

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)

Summary of key matters discussed at the **49th Annual General Meeting** (“AGM”) of **Hong Leong Financial Group Berhad** (“the Company” or “HLFG”) held at the Auditorium, Ground Floor, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur on Tuesday, 30 October 2018 at 11.00 a.m.

1. Hong Leong Capital Berhad (“HLCB”) has announced on 28 August 2018 that the company does not comply with the required public shareholding spread pursuant to paragraph 8.02(1) of the Main Market 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 the public shareholders.

As stated in the announcement of HLCB to Bursa as at 29 June 2018, the public shareholding spread was 18.67%. HLCB has not identified a satisfactory plan to address the non-compliance with the 25% public shareholding spread requirement and will continue to discuss with its majority shareholder, HLFG options to comply with the requirement.

What is the status of the discussion? What are the actions to be taken by HLFG to address this issue?

Response:

- The position remains the same as the previous announcement in that HLCB has not identified a satisfactory plan to address the non-compliance with the 25% public shareholding spread requirement and HLFG will continue to discuss with HLCB on options to comply with the requirement.

2. Reference is made to the Circular on the “Proposed Renewal of Shareholders’ Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature (“RRPT”) dated 1 October 2018. Please clarify item A(e), “Receipt of Services” from Hong Leong Group, on page 5 of the Circular. What are the transactions and services to be provided to HLFG?

Response:

- The main services provided to HLFG and its insurance subsidiaries are security services, property maintenance and brokerage. The RRPT are conducted at arm’s length in the ordinary course of business.

3. Under the Life Insurance and Family Takaful Framework which Bank Negara Malaysia introduced sometime end 2015, there was a gradual removal of limits on operating costs. This framework includes proposals for:

- the removal of the maximum commission limits payable on investment linked policies; and
- the imposition of Minimum Allocation Rate which specifies the minimum proportion of premium payable by the policyholder needed to be retained in the unit fund before the deduction of any charges.

The Minimum Allocation Rate could be implemented on 1 January 2019 for the life insurance companies, and could increase the new business strain for life insurance companies. Clarification was sought on the following:

- Will the Minimum Allocation Rate have any impact on Hong Leong Assurance Berhad (“HLA”). If so, how material is the impact, and how will HLA mitigate the impact.

Response:

- HLA is working towards complying with the said framework. Further details can be provided separately, if needed.

Response to the shareholder via email dated 30 October 2018:

- The proposed scale of Minimum Allocation Rates requires a higher proportion of premium payable to be allocated to units in the earlier years compared with typical investment linked policies currently sold. Conversely, the proportion of premium payable to be allocated to units may be lower in later years compared with typical investment linked policies currently sold, so there is some offsetting impact.
- Life insurance companies in Malaysia, including HLA, can mitigate the impact by re-designing their products and changing their business mix to more profitable segments (e.g. higher protection-based rather than savings-based).

4. What are the actions taken by HLFG to address the non-compliance of HLCB with the required public shareholding spread?

Response:

- Presently, there are no satisfactory plans identified to address the non-compliance with the 25% public shareholding spread requirement. HLFG will continue to discuss with HLCB on options to comply with the requirement.

5. In 2016, HLFG was in negotiations with certain parties for the possible acquisition by them of HLFG’s equity interest in HLA (“Proposal”) but the negotiations were subsequently called off. What were the reasons for the negotiation to be subsequently called off? Looking forward, does HLFG have any plans to dispose its equity interest in HLA?

Response:

- The Proposal was an unsolicited offer. HLFG and the negotiating parties had mutually agreed to cease negotiations as both parties could not reach an acceptable commercial agreement on the Proposal.
- HLFG is open to consider any opportunities or offers that are very attractive and which would increase shareholders value.