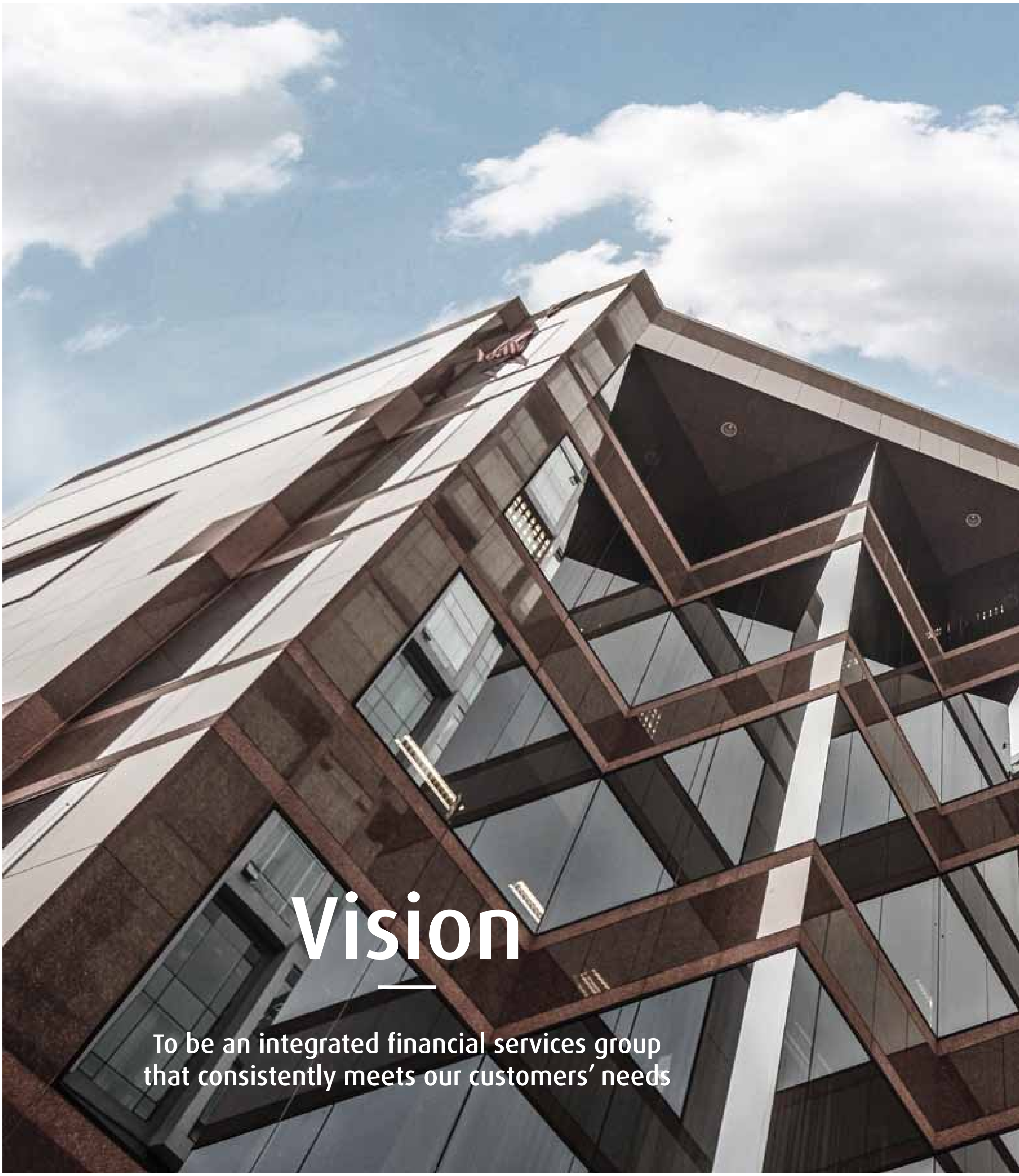
Hong Leong Financial Group Berhad

ANNUAL REPORT 2016



Vision

To be an integrated financial services group
that consistently meets our customers' needs

Contents

CORPORATE

FINANCIALS

ADDITIONAL INFORMATION

INTRODUCTION

Hong Leong Financial Group Berhad, the holding company for Hong Leong Group's banking and financial services, has advanced through the years guided by focused business strategies supported by strong management and financial discipline.

Hong Leong Financial Group Berhad's ("HLFG" or "the Group") integrated suite of conventional and Islamic financial products and services enables it to reach out and connect with its customers not only in Malaysia, but throughout the region.

Through Hong Leong Bank Berhad ("HLB"), the Group provides comprehensive offerings in personal financial services, business banking, treasury, transaction banking, and wealth management. With an extensive distribution network of approximately 300 branches and over 1,400 self-service terminals throughout Malaysia, HLB is well positioned to offer effective, sound and responsible financial solutions to Malaysians from all walks of life.

HLB's regional footprint is marked by branches in Singapore and Hong Kong, wholly owned subsidiaries in Vietnam and Cambodia, as well as a representative office in Nanjing. Additionally, HLB has a 20% shareholding in the Bank of Chengdu Co., Ltd., in China and is also a joint venture partner with the Bank of Chengdu in operating a licensed consumer finance company in central and Western China.

Islamic banking and wealth management services are offered through Hong Leong Islamic Bank Berhad ("HLISB"), a full-fledged Islamic bank and wholly-owned subsidiary of HLB. By leveraging on HLB's extensive network, as well as its own dedicated branches, HLISB provides easy access to customers seeking Shariah compliant alternatives to conventional banking products and services. A full suite of products on offer include investment banking, business banking, personal financial services and wealth management, the delivery of which encapsulates the tenets and principles of Shariah Law.

HL Bank Singapore ("HLBS") transitioned from a pure private banking institution and has successfully extended its services to include consumer financing following its business transformation initiated two years ago. HLBS has today become a preferred banker within the health banking and auto financing niches in the country with a significant market share.

INTRODUCTION

HLA Holdings Sdn Bhd ("HLAH") is the insurance holding company of the Group. HLAH's subsidiary Hong Leong Assurance Berhad ("HLA") is one of the country's fastest growing life insurers and is also a leading Malaysian insurance company backed by a strong and competent agency force nationwide. To expand its influence, HLA merged its general insurance business with that of MSIG Insurance (Malaysia) Bhd in a strategic partnership. Today, General and Family Takaful is provided through Hong Leong MSIG Takaful Berhad. HLAH is also present in Hong Kong and Singapore through its subsidiaries, Hong Leong Insurance (Asia) Limited and HL Assurance Pte Ltd.

In addition to banking and insurance, HLFG provides stock broking, investment banking, capital market and fund management services through Hong Leong Capital Berhad ("HLCB") Group. Hong Leong Investment Bank Berhad, a subsidiary of HLCB, offers relevant and effective solutions to institutional clients seeking to generate value, access capital markets, as well as utilise innovative trading products and services across treasury, equities, derivatives and foreign exchange. Another key subsidiary, Hong Leong Asset Management Berhad ("HLAM"), was the result of a merger between HLG Unit Trust Berhad, a pioneer in the Malaysian unit trust industry, and HLG Asset Management Sdn Bhd. Today, HLAM offers a comprehensive range of managed solutions across equity and debt asset classes, along with efficient customer support and communications, to help its customers achieve superior long-term risk-adjusted returns.

