate of expansion also became less synchronized as some major economies lost momentum while others such as the United States ("US") economy appear to be mainly supported by tax policy initiatives. On the domestic front, our Malaysian economy also registered a moderation following the deceleration in global economic activity, which resulted in slower growth in manufacturing and investment activity. Agriculture production registered a decline reflecting lower rubber and crude palm oil production while mining production also contracted due to lower natural gas production that offset the increase in oil production.

Malaysia's bond market experienced a net inflow of +RM15.1 billion in the second half of 2017 largely driven by a favourable global trade environment and strong domestic GDP performance. Thereafter, the bond market turned around to record a net outflow of -RM18.7 billion in the subsequent period as fears of higher bond yields and global trade tension between the US and

other major economies led to weaker investor sentiment and higher global financial market volatility. Nonetheless, despite the pullback in capital from the domestic financial market, overall liquidity conditions remained ample and supportive of economic activity.

The Malaysian stock market ended 2017 on a high note at 1,797pts (+9.4% YoY), on the back of an appreciating ringgit and RM11.3 billion of net foreign inflow for the year. For the first half of 2018, the FBMKLCI performed rather well and from January to April, increased by as much as 5.5% touching a high of 1,895 in what was viewed as a pre 14th General Election (GE14) rally. Nonetheless, from the beginning of May to end June 2018, the FBMKLCI fell by 8.7% to close at 1,691 due to concerns over global trade tension and increased volatility in the markets around the world. The Malaysian equity market saw a net foreign outflow of RM6.8 billion in the first half of 2018.

### STRATEGIC OVERVIEW

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

Key to ensuring sustainability is the entrepreneurial spirit, professional experience and disciplined governance culture we have in our people. Both Investment Banking and Asset Management business are niche and its strengths are the committed drive by our teams to provide superior service and innovative solutions in Investment Banking, using technology to drive efficiency and competitiveness in Stockbroking and consistently providing better-than benchmark returns for our Asset Management customers.

## CHAIRMAN'S STATEMENT

### FINANCIAL PERFORMANCE

Despite a challenging year, the Group achieved a profit before taxation ("PBT") of RM78.6 million for the financial year ended 30 June 2018 ("FY2018") as compared to RM84.0 million in the previous corresponding year, a decrease of RM5.4 million or 6.5%.

This slightly weaker performance was primarily due to the lower contribution of HLIB that recorded a PBT of RM61.8 million in the current financial year as compared to RM68.0 million in the previous financial year. Stockbroking activities contribute about 52.7% of the profits while other Investment Banking activities contribute about 47.3%.

The Stockbroking business of HLIB achieved an 11.5% YoY increase in PBT to reach RM32.6 million on the back of a 20.5% increase in trading volume with our Institutional desk and eBroking being the main contributors to the improved performance. Our focus on digital transformation of our stockbroking services resulted in eBroking increasing its PBT contributions by 36.6% YoY.

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#### PROFIT BEFORE TAXATION

**RM78.6**  
million

#### FINAL SINGLE-TIER DIVIDEND

**19.0** sen  
per share

The Investment Banking business achieved revenue of RM67.5 million and a PBT of RM29.2 million in FY2018. The Equity Markets division under HLIB's Investment Banking business had a very challenging year due to the soft market condition in FY2018 with only 1 IPO on the Main Market and 13 other IPOs on LEAP/ ACE Market. Nonetheless, we are cautiously optimistic because the deals pipeline remains encouraging and the team continues to explore more ways and opportunities to diversify HLIB's income source and create value for clients in the coming financial year.

The Asset Management business registered a PBT of RM12.4 million for the current financial year, registering very

commendable growth of 53.1% YoY. The higher PBT is mainly due to higher net fee income earned from a larger average Asset Under Management ("AUM") size of RM15.1 billion for FY2018 as compared to RM12.3 billion for FY2017. This AUM growth of RM2.8 billion or 22.4% YoY was spread across all segments of products and asset classes.

Despite being a challenging year to the Group, we are recommending a final single-tier dividend of 19.0 sen per share for FY2018 which is similar to the dividend declared for the previous financial year. The total capital ratio of our key operating business, HLIB, stood at a healthy 33.7% as at 30 June 2018.

# CHAIRMAN'S STATEMENT

## CORPORATE DEVELOPMENTS

For the first time since HLIB commenced business, our Debt Markets team secured three top position awards in the recent Rating Agency Malaysia ("RAM") League awards by programme value and by number of issues for both conventional and Islamic issuance. The team has also successfully secured other awards and achieved various league table achievements during the current financial year. Apart from the achievements and awards secured, the team has also structured the first ever Islamic Basel III compliant AT-1 issuance by an Islamic bank in Malaysia. This is a testimony of our market share in the Debt Markets space.

The Asset Management team of HLAM has also successfully secured the following four awards at the 2018 The Edge | Thomson Reuters Lipper Fund Award ceremony:

- HLAM – Best Group in Equity (Provident)
- HLAM – Best Group in Mixed Assets (Provident)
- Hong Leong Growth Fund – Best Fund Over 3 Years: Equity Malaysia Diversified (Provident)
- Hong Leong Dividend Fund – Best Fund Over 3 Years: Equity Malaysia Income (Provident)

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

Furthermore, RAM Rating Services Berhad had assigned AA1 and P1 financial institution ratings to HLIB with a positive outlook in April 2017.

## SUSTAINABILITY OF THE GROUP

Building a sustainable Group is about how, at the core of everything we do, we are guided by our principles to make the right decisions that will hold us in good stead today and in the future. We think about this in a variety of ways; it is important to maintain focus on operational excellence and on the momentum we have built in managing efficiency and productivity. We have also made continued progress towards improving the efficiencies of our Group operating expenses whilst investing in new business initiatives and technologies. One of the initiatives is the strategic cost rationalization exercise that the Group has undertaken during the current financial year by reviewing our end-to-end process flows and streamlining these processes to eliminate

unnecessary costs. HLIB has consistently sought to maintain a judicious cost to income ratio ("CTI") and our CTI continues to be one of the lowest among the investment banks in Malaysia.

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

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

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

Looking ahead, the business and market environment will continue to be challenging over the near term with market uncertainties caused by the global trade tension. We expect Malaysia to stay on a moderate growth path thanks to its diverse economic structure, sound macro fundamentals and policy flexibility. On a positive note, we see challenges as opportunities for growth of our business.

## CHAIRMAN'S STATEMENT

### OUTLOOK AND MOVING FORWARD

Looking ahead, the business and market environment will continue to be challenging over the near term with market uncertainties caused by the global trade tension. We expect Malaysia to stay on a moderate growth path thanks to its diverse economic structure, sound macro fundamentals and policy flexibility. On a positive note, we see these challenges as opportunities for growth of our business.

The rapid development and adoption of digital technologies in the business world and in our society has also driven the Group to be proactive in harnessing digital technology to build an operating environment that our stakeholders have come to expect; we will continue to invest in technology to further enhance our efficiency and productivity.

The Group remains committed to deliver long-term sustainable growth and shareholder value by continuing to execute our business strategies, strengthening our digital solutions, managing cost efficiency and driving productivity.

### ACKNOWLEDGEMENTS

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

**TAN KONG KHOON**  
Chairman

19 September 2018





## MANAGEMENT DISCUSSION AND ANALYSIS

**We are pleased to present the Management Discussion and Analysis for the financial year ended 30 June 2018 (“FY2018”). In this report, we would like to provide a review of our Group’s business operations and financial performance during FY2018.**

**In summary, the Group has achieved a profit before tax of RM78.6 million despite a challenging year in FY2018. We will continue to strive towards increasing our market penetration with the objective of achieving long-term sustainable growth.**

### INTRODUCTION

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

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

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

HLAM, is an established asset management company with more than 20 years’ of operating track record via a merger between HLG Unit Trust Berhad,

one of the pioneers in the Malaysian Unit Trust industry, and HLG Asset Management Sdn Bhd. HLAM’s business activities are categorised under Investments, Products and Distribution. Via a dedicated team of fund managers, HLAM offers and manages a broad spectrum of investment solutions in equities, fixed income, money market and mixed assets across segregated assets and unit trust funds for, amongst others, state governments, insurance companies, endowments, family offices, corporations, and high net worth individuals.





# MANAGEMENT DISCUSSION AND ANALYSIS

## INTRODUCTION (CONTINUED)

### HLIB

#### Investment Banking Division

#### Stockbroking Division

Debt Markets	Equity Markets	Treasury and Markets	Institutional Sales	Retail Business	Equity Derivative
<b>Core activities:</b> <ul style="list-style-type: none"> <li>Arranging and structuring debt fund raising:               <ul style="list-style-type: none"> <li>Corporate bond and Sukuk issuance</li> <li>Syndicated loans</li> </ul> </li> <li>Corporate-related advisory works:               <ul style="list-style-type: none"> <li>Corporate restructuring</li> <li>Mergers and acquisitions</li> <li>Asset and investment valuation</li> <li>Takeovers and privatisations</li> <li>Capital market instruments</li> </ul> </li> <li>Debt underwriting</li> </ul>	<b>Core activities:</b> <ul style="list-style-type: none"> <li>Arranging and managing equity fund raising:               <ul style="list-style-type: none"> <li>Initial public offering</li> <li>Rights issues</li> <li>Restricted issues</li> <li>Special issues</li> <li>Private placements</li> </ul> </li> <li>Corporate-related advisory works:               <ul style="list-style-type: none"> <li>Equity underwriting</li> </ul> </li> </ul>	<b>Core activities:</b> <ul style="list-style-type: none"> <li>Deposits taking</li> <li>Trading and investment of:               <ul style="list-style-type: none"> <li>Short-term money market investments</li> <li>Fixed income</li> <li>Interest rate instruments</li> </ul> </li> <li>Treasury related solutions:               <ul style="list-style-type: none"> <li>Interest rate hedging</li> <li>Foreign exchange hedging</li> <li>Pricing and distribution of primary bonds</li> </ul> </li> </ul>	<b>Core activities:</b> <ul style="list-style-type: none"> <li>Research, advisory and trade executions for Government Link and Non-Government Link Corporation Funds</li> </ul>	<b>Core activities:</b> <ul style="list-style-type: none"> <li>Provision of online trading platform for retail clients for the execution of equity, futures and option broking</li> <li>Provision of customer services support on technical and corporate actions</li> <li>Provision of margin financing to clients to trade or invest in listed equity</li> <li>Provision of nominees and custody services</li> </ul>	<b>Core activities:</b> <ul style="list-style-type: none"> <li>Index arbitrage activities capitalising on market inefficiencies between equity and futures market</li> </ul>

### HLAM

#### Fund Management and Unit Trust Management

Investment	Product	Distribution
<b>Core activities:</b> <ul style="list-style-type: none"> <li>Managing broad spectrum of investment portfolios through equities, fixed income, money market and mixed assets.</li> </ul>	<b>Core activities:</b> <ul style="list-style-type: none"> <li>Design innovative product solutions to a broad range of private mandate and retail clientele.</li> <li>Tailor made investment portfolios based on the risk scale ranging from cautious to dynamic.</li> </ul>	<b>Core activities:</b> <ul style="list-style-type: none"> <li>Distribute and promote range of products and investment portfolios for private mandate and retail clientele.</li> <li>Distribute and focus to build principled relationship by introducing investment solution to preserve clients' assets and to generate added value and deliver returns.</li> </ul>

# MANAGEMENT DISCUSSION AND ANALYSIS

## STRATEGIC OBJECTIVES AND VALUES OF THE GROUP

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



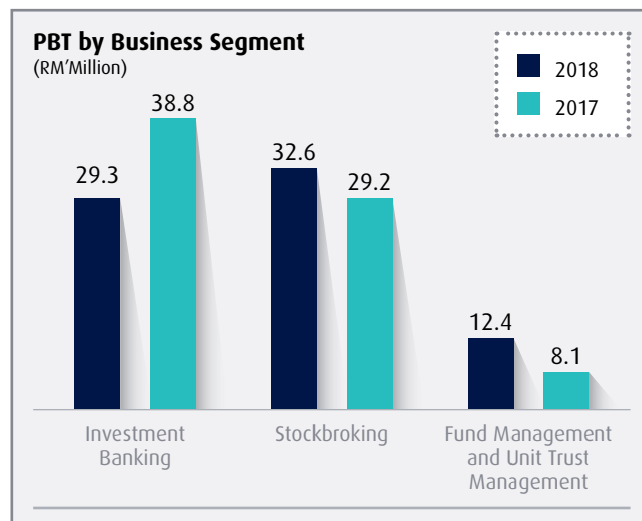
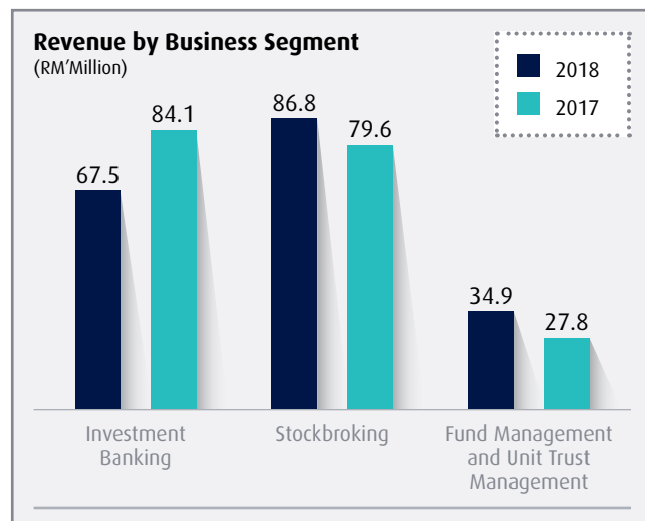
## GROUP PERFORMANCE REVIEW

Despite the challenging market conditions in FY2018, HLCB Group achieved a profit before tax ("PBT") of RM78.6 million, a lower PBT by 6.5% as compared to RM84.0 million in the previous financial year ended 30 June 2017 ("FY2017"). This slightly weaker performance was primarily due to lower profit contribution from the Investment Banking segment under HLIB. On the positive side, the Stockbroking segment under HLIB and the Fund Management and Unit Trust Management segment under HLAM have achieved a higher profit contribution in FY2018 as compared to previous financial year.

	Investment Banking RM000	Stock- broking RM000	Fund Management and Unit Trust Management RM000	Others RM000	Total RM000
<b>FY2018</b>					
Revenue	67,533	86,771	34,912	6,541	195,757
Overheads	(37,479)	(54,266)	(22,546)	(2,147)	(116,438)
(Allowances for)/write back of impairment losses on loans and advances and other losses	(803)	71	-	-	(732)
<b>PBT</b>	<b>29,251</b>	<b>32,576</b>	<b>12,366</b>	<b>4,394</b>	<b>78,587</b>
<b>FY2017</b>					
Revenue	84,087	79,597	27,778	10,553	202,015
Overheads	(44,865)	(50,770)	(19,699)	(2,576)	(117,910)
(Allowances for)/write back of impairment losses on loans and advances and other losses	(467)	399	-	-	(68)
<b>PBT</b>	<b>38,755</b>	<b>29,226</b>	<b>8,079</b>	<b>7,977</b>	<b>84,037</b>

# MANAGEMENT DISCUSSION AND ANALYSIS

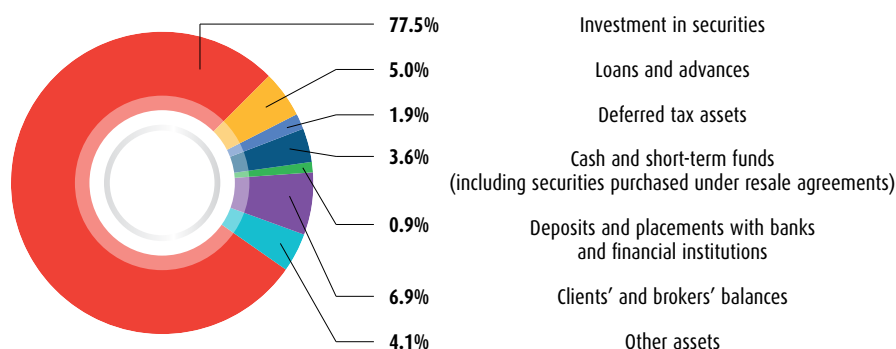
## GROUP PERFORMANCE REVIEW (CONTINUED)



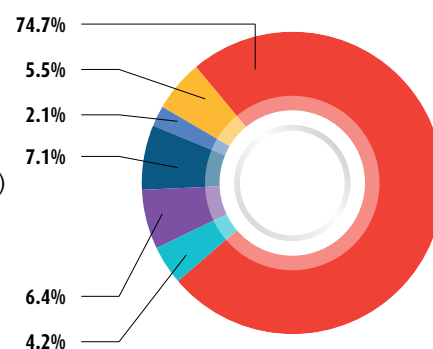
### Simplified Group Statement of Financial Position

The Group's balance sheet position remains strong in FY2018 with the increase in total assets well matched by its higher total liabilities.

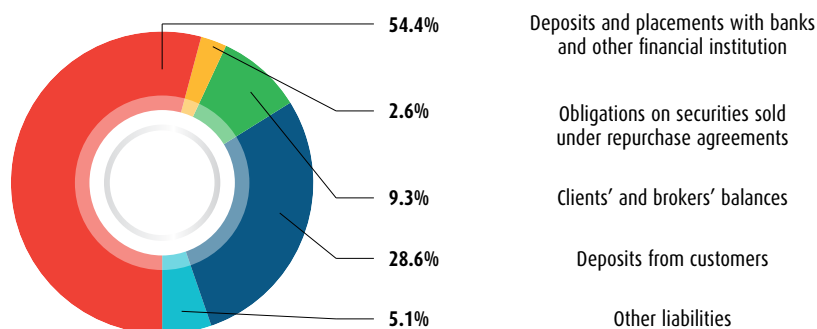
#### Total Assets as at 30 June 2018



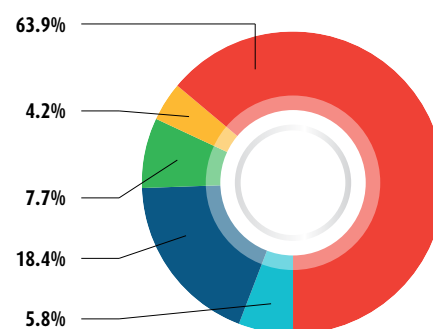
#### Total Assets as at 30 June 2017



#### Total Liabilities as at 30 June 2018



#### Total Liabilities as at 30 June 2017



Kindly refer to Page 6 for the summary of the Group's five years financial highlights.

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## SEGMENTAL REVIEW

### Investment Banking (“IB”) Division

#### Core activities of IB Division

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

#### Debt Markets

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

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

#### Equity Markets

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

#### Treasury and Markets (“T&M”)

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

#### Financial highlights

	FY2018 RM000	FY2017 RM000
Interest income	28,154	28,785
Fee income	34,717	42,704
Other income	4,662	12,598
Total revenue	67,533	84,087
PBT	29,251	38,755

In FY2018, the IB Division of HLIB managed to achieve revenue of RM67.5 million by registering a PBT of RM29.2 million in FY2018 despite the challenging capital market environment faced throughout FY2018.

T&M remained as the highest revenue contributor to the IB Division in FY2018. T&M contributed 46.3% of the total revenue of the IB Division in FY2018 and 44.0% in FY2017. Year-on-year (“YoY”), T&M reported revenue lower by 15.9% in FY2018. The revenue posted was affected by timing issue whereby the market-to-market valuation as at June 2018 was impacted by the results of 14th General Election. Moreover, FY2017 was an exceptional year in line with the Overnight Policy Rate (“OPR”) cut of 25 basis points (“bps”). In contrast, in spite of 25bps hike in OPR during FY2018, T&M still managed to report a strong top line.

Debt Markets contributed 45.1% of the total revenue of IB Division in FY2018 and 33.7% in FY2017 being the second highest revenue contributor to IB Division. The revenue generated from Debt Markets in FY2018 has achieved a growth of 6.9% from RM27.0 million in previous financial year to RM28.9 million in current financial year. The higher numbers were mainly from placement income earned from underwriting deals at primary levels in which HLIB acted as sole Principal Advisor, Lead Arranger and Lead Manager.



# MANAGEMENT DISCUSSION AND ANALYSIS

## SEGMENTAL REVIEW (CONTINUED)

### Investment Banking (“IB”) Division (continued)

The Equity Markets division had a very challenging year due to the soft market condition in FY2018 with only 1 IPO on the Main Market and 13 other IPOs on LEAP/ACE Market. Nonetheless, the team is cautiously optimistic because the deals pipeline remains encouraging and the team continues to explore more ways and opportunities to diversify HLIB’s income source and create value for clients in the coming financial year.

#### Achievements and awards

Apart from the financials, the performance of IB Division, in particular Debt Markets is also measured by other business value creation including league tables and awards.

#### League Table Achievements by Debt Markets in FY2018

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

###### Full Year 2017

- Ranked **1<sup>st</sup>** for conventional Private Debt Securities (“PDS”) by facility limit
- Ranked **2<sup>nd</sup>** for conventional PDS by number of facility issued
- Ranked **3<sup>rd</sup>** for all PDS by facility limit
- Ranked **3<sup>rd</sup>** for all PDS by number of facility issued
- Ranked **5<sup>th</sup>** for conventional PDS by amount issued
- Ranked **6<sup>th</sup>** for all PDS by amount issued
- Ranked **7<sup>th</sup>** for conventional PDS by number of issues
- Ranked **7<sup>th</sup>** for Sukuk by number of issues
- Ranked **7<sup>th</sup>** for all PDS by number of issues
- Ranked **10<sup>th</sup>** for Sukuk by amount issued

###### 1H- Year 2018

- Ranked **1<sup>st</sup>** for conventional PDS by facility limit
- Ranked **1<sup>st</sup>** for conventional PDS by number of facility issued
- Ranked **1<sup>st</sup>** for all PDS by facility limit
- Ranked **3<sup>rd</sup>** for all PDS by number of facility issued
- Ranked **6<sup>th</sup>** for conventional PDS by amount issued
- Ranked **9<sup>th</sup>** for conventional PDS by number of issues
- Ranked **9<sup>th</sup>** for Sukuk by number of issues
- Ranked **9<sup>th</sup>** for all PDS by amount issued
- Ranked **9<sup>th</sup>** for all PDS by number of issues

##### (B) International Financial Review Asia

###### Full Year 2017

- Ranked **5<sup>th</sup>** on top Bookrunner for Malaysian Ringgit Bonds

###### 1H- Year 2018

- Ranked **4<sup>th</sup>** on top Bookrunner for APAC Securitisation

##### (C) Bloomberg

###### Full Year 2017

- Ranked **6<sup>th</sup>** as Manager on Malaysia Debt
- Ranked **7<sup>th</sup>** as Manager on Malaysia Ringgit Islamic Bonds
- Ranked **8<sup>th</sup>** as Manager on Malaysia Equity and Rights Offerings

###### 1H- Year 2018

- Ranked **9<sup>th</sup>** as Manager on Malaysia Bonds in June 2018

##### (D) Dealogic

###### Full Year 2017

- Ranked **5<sup>th</sup>** on Malaysia Ringgit Debt Bookrunner

###### 1H- Year 2018

- Ranked **10<sup>th</sup>** on Malaysia Ringgit Debt Bookrunner

# MANAGEMENT DISCUSSION AND ANALYSIS

## SEGMENTAL REVIEW (CONTINUED)

### Investment Banking (“IB”) Division (continued)

#### Achievements and awards (continued)

##### Awards won by Debt Markets for Deal Innovation and Top Lead Manager

As Joint Principal Advisor/Joint Lead Arranger/Sole Lead Arranger (1<sup>st</sup> tranche)/Joint Lead Manager (subsequent tranche)

- The Asset Triple A Islamic Finance Awards 2017 – Best Securitisation Sukuk

As Joint Principal Advisor/Joint Lead Arranger/Joint Lead Manager

- 11<sup>th</sup> Annual Alpha Southeast Asia Deal & Solution Awards 2017 – Best Assets-Backed Securitisation Deal in Southeast Asia 2017

- 11<sup>th</sup> Annual Alpha Southeast Asia Deal & Solution Awards 2017 – Best Murabahah Deal in Southeast Asia 2017

As Joint Lead Manager

- Islamic Finance News Awards 2017 – Commodity Murabahah Deal of the Year

As Top Lead Manager

- RAM Award of Distinction 2017: Lead Manager Award by Programme Value – 1<sup>st</sup> Ranking
- RAM Award of Distinction 2017: Lead Manager Award by Number of Issues – 1<sup>st</sup> Ranking
- RAM Award of Distinction 2017: Lead Manager Award (Sukuk) by Number of Issues – 1<sup>st</sup> Ranking

Apart from the above awards, HLIB in Year 2017 had also structured and completed the 1<sup>st</sup> ever Islamic Basel III compliant AT-1 issuance by an Islamic bank in Malaysia. HLIB was the Principal Advisor, Lead Arranger and Lead Manager for the deal.



#### Outlook and Moving Forward

The fixed income market is expected to be challenging in FY2019 attributed to both local and international macroeconomic environment. On the local forefront, primary bond issuances will be delayed pending the Government of Malaysia’s review of various projects, particularly the big-ticket items. Internationally, the ongoing debacle on the global trade tension will eventually hurt business and growth if no amicable solution is reached.

The market landscape for debt capital markets remains challenging moving forward. Financial Services sector and Infrastructure & Utilities sector continued to dominate the issuances in the market. In Year 2017, both sector accounted for 66% of total issuances with almost 50% under the Financial Services sector. The landscape remained the same in the 1H of Year 2018 with almost 43% of the total issuances were under the Financial Services sector. There may be a reduction in issuances under the Infrastructure & Utilities compared with Year 2017 due to the post 14th General Election effect. The market also witnessed a significant increase in the issuances of unrated papers resulted from the removal of

rating requirement for corporate bonds and Sukuk to be tradable since January 2017.

Notwithstanding the challenges ahead, the team will continue to focus on the offering of innovative structured products and to widen its marketing universe to explore funding opportunities that are value add to its clients from financing cost and capital structure perspective. The team will also endeavor to play an active role in the development of the local capital markets from both the supply and demand side of the space.

For Equity Markets, we will continue with our strategy to focus on advisory and equity raising as we strengthen our banking franchise. We hope to further leverage on our wide banking network to drive more deal flows and transactions for the Equity Markets Division. We take cognizance that our continued ability to compete in our business is dependent on the talents and efforts of our employees. To that end, we have continued to invest in our people’s capabilities to support our strategy of delivering a comprehensive suite of Equity Markets services to help our clients succeed.



# MANAGEMENT DISCUSSION AND ANALYSIS

## SEGMENTAL REVIEW (CONTINUED)

### Stockbroking Division

#### Core activities of Stockbroking Division

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

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

Trading activities were dominated by local and foreign institutions which represented 45% and 24% respectively, whilst the retail segment was lower at 17% of the market in FY2018. Compared to FY2017, the daily average value increased by 16% to RM2.6 billion boosted by better sentiment in the first half due to global market recovery after the United States election.

#### Financial Highlights

	FY2018 RM000	FY2017 RM000
Net Interest Income	14,919	13,933
Non Interest Income	71,852	65,664
Total revenue	86,771	79,597
PBT	32,576	29,226

The stockbroking business of HLIB delivered a positive result registering a 9.0% revenue growth from RM79.6 million in previous financial year to RM86.8 million in FY2018 and a 11.5% PBT growth from RM29.2 million in previous financial year to RM32.6 million in FY2018. The growth is mainly due to higher market share achieved and higher revenue contributions from our Institutional and eBroking desks.

A 20.5% YoY increase in trading volume was recorded by the stockbroking business of HLIB against Bursa Malaysia's 16.0% increase in trading volume for FY2018. As such, HLIB's achieved an increase in net brokerage income of 10.7% in FY2018. Brokerage income are equally from both Retail and Institutional segments with 54.1% and 45.9% contribution respectively.

Our Margin income has decreased by 27.4% compared to previous financial year from lower margin drawdown balance throughout the current financial year.

#### Outlook and Moving Forward

The Bank will continue with its efforts to drive and improve the market share in the institutional segment by engaging clients with value visits and investment ideas.

As for the Retail Business, the Bank aspires to improve the ranking by engaging retail clients with value trading ideas and enhance customer experience with new digital initiatives.

Overall, the Stockbroking business will remain challenging due to the global trade tension and interest rate uncertainty coupled with pressure on brokerage rates by demand from institutional and retail clients.



# MANAGEMENT DISCUSSION AND ANALYSIS

## SEGMENTAL REVIEW (CONTINUED)

### Fund Management and Unit Trust Management Division

#### Core activities of Fund Management and Unit Trust Management Division

HLAM, is an established asset management company with more than 20 years' of operating track record via a merger between HLG Unit Trust Berhad, one of the pioneers in the Malaysian Unit Trust industry, and HLG Asset Management Sdn Bhd. HLAM's business activities are categorised under Investments, Products and Distribution. Via a dedicated team of fund managers, HLAM offers and manages a broad spectrum of investment solutions in equities, fixed income, money market and mixed assets across segregated assets and unit trust funds for, amongst others, state governments, insurance companies, endowments, family offices, corporations, and high net worth individuals.

Our fund management activities are operated under HLAM, a wholly owned subsidiary of HLCB. The business is operated under three main business pillars outlined as below:

#### Investment

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

#### Product

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

#### Distribution

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

#### Financial Highlights

	FY2018 RM000	FY2017 RM000
Total revenue	34,912	27,778
PBT	12,366	8,079

HLAM recorded a significant increase in PBT of 53.1%, at RM12.4 million in FY2018 from RM8.1 million in previous financial year. The net revenue recorded has also increased by 25.7%, at RM34.9 million from RM27.8 million in FY2017. The higher revenue achieved is mainly due to higher net fee income earned from a larger average asset under management ("AUM") size of RM15.1 billion for FY2018 as compared to RM12.3 billion for FY2017.

The growth in AUM compared to the previous financial year of RM2.8 billion or 22.4% were contributed by growth across all segments of funds – money market funds, fixed income funds, equity and balanced funds and private mandates.

#### Achievements and Awards

HLAM has successfully secured the following four awards at the 2018 The Edge | Thomson Reuters Lipper Fund Award ceremony:-

- HLAM – Best Group in Equity (Provident)
- HLAM – Best Group in Mixed Assets (Provident)
- Hong Leong Growth Fund – Best Fund Over 3 Years: Equity Malaysia Diversified (Provident)
- Hong Leong Dividend Fund – Best Fund Over 3 Years: Equity Malaysia Income (Provident)

#### Outlook and Moving Forward

We foresee the Malaysian economy to be on track to achieve its 2018 growth target of 5.2% despite uncertainties surrounding the external economy with the global trade tension between United States and other major economies. Domestically, our internal consumption remains strong and with the current strong commodity prices especially with crude oil price above US\$70 per barrel, this will continue to lend support to the overall growth for Year 2018.