FIVE YEAR GROUP FINANCIAL HIGHLIGHTS

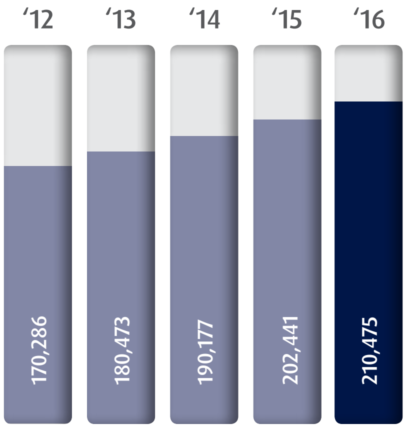
The Group	2012 RM'Million	2013 RM'Million	2014 RM'Million	2015 RM'Million	2016 RM'Million
Statements of Financial Position					
Total assets	170,286	180,473	190,177	202,441	**210,475**
Net loans	89,513	96,275	103,665	113,112	**120,445**
Total liabilities	157,004	165,468	173,172	182,976	**187,297**
Deposits from customers	123,217	123,959	130,632	140,955	**149,491**
Shareholders' funds	8,899	10,076	11,474	13,111	**15,341**
Commitments and contingencies	154,326	167,126	199,881	157,622	**159,473**
Statements of Income					
Revenue	4,158	4,379	4,549	4,491	**4,543**
Profit before tax	2,394	2,630	3,009	3,023	**2,565**
Net profit	1,853	2,165	2,517	2,460	**2,064**
Profit attributable to owners of the parent	1,234	1,488	1,707	1,621	**1,359**
Key Performance Indicators					
Share price (RM)	12.24	14.46	16.14	15.16	**14.68**
Book value per share (RM)	8.56	9.66	10.95	12.48	**13.42**
Basic earnings per share (sen)	118.6	142.7	162.9	154.3	**123.2**
Net dividend per share (sen)	25.0	36.0	38.0	38.0	**38.0**
Financial Ratios (%)					
Profitability Ratios					
Return on equity	14.7%	15.7%	15.8%	13.2%	**9.6%**
Return on average assets	0.8%	0.8%	0.9%	0.8%	**0.7%**
Cost/income ratio	50.4%	46.5%	43.2%	44.5%	**50.3%***
Asset Quality/Loan Ratios					
Gross loans to deposits ratio	74.3%	79.1%	80.6%	81.2%	**81.3%**
Gross impaired loans ratio	1.7%	1.4%	1.2%	0.8%	**0.8%**

* Including HLB's MSS expense. Excluding HLB's MSS expense, cost/income ratio is 46.5%

FIVE YEAR GROUP FINANCIAL HIGHLIGHTS

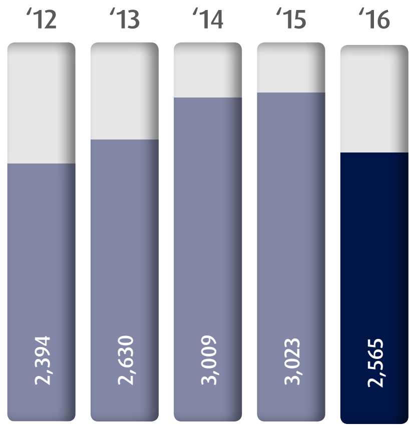
Five year performance chart (% growth)

Group Total Assets (RM'Million)



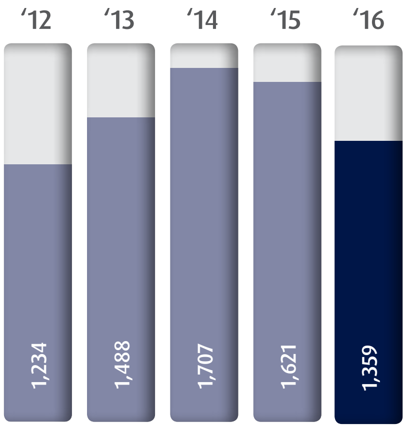
YoY +4.0%
CAGR = 6.2%

Group Profit before Tax (RM'Million)



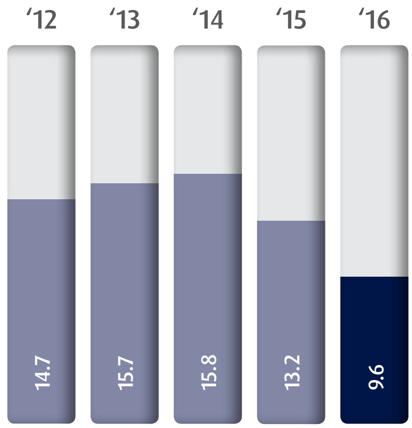
YoY -15.2%
CAGR = 1.1%

Group Profit Attributable to Owners of the Parent (RM'Million)



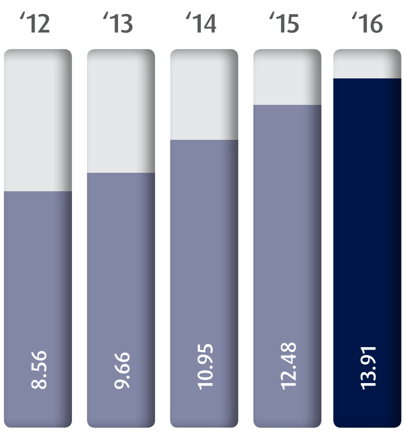
YoY -16.2%
CAGR = -4.1%

Group Return on Equity (%)



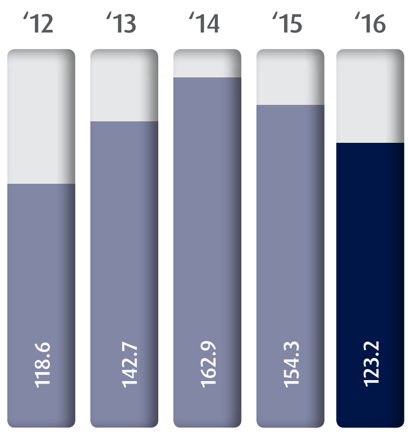
YoY -27.6%

Group Book Value per Share (RM)



YoY +11.4%
CAGR = 12.9 %

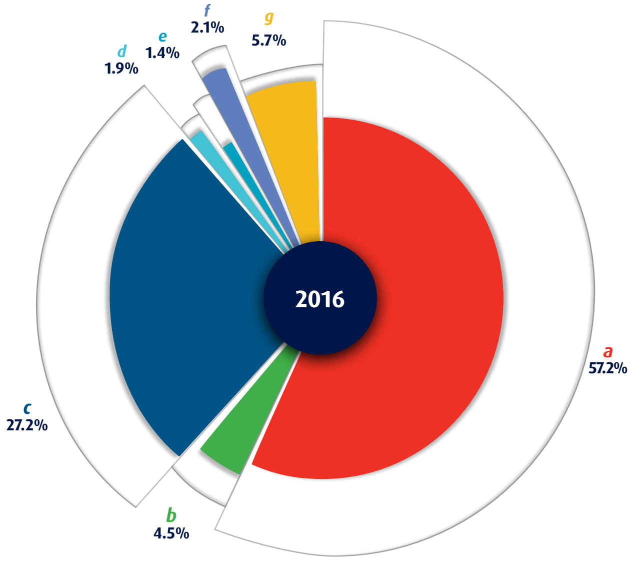
Group Earnings per Share (Sen)

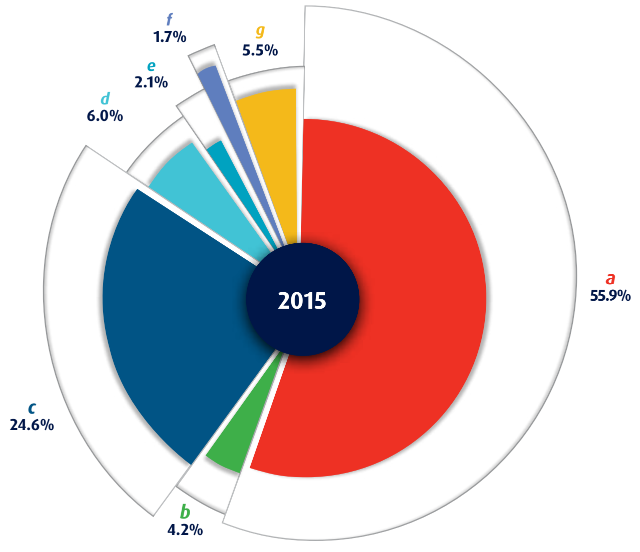


YoY -20.2%

SIMPLIFIED GROUP STATEMENTS OF FINANCIAL POSITION

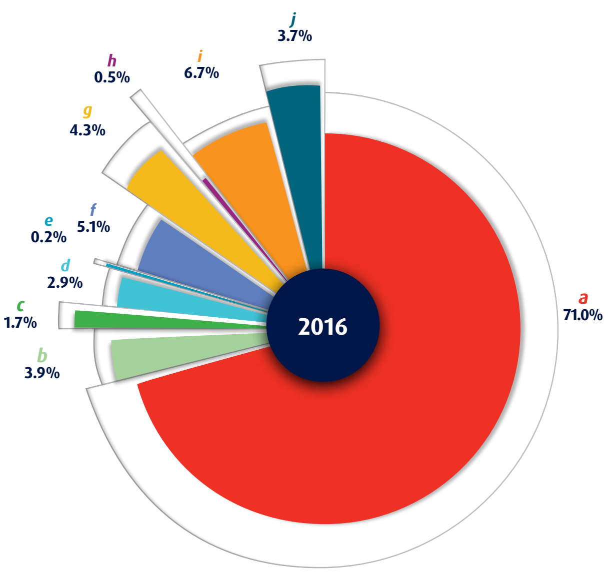
Assets

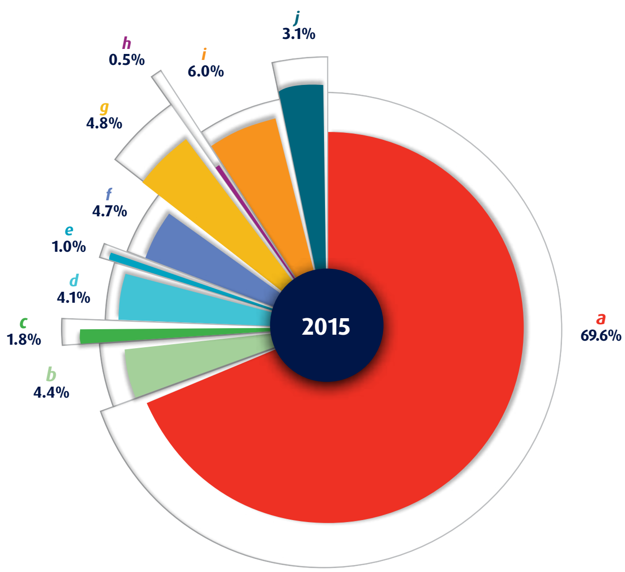




- *a* Loans, advances and financing
- *b* Cash and short-term funds
- *c* Portfolio of securities
- *d* Securities purchased under resale agreements
- *e* Deposits and placements with banks and other FI
- *f* Statutory deposits with Central Banks
- *g* Other assets (including goodwill)

Liabilities & Equity





- *a* Deposits from customers
- *b* Deposits and placements of banks and other FI
- *c* Obligations on securities sold under repurchase agreements
- *d* Borrowings and subordinated obligations
- *e* Innovative and Non-Innovative Tier 1 securities
- *f* Insurance funds
- *g* Other liabilities
- *h* Share capital
- *i* Reserves (net of treasury shares for ESOS)
- *j* Non-controlling interests

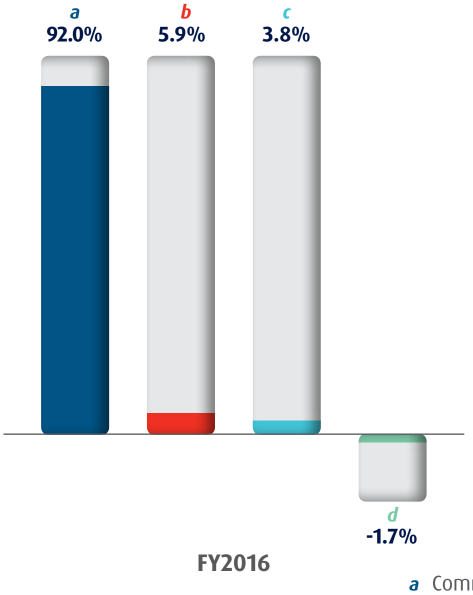
GROUP QUARTERLY FINANCIAL PERFORMANCE

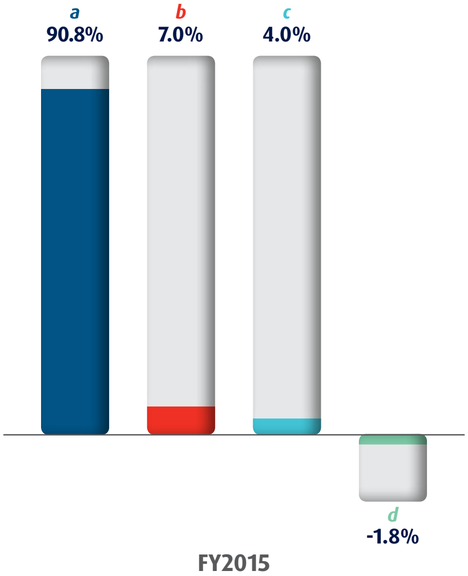
	2016				
RM'Million	**Q1**	**Q2**	**Q3**	**Q4**	**Year**
Statements of Income					
Revenue	**1,147**	**1,165**	**1,025**	**1,206**	**4,543**
Profit before tax	**697**	**487**	**592**	**789**	**2,565**
Net profit	**582**	**396**	**485**	**601**	**2,064**
Profit attributable to owners of the parent	**387**	**264**	**315**	**393**	**1,359**
Key Performance Indicators					
Share price (RM)	**13.8**	**14.0**	**15.5**	**14.7**	**14.7**
Book value per share (RM)	**13.2**	**13.1**	**13.2**	**13.4**	**13.4**
Basic earnings per share (sen)	**36.9**	**24.5**	**27.6**	**34.4**	**123.2**
Dividend per share (sen)	**–**	**13.0**	**–**	**25.0**	**38.0**