HLAM continue to work towards delivering consistent and strong fund performance. Over the past 3 years, most of our funds have outperformed their respective benchmarks. HLAM believes that consistency and superior investment performance are the key drivers of growth for the business.

HLAM will continue to launch products and services to meet investors' demand for retail and wholesale funds and will also be launching regional and global funds for FY2019. HLAM will also be focusing on building asset under management, tapping into Hong Leong Group's resources such as the bank and insurance distribution channels.

# MANAGEMENT DISCUSSION AND ANALYSIS

## SEGMENTAL REVIEW (CONTINUED)

### Fund Management and Unit Trust Management Division (continued)

#### Outlook and Moving Forward (continued)

To support the Group's initiatives on digitalisation, on-going efforts will be put in place to improve digitalisation of our business operations. HLAM is working towards increasing our digital offering by FY2019.

The fund management business will continue to grow through continued sales and marketing efforts and focus on delivering strong fund performance in FY2019. HLAM is constantly monitoring market demand and investors' appetite, and will launch appropriate funds at opportune times. Sales and marketing efforts are ongoing to strengthen our branding and presence through customer events and roadshows.

## CORPORATE HIGHLIGHTS

### Capital Structure and Borrowings

HLIB has on 6 November 2014 completed the first issuance of RM50.0 million nominal value of Tier 2 Subordinated Notes ("Sub-Notes") out of its RM1.0 billion Multi-Currency Sub-Notes Programme. The RM50.0 million Sub-Notes will mature in Year 2024 and is callable on any coupon payment falling on or after the 5th anniversary of the issue date. The Sub-Notes which bears interest rate of 5.30% per annum is payable semi-annually in arrears. The Sub-Notes qualifies as Tier 2 capital for the purpose of determining the capital adequacy ratio of HLIB.

Other than the issuance of the Sub-Notes, there is no subsequent issuance and HLCB group does not have any other borrowings as at 30 June 2018.

### Capital Ratios and Liquidity Coverage Ratios

The capital ratio of HLIB has been strengthened from 25.398% and 29.566% in FY2017 to 29.115% and 33.661% in FY2018 for common equity



Tier 1 ("CET 1") and total capital ratio respectively. The Bank's liquidity coverage ratio is well above the minimum requirement set by Bank Negara Malaysia ("BNM") of 90%, which stood at a healthy level of 110.13% as at 30 June 2018. The Bank does not foresee significant impact arising from the adoption of the new Malaysian Financial Reporting Standard 9 ("MFRS 9") to the capital ratio in the next financial year.

## OVERALL ECONOMIC REVIEW AND OUTLOOK OF THE GROUP

Despite the challenging market conditions and operating environment, emphasis will continue to be placed on the offering of innovative financing solutions which has been the foundation of growth for HLIB since its inception in Year 2009. Looking ahead, we see various opportunities for our business to grow in the future years especially in the current environment of expected increase in interest rates, uncertainties post 14th General Election and Government initiatives in promoting the capital markets. We will continue to invest in our advisory and equity raising capabilities to grow our pipeline of business, while remaining mindful of market volatility. We will continue to explore various opportunities in the market.

The regulatory landscape in the region has also changed tremendously in recent years resulting increase in regulatory requirements and scrutiny for financial institutions and this will continue to remain as one of the challenges for HLCB Group going forward. The implementation of MFRS 9 in FY2019 which requires higher provisioning requirements as well as a more transparent and comprehensive disclosure requirements are also one of the challenges for HLCB Group. Having said that, the Group has completed the implementation of MFRS 9 and is ready for the adoption of the new accounting standard in coming year.

Embracing digital technology remains one of the focuses of the Group. The rapid transformation of the digital technologies in the business world and the society has also driven the Group to be proactive to foster inclusive growth and to harness digital technology to build an operating environment that our stakeholders have come to expect. On-going efforts will be put in place to improve digitalisation of our businesses operations as well as working towards increasing our digital offering to our clients in the coming years, especially our Stockbroking and HLAM business.

Furthermore, for the Group to continue to grow and evolve in the decades to come, we believe in empowering our people to innovate and deliver the best value to our clients as well as the workplace.

## APPRECIATION

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

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

# SUSTAINABILITY REPORT

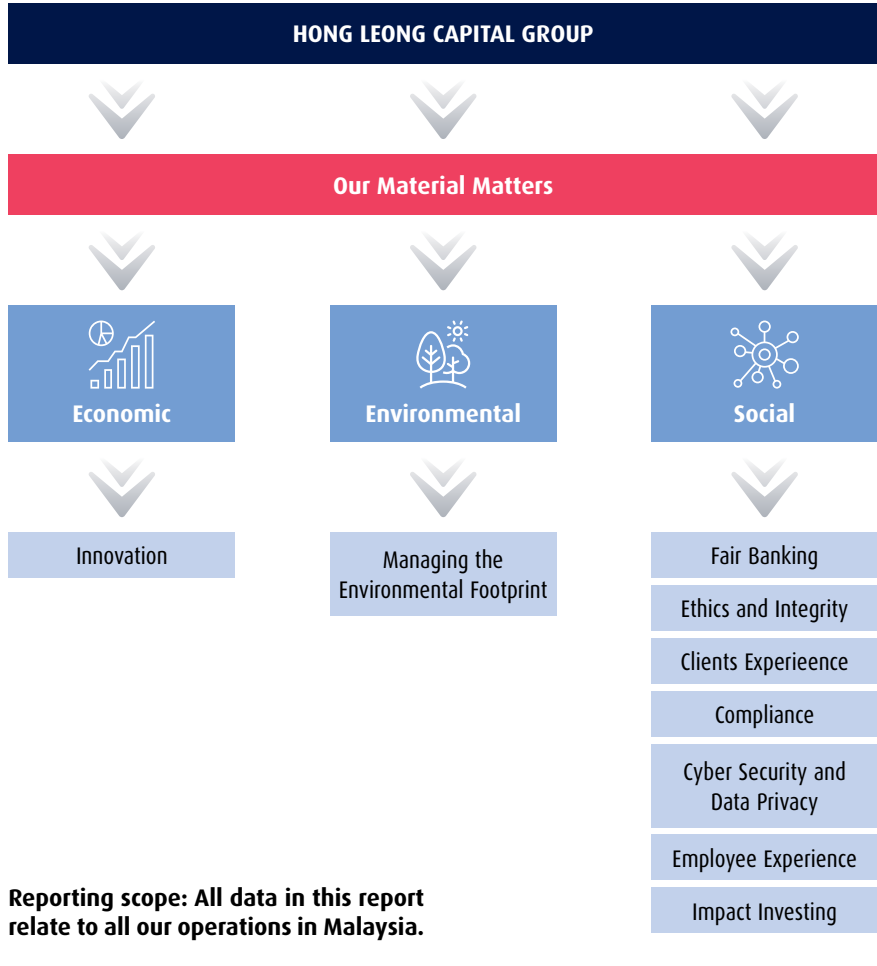
## OUR SUSTAINABILITY APPROACH

### About This Report

This Sustainability Report (“the Report”) covers our financial year from 1 July 2017 to 30 June 2018 (FY2018). The Report has been produced with the objective to provide clear insights into the actions and approaches to business management, taking into consideration the economic, environmental and social risks and opportunities (“sustainability matters”) alongside financial implication for our stakeholders.

Our Sustainability Report has been prepared in accordance with the Bursa Malaysia Securities Berhad (“Bursa Malaysia”) Listing Requirements relating to sustainability report and guided by the Sustainability Reporting Guideline which outlines the sustainability reporting disclosure requirements issued by Bursa Malaysia.

Nine matters have been determined to be important to both our business and stakeholders via a materiality analysis and have been presented under three main pillars of sustainability namely the Economic, Environmental and Social. The process of the identification of our materiality matters are described in page 24 below.



### The Values of Hong Leong Group

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





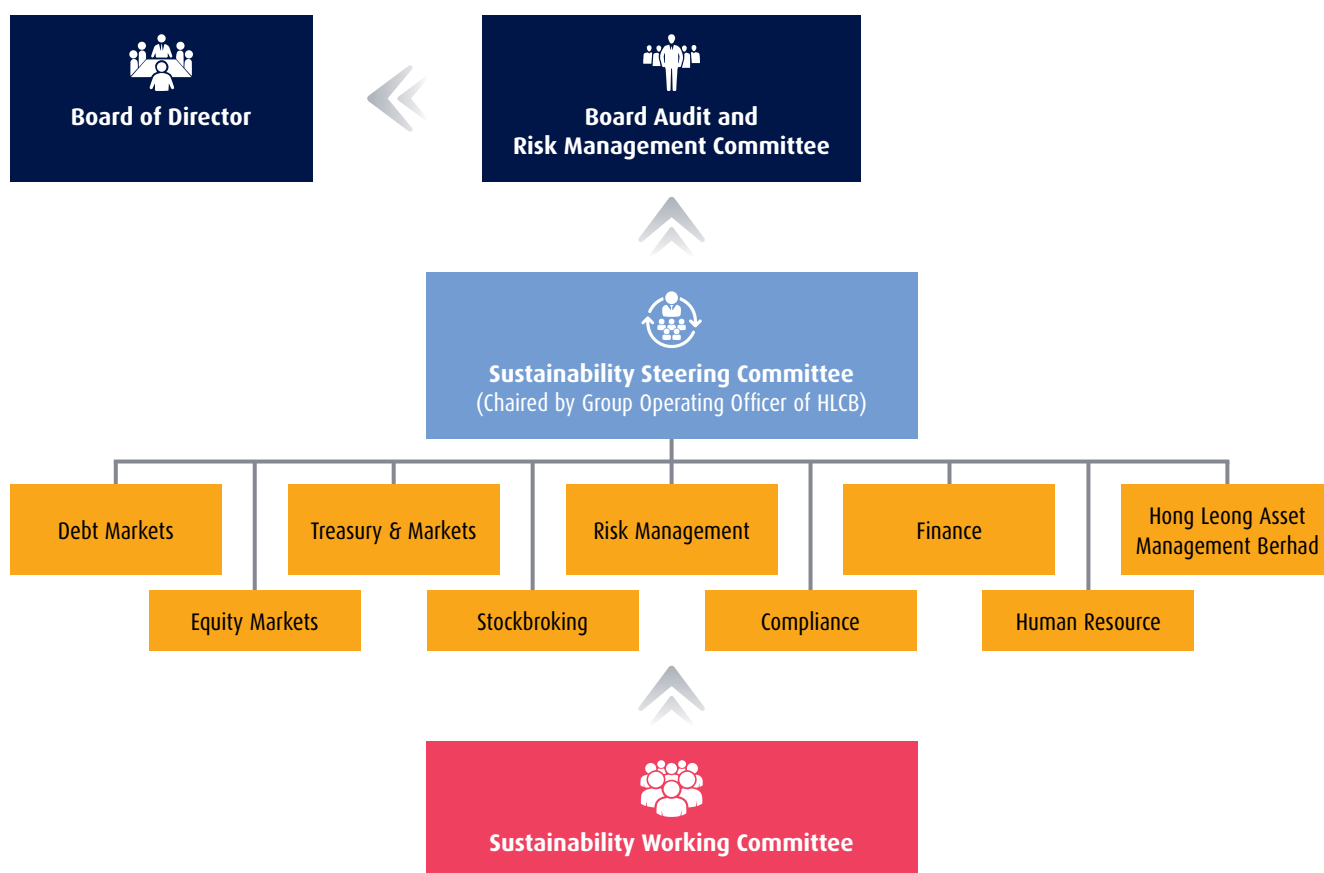
# SUSTAINABILITY REPORT

## OUR SUSTAINABILITY APPROACH (CONTINUED)

### How Our Sustainability is Governed

Sustainability at HLCB is driven by the highest level within the organisation: our Board of Directors. Our Directors and especially those in the Board Audit and Risk Management Committee (“BARMC”) oversee our sustainability actions and policies, ensuring these are in line with our corporate values and ultimately support our business goals and vision. At the working level, we have a Sustainability Working Committee with members from various divisions. This committee is chaired by a member of the Sustainability Steering Committee which comprises senior members of management. The Sustainability Working Committee will communicate via in-person meetings and emails wherever necessary.

### HLCB Sustainability Reporting Governance Structure FY2018



# SUSTAINABILITY REPORT

## OUR SUSTAINABILITY APPROACH (CONTINUED)

### How the material sustainability matters are identified

In order to present a report that is meaningful to our stakeholders, we conducted a materiality assessment to determine those matters that are important to both the Group itself as well as our stakeholders. The assessment comprises four steps:



### 1 >> Identification

We collated preliminary matters which we believed could be material to our business and our stakeholders through an analysis of matters that have been reported by Hong Leong Financial Group (“HLFG”), our holding company as well as by looking into industry best practice. We then conducted interviews with three members of the Sustainability Steering Committee including the Group Chief Operating Officer, the Chief Financial Officer and the Chief Risk Officer. We have also conducted interviews with the Group Chief Financial Officer of our holding company and to validate those matters and concerns that are material to HLCB Group. Through these interviews, we were able to finalise key matters, opportunities and challenges facing the Group.



### 2 >> Prioritisation

From the list of matters that had been identified as being material, the prioritisation of the matters is based on the importance of each matters to the business and stakeholders. At the end of this step, a materiality matrix was plotted indicating the relative importance of each issue to the Group and our stakeholders.



### 3 >> Validation

The materiality matrix was then presented to the Sustainability Steering Committee including our Group Chief Operating Officer and BARMC, all of whom validated the findings. The materiality matrix was subsequently highlighted by our BARMC to the Board of Directors for their concurrence.



### 4 >> Review

This final step encompasses feedback from our stakeholders as we believe each and every feedback is valuable to the Group. From the feedback, we will be able to further refine and enhance our sustainability approach so as to create a better sustainable growth to the Group.



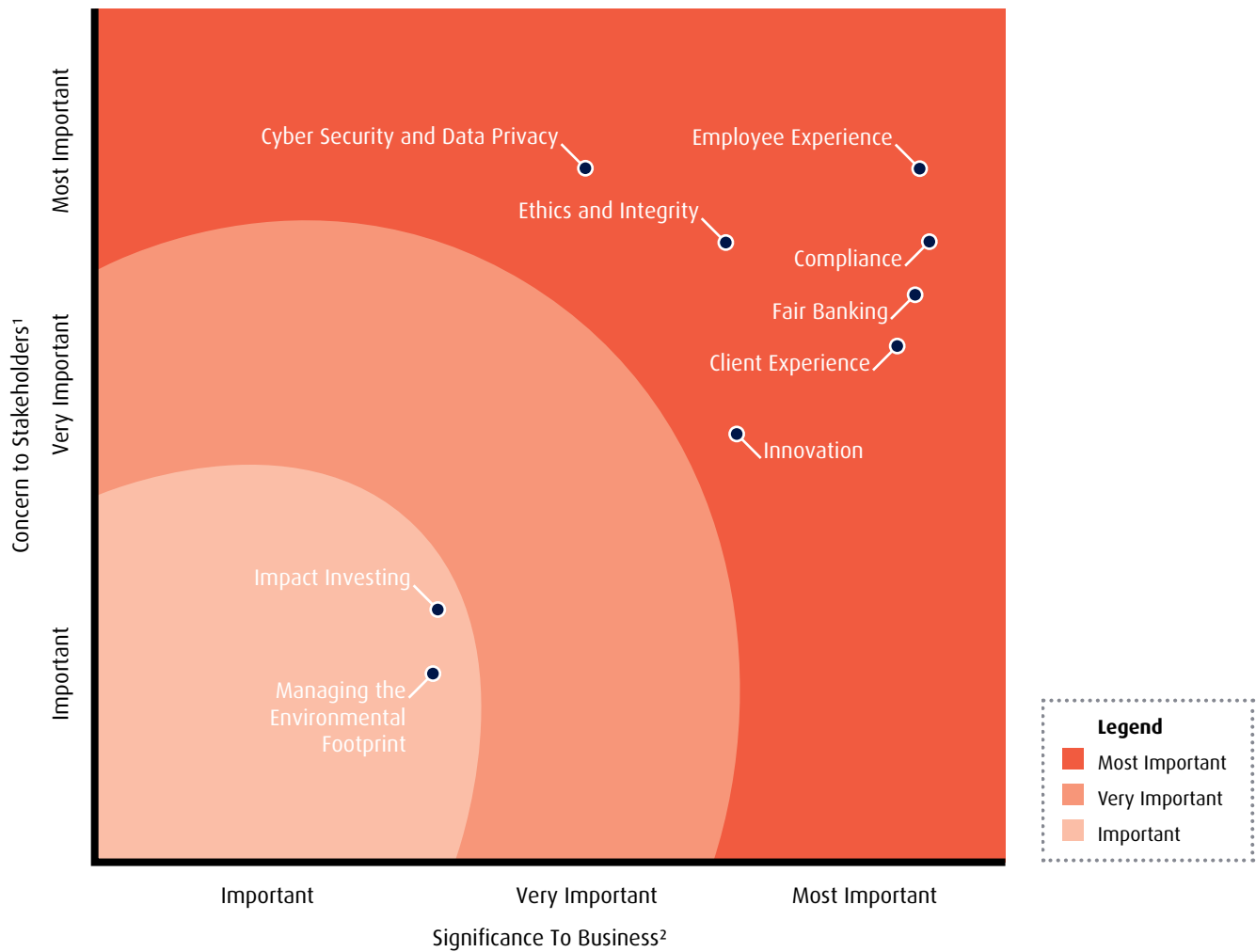
# SUSTAINABILITY REPORT

## OUR SUSTAINABILITY APPROACH (CONTINUED)

### Our Materiality Matrix

#### Material Matters Identified

Economic	Innovation
Environmental	Managing Environmental Footprint
Social	Fair Banking Ethics and Integrity Client Experience Compliance Cyber Security and Data Privacy Employee Experience Impact Investing



<sup>1</sup> "Concern to stakeholders" is defined as the importance of sustainability matters to the stakeholders

<sup>2</sup> "Significance to Business" is defined as the importance of the sustainability matters to the businesses of HLCB Group

# SUSTAINABILITY REPORT

## OUR SUSTAINABILITY APPROACH (CONTINUED)

### About Our Material Matters

#### Material Matters

#### Definition of Material Matters

##### Innovation



Innovation is one of our key competitive drivers in creating business value for the Group. We constantly evolve with market conditions to bring innovative solutions to meet the changing needs and objectives of our customers.

##### Managing the Environmental Footprint



We endeavor to improve the sustainability of the business by reducing its impact on the environment and preserving natural resources while saving cost.

##### Fair Banking



We adopt a high standard of care to ensure our clients receive products and services that meet their needs and improve their financial well-being, as our focus towards creating a sustainable value to the Group.

##### Ethics and Integrity



We expect our employees to adhere to the values, principles, standards and norms of behavior as outlined in the Code of Conduct as well as the Standard of Operating Policies and Procedures of the respective departments.

##### Client Experience



Active engagements with our clients enable us to identify financing gaps and structure solutions according to customer's need while delivering services that build trust. Continuous client engagements also provide us with first hand updates and insights on our clients' business and operating environment allowing us to quickly address any adverse effects or concerns in our operating environment.

##### Compliance



Compliance to local regulations and other core operational regulations (e.g. Companies Commission of Malaysia ("CCM"), Bursa Malaysia and Bank Negara Malaysia ("BNM") regulations, Personal Data Protection Act, Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act ("AMLA"), etc.) helps to show the ability of management to ensure that operations conform to certain performance parameters. We are striving towards zero breaches of regulatory requirements.

##### Cyber Security and Data Privacy



We strive to protect the confidentiality of the information of our clients, business counterparts and any other parties by taking various measures and procedures in maintaining appropriate physical, electronic and procedural safeguards to meet the requirements under the Personal Data Protection Act and Personal Data Protection Code of Practice for the Banking and Financial Sector.

##### Employee Experience



We aim to build a competitive, engaged, knowledgeable and professional workforce. We inspire to cultivate high performing teams to drive and deliver world-class business outcomes.

##### Impact Investing



We recognize that our lending and investing practices have a significant impact on the environment and society and strive to promote sustainable development in our policies.

# SUSTAINABILITY REPORT

## ECONOMIC

### Innovation

Innovation is one of the key competitive drivers in creating business value as well as a key success factor for the Group to progress further in the competitive market place. We constantly evolve with market conditions to bring innovative solutions to meet the changing needs and objectives of our clients. The Group also works closely with Group Information Technology and vendors to meet the needs of our clients in order to ensure clients satisfaction and retention.

The Group encourages innovation in every level of our business: people, process, products and services. Our employees are trained to keep abreast of the trends and developments in the investment banking industry and encouraged to brainstorm with the management with the aim to provide innovative tailor-made solutions and new ideas that meet our client's needs. We believe in empowering our people to innovate to improve the processes and procedures in line with the advancement of the digital trends in order to provide prompt response and deliver the best value to our clients as well as workplace. HLIB as an award winning financial solutions provider, is constantly evolving with the ever changing market conditions to bring innovative solutions to meet the prevailing needs and objectives of our clients.

Throughout the years, there are various innovated initiatives carried out by the three main business segments within HLCB Group. These business segments are the Investment Banking division and Stockbroking division managed under HLIB and the Fund Management and Unit Trust Management managed under HLAM.

Our Investment Banking division adopted a more client-centric approach to create differentiated client value propositions that address specific needs of the clients as well as focuses on developing niche or distinctive capabilities in a chosen industry. In order for the Investment Banking division to remain competitive, the team constantly strives to provide innovative products and services to our clients. Regular brainstorming sessions are implemented when formulating innovative structures for our clients. Our Debt Markets has also structured the first ever Islamic Basel III compliant AT-1 issuance by an Islamic bank in Malaysia in Year 2017. This is most measurable testimony of our market share in the Debt Markets space.



The rapid transformation of the digital technologies in the business world and the society has also driven our Retail Business in the Stockbroking Division to continue to embrace digital technologies which provides greater flexibility to the clients by introducing various digital value added services throughout the years. One of the many initiatives is the introduction of the push notifications on corporate action and portfolio announcements via mobile phones to ensure greater accessibility to the information. This new feature has been rolled out at the end of Year 2017 and we have been receiving positive feedback on the new feature from the clients. Another innovated idea is the introduction of the Virtual Trading Portfolio which has also been launched in January 2018. The objective of bringing the Virtual Trading Portfolio to the clients is to enable clients to monitor and track the markets performance and the share prices of the portfolio of stocks recommended by our Research analysts via our e-Broking website. Apart from the Virtual Trading Portfolio feature, the Retail Business have also introduced a special product bundling to cross sell all retail products such as equity, foreign, derivatives and share margin financing at lower brokerage rates.

Apart from digital innovation, equipping our clients with sound knowledge on various sectors of the industry remains one of our focus areas. There have been a number of programs rolled out in the recent years by the Institutional Sales under Stockbroking division such as collaborating with Bursa Malaysia in organising seminars or talks which focus on different sectors offered to the corporate clients. The program is held half yearly and each program focus on different sectors and subject to investors' favorite themes with the expectation to garner interest from institutional investors who seek to be ahead of the curve by identifying potential investment trends, as well as potential stocks that will be the greatest beneficiaries of demographic trends. Thus far, six series of events have been rolled out and relevant topics or trends will vary in order to necessitate the market needs. The six conducted events are:

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

# SUSTAINABILITY REPORT



## ECONOMIC (CONTINUED)

### Innovation (continued)

The team continues to strengthen the tied up with Bursa Malaysia on organizing the Bursa - HLIB Stratum Focus events with Series VII to be held in November this year. During the events, the Policy makers, regulators, related industry champion and specialist are also invited to encompass the entire eco system of the chosen sector. By engaging various industry specialists, we are able to have the statistic and global outlook of the specific industry. The specialists are also able to share the data and information on the global platform with respect to the industry competition, the risk associated and the available opportunities.

Additionally, the team also works closely with our Research team on thematic visits such as Malacca Healthcare, Johor Property, Sime Darby Plant, Auto and Green Technology, Kuala Lumpur Reits, Connect Tech Singapore and Penang Semi Conductor. As most of the visits will provide a better understanding of the technical and operational aspects on the investee companies, our clients will have the advantage in gain better understanding on the challenges, strength and weakness of the companies.

HLIB joined the Malaysia Gas Association ("MGA") as a member to offer our clients a different level of service and enhance the outside-the-box thinking of our teams.

Through our membership, HLIB is able to receive first hand news and findings in regards to the oil and gas industry and through that, our clients, analysts and fund managers are able to have direct access to their exclusive industry talks as well as allowing them to networking with the senior management of the oil and gas companies. The collaboration with MGA has also given the opportunity for HLIB to invite our clients for a forum session with Minister of Energy, Science and Environment and Industry players. HLIB has also been constantly engaged with government authorities such as Malaysian Investment Development Authority ("MIDA"), Ministry of International Trade and Industry ("MITI"), Malaysia External Trade Development Corporation ("MATRADE"), BNM, Malaysia Gas Association, Securities Industry Development Corporation ("SIDC") and many more to fulfill clients' demands to cater for sectoral and specific industry outlook and beyond. All the above gives us a value added advantage over our peers in providing opportunity for access to industry players.

Additionally, the Institutional Sales team also stepped up efforts in keeping fund management informed in areas of macro policies such as trade tension between United States and other major economies, domestic political changes and related macro policy shifts, interest movements, etc as well as equity market direction and stock ideas. These were achieved via presentations and company visits.

The team also continued its effort in upgrading trading and reporting system to interface with the clients' system and to be able to stay connected and expedite trading process.

## ENVIRONMENTAL

### Managing the Environmental Footprint

We endeavor to improve the sustainability of the business by reducing its impact on the environment and preserving natural resources while saving cost. We believe that managing our environmental footprint we can support the business efficiently, operationally and financially.

Our headquarter previously located at Menara HLA, Jalan Kia Peng and one of our branch previously located at Menara LGB, Taman Tun Dr. Ismail have been relocated to Menara Hong Leong, Bukit Damansara during the FY2018. Menara Hong Leong is a building that complies with the Green Building Index (GBI) and Leadership in Energy and Environmental Design (LEED) ratings.

We have also embarked on an initiative together with our holding company, Hong Leong Financial Group ("HLFG") to produce our Annual Report using recycled and Forestry Stewardship Council - certified paper since FY2016. We have also significantly reduced the number of full Annual Reports produced since FY2016 and replaced with an abridged Annual Report with the objective to reduce paper consumption. Apart from that, monitoring of the volume of printings by each department has been put in place. Alerts will be sent to the respective departments if the volumes of the printings are considered high.

On energy consumption, we consistently promotes energy conservation within the organisation by sending email reminders to all employees to switch off the lights and air-conditioning before leaving the offices. With continuous efforts on energy conservation, we have successfully reduced the energy consumption in ringgit value by 15.8% in FY2018 as compared to the last financial year.

# SUSTAINABILITY REPORT

## ENVIRONMENTAL (CONTINUED)

### Managing the Environmental Footprint (continued)

#### Energy consumption of the Group for FY2017 and FY2018

	FY2017 RM000	FY2018 RM000	Variance RM000
Fuel consumption	37	35	(2)
Electricity consumption	565	472	(93)
<b>Total energy consumption</b>	<b>602</b>	<b>507</b>	<b>(95)</b>

The monitoring of the electricity consumption and fuel consumption from the Group's company owned vehicles in kilowatt-hours (kWh) and litres respectively commenced from FY2017 onwards. Prior to that, we measure and monitor the usage in ringgit value. We will continue to collect the energy consumption data in kWh and litres going forward in order to improve our monitoring approach.

We are of the view that even though financial institutions might not have significant direct impact on the environment, we believe that every little contribution and effort helps improve the environment footprint over the long-term. Hence, we will continue to contribute in every way we could and operate in an environmentally sustainable manner with the aim to build a healthier and better environment for tomorrow.

## SOCIAL

### Fair Banking

We are committed in conducting business with honor and fairness by delivering services of the highest quality at reasonable prices for our clients and it is important that our clients trusts the products and services that we provide. In sustaining such a commitment, all employees are guided by the Hong Leong Group including the Group's corporate mission and code of ethics adopted from regulations and best practices such as BNM's Code of Ethics and Code of Conduct for Malaysia Wholesale Financial Markets, and all other policies set out by Securities Commission Malaysia, Bursa Malaysia and BNM. The code of ethics and best practices covers, amongst others conflict of interest, insider dealing, misuse of position and information, market manipulation, confidentiality of communication and transactions as well as fair and equitable treatment including anti-bribery. Hence, all employees of the Group should never take unfair advantage of anyone through manipulation, concealment, abuse of confidential information, misrepresentation of material facts, or any other unfair-dealing practice. Our Compliance team plays an important role in ensuring the adherence of all employees to the relevant code of conducts and policies and procedures.

In addition to governance by the regulators, all employees are required to sign and abide by an internal Code of Conduct upon commencement of employment. In addition, employees must also abide by the department specific code of conduct that is embedded in the Standard Operating Policies and Procedures. There is also an informal internal code of conduct that emphasized on integrity and honesty which are always upheld by our team in carrying out their duties in all areas.

All deals are designed and executed according to clients' specifications, needs and allocation. No favoritism is practiced within the organisation. The scope of work, pricing or fees, terms and conditions and any risk associated with the deals are transparently set out to the clients in written documents and are always mutually agreed between both parties. Where pricing are subject to market forces, indicative pricing and mechanism for final determination of the prices will be also be stated to ensure our customer is fully aware of our level of commitment.

As for the asset management business, best efforts are put in place to ensure all information are properly communicated or made known to stakeholders. The fees sharing and commission structure are communicated to the distribution channels and business partners prior to the distribution of the funds. The customers of the Institutional Unit Trust Advisers and agents will be made known on the fees and charges, type of products as well as the risk associated with each product via the fund's prospectus, information memo and product highlight sheets.

Adopting high standard of care to ensure our customers receive products and services that meet their needs and improve their financial well-being is our focus towards creating a sustainable value to the Group.





# SUSTAINABILITY REPORT

## SOCIAL (CONTINUED)

### Ethics and Integrity

We are committed to serve our clients and operating ethically with high integrity in helping our clients improve their financial well-being as well as building a trusted reputation with our stakeholder.

All our employees are required to sign the Code of Conduct and Ethics upon commencement of employment and a copy is given to the employees for their reference. All employees are expected to adhere to the values, principles, standards and norms of behavior as outlined in the Code of Conduct as well as the Standard of Operating Policies and Procedures of the respective departments. The Group's Code of Conduct and Ethics also provides guidance on the policy on entertainment and gifts to address risk related to corruption and ensure fair dissemination of business or research information. Segregation of duties such as having different sales dealer and execution dealer is also practiced in the Group to ensure non conflict of interest.

### Client Experience

Active engagements with our clients enable us to identify financing gaps and structure solutions according to client's need while delivering services that build trust. Continuous client engagements also provide us with first hand updates and insights on clients business and operating environment allowing us to quickly address any adverse effects of strains in our clients' operating environment. A positive client experience is at utmost important to contribute to the branding and the sustainability of the Group. The rapid pace of digitalisation has also changed the expectation of our clients.