	2015				
RM'Million	**Q1**	**Q2**	**Q3**	**Q4**	**Year**
Statements of Income					
Revenue	1,083	1,143	1,046	1,219	4,491
Profit before tax	747	796	700	780	3,023
Net profit	591	630	549	690	2,460
Profit attributable to owners of the parent	392	425	363	441	1,621
Key Performance Indicators					
Share price (RM)	17.0	16.5	17.0	15.2	15.2
Book value per share (RM)	11.3	11.6	12.0	12.5	12.5
Basic earnings per share (sen)	37.4	40.5	34.7	42.0	154.3
Dividend per share (sen)	–	13.0	–	25.0	38.0

SEGMENTAL INFORMATION

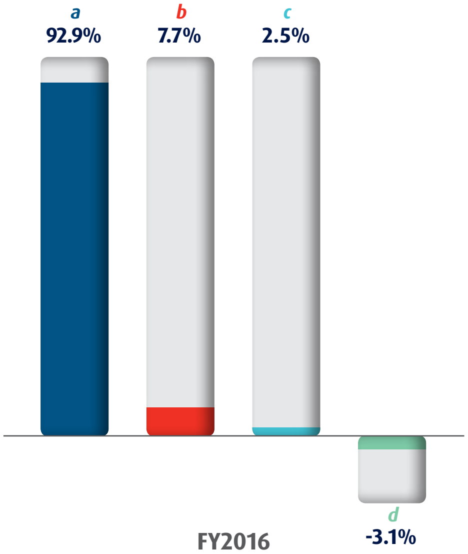
OPERATING REVENUE
By Business Segment

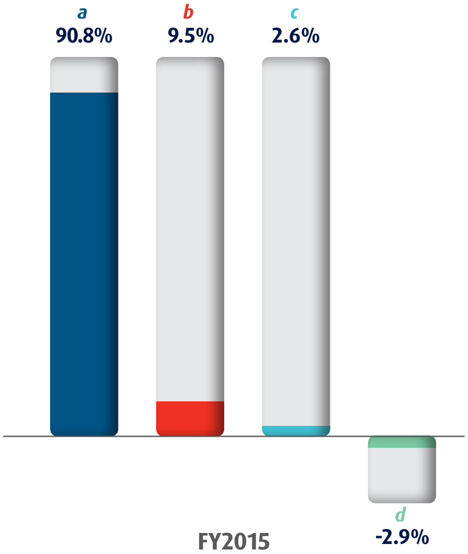




a Commercial Banking
b Insurance
c Investment Banking
d Other Operations/Consolidation Adj

PROFIT BEFORE TAX
By Business Segment





a Commercial Banking
b Insurance
c Investment Banking
d Other Operations/Consolidation Adj

HONG LEONG FINANCIAL GROUP SHARE PRICE

Dividend Per Share

FY2016	**38.0 sen**	**YoY SAME**
FY2015	38.0 sen	

Share Price

FY2016	**RM14.68**	**YoY -3.2%**
FY2015	RM15.16	

Market Capitalisation

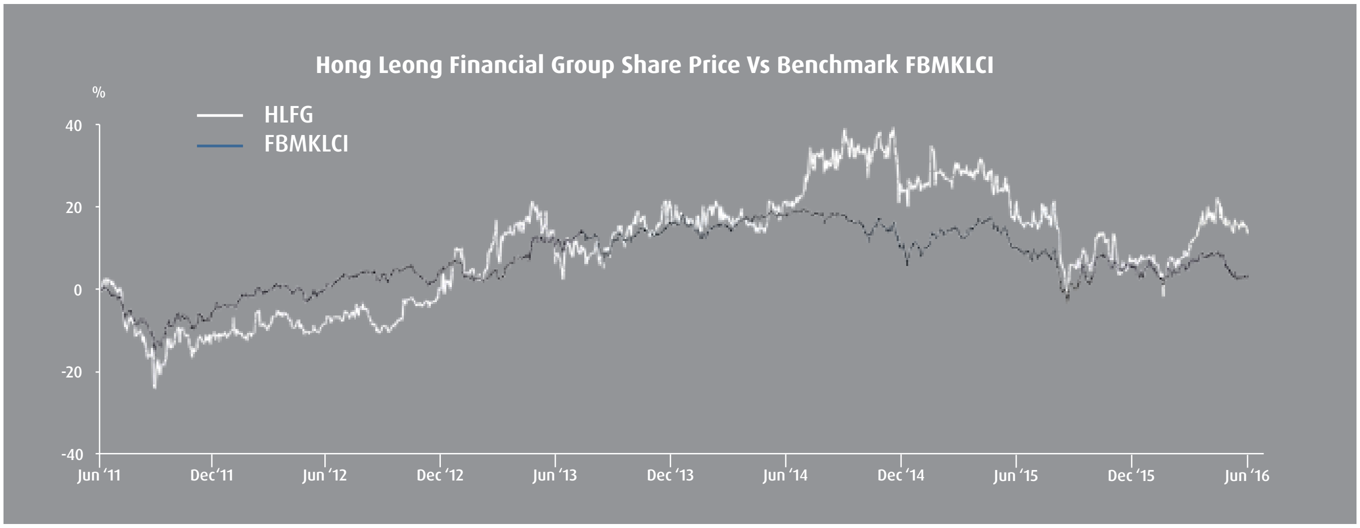
FY2016	**RM16.8 bil**	**YoY 5.0%**
FY2015	RM16.0 bil	