The Asset Desk of our Stockbroking Division has been actively installing the front line trading programs which facilitate clients' trades' execution and consolidation of all trades executed during the day to ease the day end reporting purposes with the objective to enhance clients experience with us.

Generally, allocation of businesses to the Group is very much dependent on clients' satisfaction from all aspects including the type of services offered, value added services such as programs in enhancing clients' knowledge, research ideas and efficiencies and effectiveness of trades' executions. There are different modes of evaluation from different group of clients. Some of the clients perform evaluation by assigning rating to HLIB's services on either quarterly or bi-annually while others are via informal clients' feedback obtained through discussions or during the course of clients' engagement especially for Investment Banking business. Thus far, we have not received any formal complaint on the products and services provided to clients which are something that the Group takes pride.

Moving forward, the Group will focus in organizing more relevant seminars in collaboration with external parties such as rating agencies or the regulators with the objectives to enhance clients' experience and continue to equip our clients with sound knowledge. The Group will also look into fine tuning the informal

feedback approach to be in line with the digital trends to ensure more timely response and to deepen our relationship with our clients.

### Compliance

The regulatory landscape in the region has changed tremendously in recent years resulting in increasing regulatory requirements and scrutiny. As a financial institution, we embrace regulatory intent to create sound and secure businesses. To this end, we embed regulatory compliance into the processes and values of our day-to-day operations.

We are striving towards zero breaches or violation of regulatory requirements. In recent years, we have continued to ensure controls are in place in all areas of operations to ensure no breaches occur as well as to enhance our regulatory compliance capacity within the Group. Various compliance related trainings have been provided to employees of the Group throughout FY2018 such as training on AMLA. The objectives of the AMLA training are to create awareness amongst employees on AMLA legislation and regulatory guideline derived from it and to create an understanding on the impact of money laundering and terrorist financing to the Group.

Thus far, HLCB group did not incur fines for non-compliance with laws and regulations concerning the provision and use of products and services during FY2018. We will continue to enhance and improve our Compliance structure and controls as we believe good conduct of the Group will eventually bring the Group towards a more sustainable position in the market.

### Cyber Security and Data Privacy

As the Group is operated on a highly regulated environment coupled with the increasing risk of cyber-attack, the Group takes a serious stand in protecting our Information Technology ("IT") networks and the confidentiality of the information of clients, business counterparts and any other parties by taking various measures and procedures including maintaining appropriate physical, electronic and procedural safeguards to meet the requirements under the Personal Data Protection Act 2013 ("PDPA") and Personal Data Protection Code of Practice for the Banking and Financial Sector.

The requirements of the PDPA have been put in place and it is a mandatory requirement for all employees to attend internal trainings on PDPA and confidentiality organised by the Group to create awareness among the employees on the importance of protecting the privacy of customer's personal data for individuals and prevent abuse of personal data for commercial purpose. Customer confidentiality requirements are also imbedded in the Material Information Policy, relevant forms and documents. We also communicated our Privacy Notice to our customers through various mode of communication, including by posting the Privacy Notice on our website.

Throughout FY2018, there are no significant complaints received pertaining to breaches of customer privacy and losses of customer data.



# SUSTAINABILITY REPORT

## SOCIAL (CONTINUED)

### Cyber Security and Data Privacy (continued)

In relation to our management of cyber security, our Group IT is guided by the Cyber Security Policy which defines the following:

- I. The roles and responsibilities of the Board of Directors and management in the oversight and management of cyber risk;
- II. Identify the requirement for managing cyber risk; and
- III. Highlight the reporting requirements to the regulators.

In the event of any security related incidents, the team is guided by the Security Incident Response Procedures which outlines the procedures in implementing proactive measures to reduce the impact of a security related incident and to achieve the following objectives:

- I. Systematic response to incident in minimizing or mitigating of loss of confidentially, integrity and availability of mission critical information and systems;
- II. Improve turnaround time for escalation of incident and minimize disruption of critical computing services and operations; and
- III. Ensure quick and efficient recovery from incidents and ensure all necessary steps to preserve evidence, record, report and incident management are properly being carried out.

There are various initiatives bring carried out throughout the years to prevent cyber-attack and enhance cyber security. Amongst the initiatives are installations of antivirus software on the workstations and devices to prevent uninvited threats from emails and external storage or through the network, implementation of

file encryption protection on all files retrieved from the workstation, and controls on the accessibility of data retrieved from the workstation. USB port access is not permitted for all desktops and laptops and approval is required for any request of USB port access.

Apart from that, the Group is of the view that equipping employees with adequate knowledge and awareness of cyber security is equally important. Cyber security awareness program is conducted internally within the Group annually to address the rapid and ever-changing data security threat environment. The programs provide the education, monitoring and on-going maintenance of security awareness within the Group. The employees will also be updated regularly on the latest information in regards to security threats via emails.

Moving forward, we will continue to maintain and update our policies, procedures and processes where necessary to protect the security of our assets as we recognise that a breach of information security could expose to the Group to significant damages to our reputation, disruption of operations and financial losses. The rapid transformation of the digital technologies in the business world has driven the Group to constantly monitor the market changes to see how it can be incorporated into the organisation.

### Employee Experience

The employees are the key driving force of the Group in achieving its goals. Our aim is to build a competitive, engaged, knowledgeable and professionalism workforce. We are inspired to cultivate high performing team to drive and deliver world-class business outcomes by understanding the demand of the workforce.

### Demographic of the organisation's work force

Description	FY2017	FY2018
<b>By Category</b>		
Executive	256	264
Manager	137	139
Senior Manager and Head of Department	39	39
<b>Total number of employees</b>	<b>432</b>	<b>442</b>
<b>By Age Group</b>		
Under 30 years old	107	131
30 – 50 years old	256	238
Over 50 years old	69	73
<b>Total number of employees</b>	<b>432</b>	<b>442</b>
<b>By Gender</b>		
Female	238	251
Male	194	191
<b>Total</b>	<b>432</b>	<b>442</b>

In 2016, we introduced the HiPo program (“High Potential”) program as one of our initiatives under the talent management strategy. The program aims to build a strong succession pipeline of bright and skilled future leaders and maintain a high retention rate for the sustainability of the Group’s future.

Additionally, HLCB Talent Incubator Program (Management Trainee) program was introduced with the aim to propel passionate, engaged and aspirated young talents. Since then, there were seven management trainees successfully developed from the program and currently holding important job positions at HLCB.

# SUSTAINABILITY REPORT

## SOCIAL (CONTINUED)

### Employee Experience (continued)

Besides, as part of the talent management program to drive company's workforce to achieve high level of professionalism, HLCB has developed a Competency Structure for each category of employee. The Competency Structure defines the skills and knowledge requires for successful job performance at all levels. We derive the structure based on expected traits and demand in upcoming market workforce specifically for Head of Department, People Manager and Contributor.

HLCB is an equal opportunities employer and operate on the basis of hiring and nurturing the best talent available irrespective of race, gender or cultural affiliation. The Group has a balance gender representation within the workforce where female represent 55% and male represent 45% of the total workforce. This is a clear indication of our staunch belief in gender equality, based on merit, and of our commitment to provide both men and women the same opportunities for career advancement.



### Composition of female and male employees by category

	FY2017		FY2018	
	Number of employees	%	Number of employees	%
<b>Executive</b>				
Female	151	59%	163	62%
Male	105	41%	101	38%
<b>Total</b>	<b>256</b>	<b>100%</b>	<b>264</b>	<b>100%</b>
<b>Manager</b>				
Female	72	53%	73	53%
Male	65	47%	66	47%
<b>Total</b>	<b>137</b>	<b>100%</b>	<b>139</b>	<b>100%</b>
<b>Senior Manager and Head of Department</b>				
Female	15	38%	15	38%
Male	24	62%	24	62%
<b>Total</b>	<b>39</b>	<b>100%</b>	<b>39</b>	<b>100%</b>

During FY2018, our Human Resources team has successfully brought in 89 new employees for business expansion and as replacement headcount. The number of new hires has increased by 24% from 72 new hires in last financial year.

### Total number of new employee hires

	FY2017	FY2018
<b>New Hires</b>		
<b>By Age Group</b>		
Under 30 years old	55	64
30 – 50 years old	17	23
Over 50 years old	-	2
<b>Total number of new hires</b>	<b>72</b>	<b>89</b>
<b>By Gender</b>		
Female	41	62
Male	31	27
<b>Total number of new hires</b>	<b>72</b>	<b>89</b>

# SUSTAINABILITY REPORT

## SOCIAL (CONTINUED)

### Employee Experience (continued)

#### Training and Education

A rapidly changing world in the finance industry driven by technology advancement, digitalised economy and competitive market conditions has impacted the traditional business models and the existing talent landscape.

We continue to invest an average of RM2 million per year to foster a continuous learning culture to ensure that our workforce remains relevant and competent in facing the dynamic world.

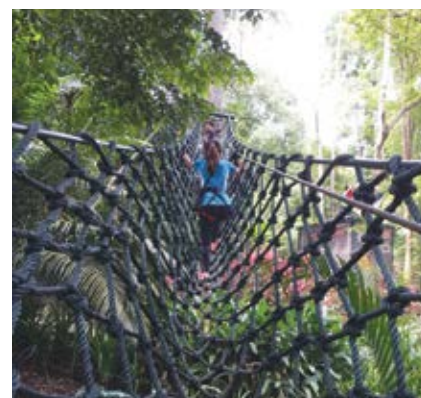
Throughout FY2018, our employees of all levels from executive to head of departments are offered to participate in various additional training and self-development programs. Amongst the trainings provided are:

- **Soft Skills Program**
  - Covers leadership and interpersonal skills
- **Functional Skills Program**
  - Covers trainings pertaining to Stockbroking, Stock Evaluation, Financial Analysis and many more
- **Programs on industry insights**
  - Covers Digital Economy, Blockchain and Financial Technology
- **Computer skills program**
  - Covers on enhancing employee skills in Microsoft Excel and Microsoft Word



#### A Conducive Working Environment

We continuously strive to provide an involved and conducive working environment at HLCB. Our yearly team building activities involve all levels of employees to build trust, collaboration and team bonding. In November 2017, we organised a team bonding program called the Skytrex Adventure at Taman Botani Negara, Shah Alam with the aim of providing a full fun day activities which includes "Skytrekking" activities on the trees and at the same time enjoying the unique natural surroundings of the rain forest.



Moreover, we are proud to see our employees coming together to involve actively for Corporate Social Responsibility activities at a more personal level by running a marathon, all for a good cause. In September 2017, HLCB have participated in the "Bursa Bull Charge Run" a charity run organised by Bursa Malaysia. Three running teams comprised a total of 12 runners participated for the run, where HLCB donated a total of RM28,000 towards charities supporting economic sustainability among disadvantaged communities, for the benefits of entrepreneurs and the improvement of financial literacy.

Continuous efforts will be put in place to ensure HLCB is an inclusive workplace. We will continue to support and invest in our employees by providing more training and career development opportunities to help employees grow together with the Group.

# SUSTAINABILITY REPORT



## SOCIAL (CONTINUED)

### Employee Experience (continued)

#### Employee Benefits

We ensure that we offer our employees remuneration and benefits packages that are competitive to the market. These include various loan subsidy, medical benefits, annual/maternity/paternity/prolonged illness leave, as well as mobile phone subsidy.

#### Impact Investing

We recognise that our lending and investing practices have a significant impact on society and strive to promote sustainable development in our policies. The Government in recent years has taken the initiative to encourage Shariah investing and increase demand of the Shariah mandate.

In 2017, the Stockbroking Division of HLIB has established an Islamic Trading Window to cater for the market needs for Shariah compliant stocks for Institutional clients by tapping into existing Shariah mandate funds. Currently there is also initiative to extend the Islamic Trading Window to retail clients.

Bursa Malaysia has also launched the Intraday Short Selling ('IDSS') in April 2018 with the aim of creating a more vibrant market. HLIB have enhanced the trading system to comply with the requirement of IDSS and have launched in August 2018.

Apart from the above initiative, we are mindful of the impact of our stock recommendations and professional advice on our client's businesses. Recommendations and advice will be aligned to the fund managers' portfolio mandates or clients' business objectives.





The Group currently has no policies or procedures targeted at environmental and social components. As such, our management has planned to review the existing approach with the aim of introducing responsible lending and investing guidelines in the assessment of business, credit and investment risks. These approaches may entail the screening of clients and businesses to minimize engagements which could potentially result in material adverse environmental and social impacts. We aim to closely engage our clients in promoting credit and investment products which prioritizes sustainability development in line with our sustainability pledge.



# SUSTAINABILITY REPORT

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## CORPORATE INFORMATION

### DIRECTORS

**Mr Tan Kong Khoon** (*Chairman*)

**YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman**

**YBhg Dato' Ahmad Fuaad bin Mohd Dahalan**

**Ms Tai Siew Moi**

**Ms Koid Swee Lian**

### GROUP COMPANY SECRETARY

**Ms Christine Moh Suat Moi**  
MAICSA 7005095

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Fax : 03-2173 1288

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Fax : 03-2164 3703

## AWARDS & ACCOLADES



### HONG LEONG INVESTMENT BANK BERHAD

1. **BEST ASSETS-BACKED SECURITISATION DEAL IN SOUTHEAST ASIA 2017**  
**11<sup>TH</sup> ANNUAL ALPHA SOUTHEAST ASIA DEAL & SOLUTION AWARDS 2017**  
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2. **BEST MURABAHAH DEAL IN SOUTHEAST ASIA 2017**  
**11<sup>TH</sup> ANNUAL ALPHA SOUTHEAST ASIA DEAL & SOLUTION AWARDS 2017**  
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3. **BEST SECURITISATION SUKUK**  
**THE ASSET TRIPLE A ISLAMIC FINANCE AWARDS 2017**  
Asset Triple A
4. **RAM AWARD OF DISTINCTION 2017**  
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5. **RAM AWARD OF DISTINCTION 2017**  
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7. **COMMODITY MURABAHAH DEAL OF THE YEAR**  
**ISLAMIC FINANCE NEWS AWARDS 2017**  
Islamic Finance News

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### HONG LEONG ASSET MANAGEMENT BHD

- 8. **HONG LEONG DIVIDEND FUND  
BEST FUND OVER 3 YEARS: EQUITY MALAYSIA  
INCOME (PROVIDENT)  
THE EDGE | THOMSON REUTERS LIPPER FUND  
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- 9. **HONG LEONG GROWTH FUND  
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The Edge | Thomson Reuters
- 10. **BEST GROUP IN MIXED ASSETS (PROVIDENT)  
THE EDGE | THOMSON REUTERS LIPPER FUND  
AWARDS 2018**  
The Edge | Thomson Reuters
- 11. **BEST GROUP IN EQUITY (PROVIDENT)  
THE EDGE | THOMSON REUTERS LIPPER FUND  
AWARDS 2018**  
The Edge | Thomson Reuters

## BOARD OF DIRECTORS' PROFILE

### MR TAN KONG KHOON

Chairman/Non-Executive/  
Non-Independent

Age 61, Male, Singaporean



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

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

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

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

Mr Tan was appointed to the Board of Directors ("Board") of Hong Leong Capital Berhad ("HLCB") on 24 February 2016 and assumed the Board Chairmanship on 2 February 2018. He is currently a member of the Nomination Committee ("NC") and Remuneration Committee ("RC") of HLCB.

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

### YBHG TAN SRI DATO' SERI KHALID AHMAD BIN SULAIMAN

Non-Executive Director/Independent

Age 82, Male, Malaysian



YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman was educated in England and was called to the English Bar at Middle Temple in 1964. He was admitted to the Malaysian Bar in 1965 and Singapore Bar in 1970. He was a founding partner of K Ahmad & Yong, a legal firm in Penang in 1970 and was a Senior Partner till June 2008. He was a Consultant with K Ahmad & Yong from 2008 to June 2016. He was the Chairman of the Advocates and Solicitors Disciplinary Board Malaysia from 2005 to 2013. He was the Penang State Executive Councillor from 1974 to 1982 and was the acting Penang Chief Minister in 1979 and has also served on various statutory boards.

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



## BOARD OF DIRECTORS' PROFILE

### **YBHG DATO' AHMAD FUAAD BIN MOHD DAHALAN**

Non-Executive Director/Independent  
Age 68, Male, Malaysian

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

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

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

YBhg Dato' Ahmad Fuaad is a Director of YTL Corporation Berhad, a company listed on the Main Market of Bursa Securities. He is also a director of YTL e-Solutions Berhad, a public company.

### **MS TAI SIEW MOI**

Non-Executive Director/Independent  
Age 60, Female, Malaysian

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

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

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

Ms Tai was appointed to the Board of HLCB on 18 September 2017. She is currently a member of the BARMC and RC of HLCB.

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

## BOARD OF DIRECTORS' PROFILE

### MS KOID SWEE LIAN

Non-Executive Director/Independent

Age 60, Female, Malaysian

Ms Koid Swee Lian graduated from the University of Malaya in 1981 with a Bachelor of Laws (Honours) degree and was called to the Malaysian Bar as an Advocate & Solicitor in 1983.

Ms Koid was a career officer of Bank Negara Malaysia ("BNM") for more than 30 years until her retirement in 2013 and had held various senior positions, including Deputy Director of Legal Department, Head of Financial Intelligence Unit, her last position with BNM being the Director of Consumer and Market Conduct Department. Ms Koid had also served as the Head of Financial Intelligence Unit and was appointed as the inaugural Secretary to the National Coordinating Committee to Counter Money Laundering. During the period from 2006 to 2011, Ms Koid was the Director of Consumer and Market Conduct Department.

Ms Koid was a member of an international team of experts from the Financial Action Task Force and Asia Pacific Group on Anti-Money Laundering ("AML") that conducted a joint mutual evaluation of the USA's AML regime in 2005 to 2006. She had collaborated with various national and international organisations such as the World Bank, International Monetary Fund, Organisation for Economic Co-operation and Development, Consultative Group to Assist the Poor, and Alliance for Financial Inclusion where Ms Koid was engaged to speak at various forums on AML/ATF, financial consumer protection and financial education.

From 2009 to 2011, Ms Koid was appointed by BNM to serve as a Board member of the Credit Counseling and Debt Management Agency (Agensi Kaunseling dan Pengurusan Kredit or AKPK), BNM's wholly-owned subsidiary. She was seconded to AKPK in 2011 where she had led the agency in elevating adult consumers' financial literacy and eliminating their financial hardship with debt relief programmes.

Ms Koid was appointed to the Board of HLCB on 19 September 2018.

Ms Koid is a Director of Genting Berhad, a company listed on the Main Market of Bursa Securities. She is also a Director of Deutsche Bank (Malaysia) Berhad, a public company and Director of HLA Holdings Sdn Bhd, a private company. In addition, she was appointed by Securities Commission as a public interest director on the Board of the Federation of Investment Managers Malaysia (FIMM).

#### Notes:

**1. Family Relationship with Director and/or Major Shareholder**

*None of the Directors has any family relationship with any other Director and/or major shareholder of HLCB.*

**2. Conflict of Interest**

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

**3. Conviction of Offences**

*None of the Directors has been convicted of any offences (excluding traffic offences) in the past 5 years and there were no public sanctions or penalties imposed by the relevant regulatory bodies during the financial year ended 30 June 2018.*

**4. Attendance of Directors**

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

## KEY SENIOR MANAGEMENT

### MS LEE JIM LENG

Group Managing Director/  
Chief Executive Officer of Hong Leong  
Investment Bank Berhad ("HLIB"),  
a wholly-owned subsidiary of HLCB  
Age 55, Female, Malaysian

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

Ms Lee is the Group Managing Director/Chief Executive Officer of HLIB since 24 November 2009.

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

### MR CHONG POH CHOON

Head, Treasury & Markets, HLIB,  
a wholly-owned subsidiary of HLCB  
Age 40, Male, Malaysian

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

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

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

### MR LING YUEN CHENG

Head, Debt Markets of HLIB,  
a wholly-owned subsidiary of HLCB  
Age 50, Male, Malaysian

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

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

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

## KEY SENIOR MANAGEMENT

### MR PHANG SIEW LOONG

Head of Equity Markets of HLIB,  
a wholly-owned subsidiary of HLCB  
Age 50, Male, Malaysian

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

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

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

### MR KWEK KON CHAO

Chief Operating Officer of Stockbroking,  
HLIB, a wholly-owned subsidiary of HLCB  
Age 32, Male, Malaysian

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

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

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

## KEY SENIOR MANAGEMENT

### MR HOO SEE KHENG

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

Age 52, Male, Malaysian

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

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

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

### MR LAU YEW SUN

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

Age 52, Male, Malaysian

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

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

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

#### Notes:

##### 1. Family Relationship with Director and/or Major Shareholder

None of the Key Senior Management has any family relationship with any Director and/or major shareholder of HLCB.

##### 2. Conflict of Interest

None of the Key Senior Management has any conflict of interest with HLCB.

##### 3. Conviction of Offences

None of the Key Senior Management has been convicted of any offences (excluding traffic offences) in the past 5 years and there were no public sanctions or penalties imposed by the relevant regulatory bodies during the financial year ended 30 June 2018.



# BOARD AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

## CONSTITUTION

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

## COMPOSITION

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

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

**Ms Tai Siew Moi**  
(Independent Non-Executive Director)

**YBhg Dato’ Mohamed Nazim bin Abdul Razak**  
(Independent Non-Executive Director)  
(Retired on 26 October 2017)

## SECRETARY

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

## TERMS OF REFERENCE

The terms of reference of the BARMC are published on the Company’s website at [www.hlcap.com.my](http://www.hlcap.com.my).

## AUTHORITY

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

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

## MEETINGS

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

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

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

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

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

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

## ACTIVITIES

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

During the financial year ended 30 June 2018 (“FYE 2018”), four (4) BARMC meetings were held and the attendance of the BARMC members were as follows:

Member	Attendance
YBhg Tan Sri Dato’ Seri Khalid Ahmad bin Sulaiman	4/4
YBhg Dato’ Ahmad Fuaad bin Mohd Dahalan	4/4
Ms Tai Siew Moi <sup>(1)</sup>	3/3
YBhg Dato’ Mohamed Nazim bin Abdul Razak <sup>(2)</sup>	1/2

### Note:

<sup>(1)</sup> Appointed on 18 September 2017

<sup>(2)</sup> Retired on 26 October 2017

## HOW THE BARMC DISCHARGES THEIR RESPONSIBILITIES:

### Financial Reporting

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

- (i) any changes in accounting policies and practices;
- (ii) significant adjustments arising from the audit;
- (iii) the going concern assumptions; and
- (iv) compliance with accounting standards and other legal requirements.

# BOARD AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

## HOW THE BARMC DISCHARGES THEIR RESPONSIBILITIES: (CONTINUED)

### Financial Reporting (continued)

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

### External Audit

The external auditors of the Group for the FYE 2018 is PricewaterhouseCoopers PLT ("PwC"). The BARMC discussed and reviewed with the external auditors, before the audit commences for the financial year, the audit plan and timetable for the financial audit of the Group including the focus areas and approach to the current financial year's audit and any significant issues that can be foreseen, either as a result of the past year's experience or due to new accounting standards or other changes in statutory or listing requirements.

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

The BARMC reviewed the external audit fees and their scope of services. The fees payable to PwC for the FYE 2018 amounted to RM664,500 of which RM218,300 was payable in respect of non-audit services. Non-audit services accounted for 33% of the total fees payable. The BARMC assessed the objectivity and independence of the external auditors prior to the appointment of the external auditors for ad-hoc non-audit services.

The BARMC also evaluated the performance of PwC in the following areas in relation to its re-appointment as auditors for the FYE 2018 and considered PwC to be independent:

- (i) level of knowledge, capabilities, experience and quality of previous work;
- (ii) level of engagement with BARMC;
- (iii) ability to provide constructive observations, implications and recommendations in areas which require improvements;
- (iv) adequacy in audit coverage, effectiveness in planning and conduct of audit;
- (v) ability to perform the audit work within the agreed timeframe;
- (vi) non-audit services rendered by PwC does not impede independence;
- (vii) ability to demonstrate unbiased stance when interpreting the standards/policies adopted by HLCB; and
- (viii) risk of familiarity threat to ensure that the independence and objectivity of the external auditor was not compromised.

PwC, in accordance with professional ethical standards, have provided the BARMC with confirmation of their independence for the duration of the FYE 2018 and the measures used to control the quality of their work.

The BARMC has therefore recommended to the Board that PwC be re-appointed as the auditors. Resolution concerning the re-appointment of PwC will be proposed to shareholders at the 2018 Annual General Meeting.

### Related Party Transactions

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

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

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

### Internal Audit

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

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

# BOARD AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

## HOW THE BARMC DISCHARGES THEIR RESPONSIBILITIES: (CONTINUED)

### Internal Audit (continued)

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

### Risk Management and Internal Control System

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

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

### Compliance

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

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

## INTERNAL AUDIT FUNCTION

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

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

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

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

- (i) Risks are appropriately identified and managed.
- (ii) Control environments are effective and sufficient.
- (iii) Governance processes are adequate and effective, and interaction with the various governance groups occurs as needed.
- (iv) Significant financial, managerial, and operating information is accurate, reliable, and timely.
- (v) Employee's actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- (vi) Resources are acquired economically, being used efficiently, and are adequately protected.
- (vii) Programs, plans, and objectives are achieved.
- (viii) Quality and continuous improvement are fostered in the organisation's control process.
- (ix) Significant legislative or regulatory issues impacting the organisation are recognized and adequately addressed.
- (x) Effectiveness and robustness of stress testing procedures and practices.
- (xi) Adequacy and effectiveness in assessing the entity's capital in relation to its estimation of risk.
- (xii) Compliance with internal and external policies, procedures, rules, guidelines, directives, laws and regulations.
- (xiii) Compliance with Shariah rules and principles as determined by entity's Shariah Committee or other relevant Islamic authorities (for Islamic operations).
- (xiv) Identification of opportunities and area of improvements in management control, profitability, and the organisation's image.

The cost incurred for the Internal Audit function in respect of the FYE 2018 was RM953,828.99.

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

## CORPORATE GOVERNANCE OVERVIEW, RISK MANAGEMENT & INTERNAL CONTROL STATEMENT

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

*~ Finance Committee on Corporate Governance*

The Board of Directors (“Board”) is pleased to present this statement with an overview of the corporate governance (“CG”) practices of the Group which support the three key principles of the Malaysian Code on Corporate Governance (“MCCG”) namely board leadership and effectiveness; effective audit and risk management; and integrity in corporate reporting and meaningful relationship with stakeholders.

The CG Report 2018 of the Company in relation to this statement is published on the Company’s website, [www.hlcap.com.my](http://www.hlcap.com.my) (“the Company’s Website”).

### **A. ROLES AND RESPONSIBILITIES OF THE BOARD**

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

In discharging its responsibilities, the Board has established functions which are reserved for the Board and those which are delegated to management. The key roles and responsibilities of the Board are set out in the Board Charter, which was last reviewed by the Board in September 2017, and will be periodically reviewed. The Board Charter is published on the Company’s Website. The key roles and responsibilities of the Board broadly cover formulation of corporate policies and strategies; overseeing and evaluating the conduct of the Group’s businesses; identifying principal risks and ensuring the implementation of appropriate systems to manage those risks; and reviewing and approving key matters such as financial results, investments and divestments, acquisitions and disposals, and major capital expenditure.

In addition, the Board has established Board Committees which operate within clearly defined TOR primarily to support the Board in the execution of its duties and responsibilities.

To discharge its oversight roles and responsibilities more effectively, the Board has delegated the independent oversight over, inter alia, internal and external audit functions, internal controls and risk management to the Board Audit and Risk Management Committee (“BARMC”). The Nomination Committee (“NC”) is delegated the authority to, inter alia, assess and review Board, Board Committees and Chief Executive Officer (“CEO”) appointments and re-appointments and oversee management succession planning. Although the Board has granted such authority to Board Committees, the ultimate responsibility and the final decision rest with the Board. The chairmen of Board Committees report to the Board on matters dealt with at their respective Board Committee meetings. Minutes of Board Committee meetings are also tabled at Board meetings.

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

Independent Non-Executive Directors (“INEDs”) are responsible for providing insights, unbiased and independent views, advice and judgment to the Board and bring impartiality to Board deliberations and decision-making. They also ensure effective checks and balances on the Board. There are no relationships or circumstances that could interfere with or are likely to affect the exercise of INEDs’ independent judgment or their ability to act in the best interest of the Company and its shareholders.

# CORPORATE GOVERNANCE OVERVIEW, RISK MANAGEMENT & INTERNAL CONTROL STATEMENT

## A. ROLES AND RESPONSIBILITIES OF THE BOARD (CONTINUED)

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

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

## B. BOARD COMPOSITION

The Board currently comprise (5) Directors. The five (5) Directors, all of whom are Non-Executive whilst four (4) are independent. The profiles of the members of the Board are set out in the Annual Report.

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

The Company has in place a Board Diversity Policy. The Board recognises the merits of Board diversity in adding value to collective skills, perspectives and strengths to the Board. The Board will consider appropriate targets in Board diversity including gender balance on the Board and will take the necessary measures to meet these targets from time to time as appropriate. The Board will work towards increasing women participation on the Board in line with the MCGG.

Based on the review of the Board composition in July 2018, the Board is of the view that the current size and composition of the Board are appropriate and effective for the control and direction of the Group's strategy and business. The composition of the Board also fairly reflects the investment of shareholders in the Company.

## C. BOARD COMMITTEES

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

### (a) BARMC

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

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

### (b) 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)*
- **YBhg Dato' Ahmad Fuaad bin Mohd Dahalan**
- **Mr Tan Kong Khoon**  
*(Appointed as NC member with effect from 2 February 2018)*
- **YBhg Tan Sri Quek Leng Chan**  
*(Resigned as NC member with effect from 2 February 2018)*
- **YBhg Dato' Mohamed Nazim bin Abdul Razak**  
*(Retired as NC member with effect from 26 October 2017)*

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

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



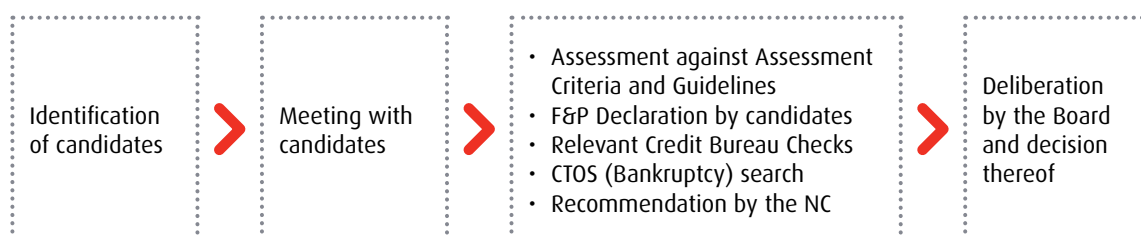
# CORPORATE GOVERNANCE OVERVIEW, RISK MANAGEMENT & INTERNAL CONTROL STATEMENT

## C. BOARD COMMITTEES (CONTINUED)

### (b) NC (continued)

#### (i) New appointments

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

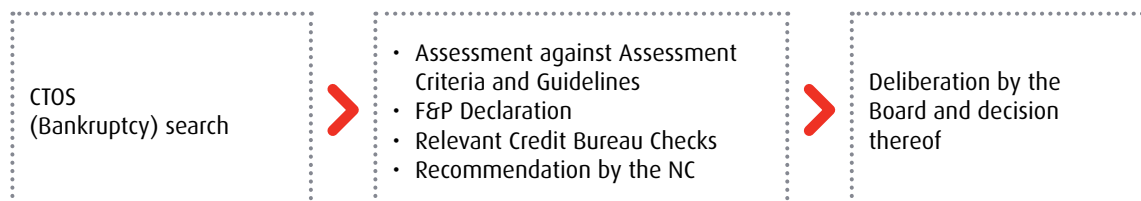


In assessing the candidates for Board appointments, the NC will take into account, inter alia, the strategic and effective fit of the candidates for the Board, the overall desired composition and the mix of expertise/and experience of the Board as a whole and having regard to the candidates' attributes,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

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

#### (ii) Re-appointments

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



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

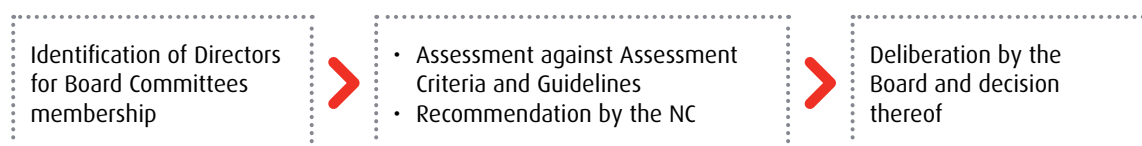
# CORPORATE GOVERNANCE OVERVIEW, RISK MANAGEMENT & INTERNAL CONTROL STATEMENT

## C. BOARD COMMITTEES (CONTINUED)

### (b) NC (continued)

#### (iii) Board Committee Appointments

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



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

In addition, a formal evaluation process has been put in place to assess the effectiveness of the Board as a whole, the Board Committees and the contribution and performance of each individual Director on an annual basis ("Annual Board Assessment") in conjunction with the annual F&P assessment of Chairman, Directors and CEO. The NC will deliberate on the results of the Annual Board Assessment and submit its recommendation to the Board for consideration and approval. For newly appointed Chairman, Directors and CEO, the Annual Board Assessment will be conducted at the next annual assessment exercise following the completion of one year of service.

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

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

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

During the financial year ended 30 June 2018 ("FYE 2018"), 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 Dato' Ahmad Fuaad bin Mohd Dahalan	1/1
Mr Tan Kong Khoon <sup>(1)</sup>	-
YBhg Tan Sri Quek Leng Chan <sup>(2)</sup>	1/1
YBhg Dato' Mohamed Nazim bin Abdul Razak <sup>(3)</sup>	-

<sup>(1)</sup> Appointed as NC member with effect from 2 February 2018. The NC meeting was held before his appointment

<sup>(2)</sup> Resigned as NC member with effect from 2 February 2018

<sup>(3)</sup> Retired as NC member with effect from 26 October 2017

# CORPORATE GOVERNANCE OVERVIEW, RISK MANAGEMENT & INTERNAL CONTROL STATEMENT

## C. BOARD COMMITTEES (CONTINUED)

### (b) NC (continued)

The NC carried out the following activities in the discharge of its duties in accordance with its TOR during the FYE 2018:

- Carried out the Annual Board Assessment and was satisfied that the Board as a whole, Board Committees and individual Directors have continued to effectively discharge their duties and responsibilities in accordance with their respective TORs, and that the current Board composition in terms of Board balance, size and mix of skills is appropriate and effective for the discharge of its functions. The NC took cognisance of the merits of Board diversity including women participation on the Board, in adding value to the Company. The NC will work towards increasing women participation on the Board in line with the MCGG;
- Considered and assessed the position of Independent Directors of the Company and was satisfied that the Independent Directors met the regulatory requirements for Independent Directors;
- Reviewed the F&P Declarations by Directors' in line with the Company's F&P Policy on F&P criteria and was satisfied that the Directors met the requirements as set out in the Company's Policy on F&P criteria;
- Reviewed the term of office and performance of the BARMC and each of its members in accordance with the TOR of BARMC and was of the view that the BARMC and each of its members had carried out their duties in accordance with the BARMC TOR for the periods under review; and
- Reviewed and recommended to the Board for adoption the revisions to the F&P Policy of the Company on tenure of Independent Directors and criteria of Independent Directors.

### (c) Remuneration Committee ("RC")

The RC was established on 30 October 2008. The composition of the RC is as follows:

- **YBhg Dato' Ahmad Fuaad bin Mohd Dahalan**  
(Chairman)  
(Appointed as RC Chairman with effect from 26 October 2017)
- **Ms Tai Siew Moi**
- **Mr Tan Kong Khoon**  
(Appointed as RC member with effect from 2 February 2018)
- **YBhg Tan Sri Quek Leng Chan**  
(Resigned as RC member with effect from 2 February 2018)
- **YBhg Dato' Mohamed Nazim bin Abdul Razak**  
(Retired as RC Chairman with effect from 26 October 2017)

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

During the FYE 2018, one (1) RC meeting was held and the attendance of the RC members was as follows:

Member	Attendance
YBhg Dato' Ahmad Fuaad bin Mohd Dahalan <sup>(1)</sup>	1/1
YBhg Tan Sri Quek Leng Chan	1/1
Ms Tai Siew Moi	1/1
Mr Tan Kong Khoon <sup>(2)</sup>	-
YBhg Dato' Mohamed Nazim bin Abdul Razak <sup>(3)</sup>	-

<sup>(1)</sup> Appointed as RC Chairman with effect from 26 October 2017

<sup>(2)</sup> Appointed as RC member with effect from 2 February 2018. The RC meeting was held before his appointment

<sup>(3)</sup> Retired as RC member with effect from 26 October 2017. The RC meeting was held after his retirement

## CORPORATE GOVERNANCE OVERVIEW, RISK MANAGEMENT & INTERNAL CONTROL STATEMENT

### C. BOARD COMMITTEES (CONTINUED)

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

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

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

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

The detailed remuneration of each Director during the FYE 2018 is as set out in Note 31 of the Audited Financial Statements in the Annual Report.

### D. INDEPENDENCE

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

The Independent Directors have declared their independence, and the NC and the Board have determined, at the annual assessment carried out, that the Independent Directors have continued to bring independent and objective judgment to Board deliberations and decision-making.

YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman and YBhg Dato' Ahmad Fuaad bin Mohd Dahalan who served more than 9 years on the Board have informed the Board that they will retire at the conclusion of the Twenty-seventh Annual General Meeting.

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

If the intention is to continue in office, the NC shall consider based on the assessment criteria and guidelines set out in the F&P Policy and make the appropriate recommendation to the Board. For public listed bank/companies under the Hong Leong Financial Group, shareholders' approval at AGMs shall be sought in accordance with the relevant requirements under the MCGG and the MMLR subject to favourable assessment of the NC and the Board.

The Board seeks to strike an appropriate balance between tenure of service, continuity of experience and refreshment of the Board. Although a longer tenure of directorship may be perceived as relevant to the determination of a Director's independence, the Board recognises that an individual's independence should not be determined solely based on tenure of service. Further, the continued tenure of directorship brings considerable stability to the Board, and the Company benefits from Directors who have, over time, gained valuable insight into the Group, its market and the industry.

### E. COMMITMENT

The Directors are aware of their responsibilities and devote sufficient time to carry out such responsibilities. In line with the MMLR, Directors are required to comply with the restrictions on the number of directorships in public listed companies. Directors provide notifications to the Board for acceptance of any new Board appointments. This ensures that their commitment, resources and time are focused on the affairs on the Company to enable them to discharge their duties effectively. Board meetings are scheduled a year ahead in order to enable full attendance at Board meetings. Additional meetings may be convened on an ad hoc basis as and when necessary. Where appropriate, decisions are also taken by way of Directors' Circular Resolutions. Directors are required to attend at least 50% of Board meetings held in each financial year pursuant to the MMLR.

## CORPORATE GOVERNANCE OVERVIEW, RISK MANAGEMENT & INTERNAL CONTROL STATEMENT

### E. COMMITMENT (CONTINUED)

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

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

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

The Board met five (5) times for the FYE 2018 with timely notices of issues to be discussed. Details of attendance of each Director are as follows:

Director	Attendance
Mr Tan Kong Khoon	5/5
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman	5/5
YBhg Dato' Ahmad Fuaad bin Mohd Dahalan	5/5
Ms Tai Siew Moi <sup>(1)</sup>	4/4
YBhg Tan Sri Quek Leng Chan <sup>(2)</sup>	4/4
YBhg Dato' Mohamed Nazim bin Abdul Razak <sup>(3)</sup>	-

Ms Koid Swee Lian was appointed to the Board after the close of the FYE 2018 and as such did not attend any of the Board meetings held during the FYE 2018.

<sup>(1)</sup> Appointed as Director with effect from 18 September 2017

<sup>(2)</sup> Resigned as Director with effect from 2 February 2018

<sup>(3)</sup> Retired as Director on 26 October 2017

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

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

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

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

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

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

During the FYE 2018, the Directors received regular briefings and updates on the Company's businesses, strategies, operations, risk management, compliance, internal controls, corporate governance, finance and any changes on relevant legislation, rules and regulations from in-house professionals. The Company also organised an in-house programme for its Directors and senior management.

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

# CORPORATE GOVERNANCE OVERVIEW, RISK MANAGEMENT & INTERNAL CONTROL STATEMENT

## E. COMMITMENT (CONTINUED)

During the FYE 2018, the Directors of the Company, collectively or on their own, attended various training programmes, seminars, briefings and/or workshops including:

- KPMG – MCGG Update
- KPMG – Cyber Security Awareness
- Bursa Malaysia & MINDA – Board Excellence: How to Engage and Enthuses Beyond Compliance with Sustainability
- ICLIF – Mandatory Accreditation Programme (MAP) for Directors of Public Listed Companies
- ICLIF – Independent Directors' Programme: The Essence of Independence
- Digital Transformation and Impact to Businesses
- Malaysian Financial Reporting Standards 17 (MFRS17) Insurance Contracts
- AMLATFPUAA 2001 (Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act), FSA 2013 (Financial Services Act)/CMSA 2007 (Capital Market and Services Act) & PDPA 2010 (Personal Data Protection Act): Risk, Challenges and Vulnerabilities Towards Regulatory Compliance

## F. ACCOUNTABILITY AND AUDIT

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

### I Financial Reporting

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

### II Risk Management and Internal Control

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

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

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

## III Relationship with Auditors

The appointment of external auditors is recommended by the BARMC, which determines the remuneration of the external auditors. The BARMC reviews the suitability and independence of the external auditors annually. In this regard, an annual assessment and the assessment of the risk of familiarity threat are conducted by the BARMC to evaluate the performance, independence and objectivity of the external auditors prior to making any recommendation to the Board on the re-appointment of the external auditors.

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

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

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

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

## G. DISCLOSURE

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

All timely disclosure and material information documents will be posted on the Company's Website after release to Bursa.

## H. SHAREHOLDERS

### I Dialogue between Companies and Investors

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



# CORPORATE GOVERNANCE OVERVIEW, RISK MANAGEMENT & INTERNAL CONTROL STATEMENT

## H. SHAREHOLDERS (CONTINUED)

### I Dialogue between Companies and Investors (continued)

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

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

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

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

Queries may be conveyed to the Chief Financial Officer at:

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

### II AGM

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

Directors are committed to attend all AGMs of the Company, which are scheduled in advance, save for unforeseeable circumstances.

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

## I. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

### I The Responsibilities of the Board

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

Based on the outcome of these reviews as well as the assurance it has received from 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 OVERVIEW, RISK MANAGEMENT & INTERNAL CONTROL STATEMENT

## 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

Managing risks is an integral part of the Group's overall business strategy. It involves a process for identifying, assessing and managing risks and uncertainties that could inhibit the Group's ability to achieve its strategy and strategic objectives. The Board sets the risk appetite and tolerance level and allocates the Group's capital that is consistent with the Group's overall business objectives and desired risk profile. Recognizing the need to be proactive in the management of risks, the Group has implemented a Risk Management ("RM") framework where the Group's risks are managed at various levels.

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

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

#### b) Internal Control Review

The internal audit function is established at its subsidiary, Hong Leong Investment Bank Berhad, hence, provision of internal audit function to Hong Leong Asset Management Berhad is through a shared service agreement. Internal Audit Department (IAD) employs a risk-based assessment approach in auditing the Company's business and operational activities. The high risk activities covered include AML/CFT framework and cyber risk management framework which are given due attention whilst key operational areas in investment banking, stockbroking and asset management were audited on a more regular basis. Other operational areas (including branches) are prioritised accordingly to the potential risk exposure and impact. IAD regularly reviews the critical operations (as defined by the respective regulators) to ensure that the internal controls are in place and working effectively.

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

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

- The Board receives and reviews regular reports from the Management on the key operating statistics, business dynamics, legal matters, market surveillance on stockbroking activity, AML/CFT and regulatory issues that would have implications on internal control measures.
- The BARMC on a quarterly basis, reviews and holds discussion with management on the actions taken on internal control issues identified in the reports prepared by the IAD, external auditors and regulatory authorities.

# CORPORATE GOVERNANCE OVERVIEW, RISK MANAGEMENT & INTERNAL CONTROL STATEMENT

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

### II Key Risk Management and Internal Control Processes (continued)

#### b) Internal Control Review (continued)

- Policies on delegation and authority limits are strictly implemented to ensure culture that respects integrity and honesty, and thereby reinforce internal controls.
- Policies and procedures are set out in Standard Operating Policies and Procedures (SOPP) manuals and disseminated through the organisation in support of a learning culture, so as to reinforce an environment of internal controls disciplines.
- Policies for recruitment, promotion and termination of staff are in place to ensure the Group's human resources comply to internal controls requirements.

#### c) Compliance

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

## J. DIRECTORS' RESPONSIBILITY IN FINANCIAL REPORTING

The MMLR requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of its financial results and cash flows of the Group and of the Company for the financial year.

The Directors are satisfied that in preparing the financial statements of the Group and of the Company for the FYE 2018, the Group has used the appropriate accounting policies and applied them consistently. The Directors are also of the view that relevant approved accounting standards have been followed in the preparation of these financial statements.

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

# DIRECTORS' REPORT

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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 2018.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

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

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

### FINANCIAL RESULTS

	The Group RM'000	The Company RM'000
Net profit for the financial year	71,322	64,307

### DIVIDENDS

Since the previous financial year ended 30 June 2017, a final single-tier dividend of 19.0 sen per share, amounting to RM45.8 million in respect of the financial year ended 30 June 2017, was paid on 17 November 2017.

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

The Directors recommend a final single-tier dividend of 19.0 sen per share on the Company's issued and paid-up share capital of RM246,896,668 comprising of 246,896,668 ordinary shares, amounting to RM46.9 million for the financial year ended 30 June 2018.

### BUSINESS STRATEGY FOR THE CURRENT FINANCIAL YEAR

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

### OUTLOOK AND BUSINESS PLAN FOR THE COMING FINANCIAL YEAR

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

### SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

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

### SIGNIFICANT EVENT AFTER THE FINANCIAL YEAR

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

### RESERVES AND PROVISIONS

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

# DIRECTORS' REPORT

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

### DIRECTORS

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

Mr Tan Kong Khoon (Redesignated as Chairman on 02.02.2018)	(Chairman, Non-Independent Non-Executive Director)
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman	(Independent Non-Executive Director)
YBhg Dato' Ahmad Fuaad bin Mohd Dahalan	(Independent Non-Executive Director)
Ms Tai Siew Moi (Appointed on 18.09.2017)	(Independent Non-Executive Director)
Ms Koid Swee Lian (Appointed on 19.09.2018)	(Independent Non-Executive Director)
YBhg Tan Sri Quek Leng Chan (Resigned on 02.02.2018)	(Chairman, Non-Independent Non-Executive Director)
YBhg Dato' Mohamed Nazim bin Abdul Razak (Retired on 26.10.2017)	(Independent Non-Executive Director)

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

### DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act, 2016, the Directors holding office at the end of the financial year who had beneficial interests in the ordinary shares and/or preference shares and/or loan stocks and/or options over ordinary shares of the Company and/or its related corporations during the financial year ended 30 June 2018 are as follows:

		Shareholdings in which Directors have direct interests Number of ordinary shares/preference shares/ordinary shares issued or to be issued or acquired arising from the exercise of options*/ conversion of redeemable convertible unsecured loan stocks or redeemable convertible cumulative preference shares			
		Nominal value per share RM (unless indicated)	As at 01.07.2017	Acquired	(Sold)
<b>Interests of Mr Tan Kong Khoon in:</b>					
Hong Leong Financial Group Berhad	(1)	–	8,000,000*	–	8,000,000*
<b>Interests of YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman in:</b>					
Hong Leong Financial Group Berhad	(1)	5,544,000	–	–	5,544,000
Hong Leong Bank Berhad	(1)	400,000	–	–	400,000
Hong Leong Industries Berhad	(1)	52,800	–	–	52,800
Malaysian Pacific Industries Berhad	(1)	20,800	–	–	20,800
Hume Industries Berhad	(1)	57,024	–	–	57,024
<b>Interests of Ms Tai Siew Moi in:</b>					
Hong Leong Bank Berhad	(1)	14,500	–	–	14,500



# DIRECTORS' REPORT

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

### DIRECTORS' INTERESTS (CONTINUED)

	Nominal value per share RM (unless indicated)	Shareholdings in which Directors have deemed interests Number of ordinary shares/preference shares/ordinary shares issued or to be issued or acquired arising from the exercise of options*/ conversion of redeemable convertible unsecured loan stocks or redeemable convertible cumulative preference shares			
		As at 01.07.2017	Acquired	(Sold)	As at 30.06.2018
<b>Interests of YBhg Tan Sri Dato' Seri Khalid</b>					
<b>Ahmad bin Sulaiman in:</b>					
Hong Leong Financial Group Berhad	(1)	3,600 <sup>(2)</sup>	–	–	3,600 <sup>(2)</sup>
Hong Leong Bank Berhad	(1)	68,000 <sup>(2)</sup>	–	–	68,000 <sup>(2)</sup>

**Legend:**

<sup>(1)</sup> Concept of par value was abolished with effect from 31 January 2017 pursuant to the Companies Act, 2016

<sup>(2)</sup> Interest pursuant to Section 59(11)(c) of the Companies Act, 2016 in shares held by family member

### DIRECTORS' BENEFITS

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

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

### DIRECTORS' REMUNERATION

Details of Directors' remuneration are set out in Note 31 to the financial statements.

### SHARE CAPITAL

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

### STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

#### (a) As at the end of the financial year

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

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

# DIRECTORS' REPORT

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

### STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (CONTINUED)

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

- (i) The Directors are not aware of any circumstances:
- which would render the amount written off for bad debts or the amount of the allowance for doubtful debts inadequate to any material extent;
  - which would render the values attributed to current assets in the financial statements misleading; or
  - which had arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.
- (ii) In the opinion of the Directors:
- the results of the operations of the Group and the Company for the financial year ended 30 June 2018 are not likely to be substantially affected by any item, transaction or event of a material and unusual nature;
  - there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, to affect substantially the results of the operation of the Group or the Company for the financial year in which this report is made; and
  - no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and the Company to meet their obligations as and when they fall due.

#### (c) As at the date of this report

- (i) There are no charges on the assets of the Group and the Company which had arisen since the end of the financial year to secure the liabilities of any other person.
- (ii) There are no contingent liabilities which had arisen since the end of the financial year.
- (iii) The Directors are not aware of any circumstances not otherwise dealt with in the report or financial statements which would render any amount stated in the financial statements misleading.

### HOLDING AND ULTIMATE HOLDING COMPANIES

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

### SUBSIDIARIES

Details of subsidiaries are set out in Note 12 to the financial statements.

# DIRECTORS' REPORT

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

### AUDITORS' REMUNERATION

Details of auditors' remuneration and the indemnity given/insurance effected to the auditor are set out in Note 29 to the financial statements.

### AUDITORS

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

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146) was registered on 2 January 2018 and with effect from that date, PricewaterhouseCoopers (AF 1146), a conventional partnership was converted to a limited liability partnership.

Signed on behalf of the Board of Directors in accordance with their resolution dated 18 September 2018.

**Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman**  
Director

**Tan Kong Khoon**  
Director

Kuala Lumpur  
19 September 2018

**STATEMENTS OF FINANCIAL POSITION**

AS AT 30 JUNE 2018

	Note	The Group		The Company	
		30.06.2018 RM'000	30.06.2017 RM'000	30.06.2018 RM'000	30.06.2017 RM'000
<b>Assets</b>					
Cash and short-term funds	2	127,647	267,462	44	490
Clients' and brokers' balances	3	316,234	270,967	-	-
Securities purchased under resale agreements		35,126	35,123	-	-
Deposits and placements with banks and other financial institutions	4	40,645	-	-	-
Financial assets held-for-trading	5	1,244,434	1,102,647	20,550	-
Financial investments available-for-sale	6	1,437,915	1,173,978	142,410	140,168
Financial investments held-to-maturity	7	847,659	909,215	-	-
Loans and advances	8	227,757	236,592	-	-
Other assets	9	51,621	54,772	16,169	615
Derivative financial assets	21	29,351	19,916	-	-
Statutory deposits with Bank Negara Malaysia	10	52,500	58,100	-	-
Tax recoverable		367	215	242	213
Deferred tax assets	11	88,325	90,948	-	-
Investment in subsidiary companies	12	-	-	316,574	320,054
Property and equipment	14	15,742	5,737	-	-
Other intangible assets	15	3,696	5,255	-	-
Goodwill	16	33,059	33,059	-	-
<b>Total assets</b>		<b>4,552,078</b>	<b>4,263,986</b>	<b>495,989</b>	<b>461,540</b>
<b>Liabilities</b>					
Clients' and brokers' balances		350,730	271,738	-	-
Deposits from customers	17	1,082,656	648,867	-	-
Deposits and placements of banks and other financial institutions	18	2,058,960	2,247,733	-	-
Obligations on securities sold under repurchase agreements	19	99,654	149,111	-	-
Other liabilities	20	99,103	102,536	16,574	613
Derivative financial liabilities	21	44,428	47,959	-	-
Current tax liabilities		199	473	-	-
Subordinated obligations	22	50,290	50,262	-	-
<b>Total liabilities</b>		<b>3,786,020</b>	<b>3,518,679</b>	<b>16,574</b>	<b>613</b>
<b>Equity</b>					
Share capital	23	246,896	246,896	246,896	246,896
Reserves	24	525,193	504,442	238,437	219,949
Treasury shares for ESOS scheme	25	(6,031)	(6,031)	(5,918)	(5,918)
<b>Total equity</b>		<b>766,058</b>	<b>745,307</b>	<b>479,415</b>	<b>460,927</b>
<b>Total equity and liabilities</b>		<b>4,552,078</b>	<b>4,263,986</b>	<b>495,989</b>	<b>461,540</b>
Commitments and contingencies	35	8,853,330	7,931,230	-	-

## INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Note	The Group		The Company	
		30.06.2018 RM'000	30.06.2017 RM'000	30.06.2018 RM'000	30.06.2017 RM'000
Interest income	26	<b>153,663</b>	149,654	<b>29</b>	337
Interest expense	27	<b>(109,978)</b>	(105,859)	-	-
Net interest income		<b>43,685</b>	43,795	<b>29</b>	337
Non-interest income	28	<b>152,072</b>	158,220	<b>66,238</b>	61,531
Overhead expenses	29	<b>195,757</b> <b>(116,438)</b>	202,015 (117,910)	<b>66,267</b> <b>(1,882)</b>	61,868 (2,126)
Operating profit before allowances		<b>79,319</b>	84,105	<b>64,385</b>	59,742
Allowance for impairment losses on loans and advances and other losses	30	<b>(732)</b>	(68)	-	-
Profit before taxation		<b>78,587</b>	84,037	<b>64,385</b>	59,742
Taxation	32	<b>(7,265)</b>	(4,952)	<b>(78)</b>	(127)
Net profit for the financial year		<b>71,322</b>	79,085	<b>64,307</b>	59,615
<b>Earnings per share (sen)</b>					
- Basic	33	<b>29.6</b>	32.8		
- Diluted	33	<b>29.6</b>	32.8		



## STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Note	The Group		The Company	
		30.06.2018 RM'000	30.06.2017 RM'000	30.06.2018 RM'000	30.06.2017 RM'000
Net profit for the financial year		<b>71,322</b>	79,085	<b>64,307</b>	59,615
Other comprehensive (expense)/income:					
Items that will be reclassified subsequently to income statements:					
Net fair value changes on financial investments available-for-sale					
- Unrealised net (loss)/gain on revaluation of financial investments available-for-sale		<b>(5,089)</b>	(641)	<b>39</b>	33
- Net transfer to income statements on disposal of financial investments available-for-sale		<b>(1,152)</b>	(5,885)	<b>6</b>	(14)
Income tax relating to net fair value changes on financial investments available-for-sale	11	<b>1,514</b>	1,325	-	-
Currency translation differences in respect of foreign operation		-	16	-	-
Other comprehensive (expense)/income for the financial year, net of tax		<b>(4,727)</b>	(5,185)	<b>45</b>	19
<b>Total comprehensive income for the financial year</b>		<b>66,595</b>	73,900	<b>64,352</b>	59,634

## STATEMENTS OF CHANGES IN EQUITY

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### Attributable to owners of the parent

The Group	Note	Attributable to owners of the parent						Total RM'000
		Share capital RM'000	Treasury shares for ESOS scheme RM'000	Regulatory reserve RM'000	Fair value reserve RM'000	General reserve RM'000	Retained profits RM'000	
At 1 July 2017		246,896	(6,031)	2,504	1,422	543	499,973	745,307
Net profit for the financial year		-	-	-	-	-	71,322	71,322
Other comprehensive expense, net of tax		-	-	-	(4,727)	-	-	(4,727)
Total comprehensive (expense)/income		-	-	-	(4,727)	-	71,322	66,595
Transfer from regulatory reserve	24	-	-	(433)	-	-	433	-
Transfer from general reserve	24	-	-	-	-	(543)	543	-
Dividend paid	34	-	-	-	-	-	(45,844)	(45,844)
At 30 June 2018		246,896	(6,031)	2,071	(3,305)	-	526,427	766,058

#### Attributable to owners of the parent

The Group	Note	Attributable to owners of the parent								
		Share capital RM'000	Treasury shares for ESOS scheme RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Fair value reserve RM'000	General reserve RM'000	Exchange fluctuation reserve RM'000	Retained profits RM'000	Total RM'000
At 1 July 2016		246,896	(6,031)	113,482	3,563	6,623	543	(16)	335,301	700,361
Net profit for the financial year		-	-	-	-	-	-	-	79,085	79,085
Other comprehensive (expense)/ income, net of tax		-	-	-	-	(5,201)	-	16	-	(5,185)
Total comprehensive (expense)/ income		-	-	-	-	(5,201)	-	16	79,085	73,900
Transfer from statutory reserve	24	-	-	(113,482)	-	-	-	-	113,482	-
Transfer from regulatory reserve	24	-	-	-	(1,059)	-	-	-	1,059	-
Dividend paid	34	-	-	-	-	-	-	-	(28,954)	(28,954)
At 30 June 2017		246,896	(6,031)	-	2,504	1,422	543	-	499,973	745,307

## STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Note	Non-distributable		Distributable		Total RM'000
		Share capital RM'000	Treasury shares for ESOS scheme RM'000	Fair value reserve RM'000	Retained profits RM'000	
<b>The Company</b>						
At 1 July 2017		246,896	(5,918)	(14)	219,963	460,927
Net profit for the financial year		-	-	-	64,307	64,307
Other comprehensive income		-	-	45	-	45
Total comprehensive income		-	-	45	64,307	64,352
Dividend paid	34	-	-	-	(45,864)	(45,864)
At 30 June 2018		246,896	(5,918)	31	238,406	479,415
At 1 July 2016		246,896	(5,918)	(33)	189,315	430,260
Net profit for the financial year		-	-	-	59,615	59,615
Other comprehensive income		-	-	19	-	19
Total comprehensive income		-	-	19	59,615	59,634
Dividend paid	34	-	-	-	(28,967)	(28,967)
At 30 June 2017		246,896	(5,918)	(14)	219,963	460,927

## STATEMENTS OF CASH FLOWS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	The Group	
	30.06.2018 RM'000	30.06.2017 RM'000
<b>Cash flows from operating activities</b>		
Profit before taxation	78,587	84,037
Adjustments for:		
Depreciation of property and equipment	2,135	1,953
Amortisation of intangible assets - computer software	2,800	2,729
Gain on disposal of property and equipment	-	(121)
Loss on liquidation of a subsidiary	-	7
Property and equipment written off	362	8
Allowance for/(writeback of) impairment for losses on loans and advances	340	(564)
(Writeback of)/allowance for impairment for losses on clients' and brokers' balances	(66)	146
Allowance for losses on fee income receivables	458	987
Net unrealised loss/(gain) on revaluation of:		
- Financial assets held-for-trading	6,849	4,531
- Derivative financial instruments	(12,232)	(9,937)
Interest income from:		
- Financial assets held-for-trading	(37,123)	(40,852)
- Financial investments available-for-sale	(39,832)	(39,959)
- Financial investments held-to-maturity	(32,894)	(27,754)
- Derivative financial instruments	(8,131)	(8,032)
Interest expense from:		
- Derivative financial instruments	11,423	15,012
- Subordinated obligations	2,671	2,680
Dividend income from:		
- Financial assets held-for-trading	(3,735)	(2,173)
- Financial investments available-for-sale	(7,583)	(5,891)
	<b>(114,558)</b>	<b>(107,230)</b>
<b>Operating loss before working capital changes</b>	<b>(35,971)</b>	<b>(23,193)</b>
<b>(Increase)/decrease in operating assets</b>		
Clients' and brokers' balances	(45,201)	(74,079)
Securities purchased under resale agreements	(3)	(35,123)
Deposits and placements with banks and other financial institutions with original maturity of more than three months	(40,645)	-
Financial assets held-for-trading	(147,310)	308,657
Loans and advances	8,495	136,134
Other assets	(808)	(5,009)
Derivative financial instruments	(342)	18
Statutory deposits with Bank Negara Malaysia	5,600	(25,700)
	<b>(220,214)</b>	<b>304,898</b>