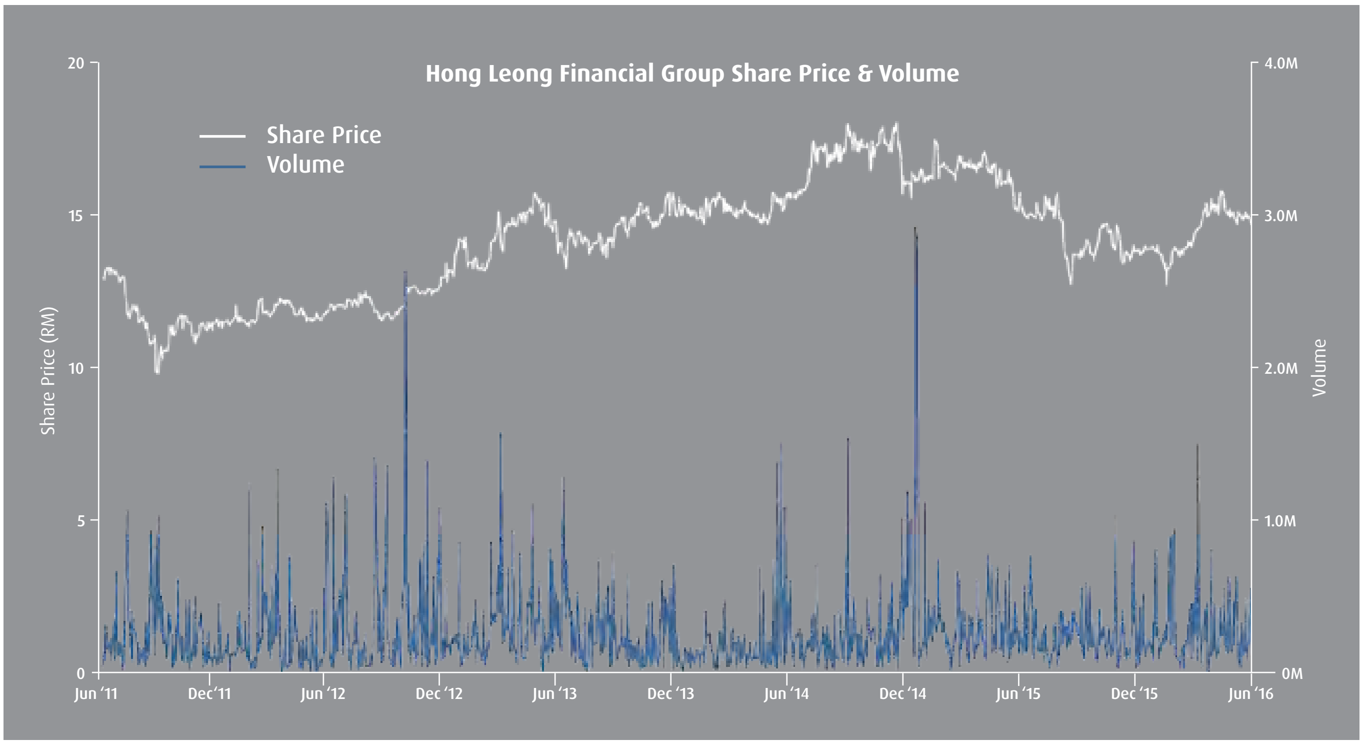
Earning Per Share

FY2016	**123.2 sen**	**YoY -20.2%**
FY2015	154.3 sen	

Total Shareholder Return

FY2016	**9.6%**	**YoY -3.6%**
FY2015	13.2%	

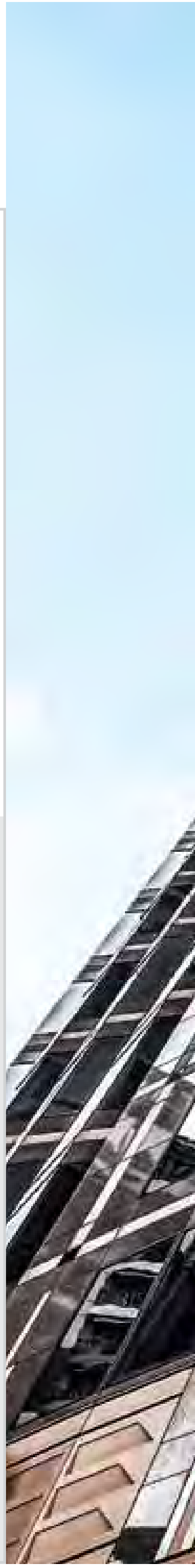




FINANCIAL CALENDAR

Annual General Meeting

27 October 2016 (Thursday)
47th Annual General Meeting



DIVIDENDS

1st Interim Single-Tier Dividend of 13 sen per share

Notice	Entitlement	Payment
17 November 2015	1 December 2015	23 December 2015

2nd Interim Single-Tier Dividend of 25 sen per share

Notice	Entitlement	Payment
24 May 2016	13 June 2016	28 June 2016

ANNOUNCEMENT OF CONSOLIDATED RESULTS

17 NOVEMBER 2015
TUESDAY

unaudited results for 1st quarter ended 30 September 2015

23 FEBRUARY 2016
TUESDAY

unaudited results for 2nd quarter ended 31 December 2015

24 MAY 2016
TUESDAY

unaudited results for 3rd quarter ended 31 March 2016

29 AUGUST 2016
MONDAY

unaudited results for 4th quarter and financial year ended 30 June 2016

SIGNIFICANT MILESTONES

Journeying towards greater heights

HLISB incorporated
March 2005

Hong Leong Tokio Marine Takaful Bhd incorporated
June 2006

Changed name to 'Hong Leong Financial Group Bhd'
July 2006

HLCB 1:1 Rights Issue completed
October 2009

Sichuan Jincheng consumer finance JV incorporated
February 2010

MSIG Strategic Partnership completed
October 2010

HLB acquired EON Capital Bhd's assets and liabilities.
May 2011

Merger of HLIB & MIMB Investment Bank completed
September 2012

HLAS obtained Singapore general insurance license
June 2013

HLB Cambodia commenced operations
July 2013

SIGNIFICANT MILESTONES

October 2007
HLIB proposed to acquire the identified assets and liabilities of Southern Investment Bank Bhd

April 2008
HLA proposed to acquire PJ City premises

July 2008
HLB acquired 20% equity interest in the Bank of Chengdu

October 2008
HLIB acquired SBB Securities Sdn Bhd

January 2009
1. HLIB obtained investment bank status
2. HLB granted Vietnam banking license

February 2009
Insurance holding company, HLAH, was incorporated

November 2013
HLB established a Representative Office in Nanjing, China

June 2014
HLFG Group FY14 pretax profit surpassed the RM3b mark

December 2015
HLFG and HLB completed Rights Issues raising RM1.1 billion and RM3.0 billion respectively

AWARDS & ACCOLADES

World Brand Congress 2016
Hong Leong Islamic Bank Berhad
Category: Most Influential Brand Leaders

The Brandlaureate Brand Icon Leadership Awards 2015
Hong Leong Islamic Bank Berhad
Category: Transformational Corporate Leader

The Asian Banker Achievement Awards 2015
Hong Leong Bank Berhad
Category: Best Retail Payment Project

Sahabat Negara SME Award 2015
Hong Leong Bank Berhad
Category: Recognition Award

The World Islamic Banking Conference 2015
Hong Leong Islamic Bank Berhad
Category: Best Performance Regional - Southeast Asia

The World Islamic Banking Conference 2015
Hong Leong Islamic Bank Berhad
Category: Best Performance Country - Malaysia

Cards & Electronic Payments International (CEPI) Asia Awards 2015
Hong Leong Bank Berhad
Category: Best Credit/Debit Card Product - Asia Pacific

Cards & Electronic Payments International (CEPI) Asia Awards 2015
Hong Leong Bank Berhad
Category: Best Debit Card Offering