# STATEMENTS OF CASH FLOWS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Note	The Group	
		30.06.2018 RM'000	30.06.2017 RM'000
<b>Increase/(decrease) in operating liabilities</b>			
Clients' and brokers' balances		78,992	(8,181)
Deposits from customers		433,789	(383,062)
Deposits and placements of banks and other financial institutions		(188,773)	342,963
Obligations on securities sold under repurchase agreements		(49,457)	149,111
Other liabilities		(3,431)	1,596
		271,120	102,427
<b>Cash generated from operating activities</b>		14,935	384,132
Net income tax paid		(3,555)	(1,973)
<b>Net cash generated from operating activities</b>		11,380	382,159
<b>Cash flows from investing activities</b>			
Net purchase of financial investments available-for-sale		(264,903)	(144,499)
Net proceeds/(purchase) of financial investments held-to-maturity		60,485	(378,428)
Dividends received from:			
- Financial assets held-for-trading		3,735	2,173
- Financial investments available-for-sale		7,583	5,891
Interest received from financial assets held-for-trading, financial investments available-for-sale, financial investments held-to-maturity and derivatives		112,668	113,054
Interest paid on derivative financial instruments		(12,033)	(14,820)
Cash received from liquidation of a subsidiary		3,500	157
Proceeds from disposal of property and equipment		-	189
Purchase of property and equipment		(12,502)	(948)
Purchase of intangible assets		(1,241)	(2,544)
<b>Net cash used in investing activities</b>		(102,708)	(419,775)
<b>Cash flows from financing activities</b>			
Interest paid on subordinated obligations		(2,643)	(2,665)
Dividend paid		(45,844)	(28,954)
<b>Net cash used in financing activities</b>		(48,487)	(31,619)
<b>Net decrease in cash and cash equivalents during the financial year</b>		(139,815)	(69,235)
<b>Effect of exchange rate changes</b>		-	16
<b>Cash and cash equivalents at beginning of the financial year</b>		267,462	336,681
<b>Cash and cash equivalents at end of the financial year</b>		127,647	267,462
<b>Cash and cash equivalents comprise:</b>			
Cash and short-term funds	2	127,647	267,462
Deposit and placements with banks and other financial institutions	4	40,645	-
		168,292	267,462
Less:			
Deposits and placements with banks and other financial institutions with original maturity of more than three months		(40,645)	-
		127,647	267,462



## STATEMENTS OF CASH FLOWS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	The Company	
	30.06.2018 RM'000	30.06.2017 RM'000
<b>Cash flows from operating activities</b>		
Profit before taxation	64,385	59,742
Adjustments for:		
Interest income	(29)	(337)
Net unrealised gain on revaluation of financial assets held-for-trading	(195)	-
Dividend income from:		
- Financial investments available-for-sale	(5,389)	(4,099)
- Subsidiary companies	(60,500)	(57,300)
Gain on liquidation of a subsidiary	(20)	-
	<b>(66,133)</b>	<b>(61,736)</b>
<b>Operating loss before working capital changes</b>	<b>(1,748)</b>	<b>(1,994)</b>
Increase in financial assets held-for-trading	(20,355)	-
Increase in other assets	(15,554)	(125)
Increase/(decrease) in other liabilities	15,961	(4)
<b>Cash used in operating activities</b>	<b>(21,696)</b>	<b>(2,123)</b>
Income tax paid	(107)	(154)
Interest received	29	337
<b>Net cash used in operating activities</b>	<b>(21,774)</b>	<b>(1,940)</b>
<b>Cash flows from investing activities</b>		
Net purchase of financial investments available-for-sale	(2,197)	(31,067)
Dividends received from:		
- Financial investments available-for-sale	5,389	4,099
- Subsidiary companies	60,500	57,300
Cash received from liquidation of a subsidiary	3,500	-
<b>Net cash generated from investing activities</b>	<b>67,192</b>	<b>30,332</b>
<b>Cash flows from financing activities</b>		
Dividend paid	(45,864)	(28,967)
<b>Net cash used in financing activities</b>	<b>(45,864)</b>	<b>(28,967)</b>
<b>Net decrease in cash and cash equivalents during the financial year</b>	<b>(446)</b>	<b>(575)</b>
<b>Cash and cash equivalents at beginning of the financial year</b>	<b>490</b>	<b>1,065</b>
<b>Cash and cash equivalents at end of the financial year</b>	<b>44</b>	<b>490</b>
<b>Cash and cash equivalents comprise:</b>		
Cash and short-term funds	2	44
		490

## STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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

The Group	Balance at the beginning of the financial year RM'000	Cash changes		Non-cash changes		Balance at the end of the financial year RM'000
		Interest paid RM'000	Accrued interest RM'000	Amortisation RM'000		
<b>30.06.2018</b>						
Subordinated obligations	50,262	(2,643)	2,650	21	50,290	
<b>30.06.2017</b>						
Subordinated obligations	50,247	(2,665)	2,650	30	50,262	

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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

#### A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

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

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

##### Deferred tax asset (Note 11)

Deferred tax assets are recognised for unutilised tax credits to the extent that it is probable that future taxable profits will be available against which the tax credits can be utilised. Management's judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the probability and level of future taxable profits. Management assess the probability of future taxable profit based on the profit projections approved by Directors covering three year period. Management has also considered the estimated growth rate in capital market and Kuala Lumpur Composite Index ("KLCCI") in deriving the profit projections. Profits beyond the three year period are extrapolated using the estimated growth rate of 4.7% (2017: 3.8%), based on the historical GDP growth rate of Malaysia on perpetual basis. Management has assumed a percentage of probability factors for taxable profits for fourth year and onwards.

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

The Group and the Company have applied the following amendments for the first time for the financial year beginning on 1 July 2017:

- Amendments to MFRS 107 'Statement of Cash Flows – Disclosure Initiative'
- Amendments to MFRS 112 'Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses'
- Annual Improvements to MFRSs 2014 – 2016 Cycle: MFRS 12 'Disclosures of Interests in Other Entities'

The adoption of the Amendments to MFRS 107 has required additional disclosure of changes in liabilities arising from financing activities. Other than that, the adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

# SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

### A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

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

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 July 2017. None of these is expected to have a significant effect on the financial statements of the Group and the Company, except the following:

- IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration' (effective from 1 January 2018) applies when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. MFRS 121 requires an entity to use the exchange rate at the 'date of the transaction' to record foreign currency transactions.

IC Interpretation 22 provides guidance how to determine 'the date of transaction' when a single payment/receipt is made, as well as for situations where multiple payments/receipts are made.

The date of transaction is the date when the payment or receipt of advance consideration gives rise to the non-monetary asset or non-monetary liability when the entity is no longer exposed to foreign exchange risk.

If there are multiple payments or receipts in advance, the entity should determine the date of the transaction for each payment or receipt.

An entity has the option to apply IC Interpretation 22 retrospectively or prospectively.

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

#### Classification and measurement

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss ("FVTPL") and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at FVTPL with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main changes are:

- For financial liabilities classified as FVTPL, the fair value changes due to own credit risk should be recognised directly to OCI. There is no subsequent recycling to income statement.

The combined application of the entity's business model and the cash flow characteristics of the financial assets do not result in the significant change in the classification of financial asset when compared to the existing classification of financial assets in the statement of financial position as at 30 June 2018.

However, the Group has identified certain financial investments currently held at available-for-sale which fail the solely for the payment of principal and interest ("SPPI") test to be reclassified as FVTPL accordingly on 1 July 2018.

Certain debt instruments which pass the SPPI test have been re-designated from held-to-maturity to fair value through OCI.

The Group has classified and measured all equity instruments that are not held for trading at FVTPL except for certain equity instruments which have been identified to elect, at inception, the irrevocable option to present changes in fair value in OCI.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

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

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 July 2017. None of these is expected to have a significant effect on the financial statements of the Group and the Company, except the following: (continued)

The Group does not expect a significant impact arising from the changes in classification and measurement of the financial assets.

There will be no significant changes to the Group's accounting for financial liabilities as it largely retains the MFRS 139 requirements. All the financial liabilities, except for derivatives financial liabilities and financial liabilities designated at FVTPL, will remain as amortised cost as there has not been significant change in the requirements for financial liabilities under MFRS 9.

##### Impairment of financial assets

MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The new impairment model requires the recognition of impairment allowances based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under MFRS 139. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through OCI, lease receivables, loan commitments, financial guarantee contracts and other loan commitments.

Under MFRS 9, impairment will be measured on each reporting date according to a three-stage expected credit loss impairment model:

- Stage 1 – from initial recognition of a financial assets to the date on which the credit risk of the asset has increased significantly relative to its initial recognition, a loss allowance is recognised equal to the credit losses expected to result from defaults occurring over the next 12 months (12-month ECL).
- Stage 2 – following a significant increase in credit risk relative to the initial recognition of the financial assets, a loss allowance is recognised equal to the credit losses expected over the remaining life of the financial asset (Lifetime ECL).
- Stage 3 – When a financial asset is considered to be credit-impaired, a loss allowance equal to full lifetime expected credit losses is to be recognised (Lifetime ECL).

As all financial assets within the scope of MFRS 9 impairment model will be assessed for at least 12-month ECL, and the population of financial assets to which full lifetime ECL applies is larger than the population of impaired loans for which there is objective evidence of impairment in accordance with MFRS 139, the total allowance for credit losses is expected to increase under MFRS 9 relative to the allowance for credit losses under MFRS 139.

In addition, changes in the required credit loss allowance, including the impact of movements between Stage 1 (12-month ECL) and Stage 2 (lifetime ECL) and the application of forward looking information, will be recorded in income statement, allowance for credit losses will be more volatile under MFRS 9.

The assessment of credit risk and the estimation of ECL are required to be unbiased, probability-weighted and should incorporate all available information which is relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should also take into account the time value of money.

##### Hedge accounting

Under MFRS 9, the general hedge accounting requirements have been simplified for hedge effectiveness testing and permit hedge accounting to be applied to a greater variety of hedging instruments and risks. The Group does not expect a significant impact arising from the changes in the hedge accounting requirements.

# SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

### A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

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

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 July 2017. None of these is expected to have a significant effect on the financial statements of the Group and the Company, except the following: (continued)

##### Disclosure

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

The Group will apply the new rules retrospectively from 1 July 2018, with the practical expedients permitted under the standard. Comparatives for 2018 will not be restated.

The Group is still in the midst of finalising the financial impact in relation to the adoption of MFRS 9. Based on the preliminary assessments undertaken to-date, the Group expects an increase in the allowance for impairment on loans, advances and financing under the new impairment requirements, which will result in a reduction in the Group's opening retained profits and overall capital positions as of 1 July 2018.

- MFRS 15 'Revenue from contracts with customers' (effective from 1 January 2018) replaces MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

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

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

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

Key provisions of the new standard are as follows:

- Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
- If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc), minimum amounts of revenue must be recognised if they are not at significant risk of reversal.
- The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
- There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to name a few.
- As with any new standard, there are also increased disclosures.

The Group is in the process of finalising the financial implication arising from the adoption of this new standard and expects no significant impact to the fees and other income for the Group.

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

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



## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

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

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 July 2017. None of these is expected to have a significant effect on the financial statements of the Group and the Company, except the following: (continued)

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

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

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

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

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

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

IC Interpretation 23 will be applied retrospectively.

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

The amendments will be applied retrospectively.

- Annual Improvements to MFRSs 2015 – 2017 Cycle:

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

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

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

None of the standards, amendments and interpretations that are effective for the respective financial years is expected to have a significant effect on the financial statements of the Group, except for MFRS 9.

The Group is in the midst of finalising the financial impact arising from the requirements of MFRS 9 as it introduces significant changes in the way the Group accounts for financial instruments. Due to the high degree of complexity of this accounting standard and its proposed changes, the financial effects of its adoption are still being assessed and finalised by the Group.

# SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

### B CONSOLIDATION

#### (i) Subsidiaries

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

The consolidated financial statements include the financial statements of the Company and all its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries are prepared in the same reporting date as the Company.

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statements.

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

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date, any gains or losses arising from such re-measurement are recognised in income statement. Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 139 in income statement. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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

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

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

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### B CONSOLIDATION (CONTINUED)

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

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

##### (iii) Disposal of subsidiaries

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

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

##### (iv) Investments in subsidiaries

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

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

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

#### C PROPERTY AND EQUIPMENT AND DEPRECIATION

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

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

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

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

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### C PROPERTY AND EQUIPMENT AND DEPRECIATION (CONTINUED)

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

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

#### D INTANGIBLE ASSETS

##### (a) Computer software

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

##### (b) Goodwill

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

Goodwill is allocated to cash-generating units ("CGU") for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the synergies of the business combination in which the goodwill arose. Each CGU represents the lowest level at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

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

#### E LEASES

##### (a) Finance lease

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

Leases which do not meet such criteria are classified as operating lease and the related rentals are charged to the income statement.

##### (b) Operating lease

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

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

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### F FINANCIAL ASSETS

##### (a) Classification

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

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

Financial assets at fair value through profit or loss comprise financial assets held-for-trading and other financial assets designated by the Group and the Company as fair value through profit or loss upon initial recognition. The Group does not have any non-derivative financial assets designated at fair value through profit or loss.

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

##### (ii) Loans and receivables

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

##### (iii) Financial investments held-to-maturity

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

##### (iv) Financial investments available-for-sale

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

##### (b) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset.

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

##### (c) Subsequent measurement

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

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

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### F FINANCIAL ASSETS (CONTINUED)

##### (c) Subsequent measurement (continued)

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

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

#### G FINANCIAL LIABILITIES

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



## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### H IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

##### (a) Assets carried at amortised cost (continued)

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

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

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

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

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

##### (b) Assets carried at available-for-sale

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

For debt securities, the Group uses criteria and measurement of impairment loss applicable for "assets carried at amortised cost" above. If in a subsequent period, the fair value of a debt instrument classified as financial investments available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in income statement, the impairment loss is reversed through 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 income statement. The amount of cumulative loss that is reclassified to income statement is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in income statement. Impairment losses recognised in income statement on equity instruments are not reversed through the income statement.

#### I DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### J OFFSETTING FINANCIAL INSTRUMENTS

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

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

#### K SALE AND REPURCHASE AGREEMENTS

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

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

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

#### L CLIENTS' AND BROKERS' BALANCES

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

<u>Types</u>	<u>Criteria for classification as impaired</u>
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 qualify for hedge accounting are recognised immediately in the income statement.

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

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

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

#### N MANAGER'S STOCKS AND CONSUMABLES

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

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### O CASH AND CASH EQUIVALENTS

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

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

#### P BORROWINGS

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

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

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

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

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

#### Q INCOME TAXES

Tax expense for the period comprises current and deferred tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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

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

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

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

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

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.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### Q INCOME TAXES (CONTINUED)

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

#### R PROVISIONS

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

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

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

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

#### S RECOGNITION OF INTEREST INCOME

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

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

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

#### T RECOGNITION OF FEES AND OTHER INCOME

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

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

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

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

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

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

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.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### T RECOGNITION OF FEES AND OTHER INCOME (CONTINUED)

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

#### U EMPLOYEE BENEFITS

##### *Short term employee benefits*

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

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

##### *Defined contribution plan*

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

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

##### *Share-based compensation*

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

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

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

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

#### V IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

# SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

### W CURRENCY TRANSLATIONS

#### (a) Functional and presentation currency

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

#### (b) Foreign currency transactions and balances

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

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

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

### X SHARE CAPITAL

#### (a) Classification

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

#### (b) Share issue costs

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

#### (c) Dividends

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

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

### Y SEGMENT REPORTING

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

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



## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### Z FINANCIAL GUARANTEE CONTRACTS

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

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

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

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

#### AA CONTINGENT ASSETS AND LIABILITIES

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

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

#### AB TRANSACTION WITH OWNERS

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

#### AC EARNINGS PER SHARE

##### (a) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

##### (b) Diluted earnings per share

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

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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

### 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 30, Menara Hong Leong, No 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur.

### 2 CASH AND SHORT-TERM FUNDS

	The Group		The Company	
	30.06.2018 RM'000	30.06.2017 RM'000	30.06.2018 RM'000	30.06.2017 RM'000
Cash and balances with banks and other financial institutions	101,550	158,278	44	490
Money at call and deposit placements maturing within one month	26,097	109,184	-	-
	<b>127,647</b>	267,462	<b>44</b>	490

Inclusive in cash and short-term funds of the Group are accounts in trust for dealer's representative amounting to RM13,799,000 (30.06.2017: RM13,786,000).

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### 3 CLIENTS' AND BROKERS' BALANCES

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

	The Group	
	30.06.2018 RM'000	30.06.2017 RM'000
Performing accounts	313,785	270,148
Impaired accounts	2,828	1,264
	<b>316,613</b>	271,412
Less: Allowance for bad and doubtful debts:		
- individual assessment allowance	(351)	(417)
- collective assessment allowance	(28)	(28)
	<b>316,234</b>	270,967
Movements of impaired accounts are as follows:		
At 1 July	1,264	1,390
Impaired during the financial year	2,311	574
Written back during the financial year	(747)	(700)
At 30 June	2,828	1,264
Movements in the allowance for losses on clients' and brokers' balances are as follows:		
<b>Individual assessment allowance</b>		
At 1 July	417	282
Allowance made during the financial year	204	245
Allowance written back during the financial year	(270)	(110)
At 30 June	351	417
<b>Collective assessment allowance</b>		
At 1 July	28	17
Allowance made during the financial year	-	11
At 30 June	28	28

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

### 4 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group	
	30.06.2018	30.06.2017
	RM'000	RM'000
Licensed banks	40,645	-

### 5 FINANCIAL ASSETS HELD-FOR-TRADING

	The Group		The Company	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
	RM'000	RM'000	RM'000	RM'000
<b>Money market instruments</b>				
Malaysian Government Securities	10,029	-	-	-
Malaysian Government Investment Issues	81,076	30,561	-	-
Negotiable instruments of deposits	864,200	831,596	-	-
Bankers' acceptances	55,084	-	-	-
	<b>1,010,389</b>	862,157	-	-
<b>Quoted securities</b>				
In Malaysia:				
Shares	22,242	35,077	16,090	-
Unit trust investment	4,460	6,470	4,460	-
	<b>26,702</b>	41,547	<b>20,550</b>	-
<b>Unquoted securities</b>				
Foreign currency bonds	20,095	-	-	-
Corporate bond and/or sukuk	187,248	198,943	-	-
	<b>207,343</b>	198,943	-	-
	<b>1,244,434</b>	1,102,647	<b>20,550</b>	-

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### 6 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	The Group		The Company	
	30.06.2018 RM'000	30.06.2017 RM'000	30.06.2018 RM'000	30.06.2017 RM'000
<b>Money market instruments</b>				
Malaysian Government Securities	81,306	30,378	-	-
Malaysian Government Investment Issues	101,874	60,896	-	-
Cagamas bonds	55,233	65,442	-	-
	<b>238,413</b>	156,716	-	-
<b>Quoted securities</b>				
In Malaysia:				
Unit trust investment	221,994	201,063	142,410	140,168
<b>Unquoted securities</b>				
Shares	245	245	-	-
Foreign currency bonds	93,197	74,832	-	-
Corporate bond and/or sukuk	884,066	741,122	-	-
	<b>977,508</b>	816,199	-	-
	<b>1,437,915</b>	1,173,978	<b>142,410</b>	140,168

#### 7 FINANCIAL INVESTMENTS HELD-TO-MATURITY

	The Group	
	30.06.2018 RM'000	30.06.2017 RM'000
<b>Money market instruments</b>		
Malaysian Government Securities	216,787	211,031
Malaysian Government Investment Issues	518,318	518,643
	<b>735,105</b>	729,674
<b>Unquoted securities</b>		
Foreign currency bonds	36,861	93,757
Corporate bond and/or sukuk	75,693	85,784
	<b>112,554</b>	179,541
	<b>847,659</b>	909,215

Included in financial investments held-to-maturity are Malaysian Government Investment Issues, which are pledged as collateral for obligations on securities sold under repurchase agreements amounting to RM103,109,000 (30.06.2017: RM155,077,000).

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### 8 LOANS AND ADVANCES

	The Group	
	30.06.2018 RM'000	30.06.2017 RM'000
Term loan financing	19,874	25,685
Share margin financing	208,125	210,707
Staff loans	58	64
Other loans	490	586
Gross loans and advances	228,547	237,042
Less:		
Allowance for losses on loans and advances:		
- individual assessment allowance	(119)	(110)
- collective assessment allowance	(671)	(340)
Total net loans and advances	227,757	236,592
 (i) The maturity structure of loans and advances is as follows:		
Maturity within one year	208,615	225,988
One year to three years	19,874	10,990
Over five years	58	64
Gross loans and advances	228,547	237,042
 (ii) The loans and advances are disbursed to the following types of customers:		
Domestic business enterprises:		
- small and medium enterprises	112	110
- others	112,062	120,574
Individuals	108,243	108,535
Foreign entities	8,130	7,823
Gross loans and advances	228,547	237,042
 (iii) Loans and advances analysed by interest rate sensitivity are as follows:		
Fixed rate:		
- staff housing loans	58	64
- other fixed rate loans	490	586
Variable rate:		
- cost plus	227,999	236,392
Gross loans and advances	228,547	237,042
 (iv) Loans and advances analysed by their economic purposes are as follows:		
Purchase of securities	221,604	210,707
Working capital	6,395	25,685
Purchase of transport vehicles	119	110
Purchase of landed property	429	540
Gross loans and advances	228,547	237,042



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### 8 LOANS AND ADVANCES (CONTINUED)

	The Group	
	30.06.2018	30.06.2017
	RM'000	RM'000
(v) Loans and advances analysed by geographical distribution are as follows:		
Malaysia	228,547	237,042
(vi) Movements in the impaired loans and advances are as follows:		
At 1 July	11,576	574
Impaired during the financial year	34	11,002
Amount written-back during the financial year	(4,726)	-
At 30 June	6,884	11,576
Ratio of impaired loans to total loans and advances net of individual assessment allowance	3.0%	4.9%
(vii) Movements in the allowance for losses on loans and advances are as follows:		
<b>Individual assessment allowance</b>		
At 1 July	110	100
Allowance made during the financial year	9	10
At 30 June	119	110
<b>Collective assessment allowance</b>		
At 1 July	340	914
Allowance made/(written-back) during the financial year	331	(574)
At 30 June	671	340
(viii) Impaired loans and advances analysed by their economic purposes are as follows:		
Purchase of transport vehicles	119	110
Purchase of landed properties	371	476
Working capital	6,394	10,990
	6,884	11,576
(ix) Impaired loans and advances analysed by geographical distribution are as follows:		
Malaysia	6,884	11,576

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### 9 OTHER ASSETS

	The Group		The Company	
	30.06.2018 RM'000	30.06.2017 RM'000	30.06.2018 RM'000	30.06.2017 RM'000
Amounts due from subsidiary companies (a)	-	-	150	572
Deposits	6,352	3,862	5	4
Prepayments	2,570	1,418	30	39
Fee income receivables net of allowance for impairment losses of RM1,473,000 (30.06.2017: RM1,015,000) (b)	2,842	16,076	-	-
Cash collaterals pledged for derivative transactions	3,922	22,531	-	-
Treasury related receivables	4,080	-	-	-
Equity related receivables	4,706	913	-	-
Other receivables	26,359	9,460	15,984	-
Manager's stocks and consumables	790	512	-	-
	<b>51,621</b>	<b>54,772</b>	<b>16,169</b>	<b>615</b>

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

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

	The Group	
	30.06.2018 RM'000	30.06.2017 RM'000
<b>Individual assessment allowance</b>		
At 1 July	1,015	28
Allowance made during the financial year	816	987
Allowance written-back during the financial year	(358)	-
At 30 June	<b>1,473</b>	<b>1,015</b>

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### 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:

	Note	The Group	
		30.06.2018 RM'000	30.06.2017 RM'000
Deferred tax assets		<b>88,325</b>	90,948
At 1 July		<b>90,948</b>	92,378
Charged to income statements	32	<b>(4,137)</b>	(2,755)
Credited to equity		<b>1,514</b>	1,325
At 30 June		<b>88,325</b>	90,948
Deferred tax assets			
- settled more than 12 months		<b>66,317</b>	68,237
- settled within 12 months		<b>22,722</b>	24,224
Deferred tax liabilities			
- settled more than 12 months		<b>64</b>	(1,240)
- settled within 12 months		<b>(778)</b>	(273)
		<b>88,325</b>	90,948

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

The Group	Property and equipment RM'000	Financial investments available-for-sale RM'000	Unutilised tax credits RM'000	Provisions RM'000	Total RM'000
At 1 July 2017	<b>(1,058)</b>	<b>(455)</b>	<b>85,613</b>	<b>6,848</b>	<b>90,948</b>
Credited/(charged) to income statements	<b>349</b>	-	<b>(3,086)</b>	<b>(1,400)</b>	<b>(4,137)</b>
Credited to equity	-	<b>1,514</b>	-	-	<b>1,514</b>
At 30 June 2018	<b>(709)</b>	<b>1,059</b>	<b>82,527</b>	<b>5,448</b>	<b>88,325</b>
At 1 July 2016	(1,850)	(1,780)	89,692	6,316	92,378
Credited/(charged) to income statements	792	-	(4,079)	532	(2,755)
Credited to equity	-	1,325	-	-	1,325
At 30 June 2017	(1,058)	(455)	85,613	6,848	90,948

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### 12 INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	30.06.2018 RM'000	30.06.2017 RM'000
<b>Subsidiary companies:</b>		
Unquoted shares at cost	444,256	447,736
Less: Accumulated impairment losses (a)	(127,682)	(127,682)
	<b>316,574</b>	320,054

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

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

Details of the subsidiary companies are as follows:

Name of companies	Country of incorporation	Effective equity interest		Principal activities
		2018 %	2017 %	
Hong Leong Investment Bank Berhad and its subsidiaries	Malaysia	100	100	Investment banking, stockbroking business, futures broking and related financial services
- HLIB Nominees (Tempatan) Sdn. Bhd.	Malaysia	100	100	Nominee and custodian services for Malaysia clients
- HLIB Nominees (Asing) Sdn. Bhd.	Malaysia	100	100	Nominee and custodian services for foreign clients
- SSSB Jaya (1987) Sdn Bhd	Malaysia	100	100	In creditors' voluntary liquidation
HLG Capital Markets Sdn Bhd	Malaysia	100	100	Investment holding
HLG Securities Sdn Bhd	Malaysia	100	100	In members' voluntary liquidation
HLCB Assets Sdn Bhd	Malaysia	100	100	Investment holding
Hong Leong Asset Management Bhd	Malaysia	100	100	Unit trust management, fund management and sale of unit trusts
Unincorporated trust for ESOS	Malaysia	-	-	Special purpose vehicle for ESOS purpose
Hong Leong Dana Al-Izdihar	Malaysia	-	100	Unit trust funds

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### 12 INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

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

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

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

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

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

##### Significant restrictions

###### Capital requirements

The Group's banking subsidiary, Hong Leong Investment Bank Berhad ("HLIB") is required to maintain minimum capital adequacy ratios in accordance with BNM Capital Adequacy Framework guidelines. The minimum capital adequacy requirement for common equity Tier 1 (CET 1) capital ratio and Tier 1 capital ratio are 4.5% and 6.0% respectively. The minimum regulatory capital adequacy requirement remains at 8.0% for capital ratio. Please refer to Note 39.

###### Liquidity requirements

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

###### Statutory requirements

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

#### 13 STRUCTURED ENTITIES

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

##### Unconsolidated structured entities in which the Group has an interest

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### 13 STRUCTURED ENTITIES (CONTINUED)

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

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

	The Group	
	30.06.2018	30.06.2017
	RM'000	RM'000
<u>Assets</u>		
Derivative financial assets	19	635
<u>Liabilities</u>		
Other liabilities	60	423
Derivative financial liabilities	1,198	1,644

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

	The Group	
	30.06.2018	30.06.2017
	RM'000	RM'000
<u>Non-interest income</u>		
- Unrealised (loss)/gain on revaluation of derivative financial assets and derivative financial liabilities - call options	(616)	(636)
- interest rate swaps	458	1,386
<u>Interest expense</u>		
- Interest rate swaps	558	1,475

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

	The Group	
	30.06.2018	30.06.2017
	RM'000	RM'000
<u>Commitments and contingencies</u>		
<u>Interest rate related contracts:</u>		
- Interest rate swaps	35,000	35,000
<u>Equity related contracts:</u>		
- Call options	7,000	7,000

The Group's maximum exposure to loss is the total of its on-balance sheet positions. Exposure to loss is mitigated through collateral held.



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### 14 PROPERTY AND EQUIPMENT

The Group 30.06.2018	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
<b>Cost</b>								
At 1 July 2017	350	783	871	20,851	2,762	12,827	633	39,077
Additions	-	-	-	1,127	729	10,478	168	12,502
Write-off	-	-	-	(15)	(16)	(823)	-	(854)
At 30 June 2018	350	783	871	21,963	3,475	22,482	801	50,725
<b>Accumulated depreciation</b>								
At 1 July 2017	-	42	143	19,452	2,625	10,445	633	33,340
Charge for the financial year	-	8	16	826	89	1,179	17	2,135
Write-off	-	-	-	(15)	(16)	(461)	-	(492)
At 30 June 2018	-	50	159	20,263	2,698	11,163	650	34,983
<b>Net book value</b>								
At 30 June 2018	350	733	712	1,700	777	11,319	151	15,742

The Group 30.06.2017	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
<b>Cost</b>								
At 1 July 2016	350	783	871	20,844	2,800	12,001	637	38,286
Additions	-	-	-	138	-	810	-	948
Disposals	-	-	-	(86)	(9)	(2)	(4)	(101)
Write-off	-	-	-	(45)	(34)	(44)	-	(123)
Adjustments	-	-	-	-	5	62	-	67
At 30 June 2017	350	783	871	20,851	2,762	12,827	633	39,077
<b>Accumulated depreciation</b>								
At 1 July 2016	-	34	127	18,593	2,523	9,592	622	31,491
Charge for the financial year	-	8	16	922	135	858	14	1,953
Disposals	-	-	-	(19)	(9)	(2)	(3)	(33)
Write-off	-	-	-	(44)	(28)	(43)	-	(115)
Adjustments	-	-	-	-	4	40	-	44
At 30 June 2017	-	42	143	19,452	2,625	10,445	633	33,340
<b>Net book value</b>								
At 30 June 2017	350	741	728	1,399	137	2,382	-	5,737

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

### 15 OTHER INTANGIBLE ASSETS

Computer software	The Group	
	30.06.2018 RM'000	30.06.2017 RM'000
<b>Cost</b>		
At 1 July	21,589	19,049
Additions	1,241	2,544
Write-off	-	(4)
At 30 June	22,830	21,589
<b>Amortisation</b>		
At 1 July	(16,334)	(13,609)
Charge for the financial year	(2,800)	(2,729)
Write-off	-	4
At 30 June	(19,134)	(16,334)
<b>Net Book Value</b>		
At 30 June	3,696	5,255

### 16 GOODWILL

	The Group	
	30.06.2018 RM'000	30.06.2017 RM'000
<b>Cost</b>		
At 1 July/30 June	33,059	33,059

#### Allocation of goodwill to cash-generating units

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

CGUs	The Group	
	30.06.2018 RM'000	30.06.2017 RM'000
Investment banking and stockbroking	28,986	28,986
Unit trust management	4,073	4,073
	33,059	33,059

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### 16 GOODWILL (CONTINUED)

##### Impairment test on goodwill

The recoverable amount of CGUs have been determined based on value in use calculation. These calculations use pre-tax cash flows projections based on financial budgets approved by Directors covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rates of 4.7% (30.06.2017: 3.8%), based on historical Gross Domestic Product ("GDP") growth rate of Malaysia on perpetual basis and discounted using pre-tax discount rates which reflect the specific risks relating to CGU.