AWARDS & ACCOLADES

The Asset Triple A Asian Awards 2015
Hong Leong Bank Berhad
Category: Best E-Bank Malaysia

The Asset Triple A Asian Awards 2016
Hong Leong Investment Bank Berhad
Category: Best Islamic Equity-Linked Deal

The Asset Triple A Asian Awards 2016
Hong Leong Investment Bank Berhad
Category: Best Securitisation Sukuk

Asia Pacific Entrepreneurship Awards 2015
Hong Leong Assurance Berhad
Category: Certificate of Achievement For Outstanding & Exemplary Achievements in Entrepreneurship

RAM League Awards 2015
Hong Leong Investment Bank Berhad
Category: Lead Manager Award 2015

RAM League Awards 2015
Hong Leong Investment Bank Berhad
Category: Lead Manager Award Sukuk 2015

RAM League Awards 2015
Hong Leong Investment Bank Berhad
Category: Blueprint Award 2015 - Structured Finance Landmark Deal RM450million Asset - backed Sukuk Ijarah Programme

Islamic Finance News Award 2015
Hong Leong Investment Bank Berhad
Category: Ijarah Deal of The Year

Islamic Finance News Award 2015
Hong Leong Investment Bank Berhad
Category: Equity & IPO Deal of the year

Islamic Finance News Award 2015
Hong Leong Investment Bank Berhad
Category: Real Estate Deal of the Year

CHAIRMAN'S STATEMENT

Committed to rise above challenges

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of Hong Leong Financial Group Berhad ("HLFG" or "the Group") for the financial year ("FY") ended 30 June 2016 ("FY16").

CHAIRMAN'S STATEMENT

However, despite the challenging economic environment, business momentum within the Group remained intact.

PERFORMANCE REVIEW

This year has been characterised by a number of adverse financial one-offs that have affected our core operating businesses. The compounding effect of slower economic growth, volatile commodity prices and currencies, and weaker consumer and business sentiment have impacted not just the financial sector, but also a number of other sectors which are important to our economy.

However, despite the challenging economic environment, business momentum within the Group remained intact. Hong Leong Bank Berhad's ("HLB") gross loans increased 6.3% year-on-year ("yoy") to RM121 billion whilst its customer deposits increased 5.9% yoy to RM149 billion. Hong Leong Assurance Berhad's ("HLA") gross premiums grew 7.5% yoy to RM2.79 billion and specifically, its new business regular premiums increased 17.2% yoy to RM540.8 million.

Just as important in these times, the Group's key balance sheet and risk metrics remain strong. HLB's gross impaired loan ratio improved to 0.79% whilst its loan impairment coverage remains prudent at 120%. HLB's liquidity ratio remains conservative with a loan/deposit ratio of 81.2%. In addition, the Group's capital position was bolstered by the completion of our respective rights issues in December 2015 for HLFG (raising RM1.1 billion) and HLB (raising RM3 billion).

HLFG Group recorded a pretax profit of RM2,565 million for FY16, representing a decrease of 15.2% yoy from FY15's RM3,023 million. Our financial results were however skewed by a number of non-recurring items this year, the largest of which was the RM172 million charge booked by HLB in relation to their Mutual Separation Scheme ("MSS"). If we were to strip out all the HLB and HLA non-recurring items from FY15 and FY16's pretax profit, the 'normalised' HLFG Group pretax profit would amount to RM2,874 million, representing an improvement of 0.5% yoy over FY15's normalised pretax profit of RM2,859 million.

CHAIRMAN'S STATEMENT

We continue to build shareholders' equity. Group Shareholders' Equity grew by 17.0% yoy to RM15.34 billion.

Profit Attributable to Owners of the Parent decreased by 16.2% yoy to RM1,359 million. Earnings per share decreased by a larger quantum of 20.2% yoy from 154.3 sen in FY15 to 123.2 sen in FY16, as our share base has increased pursuant to the completion of our 9-for-100 Rights Issue in December 2015.

We continue to build shareholders' equity. Group Shareholders' Equity grew by 17.0% yoy to RM15.34 billion as at 30 June 2016. Net assets per share rose from RM12.48 as at 30 June 2015 to RM13.42 as at 30 June 2016, despite the dilution which accompanied our Rights Issue. On a positive note, we have maintained our dividend per share at 38 sen in FY16 as we believe our fundamental franchise strength and long term plans remain sound and in place.

BANKING

The Banking Division of the Group under HLB registered a profit before taxation of RM2,382 million for the financial year ended 30 June 2016 as compared to RM2,746 million in the previous year, reflecting a decrease of 13.3% yoy. If we were to strip out a number of non-recurring items, HLB's normalised profit before taxation would be RM2,614 million, representing an increase of 1.9% yoy.

The main contributing factors to the normalised profit growth were:

- Higher non-interest income, which grew by RM175.3 million yoy, mainly due to higher forex gains.
- Higher Islamic Banking income, which grew by RM47.7 million yoy.

CHAIRMAN'S STATEMENT

Core business performance indicators remained positive, with gross loans growing by 6.3% yoy to RM121 billion as at 30 June 2016. Residential mortgages increased 13.7% yoy to RM51.5 billion. Loans to SMEs continued to grow at a healthy pace, increasing 8.2% yoy to RM19.2 billion. Customer deposits increased by 5.9% yoy to RM149 billion as at 30 June 2016, achieved amidst an increasingly competitive environment for deposits. This translates to a Loan/Deposit ("L/D") ratio of 81.2%, which places HLB in a comfortable position against an industry backdrop of much higher L/D ratios.

Cost/Income ratio excluding MSS cost was 45.8% in FY16, at the lower end of the industry range. The positive effects of the MSS exercise have begun to show in HLB's cost structure in the second half of FY16.

Although economic growth has slowed, we have managed to improve our asset quality. Gross impaired loan ratio improved from 0.84% as at 30 June 2015 to 0.79% as at 30 June 2016. Loan impairment coverage remains ample at 120% as at 30 June 2016.

HLB's capital position remained robust, especially after the recent completion of HLB's RM3 billion Rights Issue, with Common Equity Tier 1, Tier 1 and Total Capital Ratios at 12.7%, 13.1% and 14.7% respectively as at 30 June 2016. HLB completed its Rights Issue, raising RM3 billion in December 2015, and this will position us well for the full implementation of the Basel III capital adequacy framework in 2019.

INSURANCE

HLA Holdings Sdn Bhd's ("HLAH") pretax profit decreased by 31.3% yoy to RM197.5 million in FY16. If we were to strip out a number of non-recurring items mentioned above, HLAH's normalised pretax profit would be RM274.0 million representing an increase of 6.0% yoy. This reflects the continued execution of our strategy to enhance our agency and bancassurance distribution, higher gross premiums as well as targeting a more profitable product mix via Non-Participating policies. At HLA level, normalised pretax profit was RM231.4 million in FY16, representing growth of 13.7% yoy.

Our full year share of 30% owned general insurance company MSIG Insurance (Malaysia) Bhd's ("MSIG") profit after tax increased by 11.1% yoy from RM62.0 million in FY15 to RM68.9 million in FY16. MSIG is currently the second largest general insurance company in Malaysia as measured by gross premiums.

HLA's gross premiums increased by 7.5% yoy to another record of RM2.79 billion, achieved amid an environment of slower economic growth as well as a greater focus on Non-Participating policies. HLA's new business regular premiums increased 17.2% yoy to another record of RM540.8 million.

HLA is the largest domestic insurer as well as the No. 4 insurer amongst all local and foreign life insurers, within both the Ordinary Life and Investment-Linked segments, as measured by new business annualised regular premiums. Our long-term Bancassurance Plan has yielded results, and we are now the No. 5 life insurer within this channel, by the same metric.

CHAIRMAN'S STATEMENT

...an affirmation of all the hard work that the management team and staff have put in over the last ten years.

I also wish to share that Bank Negara Malaysia has, via its letters dated 23 and 29 June 2016, stated that it has no objection for HLFG and its wholly owned subsidiary, HLAH, to commence negotiations with certain parties for the possible acquisition by them of HLAH's 70% equity interest in HLA and 65% equity interest in Hong Leong MSIG Takaful Berhad, subject to the negotiations being concluded within 6 months from 23 June 2016. We will keep you informed as needed on this matter.

HLA has also been awarded the prestigious Domestic Life Insurer of the Year by Asian Banking and Finance's inaugural Insurance Asia Awards 2016. HLA is the first insurance company to be awarded the Domestic Life Insurer of the Year in Malaysia. This is an affirmation of all the hard work that the management team and staff have put in over the last ten years.

INVESTMENT BANKING

Our Investment Banking Division under Hong Leong Capital Berhad witnessed a decrease in pretax profit of 17.8% yoy from RM78.5 million in FY15 to RM64.5 million. This was due to lower investment banking and stockbroking contribution, partially offset by a higher asset management contribution. Our asset management business achieved a turnaround this year although pretax contribution at RM2.2 million remains modest.

CHAIRMAN'S STATEMENT

PROSPECTS

FY16 was a challenging year in which our results were lower due to a slower economic environment and where we took a number of one-off charges against our profit and loss statement. In this respect, we are cautiously optimistic that growth in our earnings base will resume next year.

The completion of HLB's MSS during the year has enabled us to right size our cost structure, in tandem with present economic conditions. We will invest some of the cost savings into digital initiatives, in line with our digital roadmap to keep the Group technologically relevant.

DIVIDENDS

The Board of Directors, during the financial year under review had declared and paid a total net dividend per share of 38.0 sen, similar to last year's payout.

This comprised:

- 1st interim single-tier dividend of 13.0 sen per share paid on 23 December 2015.
- 2nd interim single-tier dividend of 25.0 sen per share paid on 28 June 2016.

As with last year, the Board has decided not to recommend a final dividend for the financial year ended 30 June 2016.

APPRECIATION

I would like to take this opportunity to express my appreciation and gratitude to the Board of Directors, management and staff of HLFG Group for their dedication and commitment. My sincere appreciation also goes out to our regulators, shareholders, customers and business partners.

QUEK LENG CHAN
Chairman
15 September 2016

PRESIDENT & CEO'S REVIEW

A resilient Underlying Performance

We are pleased to present the President & CEO's Review for the financial year ("FY") ended 30 June 2016 ("FY16"). In this report, we would like to provide an update on where we are today and our plans moving forward.

BUSINESS MOMENTUM REMAINS STRONG

Despite a challenging economic environment, we continued to grow the core business indicators within the Group. Some highlights are as follows:

- Hong Leong Bank Berhad's ("HLB") gross loans increased 6.3% year-on-year ("yoy") to RM121 billion as at 30 June 2016.
- HLB's customer deposits increased 5.9% yoy to RM149 billion.
- Hong Leong Assurance Bhd's ("HLA") gross premiums grew 7.5% yoy to another record of RM2.79 billion in FY16.
- HLA's new business regular premiums increased 17.2% yoy to another record of RM540.8 million in FY16.

STRENGTH IN ADVERSITY

Our Group's risk performance indicators remained strong due to our business philosophy and approach. To note:

- HLB's gross impaired loan ratio improved to 0.79% and its loan impairment coverage remains prudent at 120% as at 30 June 2016.
- HLB's liquidity ratio remains conservative with a loan/deposit ratio of 81.2% as at 30 June 2016.
- Our Group's capital positions were bolstered by the completion of our respective rights issues in December 2015 for HLFG (raising RM1.1 billion) and HLB (raising RM3 billion).

PRESIDENT & CEO'S REVIEW

FINANCIAL REVIEW

At the Group level, HLFG recorded a pretax profit of RM2,565 million for FY16, representing a decrease of 15.2% yoy from FY15's RM3,023 million. Our financial results were however, skewed by a number of non-recurring items this year, the largest of which was the RM172 million charge booked by HLB in relation to their Mutual Separation Scheme ("MSS"). If we were to strip out all the HLB and HLA non-recurring items from FY15 and FY16's pretax profit, the 'normalised' HLFG Group pretax profit would amount to RM2,874 million, representing an improvement of 0.5% y-o-y.

Profit Attributable to Owners of the Parent decreased by 16.2% yoy to RM1,359 million in FY16. Earnings per share decreased by a larger quantum of 20.2% yoy from 154.3 sen in FY15 to 123.2 sen in FY16, as our share base has increased pursuant to the completion of our Rights Issue in December 2015.

Net assets per share rose from RM12.48 as at 30 June 2015 to RM13.42 as at 30 June 2016, despite the dilution which accompanied our Rights Issue. On a positive note, we have maintained our dividend per share at 38 sen in FY16 as we believe our fundamental franchise strength and long-term plans remain sound and in place.

BUSINESS AND OPERATIONAL REVIEW

We are pleased to report that we continue to make good progress in terms of growing our core businesses under the Group. For the financial year just ended, the salient points of our achievements are as detailed below.

BANKING

- HLB's profit before taxation decreased by 13.3% yoy to RM2,382 million in FY16 due to the MSS charge as well as a number of other non-recurring items. Excluding these non-recurring items, HLB's normalised profit before taxation would be RM2,614 million, representing an increase of 1.9% yoy.
- HLB's non-interest income expanded 25.0% yoy (after excluding the one-off gain on the sale of a building last year) to RM1,103 million for FY16, mainly due to improved foreign exchange gains, higher transactional fee income as well as higher investment income. Non-interest income ratio for FY16 was higher at 26.4% in FY16 compared to 21.9% in the prior year.
- Excluding the MSS costs, HLB's operating expenses amounted to RM1,915 million with business as usual cost-to-income ratio of 45.8% for FY16, amidst higher personnel costs as well as increased costs arising from the government's GST implementation.
- Loans to the retail segment expanded by 7.8% yoy in FY16, outpacing industry growth and contributed 69% of HLB's total loans. Residential mortgages maintained its growth momentum with a strong 13.7% yoy expansion to RM51.5 billion in FY16, ahead of industry growth. Transport vehicle loans grew 2.4% yoy to RM18.4 billion whilst personal loans continued their growth trajectory with a 9.6% yoy expansion.