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

	The Group	
	30.06.2018	30.06.2017
	%	%
CGUs		
Investment banking and stockbroking	8.9	8.3
Unit trust management	8.9	8.3

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

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

#### 17 DEPOSITS FROM CUSTOMERS

	The Group	
	30.06.2018	30.06.2017
	RM'000	RM'000
Fixed deposits	1,082,656	648,867
(i) Maturity structure of fixed deposits is as follows:		
Due within:		
- six months	1,081,537	642,665
- six months to one year	1,119	6,202
	1,082,656	648,867
(ii) The deposits are sourced from the following customers:		
Government and statutory bodies	841,509	456,337
Business enterprises	215,116	171,984
Individual	26,031	20,546
	1,082,656	648,867

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

### 18 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group	
	30.06.2018 RM'000	30.06.2017 RM'000
Licensed banks	50,084	778,053
Licensed investment banks	159,570	50,004
Other financial institutions	1,849,306	1,419,676
	<b>2,058,960</b>	<b>2,247,733</b>

### 19 OBLIGATIONS ON SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

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

The financial assets sold under repurchase agreements are as follows:

	The Group	
	30.06.2018 RM'000	30.06.2017 RM'000
Financial investments held-to-maturity	103,109	155,077

### 20 OTHER LIABILITIES

	Note	The Group		The Company	
		30.06.2018 RM'000	30.06.2017 RM'000	30.06.2018 RM'000	30.06.2017 RM'000
Amount due to holding company	(a)	38	-	-	-
Amount due to other related companies	(a)	29	118	-	-
Remisiers' trust deposits		13,799	13,786	-	-
Treasury related payables		30,449	-	-	-
Other payables and accrued liabilities		54,581	88,430	16,574	613
Post employment benefits obligation: - defined contribution plan		207	202	-	-
		<b>99,103</b>	<b>102,536</b>	<b>16,574</b>	<b>613</b>

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

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### 21 DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

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

<b>The Group</b>	<b>Contract or underlying principal amount RM'000</b>	<b>Year-end positive fair value RM'000</b>	<b>Year-end negative fair value RM'000</b>
<b>30.06.2018</b>			
Interest rate related contracts:			
- interest rate swaps	4,915,000	7,665	(12,910)
- futures	272,531	368	(6)
- cross currency swaps	80,750	5,031	-
Foreign exchange related contracts:			
- foreign currency swaps	2,848,060	15,958	(31,506)
- foreign currency forwards	57,563	308	(6)
- foreign currency spots	4,070	2	-
Equity related contracts:			
- call options	7,000	19	-
	<b>8,184,974</b>	<b>29,351</b>	<b>(44,428)</b>
<b>30.06.2017</b>			
Interest rate related contracts:			
- interest rate swaps	5,015,000	12,806	(23,881)
- futures	322,498	337	-
- cross currency swaps	171,770	83	(16,724)
Foreign exchange related contracts:			
- foreign currency swaps	1,520,828	5,883	(7,345)
- foreign currency forwards	73,399	171	(6)
- foreign currency spots	17,735	1	(3)
Equity related contracts:			
- call options	7,000	635	-
	<b>7,128,230</b>	<b>19,916</b>	<b>(47,959)</b>

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### 22 SUBORDINATED OBLIGATIONS

	The Group	
	30.06.2018 RM'000	30.06.2017 RM'000
RM50.0 million Tier 2 subordinated notes, at par	50,000	50,000
Add: Interest payable	399	392
	<b>50,399</b>	50,392
Less: Unamortised discounts	(109)	(130)
	<b>50,290</b>	50,262

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

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

#### 23 SHARE CAPITAL

	The Group and The Company			
	30.06.2018		30.06.2017	
	Number of ordinary shares	RM'000	Number of ordinary shares	RM'000
<b>Ordinary share issued and fully paid:</b>				
At 1 July/30 June - Ordinary shares	246,896	246,896	246,896	246,896

\* The new Companies Act 2016 ("New Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital.

#### 24 RESERVES

	Note	The Group		The Company	
		30.06.2018 RM'000	30.06.2017 RM'000	30.06.2018 RM'000	30.06.2017 RM'000
Retained profits	(i)	526,427	499,973	238,406	219,963
Regulatory reserve	(ii)	2,071	2,504	-	-
Fair value reserve	(iii)	(3,305)	1,422	31	(14)
General reserve	(iv)	-	543	-	-
		<b>525,193</b>	504,442	<b>238,437</b>	219,949

(i) Retained profits

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

(ii) Regulatory reserve

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

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### 24 RESERVES (CONTINUED)

##### (iii) Fair value reserve

Movement of the fair value reserve is as follows:

	Note	The Group		The Company	
		30.06.2018 RM'000	30.06.2017 RM'000	30.06.2018 RM'000	30.06.2017 RM'000
At 1 July		1,422	6,623	(14)	(33)
Net (loss)/gain from change in fair value		(5,089)	(641)	39	33
Reclassification to net profit on disposal and impairment		(1,152)	(5,885)	6	(14)
Deferred taxation	11	1,514	1,325	-	-
Net change in fair value reserve		(4,727)	(5,201)	45	19
At 30 June		(3,305)	1,422	31	(14)

##### (iv) General reserve

The general reserve is arising from HLG Securities Sdn Bhd and it was transferred to retained profits upon the liquidation of subsidiary on 6 October 2017.

#### 25 TREASURY SHARES

##### Treasury shares for ESOS scheme

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

In accordance with MFRS 132 - Financial Instruments: Presentation and Disclosure, the shares purchased for the benefit of the ESOS holders are recorded as "Treasury Shares for ESOS Scheme" in the equity on the statements of financial position. As at reporting date, the number of shares held by the appointed trustee for the Group and the Company are as follows:

	30.06.2018		30.06.2017	
	Number of trust shares held '000	Cost RM'000	Number of trust shares held '000	Cost RM'000
<b>The Group</b>				
As at 1 July/30 June	5,613	6,031	5,613	6,031
<b>The Company</b>				
As at 1 July/30 June	5,508	5,918	5,508	5,918



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

### 26 INTEREST INCOME

	The Group		The Company	
	30.06.2018 RM'000	30.06.2017 RM'000	30.06.2018 RM'000	30.06.2017 RM'000
Loans and advances	14,920	19,026	-	-
Money at call and deposit placements with financial institutions	4,162	2,675	29	337
Financial assets held-for-trading	37,123	40,852	-	-
Financial investments available-for-sale	39,832	39,959	-	-
Financial investments held-to-maturity	32,894	27,754	-	-
Derivative financial instruments	8,131	8,032	-	-
Others	16,601	11,356	-	-
	<b>153,663</b>	149,654	<b>29</b>	337

### 27 INTEREST EXPENSE

	The Group	
	30.06.2018 RM'000	30.06.2017 RM'000
Deposits and placements of banks and other financial institutions	32,381	30,340
Deposits from customers	58,105	57,110
Derivative financial instruments	11,423	15,012
Subordinated obligations	2,671	2,680
Others	5,398	717
	<b>109,978</b>	105,859

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### 28 NON-INTEREST INCOME

	The Group		The Company	
	30.06.2018 RM'000	30.06.2017 RM'000	30.06.2018 RM'000	30.06.2017 RM'000
<b>Fee income</b>				
Brokerage income	65,650	59,321	-	-
Unit trust fee income	34,353	27,260	-	-
Commissions from future contracts	855	620	-	-
Fees on loans and advances	554	785	-	-
Arranger fees	4,439	9,633	-	-
Placement fees	2,243	12,451	-	-
Corporate advisory fees	5,446	5,630	-	-
Underwriting commissions	-	1,795	-	-
Other fee income	23,488	13,792	-	-
	<b>137,028</b>	131,287	-	-
<b>Net income from securities</b>				
Net realised gain/(loss) arising from sale/ early redemption of:				
- Financial assets held-for-trading	6,935	6,022	-	-
- Financial investments available-for-sale	1,212	5,927	-	(86)
- Financial investments held-to-maturity	-	189	-	-
- Derivative financial instruments	(49,935)	18,129	-	-
Net unrealised (loss)/gain on revaluation of:				
- Financial assets held-for-trading	(6,849)	(4,531)	195	-
- Derivative financial instruments	12,232	9,937	-	-
Dividend income from:				
- Financial assets held-for-trading	3,735	2,173	-	-
- Financial investments available-for-sale	7,583	5,891	5,389	4,099
- Subsidiary companies	-	-	60,500	57,300
	<b>(25,087)</b>	43,737	<b>66,084</b>	61,313
<b>Other income</b>				
Gain on disposal of property and equipment	-	121	-	-
(Loss)/gain on liquidation of a subsidiary	-	(7)	20	-
Foreign exchange gain/(loss)	39,884	(17,284)	-	11
Other non-operating income	247	366	134	207
	<b>40,131</b>	(16,804)	<b>154</b>	218
	<b>152,072</b>	158,220	<b>66,238</b>	61,531

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### 29 OVERHEAD EXPENSES

	The Group		The Company	
	30.06.2018 RM'000	30.06.2017 RM'000	30.06.2018 RM'000	30.06.2017 RM'000
Personnel costs	73,289	76,103	458	470
Establishment costs	18,640	18,424	86	87
Marketing expenses	3,191	3,348	32	36
Administration and general expenses	21,318	20,035	1,306	1,533
	<b>116,438</b>	<b>117,910</b>	<b>1,882</b>	<b>2,126</b>

(i) Personnel costs comprise the following:

	The Group		The Company	
	30.06.2018 RM'000	30.06.2017 RM'000	30.06.2018 RM'000	30.06.2017 RM'000
Salaries, allowances and bonuses	60,430	64,203	90	194
Other employees benefits	12,859	11,900	368	276
	<b>73,289</b>	<b>76,103</b>	<b>458</b>	<b>470</b>

(ii) Establishment costs comprise the following:

	The Group		The Company	
	30.06.2018 RM'000	30.06.2017 RM'000	30.06.2018 RM'000	30.06.2017 RM'000
Depreciation of property and equipment	2,135	1,953	-	-
Amortisation of intangible assets - computer software	2,800	2,729	-	-
Rental of premises	4,693	4,603	-	-
Information technology expenses	6,097	6,390	17	21
Others	2,915	2,749	69	66
	<b>18,640</b>	<b>18,424</b>	<b>86</b>	<b>87</b>

(iii) Marketing expenses comprise the following:

	The Group		The Company	
	30.06.2018 RM'000	30.06.2017 RM'000	30.06.2018 RM'000	30.06.2017 RM'000
Advertisement and publicity	566	673	-	-
Travelling and accommodation	445	479	-	-
Others	2,180	2,196	32	36
	<b>3,191</b>	<b>3,348</b>	<b>32</b>	<b>36</b>

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### 29 OVERHEAD EXPENSES (CONTINUED)

(iv) Administration and general expenses comprise the following:

	The Group		The Company	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
	RM'000	RM'000	RM'000	RM'000
Communication expenses	1,591	1,476	8	11
Stationery and printing expenses	730	986	11	10
Management fees	4,141	4,013	498	388
Professional fees	4,353	4,654	46	360
Property and equipment written off	362	8	-	-
Auditors' remuneration:				
- statutory audit fees	446	417	87	86
- regulatory related fees	84	50	11	11
- tax compliance fees	15	15	-	-
- other fees	134	273	32	25
Others	9,462	8,143	613	642
	<b>21,318</b>	20,035	<b>1,306</b>	1,533

Included in the overhead expenses of the Group and the Company are Directors' remuneration amounting to RM475,000 (2017: RM455,000) and RM397,000 (2017: RM360,000) respectively.

There was no indemnity given or insurance effected for any auditor of the Group and the Company during the annual financial year and its comparative financial year.

#### 30 ALLOWANCE FOR IMPAIRMENT LOSSES ON LOANS AND ADVANCES AND OTHER LOSSES

	The Group	
	30.06.2018	30.06.2017
	RM'000	RM'000
(Allowance for)/write-back of losses on loans and advances:		
(a) Individual assessment allowance:		
- made during the financial year	(9)	(10)
(b) Collective assessment allowance:		
- (made)/written-back during the financial year	(331)	574
	<b>(340)</b>	564
Write-back of/(allowance for) losses on clients' and brokers' balances:		
(a) Individual assessment allowance:		
- made during the financial year	(204)	(245)
- written-back during the financial year	270	110
(b) Collective assessment allowance:		
- made during the financial year	-	(11)
	<b>66</b>	(146)
Bad debts on clients' and brokers' balances		
- written-off	-	(12)
- recovered	-	513
	-	501
Allowance for losses on fee income receivables:		
(a) Individual assessment allowance:		
- made during the financial year	(816)	(987)
- written-back during the financial year	358	-
	<b>(458)</b>	(987)
	<b>(732)</b>	(68)

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### 31 DIRECTORS' REMUNERATION

	Director fee RM'000	The Group Allowances RM'000	Total RM'000	Director fee RM'000	The Company Allowances RM'000	Total RM'000
<b>30.06.2018</b>						
Non-Executive Directors:						
Mr Tan Kong Khoo	-	-	-	-	-	-
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman	197	15	212	124	10	134
YBhg Dato' Ahmad Fuaad bin Mohd Dahalan	118	10	128	118	10	128
Ms Tai Siew Moi (Appointed on 18.9.2017)	89	7	96	89	7	96
Ms Koid Swee Lian (Appointed on 19.9.2018)	-	-	-	-	-	-
YBhg Tan Sri Quek Leng Chan (Resigned on 02.02.2018)	-	-	-	-	-	-
YBhg Dato' Mohamed Nazim bin Abdul Razak (Retired on 26.10.2017)	38	1	39	38	1	39
	<b>442</b>	<b>33</b>	<b>475</b>	<b>369</b>	<b>28</b>	<b>397</b>
Directors' of subsidiaries	1,678	8	1,686	-	-	-
Total director's remuneration	<b>2,120</b>	<b>41</b>	<b>2,161</b>	<b>369</b>	<b>28</b>	<b>397</b>
<b>30.06.2017</b>						
Non-Executive Directors:						
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman	219	-	219	124	-	124
YBhg Dato' Ahmad Fuaad bin Mohd Dahalan	118	-	118	118	-	118
YBhg Tan Sri Quek Leng Chan	-	-	-	-	-	-
YBhg Dato' Mohamed Nazim bin Abdul Razak	118	-	118	118	-	118
	455	-	455	360	-	360
Directors' of subsidiaries	4,460	-	4,460	-	-	-
Total director's remuneration	4,915	-	4,915	360	-	360

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

The Directors' Remuneration in the current financial year represents remuneration for Directors' of the Group, the Company and its subsidiaries to comply with the requirements of the Companies Act, 2016. The comparative figures have not been restated to include the Directors in the subsidiaries of the Company. The names of directors of subsidiaries and their remuneration details are set out in the respective subsidiary's statutory accounts and the said information is deemed incorporated herein by such reference and made a part thereof.

During the financial year, Directors and Officers of the Group are covered under the Directors' & Officers' Liability Insurance in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors and Officers of the Group subject to the terms of the policy. The total amount of Directors' & Officers' Liability Insurance effected for the Directors & Officers of the Group was RM10 million. The total amount of premium paid for the Directors' & Officers' Liability Insurance by the Group was RM67,688 (2017: RM67,688) and the apportioned amount of the said premium paid by the Company was RM1,719.50 (2017: RM1,700.50).

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### 32 TAXATION

	The Group		The Company	
	30.06.2018 RM'000	30.06.2017 RM'000	30.06.2018 RM'000	30.06.2017 RM'000
Malaysian income tax:				
- current financial year's charge	3,072	2,285	38	127
- under/(over) provision in prior financial years	56	(88)	40	-
	<b>3,128</b>	2,197	<b>78</b>	127
Deferred taxation (Note 11):				
- relating to origination and reversal of temporary differences	4,137	2,755	-	-
	<b>4,137</b>	2,755	-	-
	<b>7,265</b>	4,952	<b>78</b>	127

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	
	30.06.2018 RM'000	30.06.2017 RM'000	30.06.2018 RM'000	30.06.2017 RM'000
Profit before taxation	78,587	84,037	64,385	59,742
Tax calculated at a rate of 24% (2017: 24%)	18,861	20,169	15,452	14,338
Tax effects of:				
- Income not subject to tax	(2,433)	(2,382)	(15,865)	(14,718)
- Expenses not deductible for tax purposes	2,213	1,335	451	507
- Utilisation of unutilised tax losses previously not recognised	(2)	(489)	-	-
- Recognition of unutilised tax credit previously not recognised	(11,835)	(13,341)	-	-
- Origination of temporary differences previously not recognised	405	(252)	-	-
- Under/(over) provision in prior financial years	56	(88)	40	-
Tax expense for the financial year	<b>7,265</b>	4,952	<b>78</b>	127

#### Unrecognised deferred tax assets

	The Group	
	30.06.2018 RM'000	30.06.2017 RM'000
<b>Tax losses</b>		
Unutilised tax losses for which the related tax credit has not been recognised in the financial statements	21,091	21,091
<b>Tax credit</b>		
Tax credit which has not been recognised in the financial statements	96,654	108,489
<b>Capital allowances</b>		
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 2018

#### 33 EARNINGS PER SHARE

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

	The Group	
	30.06.2018	30.06.2017
	RM'000	RM'000
<b>(a) Basic earnings per share</b>		
Net profit attributable to equity holders of the Company (RM'000)	71,322	79,085
Weighted average number of ordinary shares in issue ('000)	241,283	241,283
Basic earnings per share (sen)	29.6	32.8

#### (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 2018 and 30 June 2017.

#### 34 DIVIDENDS

Dividends declared and proposed as follows:-

	The Group			
	30.06.2018		30.06.2017	
	Single-tier dividend per share	Amount of dividend	Single-tier dividend per share	Amount of dividend
	Sen	RM'000	Sen	RM'000
Ordinary shares	19.0	46,910	19.0	46,910

At the forthcoming Annual General Meeting, the Directors of the Company recommend the payment of a final single-tier dividend of 19.0 sen per share on the Company's issued and paid-up ordinary shares of RM246,896,668 comprising 246,896,668 of ordinary shares amounting to RM46.9 million for the financial year ended 30 June 2018.

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

	The Group			
	30.06.2018		30.06.2017	
	Single-tier dividend per share	Amount of dividend	Single-tier dividend per share	Amount of dividend
	Sen	RM'000	Sen	RM'000
Ordinary shares	19.0	45,844	12.0	28,954

	The Company			
	30.06.2018		30.06.2017	
	Single-tier dividend per share	Amount of dividend	Single-tier dividend per share	Amount of dividend
	Sen	RM'000	Sen	RM'000
Ordinary shares	19.0	45,864	12.0	28,967

In respect of the financial year ended 30 June 2018, dividend paid on the shares held in trust pursuant to the Company's Executive Share Option Scheme ("ESOS") which are classified as treasury shares held for ESOS scheme are not accounted for in the total equity. An amount of RM1,066,413 (Group) and RM1,046,463 (Company), being dividend paid for these shares was added back to the appropriation of retained profits.



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### 35 COMMITMENTS AND CONTINGENCIES

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

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

The commitments and contingencies are as follows:

	30.06.2018 Principal amount RM'000	30.06.2017 Principal amount RM'000
<b>The Group</b>		
<b>Commitments and contingencies</b>		
Direct credit substitutes	1,000	1,000
Obligations under underwriting agreement	-	130,000
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	4,914	10,352
Any commitment that are unconditionally cancelled at any time by the Group without prior notice		
- maturity less than one year	662,442	661,322
Other commitments, such as formal standby facilities and credit lines		
- maturity less than one year	-	326
	<b>668,356</b>	803,000
<b>Derivative financial instruments</b>		
Interest rate related contracts <sup>^</sup> :		
- One year or less	1,472,531	1,778,383
- Over one year to five years	3,580,750	3,485,885
- Over five years	215,000	245,000
Foreign exchange related contracts <sup>^</sup> :		
- One year or less	2,909,693	1,611,962
Equity related contracts <sup>^</sup> :		
- Over one year to five years	7,000	7,000
	<b>8,184,974</b>	7,128,230
	<b>8,853,330</b>	7,931,230

<sup>^</sup> These derivatives are revalued at gross position basis and the fair value have been reflected in Note 21 to the financial statements as derivative financial assets or derivatives financial liabilities.

##### (b) Other commitments and contingencies - unsecured

Hong Leong Asset Management Bhd, a wholly owned subsidiary of the Company, is the Manager of Hong Leong Consumer Products Sector Fund ("Funds"). The Company provided a guarantee to Deutsche Trustees Malaysia Berhad, the trustee of the Funds, that if the funds falls below the minimum fund size of RM1,000,000, the Company would invest cash, equivalent to the shortfall, into the relevant fund.

The size of the funds was above the minimum of RM1,000,000 as at 30 June 2018.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### 36 CAPITAL COMMITMENTS

	The Group	
	30.06.2018	30.06.2017
	RM'000	RM'000
Property and equipment - approved and contracted but not provided for	9,852	1,872

#### 37 LEASE COMMITMENTS

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

	The Group	
	30.06.2018	30.06.2017
	RM'000	RM'000
Less than one year	2,634	2,814
More than one year but less than five years	2,387	40

#### 38 CAPITAL MANAGEMENT

The Group's capital is in relation to its risk profile and strategic objectives set by the Board to meet shareholders' requirements and expectations. The components of the total capital are disclosed in Note 23 and 24. The Group's banking subsidiary's Capital Management framework for maintaining appropriate capital levels has complied with the requirements of Bank Negara Malaysia's Revised Risk Weighted Capital Adequacy Framework. The capital adequacy ratios of the banking subsidiary are disclosed in Note 39.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### 39 CAPITAL ADEQUACY

The Group's banking subsidiary's regulatory capital is governed by BNM Capital Adequacy Framework guidelines. With effect from 1 January 2016, the capital adequacy ratios of the banking subsidiary are computed in accordance with BNM's Capital Adequacy Framework issued on 13 October 2015. The Framework sets out the approach for computing the regulatory capital adequacy ratios, as well as the levels of the ratios at which banking institutions are required to operate. The Framework is to strengthen capital adequacy standards, in line with the requirements set forth under Basel III. The minimum capital adequacy requirement for common equity Tier 1 ("CET 1") capital ratio and Tier 1 capital ratio are 4.5% and 6.0% respectively. The minimum regulatory capital adequacy requirement remains at 8.0%.

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

The Group's banking subsidiary is also required to maintain capital buffers. The capital buffers shall comprise the sum of the following:

- a Capital Conservation Buffer ("CCB") of 2.5%; and
- a Countercyclical Capital Buffer ("CCyB") determined as the weighted-average of the prevailing CCyB rates applied in the jurisdictions in which the Group's banking subsidiary has credit exposures

The CCB requirements under transitional arrangements shall be phased-in starting from 1 January 2016 as follows:

	<b>CCB</b>
Calendar year 2016	0.625%
Calendar year 2017	1.25%
Calendar year 2018	1.875%
Calendar year 2019 onwards	2.5%

- The capital adequacy ratios of the banking subsidiary are as follows:

	<b>30.06.2018</b>	<b>HLIB 30.06.2017</b>
<b>Before deducting proposed dividends:</b>		
Common equity tier 1 ("CET1") capital ratio	<b>33.073%</b>	29.744%
Tier 1 capital ratio	<b>33.073%</b>	29.744%
Total capital ratio	<b>37.619%</b>	33.912%
<b>After deducting proposed dividends: <sup>(1)</sup></b>		
CET1 capital ratio	<b>29.115%</b>	25.398%
Tier 1 capital ratio	<b>29.115%</b>	25.398%
Total capital ratio	<b>33.661%</b>	29.566%

Note:

<sup>(1)</sup> Proposed dividends of RM45,500,000 (2017: RM55,000,000).

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### 39 CAPITAL ADEQUACY (CONTINUED)

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

	30.06.2018	HLIB 30.06.2017
	RM'000	RM'000
<b>CET1 capital</b>		
Paid-up ordinary share capital	252,950	252,950
Retained profits	250,085	246,910
Other reserves	(3,355)	1,440
Less: goodwill and intangibles	(31,672)	(33,796)
Less: deferred tax assets	(87,582)	(90,153)
Less: investment in subsidiary companies	(200)	(160)
Less: 55% of cumulative gains of financial instruments available-for-sale	-	(792)
<b>Total CET1 capital</b>	<b>380,226</b>	376,399
<b>Tier 1 capital</b>	<b>380,226</b>	376,399
<b>Tier 2 capital</b>		
Collective assessment allowance <sup>(2)</sup> and regulatory reserve <sup>(3)</sup>	2,266	2,783
Subordinated obligations	50,000	50,000
Regulatory adjustments:		
- Investment in subsidiary companies	-	(40)
<b>Total Tier 2 capital</b>	<b>52,266</b>	52,743
<b>Total capital</b>	<b>432,492</b>	429,142

Note:

<sup>(2)</sup> Excludes collective assessment allowance attributable to loans and advances classified as impaired.

<sup>(3)</sup> Includes the qualifying regulatory reserve for non-impaired loans and advances of RM2,071,000 (2017: RM2,504,000).

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

	30.06.2018	HLIB 30.06.2017
	RM'000	RM'000
Credit risk	407,598	461,963
Market risk	457,231	517,433
Operational risk	284,840	286,064
	<b>1,149,669</b>	1,265,460

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### 40 SIGNIFICANT RELATED PARTY TRANSACTIONS

##### (a) Related parties and relationships

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

Related parties	Relationship
Hong Leong Company (Malaysia) Berhad ("HLCM")	Ultimate holding company
Hong Leong Financial Group Berhad ("HLFG")	Immediate holding company
Subsidiary companies of the Company as disclosed in Note 12	Subsidiaries
Subsidiary companies of HLCM	Subsidiaries of ultimate holding company
Subsidiary companies of HLFG	Subsidiaries of immediate holding company
Key management personnel	The key management personnel of the Group and the Company consists of: <ul style="list-style-type: none"> <li>- All Directors of the Company and its holding company</li> <li>- Key management personnel of the Company who have the authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly</li> </ul>
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

##### (b) Related parties transactions

Transactions with related parties are as follows:

The Group 30.06.2018	Parent company RM'000	Other related companies RM'000	Key management personnel RM'000
<b>Income</b>			
Interest income	-	17,183	-
Brokerage income	-	20,506	179
Arranger fee	640	620	-
Placement fee	850	-	-
Other fee income	105	1,634	-
Gain on securities and derivatives	-	737	-
	<b>1,595</b>	<b>40,680</b>	<b>179</b>
<b>Expenses</b>			
Interest expense	-	15,644	489
Rental	-	2,876	-
Management fees	4,130	-	-
Others	-	4,052	-
	<b>4,130</b>	<b>22,572</b>	<b>489</b>

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### 40 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

##### (b) Related parties transactions (continued)

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

<b>The Group</b> <b>30.06.2018</b>	<b>Parent company</b> <b>RM'000</b>	<b>Other related companies</b> <b>RM'000</b>	<b>Key management personnel</b> <b>RM'000</b>	
<b>Amounts due from:</b>				
Cash and short-term funds	-	3,093	-	
Financial assets held-for-trading	-	235,850	-	
Financial investment available for sale	-	142,702	-	
Derivative financial assets	-	778	-	
Clients' and brokers' balances	-	23,180	-	
Other assets	73	1,435	-	
	<b>73</b>	<b>407,038</b>	<b>-</b>	
<b>Amounts due to:</b>				
Deposits from customers	-	1,413	16,648	
Deposits and placements of banks and other financial institutions	-	326,552	-	
Derivative financial liabilities	-	1,733	-	
Other liabilities	52	89	360	
	<b>52</b>	<b>329,788</b>	<b>17,008</b>	
<b>Commitments and contingencies:</b>				
Derivative financial instruments	-	42,000	-	
<b>The Company</b> <b>30.06.2018</b>	<b>Parent company</b> <b>RM'000</b>	<b>Subsidiaries</b> <b>RM'000</b>	<b>Other related companies</b> <b>RM'000</b>	<b>Key management personnel</b> <b>RM'000</b>
<b>Income</b>				
Interest income	-	-	29	-
Dividends	-	65,889	-	-
Guarantee fee	-	2	-	-
Others	-	132	-	-
	<b>-</b>	<b>66,023</b>	<b>29</b>	<b>-</b>
<b>Expenses</b>				
Management fees	498	-	-	-
Others	-	-	49	-
	<b>498</b>	<b>-</b>	<b>49</b>	<b>-</b>
<b>Amounts due from:</b>				
Cash and short-term funds	-	-	39	-
Financial investments available for sale	-	-	142,410	-
Other assets	-	150	-	-
	<b>-</b>	<b>150</b>	<b>142,449</b>	<b>-</b>
<b>Amounts due to:</b>				
Other liabilities	-	-	-	360
	<b>-</b>	<b>-</b>	<b>-</b>	<b>360</b>

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### 40 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

##### (b) Related parties transactions (continued)

Transactions with related parties are as follows:

The Group 30.06.2017	Parent company RM'000	Other related companies RM'000	Key management personnel RM'000
<b>Income</b>			
Interest income	-	17,911	-
Brokerage income	-	4,814	125
Arranger fee	-	80	-
Other fee income	45	8,414	-
Loss on securities and derivatives	-	(2,737)	-
	45	28,482	125
<b>Expenses</b>			
Interest expense	-	31,220	493
Rental	-	2,615	-
Management fees	4,013	-	-
Others	-	14,619	-
	4,013	48,454	493
<b>Amounts due from:</b>			
Cash and short-term funds	-	10,300	-
Financial assets held-for-trading	-	13,593	-
Financial investments available-for-sale	-	201,063	-
Derivative financial assets	-	2,175	-
Clients' and brokers' balances	-	1,724	-
Other assets	232	783	-
	232	229,638	-
<b>Amounts due to:</b>			
Deposits from customers	-	3,225	11,124
Deposits and placements of banks and other financial institutions	-	434,238	-
Derivative financial liabilities	-	2,562	-
Clients' and brokers' balances	-	20,149	-
Other liabilities	87	454	360
	87	460,628	11,484
<b>Commitments and contingencies</b>			
Derivative financial instruments	-	42,000	-



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### 40 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

##### (b) Related parties transactions (continued)

Transactions with related parties are as follows: (continued)

The Company 30.06.2017	Parent company RM'000	Subsidiaries RM'000	Other related companies RM'000	Key management personnel RM'000
<b>Income</b>				
Interest income	-	-	337	-
Dividends	-	61,339	-	-
Guarantee fee	-	2	-	-
Others	-	205	-	-
	-	61,606	337	-
<b>Expenses</b>				
Management fee	388	-	-	-
Others	-	-	54	-
	388	-	54	-
<b>Amounts due from:</b>				
Cash and short-term funds	-	-	487	-
Financial investment available-for-sale	-	-	140,168	-
Other assets	-	572	-	-
	-	572	140,655	-
<b>Amounts due to:</b>				
Other liabilities	-	-	-	360
	-	-	-	360

##### (c) Key management personnel

Key management compensation

	The Group		The Company	
	30.06.2018 RM'000	30.06.2017 RM'000	30.06.2018 RM'000	30.06.2017 RM'000
Salaries, allowances and other short-term employee benefits	10,079	9,277	141	111
Fees	442	455	369	360
	10,521	9,732	510	471

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

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### 41 SEGMENTAL INFORMATION

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

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

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

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

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

#### Business segments

The Group comprises the following main business segments:

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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

### 41 SEGMENTAL INFORMATION (CONTINUED)

#### Business segments (continued)

The Group 30.06.2018	Investment banking and Investment stockbroking RM'000	Fund management and unit trust management RM'000	Investment holding and others RM'000	Eliminations RM'000	Consolidated RM'000
<b>Revenue</b>					
External revenue	154,262	34,914	6,581	-	195,757
Inter-segment revenue	42	(2)	60,522	(60,562)	-
Total revenue <sup>(1)</sup>	154,304	34,912	67,103	(60,562)	195,757
Overhead expenses	(91,745)	(22,546)	(2,147)	-	(116,438)
Net allowance for impairment losses on loans and advances and other losses	(732)	-	-	-	(732)
<b>Results</b>					
Segment results from operations	61,827	12,366	64,956	(60,562)	78,587
Tax expense for the financial year					(7,265)
<b>Net profit for the financial year</b>					<b>71,322</b>
<b>Assets</b>					
Segment assets	4,202,556	86,961	576,011	(313,450)	4,552,078
<b>Liabilities</b>					
Segment liabilities	3,700,805	69,212	16,604	(601)	3,786,020
<b>Other informations</b>					
Capital expenditure	10,264	3,479	-	-	13,743
Depreciation of property and equipment	1,693	442	-	-	2,135
Amortisation of intangible assets - computer software	2,665	135	-	-	2,800
Allowance for losses on loans and advances	340	-	-	-	340
Write-back of allowance for losses on clients' and brokers' balances	66	-	-	-	66
Allowance for losses on fee income receivables	458	-	-	-	458

**Note:**

<sup>(1)</sup> Total segment revenue comprises of net interest income and non-interest income.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### 41 SEGMENTAL INFORMATION (CONTINUED)

##### Business segments (continued)

The Group 30.06.2017	Investment banking and Investment stockbroking RM'000	Fund management and unit trust management RM'000	Investment holding and others RM'000	Eliminations RM'000	Consolidated RM'000
<b>Revenue</b>					
External revenue	163,732	27,780	10,503	-	202,015
Inter-segment revenue	(48)	(2)	57,318	(57,268)	-
Total revenue <sup>(1)</sup>	163,684	27,778	67,821	(57,268)	202,015
Overhead expenses	(95,635)	(19,699)	(2,576)	-	(117,910)
Net allowance for impairment losses on loans and advances and other losses	(68)	-	-	-	(68)
<b>Results</b>					
Segment results from operations	67,981	8,079	65,245	(57,268)	84,037
Tax expense for the financial year					(4,952)
<b>Net profit for the financial year</b>					<u>79,085</u>
<b>Assets</b>					
Segment assets	3,963,908	75,052	544,856	(316,830)	4,266,986
<b>Liabilities</b>					
Segment liabilities	3,460,104	58,075	1,024	(524)	3,518,679
<b>Other informations</b>					
Capital expenditure	2,927	565	-	-	3,492
Depreciation of property and equipment	1,604	349	-	-	1,953
Amortisation of intangible assets					
- computer software	2,657	72	-	-	2,729
Write-back of allowance for losses on loans and advances	564	-	-	-	564
Allowance for losses on clients' and brokers' balances	146	-	-	-	146
Bad debts on clients' and brokers' balances recovered	501	-	-	-	501
Allowance for losses on fee income receivables	987	-	-	-	987

#### Note:

<sup>(1)</sup> Total segment revenue comprises of net interest income and non-interest income.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

### 42 FINANCIAL INSTRUMENTS

#### (a) Risk management objectives and policies

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

##### Credit risk

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

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

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

##### Market risk

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

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

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

##### Liquidity risk

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

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### 42 FINANCIAL INSTRUMENTS (CONTINUED)

##### (b) Market risk

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

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

##### (i) Interest rate sensitivity analysis

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

	The Group	
	Impact on profit after tax RM'000	Impact on equity RM'000
<b>30.06.2018</b>		
+100 bps	14,320	(31,227)
-100 bps	(14,320)	31,227
<b>30.06.2017</b>		
+100 bps	18,855	(25,652)
-100 bps	(18,855)	25,652

##### (ii) Foreign currency sensitivity analysis

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

Impact of profit after tax by currency

The Group	30.06.2018		30.06.2017	
	+1% RM'000	-1% RM'000	+1% RM'000	-1% RM'000
USD	(16)	16	(21)	21
SGD	4	(4)	2	(2)
Others	8	(8)	(2)	2

##### (iii) Equity prices sensitivity analysis

The Group's exposure to equity securities price risk arises from investments held by the Group and classified in the statements of financial position as financial assets held-for-trading and financial investments available-for-sale. The Company does not has significant exposure to equity price risks.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

### 42 FINANCIAL INSTRUMENTS (CONTINUED)

#### (b) Market risk (continued)

##### Interest rate risk

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

The Group 30.06.2018	Non-trading book						Trading book RM'000	Total RM'000
	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		
<b>Assets</b>								
Cash and short-term funds	26,097	-	-	-	-	101,550	-	127,647
Clients' and brokers' balances	-	-	-	-	-	316,234	-	316,234
Securities purchased under resale agreements	-	-	35,000	-	-	126	-	35,126
Deposits and placements with banks and other financial institutions	-	-	40,375	-	-	270	-	40,645
Financial assets held-for-trading	-	-	-	-	-	-	1,244,434	1,244,434
Financial investments available-for-sale	5,000	-	35,071	847,782	315,294	234,768	-	1,437,915
Financial investments held-to-maturity	-	20,007	35,026	662,687	119,756	10,183	-	847,659
Loans and advances	208,614	-	-	19,829	58	(744)	-	227,757
Other assets	-	-	-	-	-	49,051	-	49,051
Derivative financial assets	-	-	-	-	-	-	29,351	29,351
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	52,500	-	52,500
<b>Total assets</b>	<b>239,711</b>	<b>20,007</b>	<b>145,472</b>	<b>1,530,298</b>	<b>435,108</b>	<b>763,938</b>	<b>1,273,785</b>	<b>4,408,319</b>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

### 42 FINANCIAL INSTRUMENTS (CONTINUED)

#### (b) Market risk (continued)

##### Interest rate risk (continued)

The Group 30.06.2018	Non-trading book						Trading book RM'000	Total RM'000
	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		
<b>Liabilities</b>								
Clients' and brokers' balances	-	-	-	-	-	350,730	-	350,730
Deposits from customers	1,010,633	57,612	11,345	-	-	3,066	-	1,082,656
Deposits and placements of banks and other financial institutions	1,957,307	44,308	55,156	-	-	2,189	-	2,058,960
Obligations on securities sold under repurchase agreements	99,029	-	-	-	-	625	-	99,654
Other liabilities	-	-	-	-	-	99,103	-	99,103
Derivative financial liabilities	-	-	-	-	-	-	44,428	44,428
Subordinated obligations	-	-	-	-	49,891	399	-	50,290
<b>Total liabilities</b>	<b>3,066,969</b>	<b>101,920</b>	<b>66,501</b>	<b>-</b>	<b>49,891</b>	<b>456,112</b>	<b>44,428</b>	<b>3,785,821</b>
<b>Net interest sensitivity gap</b>	<b>(2,827,258)</b>	<b>(81,913)</b>	<b>78,971</b>	<b>1,530,298</b>	<b>385,217</b>			
Direct credit substitutes	-	-	-	-	-	1,000	-	1,000
Credit related commitments and contingencies	-	-	-	-	-	667,356	-	667,356
<b>Net interest sensitivity gap</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>668,356</b>	<b>-</b>	<b>668,356</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

## 42 FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Market risk (continued)

#### Interest rate risk (continued)

The Group 30.06.2017	Non-trading book							Trading book RM'000	Total RM'000
	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			
<b>Assets</b>									
Cash and short-term funds	109,096	-	-	-	-	-	-	-	267,462
Clients' and brokers' balances	-	-	-	-	-	-	-	-	270,967
Securities purchased under resale agreements	-	-	35,000	-	-	123	-	-	35,123
Financial assets held-for-trading	-	-	-	-	-	-	1,102,647	-	1,102,647
Financial investments available-for-sale	-	26,935	102,857	521,514	311,850	210,822	-	-	1,173,978
Financial investments held-to-maturity	-	50,047	84,125	454,092	310,500	10,451	-	-	909,215
Loans and advances	211,293	-	14,674	10,960	64	(399)	-	-	236,592
Other assets	-	-	-	-	-	53,354	-	-	53,354
Derivative financial assets	-	-	-	-	-	-	19,916	-	19,916
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	58,100	-	-	58,100
<b>Total assets</b>	320,389	76,982	236,656	986,566	622,414	761,784	1,122,563	-	4,127,354

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### 42 FINANCIAL INSTRUMENTS (CONTINUED)

##### (b) Market risk (continued)

##### Interest rate risk (continued)

The Group 30.06.2017	Non-trading book						Trading book RM'000	Total RM'000
	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		
<b>Liabilities</b>								
Clients' and brokers' balances	-	-	-	-	-	271,738	-	271,738
Deposits from customers	534,215	106,964	6,101	-	-	1,587	-	648,867
Deposits and placements of banks and other financial institutions	1,905,269	308,695	31,002	-	-	2,767	-	2,247,733
Obligations on securities sold under repurchase agreements	-	149,111	-	-	-	-	-	149,111
Other liabilities	-	-	-	-	-	102,536	-	102,536
Derivative financial liabilities	-	-	-	-	-	-	47,959	47,959
Subordinated obligations	-	-	-	-	49,870	392	-	50,262
<b>Total liabilities</b>	<b>2,439,484</b>	<b>564,770</b>	<b>37,103</b>	<b>-</b>	<b>49,870</b>	<b>379,020</b>	<b>47,959</b>	<b>3,518,206</b>
<b>Net interest sensitivity gap</b>	<b>(2,119,095)</b>	<b>(487,788)</b>	<b>199,553</b>	<b>986,566</b>	<b>572,544</b>			
Direct credit substitutes	-	-	-	-	-	1,000	-	1,000
Credit related commitments and contingencies	-	-	-	-	-	802,000	-	802,000
<b>Net interest sensitivity gap</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>803,000</b>	<b>-</b>	<b>803,000</b>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

### 42 FINANCIAL INSTRUMENTS (CONTINUED)

#### (b) Market risk (continued)

##### Interest rate risk (continued)

The Company 30.06.2017	Non-trading book					Trading book RM'000	Total RM'000
	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		
<b>Assets</b>							
Cash and short-term funds	-	-	-	-	-	-	490
Financial investments available-for-sale	-	-	-	-	-	-	140,168
Other assets	-	-	-	-	-	-	576
<b>Total assets</b>	-	-	-	-	-	-	141,234
<b>Liabilities</b>							
Other liabilities	-	-	-	-	-	-	613
<b>Total liabilities</b>	-	-	-	-	-	-	613
<b>Net interest sensitivity gap</b>	-	-	-	-	-	-	-
Direct credit substitutes	-	-	-	-	-	-	-
Credit related commitments and contingencies	-	-	-	-	-	-	-
<b>Total interest rate sensitivity gap</b>	-	-	-	-	-	-	-

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

### 42 FINANCIAL INSTRUMENTS (CONTINUED)

#### (c) Liquidity risk

Liquidity risk is defined as the current and prospective risk arising from the inability of the Group and the Company to meet its contractual or regulatory obligations when they fall due without incurring substantial losses. Liquidity obligations arise from withdrawals 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 liabilities (include non-financial instruments) as at reporting date based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM Guideline:

The Group 30.06.2018	Up to 1 month RM'000	1 week to 1 month RM'000	1 - 3 months RM'000	3 - 6 months RM'000	6 - 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
<b>Assets</b>								
Cash and short-term funds	117,647	10,000	-	-	-	-	-	127,647
Clients' and brokers' balances	316,234	-	-	-	-	-	-	316,234
Securities purchased under resale agreements	-	-	-	35,126	-	-	-	35,126
Deposits and placements with banks and other financial institutions	-	-	-	40,645	-	-	-	40,645
Financial assets held-for-trading	307,565	-	461,369	150,350	-	298,448	26,702	1,244,434
Financial investments available-for-sale	5,105	-	-	-	35,559	1,175,012	222,239	1,437,915
Financial investments held-to-maturity	-	-	20,267	-	35,104	792,288	-	847,659
Loans and advances	207,870	-	-	-	-	19,887	-	227,757
Derivative financial assets	2,280	3,255	2,458	2,896	6,125	12,337	-	29,351
Other assets*	-	-	-	-	44,414	-	200,896	245,310
<b>Total assets</b>	<b>956,701</b>	<b>13,255</b>	<b>484,094</b>	<b>229,017</b>	<b>121,202</b>	<b>2,297,972</b>	<b>449,837</b>	<b>4,552,078</b>

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

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### 42 FINANCIAL INSTRUMENTS (CONTINUED)

##### (c) Liquidity risk (continued)

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

The Group 30.06.2018	Up to 1 month RM'000	1 week to 1 month RM'000	1 - 3 months RM'000	3 - 6 months RM'000	6 - 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
<b>Liabilities</b>								
Clients' and brokers' balances	350,730	-	-	-	-	-	-	350,730
Deposits from customers	734,730	278,800	57,723	10,284	1,119	-	-	1,082,656
Deposits and placements of banks and other financial institutions	1,358,734	600,012	44,668	47,286	8,260	-	-	2,058,960
Obligations on securities sold under repurchase agreements	-	99,654	-	-	-	-	-	99,654
Derivative financial liabilities	10,372	3,705	12,671	3,822	1,222	12,636	-	44,428
Subordinated obligations	-	-	-	-	-	50,290	-	50,290
Other liabilities <sup>***</sup>	14,074	-	-	-	85,021	207	-	99,302
<b>Total liabilities</b>	<b>2,468,640</b>	<b>982,171</b>	<b>115,062</b>	<b>61,392</b>	<b>95,622</b>	<b>63,133</b>	<b>-</b>	<b>3,786,020</b>
<b>Total equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>766,058</b>	<b>766,058</b>
<b>Total liabilities and equity</b>	<b>2,468,640</b>	<b>982,171</b>	<b>115,062</b>	<b>61,392</b>	<b>95,622</b>	<b>63,133</b>	<b>766,058</b>	<b>4,552,078</b>

\*\*\*: Includes current tax liabilities.



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### 42 FINANCIAL INSTRUMENTS (CONTINUED)

##### (c) Liquidity risk (continued)

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

The Group 30.06.2017	Up to 1 month RM'000	1 week to 1 month RM'000	1 - 3 months RM'000	3 - 6 months RM'000	6 - 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
<b>Assets</b>								
Cash and short-term funds	260,412	7,050	-	-	-	-	-	267,462
Clients' and brokers' balances	270,967	-	-	-	-	-	-	270,967
Securities purchased under resale agreements	-	-	-	35,123	-	-	-	35,123
Financial assets held-for-trading	12	300,652	430,692	100,253	-	229,491	41,547	1,102,647
Financial investments available-for-sale	-	-	27,185	90,184	13,075	842,226	201,308	1,173,978
Financial investments held-to-maturity	-	-	50,636	-	84,810	773,769	-	909,215
Loans and advances	210,894	-	-	14,674	-	11,024	-	236,592
Derivative financial assets	484	2,798	2,005	746	351	13,532	-	19,916
Other assets *	-	-	-	-	47,868	-	200,218	248,086
<b>Total assets</b>	<b>742,769</b>	<b>310,500</b>	<b>510,518</b>	<b>240,980</b>	<b>146,104</b>	<b>1,870,042</b>	<b>443,073</b>	<b>4,263,986</b>

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

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### 42 FINANCIAL INSTRUMENTS (CONTINUED)

##### (c) Liquidity risk (continued)

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

The Group 30.06.2017	Up to 1 month RM'000	1 week to 1 month RM'000	1 - 3 months RM'000	3 - 6 months RM'000	6 - 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
<b>Liabilities</b>								
Clients' and brokers' balances	271,738	-	-	-	-	-	-	271,738
Deposits from customers	161,700	373,224	107,741	-	6,202	-	-	648,867
Deposits and placements of banks and other financial institutions	1,390,079	516,633	309,833	22,532	8,656	-	-	2,247,733
Obligations on securities sold under repurchase agreements	-	-	149,111	-	-	-	-	149,111
Derivative financial liabilities	1,489	2,439	3,694	16,545	328	23,464	-	47,959
Subordinated obligations	-	-	-	-	-	50,262	-	50,262
Other liabilities <sup>***</sup>	14,121	-	-	-	88,686	202	-	103,009
<b>Total liabilities</b>	<b>1,839,127</b>	<b>892,296</b>	<b>570,379</b>	<b>39,077</b>	<b>103,872</b>	<b>73,928</b>	<b>-</b>	<b>3,518,679</b>
<b>Total equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>745,307</b>	<b>745,307</b>
<b>Total liabilities and equity</b>	<b>1,839,127</b>	<b>892,296</b>	<b>570,379</b>	<b>39,077</b>	<b>103,872</b>	<b>73,928</b>	<b>745,307</b>	<b>4,263,986</b>

\*\*\*: Includes current tax liabilities.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

### 42 FINANCIAL INSTRUMENTS (CONTINUED)

#### (c) Liquidity risk (continued)

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

The Company 30.06.2018	Up to 1 month RM'000	1 week to 1 month RM'000	1 - 3 months RM'000	3 - 6 months RM'000	6 - 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
<b>Assets</b>								
Cash and short-term funds	44	-	-	-	-	-	-	44
Financial assets held-for-trading	-	-	-	-	-	-	20,550	20,550
Financial investments available-for-sale	-	-	-	-	-	-	142,410	142,410
Other assets	150	-	-	-	16,019	-	-	16,169
Tax recoverable	-	-	-	-	-	-	242	242
Investment in subsidiary companies	-	-	-	-	-	-	316,574	316,574
<b>Total assets</b>	<b>194</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,019</b>	<b>-</b>	<b>479,776</b>	<b>495,989</b>
<b>Liabilities</b>								
Other liabilities	-	-	-	-	16,574	-	-	16,574
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,574</b>	<b>-</b>	<b>-</b>	<b>16,574</b>
<b>Total equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>479,415</b>	<b>479,415</b>
<b>Total liabilities and equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,574</b>	<b>-</b>	<b>479,415</b>	<b>495,989</b>

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### 42 FINANCIAL INSTRUMENTS (CONTINUED)

##### (c) Liquidity risk (continued)

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

The Company 30.06.2017	Up to 1 month RM'000	1 week to 1 month RM'000	1 - 3 months RM'000	3 - 6 months RM'000	6 - 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
<b>Assets</b>								
Cash and short-term funds	490	-	-	-	-	-	-	490
Financial investments available-for-sale	-	-	-	-	-	-	140,168	140,168
Other assets	572	-	-	-	43	-	-	615
Tax recoverable	-	-	-	-	-	-	213	213
Investment in subsidiary companies	-	-	-	-	-	-	320,054	320,054
<b>Total assets</b>	<b>1,062</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>43</b>	<b>-</b>	<b>460,435</b>	<b>461,540</b>
<b>Liabilities</b>								
Other liabilities	-	-	-	-	613	-	-	613
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>613</b>	<b>-</b>	<b>-</b>	<b>613</b>
<b>Total equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>460,927</b>	<b>460,927</b>
<b>Total liabilities and equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>613</b>	<b>-</b>	<b>460,927</b>	<b>461,540</b>

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### 42 FINANCIAL INSTRUMENTS (CONTINUED)

##### (c) Liquidity risk (continued)

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

The Group 30.06.2018	Up to 1 month RM'000	1 to 6 months RM'000	6 - 12 months RM'000	1 - 3 years RM'000	3 - 5 years RM'000	Over 5 years RM'000	Total RM'000
<b>Liabilities</b>							
Clients' and brokers' balances	350,730	-	-	-	-	-	350,730
Deposits from customers	1,014,212	68,506	1,141	-	-	-	1,083,859
Deposits and placements of banks and other financial institutions	1,960,017	92,645	8,352	-	-	-	2,061,014
Obligations on securities sold under repurchase agreements	-	99,654	-	-	-	-	99,654
Derivative financial liabilities							
- Gross settled derivatives	(1,563,447)	(1,028,476)	(301,906)	-	-	-	(2,893,829)
- Inflow	1,570,264	1,042,318	297,379	-	-	-	2,909,961
- Outflow	(144)	(987)	(531)	(6,287)	(4,185)	(126)	(12,260)
- Net settled derivatives	14,074	-	84,822	-	-	207	99,103
Other liabilities	-	1,343	1,307	5,307	5,315	53,979	67,251
Subordinated obligations	-	-	-	-	-	-	-
<b>Total financial liabilities</b>	<b>3,345,706</b>	<b>275,003</b>	<b>90,564</b>	<b>(980)</b>	<b>1,130</b>	<b>54,060</b>	<b>3,765,483</b>

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### 42 FINANCIAL INSTRUMENTS (CONTINUED)

##### (c) Liquidity risk (continued)

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

The Group 30.06.2017	Up to 1 month RM'000	1 to 6 months RM'000	6 - 12 months RM'000	1 - 3 years RM'000	3 - 5 years RM'000	Over 5 years RM'000	Total RM'000
<b>Liabilities</b>							
Clients' and brokers' balances	271,738	-	-	-	-	-	271,738
Deposits from customers	535,347	108,314	6,328	-	-	-	649,989
Deposits and placements of banks and other financial institutions	1,907,952	333,727	8,855	-	-	-	2,250,534
Obligations on securities sold under repurchase agreements	-	149,780	-	-	-	-	149,780
Derivative financial liabilities							
- Gross settled derivatives							
- Inflow	(958,944)	(570,185)	(85,885)	-	-	-	(1,615,014)
- Outflow	959,397	571,687	86,790	-	-	-	1,617,874
- Net settled derivatives	(234)	(1,009)	(549)	(3,379)	(6,035)	169	(11,037)
Other liabilities	14,121	-	88,213	-	-	202	102,536
<b>Subordinated obligations</b>	-	1,336	1,314	5,307	5,300	56,636	69,893
<b>Total financial liabilities</b>	<b>2,729,377</b>	<b>593,650</b>	<b>105,066</b>	<b>1,928</b>	<b>(735)</b>	<b>57,007</b>	<b>3,486,293</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

### 42 FINANCIAL INSTRUMENTS (CONTINUED)

#### (c) Liquidity risk (continued)

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

The Company 30.06.2018	Up to 1 month RM'000	1 to 6 months RM'000	6 - 12 months RM'000	1 -3 years RM'000	3 -5 years RM'000	Over 5 years RM'000	Total RM'000
<b>Liabilities</b>							
Other liabilities	-	-	16,574	-	-	-	16,574
<b>Total financial liabilities</b>	-	-	16,574	-	-	-	16,574
<b>30.06.2017</b>							
<b>Liabilities</b>							
Other liabilities	-	-	613	-	-	-	613
<b>Total financial liabilities</b>	-	-	613	-	-	-	613

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### 42 FINANCIAL INSTRUMENTS (CONTINUED)

##### (c) Liquidity risk (continued)

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

<b>The Group</b>	<b>Less than</b>	<b>Over</b>	<b>Total</b>
<b>30.06.2018</b>	<b>1 year</b>	<b>1 year</b>	<b>RM'000</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Direct credit substitutes	1,000	-	1,000
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	4,914	-	4,914
Any commitment that are unconditionally cancelled at anytime by the Group without prior notice	662,442	-	662,442
	<b>668,356</b>	-	<b>668,356</b>
<b>30.06.2017</b>			
Direct credit substitutes	1,000	-	1,000
Obligations under underwriting agreement	130,000	-	130,000
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	10,352	-	10,352
Other commitments, such as formal standby facilities and credit lines	326	-	326
Any commitment that are unconditionally cancelled at anytime by the Group without prior notice	661,322	-	661,322
	<b>803,000</b>	-	<b>803,000</b>



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### 42 FINANCIAL INSTRUMENTS (CONTINUED)

##### (d) Credit risk

##### (i) Maximum exposure to credit risk

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

	The Group		The Company	
	30.06.2018 RM'000	30.06.2017 RM'000	30.06.2018 RM'000	30.06.2017 RM'000
Credit risk exposure relating to on-balance sheet assets:				
Short-term funds (exclude cash in hand)	127,633	267,448	44	490
Clients' and brokers' balances	316,234	270,967	-	-
Securities purchased under resale agreements	35,126	35,123	-	-
Deposits and placements with banks and other financial institutions	40,645	-	-	-
Financial assets and investments portfolios (exclude shares and unit trust investment)				
- financial assets held-for-trading	1,217,732	1,061,100	-	-
- financial investments available-for-sale	1,215,676	972,670	-	-
- financial investments held-to-maturity	847,659	909,215	-	-
Loans and advances	227,757	236,592	-	-
Other assets	49,051	53,354	16,139	576
Derivative financial assets	29,351	19,916	-	-
	<b>4,106,864</b>	3,826,385	<b>16,183</b>	1,066
Credit risk exposure relating to off-balance sheet items:				
Commitments and contingencies	668,356	803,000	-	-
Total maximum credit risk exposure	<b>4,775,220</b>	4,629,385	<b>16,183</b>	1,066

##### (ii) Collaterals

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

- Fixed deposits, Mudharabah General Investment Account, negotiable instrument of deposits, foreign currency deposits and cash deposits/margins
- Land and buildings
- Aircrafts, vessels and automobiles
- Quoted shares, unit trust, Malaysian Governments Bonds and securities and private debt securities
- Other tangible business assets, such as inventory and equipment

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### 42 FINANCIAL INSTRUMENTS (CONTINUED)

##### (d) Credit risk (continued)

##### (ii) Collaterals (continued)

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 2018 for the Group is 99.3% (30 June 2017: 100.0%). 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	30.06.2018 RM'000	30.06.2017 RM'000
Neither past due nor impaired	221,663	225,466
Past due but not impaired	-	-
Individually impaired	6,884	11,576
Gross loans and advances	228,547	237,042
Less : Allowance for impaired loans, advances and financing:		
- individual assessment allowance	(119)	(110)
- collective assessment allowance	(671)	(340)
Total net loans and advances	227,757	236,592

##### (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	30.06.2018 RM'000	30.06.2017 RM'000
Grading classification:		
- Good	13,481	14,695
- Satisfactory	-	-
- Un-graded	208,182	210,771
	221,663	225,466

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### 42 FINANCIAL INSTRUMENTS (CONTINUED)

##### (d) Credit risk (continued)

##### (iii) Credit quality (continued)

##### (a) Loans and advances (continued)

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

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

*Good:*

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

*Satisfactory:*

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

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

##### (ii) Loans and advances past due but not impaired

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

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

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

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

<b>The Group</b>	<b>30.06.2018</b>	<b>30.06.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Gross amount of individually impaired loans	<b>6,884</b>	11,576
Less: Individual assessment allowance	<b>(119)</b>	(110)
<b>Total net amount of individually impaired loans</b>	<b>6,765</b>	11,466

##### (b) Other financial assets

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### 42 FINANCIAL INSTRUMENTS (CONTINUED)

##### (d) Credit risk (continued)

##### (iii) Credit quality (continued)

##### (b) Other financial assets (continued)

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

	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Clients' and brokers' balances RM'000	Securities purchased under resale agreements RM'000	Financial assets held- for-trading RM'000	Financial investments- available for-sale RM'000	Financial investments held-to- maturity RM'000	Other assets RM'000	Derivative financial assets RM'000
<b>The Group</b>								
<b>30.06.2018</b>								
Neither past due nor impaired	168,278	313,785	35,126	1,217,732	1,215,676	847,659	49,051	29,351
Individually impaired	-	2,828	-	-	-	-	1,473	-
Less: Impairment losses	-	(379)	-	-	-	-	(1,473)	-
	<b>168,278</b>	<b>316,234</b>	<b>35,126</b>	<b>1,217,732</b>	<b>1,215,676</b>	<b>847,659</b>	<b>49,051</b>	<b>29,351</b>
<b>30.06.2017</b>								
Neither past due nor impaired	267,448	270,148	35,123	1,061,100	972,670	909,215	53,354	19,916
Individually impaired	-	1,264	-	-	-	-	1,015	-
Less: Impairment losses	-	(445)	-	-	-	-	(1,015)	-
	<b>267,448</b>	<b>270,967</b>	<b>35,123</b>	<b>1,061,100</b>	<b>972,670</b>	<b>909,215</b>	<b>53,354</b>	<b>19,916</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

### 42 FINANCIAL INSTRUMENTS (CONTINUED)

#### (d) Credit risk (continued)

##### (iii) Credit quality (continued)

##### (b) Other financial assets (continued)

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

<b>The Company</b>	<b>Short-term funds and deposits RM'000</b>	<b>Other assets RM'000</b>
<b>30.06.2018</b>		
Neither past due nor impaired	44	16,139
Individually impaired	-	-
Less: Impairment losses	-	-
	<b>44</b>	<b>16,139</b>
<b>30.06.2017</b>		
Neither past due nor impaired	490	576
Individually impaired	-	-
Less: Impairment losses	-	-
	<b>490</b>	<b>576</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

### 42 FINANCIAL INSTRUMENTS (CONTINUED)

#### (d) Credit risk (continued)

##### (iii) Credit quality (continued)

##### (b) Other financial assets (continued)

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

	Short-term deposits and placements with banks and other financial institutions RM'000	Clients' and brokers' balances RM'000	Securities purchased under resale agreements RM'000	Financial assets held- for-trading RM'000	Financial investments available- for-sale RM'000	Financial investments held-to- maturity RM'000	Other assets RM'000	Derivative financial assets RM'000
<b>The Group</b>								
<b>30.06.2018</b>								
AAA to AA3	-	-	-	1,006,677	676,590	10,092	-	22,518
A1 to A3	-	-	-	4,077	31,913	14,239	-	4,328
Baa1 to Baa3	-	-	-	16,018	61,284	22,622	-	916
P1 to P3	168,250	-	-	-	-	-	1,321	-
B1	-	-	-	-	-	-	-	-
Non-rated, of which:	-	-	-	-	-	-	-	-
- Bank Negara Malaysia	28	-	-	-	-	-	-	-
- Malaysia Government Investment Issues	-	-	-	81,076	101,874	518,318	-	-
- Malaysian Government Securities	-	-	-	10,029	81,306	216,787	-	-
- Government guaranteed corporate bond and/or sukuk	-	-	-	99,855	206,409	65,601	-	-
- Others	-	316,234	35,126	-	56,300	-	47,730	1,589
	28	316,234	35,126	190,960	445,889	800,706	47,730	1,589
	168,278	316,234	35,126	1,217,732	1,215,676	847,659	49,051	29,351

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

### 42 FINANCIAL INSTRUMENTS (CONTINUED)

#### (d) Credit risk (continued)

##### (iii) Credit quality (continued)

##### (b) Other financial assets (continued)

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

	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Clients' and brokers' balances RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Other assets RM'000	Derivative financial assets RM'000
<b>The Group</b>								
<b>30.06.2017</b>								
AAA to AA3	-	-	-	667,248	551,033	10,094	-	17,567
A1 to A3	-	-	-	240,558	39,234	67,463	-	1,205
Baa1 to Baa3	-	-	-	-	35,598	26,294	-	172
P1 to P3	267,373	-	-	-	-	-	19,785	-
Non-rated, of which:								
- Bank Negara Malaysia	75	-	-	-	-	-	-	-
- Malaysia Government Investment Issues	-	-	-	30,561	60,896	518,643	-	-
- Malaysian Government Securities	-	-	-	-	30,378	211,031	-	-
- Government guaranteed corporate bond and/or sukuk	-	270,967	35,123	122,721	200,769	75,690	-	-
- Others	-	-	-	12	54,762	-	33,569	972
	75	270,967	35,123	153,294	346,805	805,364	33,569	972
	267,448	270,967	35,123	1,061,100	972,670	909,215	53,354	19,916

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### 42 FINANCIAL INSTRUMENTS (CONTINUED)

##### (d) Credit risk (continued)

##### (iii) Credit quality (continued)

Short-term funds and deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investments portfolios, clients' and brokers' balances, other assets and derivative financial assets. (continued)

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

The Company	Short-term funds and deposits RM'000	Other assets RM'000
<b>30.06.2018</b>		
AAA to AA3	-	-
P1 to P3	44	-
Non-rated, of which:		
- Others	-	16,139
	-	16,139
	<b>44</b>	<b>16,139</b>
<b>30.06.2017</b>		
P1 to P3	490	-
Non-rated, of which:		
- Others	-	576
	-	576
	490	576

##### (iv) Collateral and other credit enhancements obtained

##### (a) Repossessed collateral

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



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

### 42 FINANCIAL INSTRUMENTS (CONTINUED)

#### (d) Credit risk (continued)

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

	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Clients' and brokers' balances RM'000	Securities purchased under resale agreements RM'000	Financial assets held- for-trading RM'000	Financial investments available-for- sale RM'000	Financial investments held-to- maturity RM'000	Loans and advances RM'000	Other assets RM'000	Derivative financial assets RM'000	On-balance sheet total RM'000	Credit related commitments and contingencies RM'000
<b>The Group</b>											
<b>30.06.2018</b>											
Manufacturing	-	-	-	-	-	-	-	1,003	-	1,003	-
Electricity, gas and water	-	-	-	-	145,801	-	-	277	-	146,078	-
Construction	-	-	35,126	10,256	92,657	-	-	88	-	138,127	1,000
Transport, storage and communications	-	-	-	59,733	65,722	-	-	17	-	125,472	-
Finance, insurance, real estate and business services	168,250	-	-	1,056,638	647,851	112,553	-	2,004	29,351	2,016,647	4,914
Government and government agencies	28	-	-	91,105	243,363	735,106	-	-	-	1,069,602	-
Education, health and others	-	-	-	-	-	-	-	33	-	33	-
Purchase of securities	-	316,234	-	-	-	-	208,042	-	-	524,276	662,442
Others	-	-	-	-	20,282	-	19,715	45,629	-	85,626	-
	<b>168,278</b>	<b>316,234</b>	<b>35,126</b>	<b>1,217,732</b>	<b>1,215,676</b>	<b>847,659</b>	<b>227,757</b>	<b>49,051</b>	<b>29,351</b>	<b>4,106,864</b>	<b>668,356</b>

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### 42 FINANCIAL INSTRUMENTS (CONTINUED)

##### (d) Credit risk (continued)

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

	Short-term funds and deposits and placements with banks and other financial institutions	Clients' and brokers' balances	Securities purchased under resale agreements	Financial assets held-for-trading	Financial investments available-for-sale	Financial investments held-to-maturity	Loans and advances	Other assets	Derivative financial assets	On-balance sheet total	Credit related commitments and contingencies
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>The Group</b>											
<b>30.06.2017</b>											
Manufacturing	-	-	-	-	-	-	-	476	-	476	-
Electricity, gas and water	-	-	-	20,328	118,918	-	-	471	-	139,717	-
Construction	-	-	35,123	-	112,531	-	14,667	13,744	-	176,065	1,326
Transport, storage and communications	-	-	-	50,799	20,268	-	-	-	-	71,067	-
Finance, insurance, real estate and business services	267,373	-	-	944,194	518,587	179,541	-	1,501	19,916	1,931,112	10,352
Government and government agencies	75	-	-	45,779	141,757	729,674	-	-	-	917,285	-
Education, health and others	-	-	-	-	-	-	-	35	-	35	-
Purchase of securities	-	270,967	-	-	-	-	210,622	-	-	481,589	130,000
Others	-	-	-	-	60,609	-	11,303	37,127	-	109,039	661,322
	267,448	270,967	35,123	1,061,100	972,670	909,215	236,592	53,354	19,916	3,826,385	803,000

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### 42 FINANCIAL INSTRUMENTS (CONTINUED)

##### (d) Credit risk (continued)

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

The Company	Short-term funds and deposits RM'000	Other assets RM'000	On-balance sheet total RM'000
<b>30.06.2018</b>			
Finance, insurance, real estate and business services	44	150	194
Others	-	15,989	15,989
	<b>44</b>	<b>16,139</b>	<b>16,183</b>
<b>30.06.2017</b>			
Finance, insurance, real estate and business services	490	493	983
Others	-	83	83
	490	576	1,066

##### (e) Fair value measurement

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

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

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

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

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

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

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

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). This category includes unquoted shares held for socio economic reasons. Fair values for shares held for socio economic reasons are based on the net tangible assets of the affected companies. The Group's exposure to financial instruments classified as Level 3 comprised a small number of financial instruments which constitute an insignificant component of the Group's portfolio of financial instruments. Hence, changing one or more of the inputs to reasonable alternative assumptions would not change the value significantly for the financial assets in Level 3 of the fair value hierarchy.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### 42 FINANCIAL INSTRUMENTS (CONTINUED)

##### (e) Fair value measurement (continued)

The Group and the Company recognise transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. Transfers between fair value hierarchy primarily due to change in the level of trading activity, change in observable market activity related to an input, reassessment of available pricing information and change in the significance of the unobservable input. There were no transfers between Level 1, 2 and 3 of the fair value hierarchy during the financial year (30 June 2017 - Nil).

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

<b>The Group</b> <b>30.06.2018</b>	<b>Level 1</b> <b>RM'000</b>	<b>Level 2</b> <b>RM'000</b>	<b>Level 3</b> <b>RM'000</b>	<b>Total</b> <b>RM'000</b>
<b>Financial assets</b>				
Financial assets held-for-trading	26,702	1,217,732	-	1,244,434
- money market instruments	-	1,010,389	-	1,010,389
- quoted securities	26,702	-	-	26,702
- unquoted securities	-	207,343	-	207,343
Financial investments available-for-sale	221,994	1,215,676	245	1,437,915
- money market instruments	-	238,413	-	238,413
- quoted securities	221,994	-	-	221,994
- unquoted securities	-	977,263	245	977,508
Derivative financial assets	-	29,351	-	29,351
	<b>248,696</b>	<b>2,462,759</b>	<b>245</b>	<b>2,711,700</b>
<b>Financial liability</b>				
Derivative financial liabilities	-	44,428	-	44,428
<b>30.06.2017</b>				
<b>Financial assets</b>				
Financial assets held-for-trading	41,547	1,061,100	-	1,102,647
- money market instruments	-	862,157	-	862,157
- quoted securities	41,547	-	-	41,547
- unquoted securities	-	198,943	-	198,943
Financial investments available-for-sale	201,063	972,670	245	1,173,978
- money market instruments	-	156,716	-	156,716
- quoted securities	201,063	-	-	201,063
- unquoted securities	-	815,954	245	816,199
Derivative financial assets	-	19,916	-	19,916
	<b>242,610</b>	<b>2,053,686</b>	<b>245</b>	<b>2,296,541</b>
<b>Financial liability</b>				
Derivative financial liabilities	-	47,959	-	47,959

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### 42 FINANCIAL INSTRUMENTS (CONTINUED)

##### (e) Fair value measurement (continued)

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

<b>The Company</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>30.06.2018</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets</b>				
Financial assets held-for-trading				
- quoted securities	20,550	-	-	20,550
Financial investments available-for-sale				
- quoted securities	142,410	-	-	142,410
	<b>162,960</b>	<b>-</b>	<b>-</b>	<b>162,960</b>
<b>30.06.2017</b>				
<b>Financial assets</b>				
Financial investments available-for-sale				
- quoted securities	140,168	-	-	140,168

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

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

<b>The Group</b>	<b>Financial investments available-for-sale</b>	
	<b>30.06.2018</b>	<b>30.06.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
As at 1 July/30 June	245	245

- (ii) The table below summarises the carrying amount and analyses the fair value within the fair value hierarchy of the Group's and the Company's assets and liabilities not measured at fair value at reporting date but for which fair value is disclosed:

<b>The Group</b>	<b>Carrying amount</b>	<b>Fair value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>30.06.2018</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets</b>					
Financial investments held-to-maturity					
- money market instruments	735,105	-	735,335	-	735,335
- unquoted securities	112,554	-	112,153	-	112,153
	<b>847,659</b>	<b>-</b>	<b>847,488</b>	<b>-</b>	<b>847,488</b>

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### 42 FINANCIAL INSTRUMENTS (CONTINUED)

##### (e) Fair value measurement (continued)

- (ii) The table below summarises the carrying amount and analyses the fair value within the fair value hierarchy of the Group's and the Company's assets and liabilities not measured at fair value at reporting date but for which fair value is disclosed: (continued)

The Group 30.06.2018	Carrying amount	Fair value			Total
	RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
<b>Financial liabilities</b>					
Deposits from customers	1,082,656	-	1,082,656	-	1,082,656
Deposits and placements of banks and other financial institutions	2,058,960	-	2,058,944	-	2,058,944
Subordinated obligations	50,290	-	50,477	-	50,477
	<b>3,191,906</b>	<b>-</b>	<b>3,192,077</b>	<b>-</b>	<b>3,192,077</b>
<b>30.06.2017</b>					
<b>Financial assets</b>					
Financial investments held-to-maturity					
- money market instruments	729,674	-	732,870	-	732,870
- unquoted securities	179,541	-	179,776	-	179,776
	909,215	-	912,646	-	912,646
<b>Financial liabilities</b>					
Deposits from customers	648,867	-	648,871	-	648,871
Deposits and placements of banks and other financial institutions	2,247,733	-	2,247,750	-	2,247,750
Subordinated obligations	50,262	-	50,444	-	50,444
	2,946,862	-	2,947,065	-	2,947,065

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

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

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

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

##### Financial investments held-to-maturity

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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

### 42 FINANCIAL INSTRUMENTS (CONTINUED)

#### (e) Fair value measurement (continued)

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

##### Loans and advances

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

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

##### Clients' and brokers' balances

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

##### Other assets and liabilities

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

##### Deposits from customers

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

##### Deposits and placements of other financial institutions and repurchased agreements

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

##### Subordinated obligations

The fair value of subordinated obligations are based on quoted market prices where available.

##### Credit related commitment and contingencies

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

### 43 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### 43 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

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

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

The Group 30.06.2018	Effects of offsetting on balance sheet			Related amounts not offset		
	Gross amount RM'000	Amount offset RM'000	Net amount reported on the balance sheet RM'000	Financial instruments RM'000	Financial collateral RM'000	Net amount RM'000
<b>Financial assets</b>						
Clients' and brokers' balances	563,390	(247,156)	316,234	-	-	316,234
Derivative financial assets	29,351	-	29,351	(6,930)	(1,450)	20,971
<b>Total assets</b>	<b>592,741</b>	<b>(247,156)</b>	<b>345,585</b>	<b>(6,930)</b>	<b>(1,450)</b>	<b>337,205</b>
<b>Financial liabilities</b>						
Clients' and brokers' balances	597,886	(247,156)	350,730	-	-	350,730
Derivative financial liabilities	44,428	-	44,428	(6,930)	(1,321)	36,177
Obligations on securities agreement	99,654	-	99,654	(99,654)	-	-
<b>Total liabilities</b>	<b>741,968</b>	<b>(247,156)</b>	<b>494,812</b>	<b>(106,584)</b>	<b>(1,321)</b>	<b>386,907</b>
<b>30.06.2017</b>						
<b>Financial assets</b>						
Clients' and brokers' balances	504,817	(233,850)	270,967	-	-	270,967
Derivative financial assets	19,916	-	19,916	(10,759)	(770)	8,387
<b>Total assets</b>	<b>524,733</b>	<b>(233,850)</b>	<b>290,883</b>	<b>(10,759)</b>	<b>(770)</b>	<b>279,354</b>
<b>Financial liabilities</b>						
Clients' and brokers' balances	505,588	(233,850)	271,738	-	-	271,738
Derivative financial liabilities	47,959	-	47,959	(10,759)	(19,785)	17,415
Obligations on securities agreement	149,111	-	149,111	(149,111)	-	-
<b>Total liabilities</b>	<b>702,658</b>	<b>(233,850)</b>	<b>468,808</b>	<b>(159,870)</b>	<b>(19,785)</b>	<b>289,153</b>



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### 43 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

##### Related amounts not offset

##### Derivative financial assets and liabilities

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

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

##### Repurchased and reverse repurchase agreements

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

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

#### 44 EQUITY COMPENSATION BENEFITS

##### Executive Share Option Scheme

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

There were no options outstanding as at reporting date.

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

	30.06.2018		30.06.2017	
	Number of trust shares held '000	Market value RM'000	Number of trust shares held '000	Market value RM'000
<b>The Group</b>	5,613	5,371	5,613	4,210
<b>The Company</b>	5,508	5,271	5,508	4,131

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

#### 45 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

##### Public Shareholdings Spread

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

The public shareholding spread of the Company as at 29 June 2018 was 18.67%.

As announced by the Company on 18 March 2015, Bursa Malaysia Securities Berhad had imposed a suspension on the trading of HLCB's shares with effect from 26 March 2015. The suspension will only be uplifted upon full compliance of the public shareholding spread in accordance with paragraph 8.02(1) of the Listing Requirements.

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

The Company had previously announced that its majority shareholder, Hong Leong Financial Group Berhad ("HLFG"), had informed the Company that it was considering various options to address the non-compliance with the 25% public spread requirement and would inform the Company accordingly as needed. The Company will continue to discuss with HLFG, options to comply with the shareholding spread requirement.

#### 46 SUBSEQUENT EVENT AFTER THE FINANCIAL YEAR

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

#### 47 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were authorised for issue by the Board of Directors of the Company in accordance with a resolution of the Directors on 18 September 2018.

## STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016

We, Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman and Tan Kong Khoon, being two of the Directors of Hong Leong Capital Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 65 to 162 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2018 and financial performance of the Group and the Company for the financial year ended 30 June 2018, in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act, 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution dated 18 September 2018.

**TAN SRI DATO' SERI KHALID AHMAD BIN SULAIMAN**

Director

Kuala Lumpur  
19 September 2018

**TAN KONG KHOON**

Director

## STATUTORY DECLARATION

PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT, 2016

I, Lau Yew Sun, the officer primarily responsible for the financial management of Hong Leong Capital Berhad, do solemnly and sincerely declare that the financial statements set out on pages 65 to 162 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by  
the above named Lau Yew Sun (MIA No. 8752)  
Petaling Jaya in Selangor Darul Ehsan on  
19 September 2018

Before me,

**LAWRENCE LOW**

Commissioner for Oaths

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HONG LEONG CAPITAL BERHAD

(Incorporated in Malaysia)

(Company No: 213006-U)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Our opinion

In our opinion, the financial statements of Hong Leong Capital Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 30 June 2018, and of their financial performance and their 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 2016 in Malaysia.

### What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 30 June 2018 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 65 to 162.

### Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

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

### Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

### Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and the Company. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HONG LEONG CAPITAL BERHAD  
(Incorporated in Malaysia)  
(Company No: 213006-U)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

### Key audit matter

Key audit matter is matter that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. This matter was addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key audit matter	How our audit addressed the key audit matter
<p><b>Recognition of deferred tax assets arising from unutilised tax credit</b></p> <p>Refer to Summary of Significant Group Accounting Policy Notes A and Q and Note 11 and Note 32 to the financial statement.</p> <p>The Group recognised deferred tax assets of on unutilised tax credit to the extent that it is probable that future taxable profit will be available against which the tax credits can be utilised. Deferred tax assets of RM88.3 million as at 30 June 2018 arose mainly from unutilised tax credit of a banking subsidiary.</p> <p>Significant judgement is required to estimate the amount of deferred tax assets that could be recognised were dependant on the availability future taxable profits. Future taxable profits which are subject to future events and economic conditions which are inherently uncertain. Therefore, the extent of judgement and the amount of the deferred tax assets recognised resulted in this matter being identified as an area of audit focus.</p>	<p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding about the local tax developments, in particular those related to changes in the statutory income tax rate and of the statutes of limitation since these were key assumptions used in determining the amount of deferred tax assets recognised.</li> <li>• Checked the available tax credit to correspondence between the banking subsidiary and the Inland Revenue Board.</li> <li>• Checked that the profit projection to the budgets approved by the Board of Directors.</li> <li>• Compared historical profits with the budget to assess the accuracy of forecasting.</li> <li>• Assessed the reasonableness of assumption used by management in determining the amount of taxable profit.</li> </ul>

### Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the following:

- 5 Year Group Financial Highlights
- Chairman's Statement
- Board Audit and Risk Management Committee Report
- Corporate Governance Overview Statement, Risk Management & Internal Control
- Management Discussion and Analysis
- Sustainability Statement
- Directors' Report
- Basel II Pillar 3

but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HONG LEONG CAPITAL BERHAD

(Incorporated in Malaysia)

(Company No: 213006-U)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

### Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HONG LEONG CAPITAL BERHAD  
(Incorporated in Malaysia)  
(Company No: 213006-U)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**PRICEWATERHOUSECOOPERS PLT**  
(LLP0014401-LCA & AF1146)  
Chartered Accountants

Kuala Lumpur  
19 September 2018

**NG YEE LING**  
No. 3032/01/19 J  
Chartered Accountant

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Twenty-seventh Annual General Meeting (“AGM”) of Hong Leong Capital Berhad (“Company”) will be held at the Auditorium, Ground Floor, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur on Tuesday, 30 October 2018 at 9.30 a.m. in order:

1. To lay before the meeting the audited financial statements together with the reports of the Directors and Auditors thereon for the financial year ended 30 June 2018.
2. To declare a final single-tier dividend of 19 sen per share for the financial year ended 30 June 2018 to be paid on 23 November 2018 to members registered in the Record of Depositors on 7 November 2018. **(Resolution 1)**
3. To approve the payment of Directors’ Fees of RM397,149 for the financial year ended 30 June 2018 to be divided amongst the Directors in such manner as the Directors may determine and Directors’ Other Benefits of up to an amount of RM30,000 from the 27<sup>th</sup> AGM to the 28<sup>th</sup> AGM of the Company. **(Resolution 2)**
4. To re-elect Ms Koid Swee Lian who retires pursuant to Clause 95 of the Company’s Constitution. **(Resolution 3)**
5. To re-appoint PricewaterhouseCoopers PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 4)**

### SPECIAL BUSINESS

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

6. **Ordinary Resolution**  
**Proposed Renewal of Shareholders’ Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Hong Leong Company (Malaysia) Berhad (“HLCM”) and Persons Connected with HLCM**

“**THAT** approval be and is hereby given for the Company and/or its subsidiaries to enter into any of the transactions falling within the types of recurrent related party transactions of a revenue or trading nature as disclosed in Section 2.3(A) and (C) of the Company’s Circular to Shareholders dated 1 October 2018 (“the Circular”) with HLCM and persons connected with HLCM (“Hong Leong Group”), as set out in Appendix II of the Circular provided that such transactions are undertaken in the ordinary course of business, on arm’s length basis and on commercial terms which are not more favourable to the Hong Leong Group than those generally available to and/or from the public and are not, in the Company’s opinion, detrimental to the minority shareholders;

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

- (a) the conclusion of the next Annual General Meeting (“AGM”) of the Company at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or
- (b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or
- (c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier;

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

**(Resolution 5)**



## NOTICE OF ANNUAL GENERAL MEETING

### 7. Ordinary Resolution

#### **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Tower Real Estate Investment Trust ("Tower REIT")**

"**THAT** approval be and is hereby given for the Company and/or its subsidiaries to enter into any of the transactions falling within the types of recurrent related party transactions of a revenue or trading nature as disclosed in Section 2.3(B) of the Company's Circular to Shareholders dated 1 October 2018 with Tower REIT provided that such transactions are undertaken in the ordinary course of business, on arm's length basis and on commercial terms which are not more favourable to Tower REIT than those generally available to and/or from the public and are not, in the Company's opinion, detrimental to the minority shareholders;

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

- (a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or
- (b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or
- (c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier;

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

**(Resolution 6)**

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

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

- (a) shares transferred into the depositor's securities account before 4:00 p.m. on 7 November 2018 in respect of ordinary transfers; and
- (b) shares bought on Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the Rules of the Bursa Securities.

By Order of the Board

**CHRISTINE MOH SUAT MOI**  
(MAICSA 7005095)  
Group Company Secretary

Kuala Lumpur  
1 October 2018

# NOTICE OF ANNUAL GENERAL MEETING

## NOTES:

1. For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 22 October 2018 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.
2. Save for a member who is an exempt authorised nominee, a member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote in his stead. A proxy may but need not be a member of the Company. A member who is an authorised nominee may appoint not more than two (2) proxies in respect of each securities account it holds. A member who is an exempt authorised nominee for multiple beneficial owners in one securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.
3. Where two (2) or more proxies are appointed, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which the appointments shall be invalid.
4. The Form of Proxy must be deposited at the Registered Office of the Company at Level 30, Menara Hong Leong, No. 6 Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur not less than 48 hours before the time and date of the meeting or adjourned meeting.
5. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Securities ("MMLR"), all the resolutions set out in this Notice will be put to a vote by way of a poll.
6. YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman and YBhg Dato' Ahmad Fuaad bin Mohd Dahalan who served more than 9 years at the Board have informed the Board that they will retire at the conclusion of the Twenty-seventh Annual General Meeting.

## EXPLANATORY NOTES

### 1. Resolution 2 on Directors' Fees and Directors' Other Benefits

- Directors' Fees of RM397,149 are inclusive of Board Committee fees of RM151,862 and Meeting Allowances of RM28,000.
- Directors' Other Benefits refer to Directors' training benefits of up to RM30,000.

### 2. Resolutions 5 and 6 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").

Detailed information on the Proposed Renewal of Shareholders' Mandate is set out in the Circular to Shareholders dated 1 October 2018 which is dispatched together with the Company's 2018 Annual Report.

## STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(PURSUANT TO PARAGRAPH 8.27(2) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES)

### • Details of individuals who are standing for election as Directors

No individual is seeking election as a Director at the forthcoming Twenty-seventh Annual General Meeting of the Company.

## OTHER INFORMATION

### 1. MATERIAL CONTRACTS

There were no material contracts (not being contracts entered into in the ordinary course of business) which had been entered into by the Company and its subsidiaries involving the interest of Directors and major shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year pursuant to Item 21, Part A, Appendix 9C of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

### 2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2018

Total number of issued shares : 246,896,668  
 Class of shares : Ordinary shares  
 Voting rights : 1 vote for each share held

#### Distribution Schedule of Shareholders as at 30 August 2018

Size of Holdings	No. of Shareholders	%	No. of Shares	%
Less than 100	56	8.19	2,028	0.00
100 – 1,000	228	33.33	163,661	0.07
1,001 – 10,000	246	35.96	929,721	0.38
10,001 – 100,000	103	15.06	4,477,300	1.81
100,001 – less than 5% of issued shares	50	7.31	40,518,900	16.41
5% and above of issued shares	1	0.15	200,805,058	81.33
	684	100.00	246,896,668	100.00

#### List of Thirty Largest Shareholders as at 30 August 2018

Name of Shareholders	No. of Shares	%
1. Assets Nominees (Tempatan) Sdn Bhd - Hong Leong Financial Group Berhad	200,805,058	81.33
2. UOB Kay Hian Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Yu Kuan Chon	6,005,100	2.43
3. MTrustee Berhad - Exempt AN for Hong Leong Capital Berhad (ESOS)	5,507,700	2.23
4. Tong Chin Hen	2,863,500	1.16
5. AllianceGroup Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Ho Swee Ming (8080176)	2,338,300	0.95
6. Rapid Synergy Berhad	2,191,400	0.89
7. Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lim Fung Neng	1,968,500	0.80
8. Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Yu Kuan Chon	1,204,800	0.49
9. RHB Capital Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Yu Kuan Chon (CEB)	1,019,600	0.41
10. RHB Capital Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Chan Weng Fui (CEB)	1,018,900	0.41
11. Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Ho Swee Ming	941,000	0.38

## OTHER INFORMATION

### 2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2018 (CONTINUED)

#### List of Thirty Largest Shareholders as at 30 August 2018 (continued)

Name of Shareholders	No. of Shares	%
12. Koh Liong Boon	931,500	0.38
13. RHB Capital Nominees (Tempatan) Sdn Bhd - Yu Kuan Chon	870,000	0.35
14. RHB Capital Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Ho Swee Ming (CEB)	857,500	0.35
15. Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Chan Yan Meng	852,500	0.34
16. Kenanga Nominees (Tempatan) Sdn Bhd - Ding Ming Hea	833,100	0.34
17. Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Tan Kooi Ming @ Tam Kooi Ming	780,000	0.32
18. RHB Capital Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Liew Kok Tze	776,000	0.31
19. AllianceGroup Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Ho Swee Ming	558,000	0.23
20. Ng Bing Tiam @ Goh Kee Sang	513,000	0.21
21. Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lee Chun Weng	500,000	0.20
22. AllianceGroup Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Chan Yan Meng (8079675)	483,500	0.20
23. Yu Kuan Chon	476,000	0.19
24. AllianceGroup Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Chan Weng Fui (8082361)	475,600	0.19
25. Chan Sow Keng	450,000	0.18
26. AllianceGroup Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lim Fung Neng (8080723)	410,300	0.17
27. PM Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Chan Weng Fui (A)	381,400	0.15
28. Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Ng Bing Tiam @ Goh Kee Sang	370,000	0.15
29. AllianceGroup Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lim Leong Wouh (6000718)	364,200	0.15
30. Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Hong Kee Kok	349,600	0.14
	237,096,058	96.03

## OTHER INFORMATION

### 2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2018 (CONTINUED)

#### Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 30 August 2018 are as follows:

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

Notes:

<sup>A</sup> Held through Hong Leong Financial Group Berhad

<sup>B</sup> Held through Hong Leong Company (Malaysia) Berhad

### 3. DIRECTORS' INTERESTS AS AT 30 AUGUST 2018

Subsequent to the financial year end, there is no change, as at 30 August 2018, to the Directors' interests in the ordinary shares, preference shares and/or options over ordinary shares of the Company and/or its related corporations (other than wholly-owned subsidiaries), appearing in the Directors' Report on pages 61 and 62 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016.

### 4. LIST OF PROPERTIES

Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM '000)	Date of acquisition
51-53, Persiaran Greenhill, 30450, Ipoh, Perak	Freehold & leasehold - 999 years	Branch premises	4,793	24	1,796	31/12/1993

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# 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-seventh Annual General Meeting of the Company to be held at the Auditorium, Ground Floor, Menara Hong Leong, No. 6, Jalan Damanela, Bukit Damansara, 50490 Kuala Lumpur on Tuesday, 30 October 2018 at 9.30 a.m. and at any adjournment thereof.

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

RESOLUTIONS	FOR	AGAINST
1. To declare a final single-tier dividend of 19 sen per share		
2. To approve the payment of Directors' Fees and Directors' Other Benefits		
3. To re-elect Ms Koid Swee Lian as a Director		
4. To re-appoint PricewaterhouseCoopers PLT as Auditors of the Company and to authorise the Directors to fix their remuneration		
<b>Special Business</b>		
5. To approve the ordinary resolution on the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Hong Leong Company (Malaysia) Berhad ("HLCM") and persons connected with HLCM		
6. To approve the ordinary resolution on the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Tower Real Estate Investment Trust		

Dated this ..... day of ..... 2018.

Number of shares held

Signature(s) of Member

**Notes:-**

- For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 22 October 2018 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.
- 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.
- 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.
- A proxy may but need not be a member of the Company.
- Save for a member who is an exempt authorised nominee, a member shall not be entitled to appoint more than two (2) proxies to attend, participate, speak and vote at the same meeting. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may not appoint more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. A member who is an exempt authorised nominee for multiple beneficial owners in one securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.
- 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).
- 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.
- All Forms of Proxy must be duly executed and deposited at the Registered Office of the Company at Level 30, Menara Hong Leong, No. 6 Jalan Damanela, Bukit Damansara, 50490 Kuala Lumpur not less than 48 hours before the time and date of the meeting or adjourned meeting.
- In the event two (2) or more proxies are appointed, please fill in the ensuing section.

Name of Proxies	% of shareholdings to be represented
.....	.....
.....	.....

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

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**The Group Company Secretary**

**HONG LEONG CAPITAL BERHAD**

(Company No. 213006-U)

Level 30, Menara Hong Leong  
No. 6, Jalan Damanlela  
Bukit Damansara  
50490 Kuala Lumpur  
Malaysia

Affix  
Stamp

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

Level 28, Menara Hong Leong

6, Jalan Damanlela, Bukit Damansara

50490 Kuala Lumpur

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*As part of Hong Leong Capital's support for environmental sustainability, this Annual Report is printed on Forest Stewardship Council (FSC) certified paper and recycled paper.*