PRESIDENT & CEO'S REVIEW

- HLB continues to maintain a prudent liquidity position with a loans-to-deposits ratio of 81.2% as at 30 June 2016.

- Customer deposits expanded 5.9% yoy to RM149 billion as at 30 June 2016 with a CASA ratio of 25.0%, similar to last year. HLB's stable funding base was supported by an individual deposits mix ratio of 54.8% as at 30 June 2016, amongst the highest within the industry. This may be attributable to HLB's strong retail franchise.

- HLB's key asset quality metrics continued to be amongst the best in the industry as its gross impaired loan ratio improved further to a record low of 0.79% whilst the loan impairment coverage ratio stood at a prudent 120% as at 30 June 2016.

- In December 2015, HLB successfully raised RM3 billion via a Rights Issue, as part of our proactive capital management strategy to support continuous business growth whilst ensuring that we are well-positioned to meet and comply with continuing regulatory requirements under the Basel III capital framework. The Rights Issue was over-subscribed by 19%, reflecting our shareholders' strong confidence in our future prospects.

- HLB's capital position was strengthened by the Rights Issue, with Common Equity Tier 1, Tier 1 and Total Capital Ratios standing at 12.7%, 13.1% and 14.7% respectively as at 30 June 2016.

PRESIDENT & CEO'S REVIEW

- In recognition of our strong product offerings, service excellence and research capabilities, HLB's Global Markets was voted one of the Best Domestic FX Providers in Malaysia in Asiamoney's FX Poll for 2015. We also topped the Asset magazine's 2016 Benchmark Research for our capabilities in Fixed Income with top three positions in the Local Currency Bond Sales, Bond Research and Investment categories.

- Following the business transformation initiated two years ago, from a pure private banking proposition, HL Bank Singapore ("HLBS") has extended its services to consumer financing, and has now become a preferred banker within the health banking and auto financing niche in the country with a significant market share. For FY16, HLBS achieved a strong 33% yoy loan growth to RM4.7 billion.

- Since it started operations in 2013, Hong Leong Bank (Cambodia) PLC continued its strong growth achievement via its five branches strategically located across the central Phnom Penh business district. In FY16, deposit growth outperformed loan growth with a remarkable 162% increase to RM449 million whilst loans accelerated 98% yoy to RM526 million.

- Contribution from the Sichuan Jincheng Consumer Finance Limited Company joint venture increased from RM16.4 million in FY15 to RM21.2 million in FY16, up 29.4% yoy. We are pleased that this joint venture is now contributing decent returns to the Group. Although contribution from this joint venture to the Group is relatively small, we believe that the long-term potential in the consumer finance segment in China is sizeable. Also, the expertise gained in the consumer finance segment is valuable experience for the wider Group.

- On Bridging the Digital divide, the Group is cognisant of the threat as well as the opportunities which technology offers. In recent years, we have continued to strive to remain relevant to our customers with the technology advances made in the financial sector.

- In recognition of HLB's digital initiatives, the Bank was awarded the 'Best E-Bank in Malaysia 2015' by the Asset Digital Enterprise for the development of the Hong Leong Connect on-line banking platform.

- Investments were also made to enhance cross-border technology and seamless branch networking. As a result, cross-border cash withdrawal services at HLB's ATM machines have been enabled and the Bank's customers can now make withdrawals at any Hong Leong Bank branch across the region. This and our other efforts were recently acknowledged when we attained top spot for the Best ATM and Kiosk Project in the Technology Innovation Award category at the Asian Banker Achievement Awards 2016.

INSURANCE

- Our insurance operations under HLA Holdings Sdn Bhd ("HLAH") recorded a pretax profit of RM197.5 million in FY16, representing a decrease of 31.3% yoy. Again our insurance results had a number of non-recurring items incurred at HLA, which includes equity impairment provisions, changes in actuarial assumptions and lower interest rates, resulting in higher actuarial provisions. Excluding these non-recurring items, HLAH's normalised profit before taxation would be RM274.0 million, representing an increase of 6.0% yoy.

- HLA's pretax profit decreased by 33.5% yoy to RM154.8 million in FY16. Excluding the impact of interest rates movements as well as certain other non-recurring items from FY15 and FY16's pretax profit, HLA's normalised operating profit increased by 13.7% yoy to RM231.4 million in FY16. This reflects the continued execution of our strategy to enhance the agency and bancassurance distribution channels, higher gross premiums as well as targeting a more profitable product mix via growth in Non Participating/ Investment Linked policies.

- Amid slower economic growth as well as a higher premium base, HLA's gross premiums grew a respectable 7.5% yoy to another record of RM2.79 billion in FY16.

PRESIDENT & CEO'S REVIEW

- HLA's new business regular premiums ("NBRP") increased 17.2% yoy to RM540.8 million. Over the past 10 years, HLA's NBRP has recorded a compounded annual growth rate of 23% per annum, a figure that has outperformed the industry's 8% per annum growth rate achieved in the same period.

- HLA is the largest domestic life insurer and a top 4 insurer among all life insurance companies in Malaysia.

- After making significant headway in growing the volume of our business over the past five years, in recent years we have focused on growing the profitability of new business by improving our "Non-Participating" portion of new business.

- To this end, we have increased our market share of Investment-Linked NBRP by 4.6x in the last 4 years and now hold the No. 4 position in terms of Investment-Linked NBRP with a 9.2% market share.

- We continued to execute our Bancassurance Plan, which aims to leverage off the distribution network of sister company HLB's circa 300 branches. Over the last 5 years, we have increased our Non-Agency (Bancassurance) market share of NBRP from 4.9% in 2010 to 8.7% in 2015 and now hold the No. 5 position within this distribution segment.

- Within the general insurance segment, HLA holds a 30% equity interest in MSIG Insurance (Malaysia) Bhd ("MSIG"), the No. 2 general insurer within Malaysia by gross premiums. MSIG's contribution to HLFG's profit after taxation increased from RM62.0 million in FY15 to RM68.9 million in FY16, up 11.1% yoy.

- We are pleased to have launched our HLA Customer 360 Portal in July 2016. Through this portal, all HLA customers will now have instant and seamless access to their policy information, at their convenience.

- HLA has also been awarded the prestigious Domestic Life Insurer of the Year award by Asian Banking and Finance's inaugural Insurance Asia Awards 2016, making it the first insurance company in Malaysia to be awarded the Domestic Life Insurer of the Year. This award represents a significant milestone for both HLA as well as the local insurance industry and reinforces HLA's position as the top domestic life insurer in Malaysia that offers innovative financial solutions to meet the varied needs of the market.

INVESTMENT BANKING

- Our Investment Banking Division under Hong Leong Capital Bhd had a pretax profit of RM64.5 million in FY16, a decrease of 17.8% yoy. This was mainly due to lower contributions from our investment banking and stockbroking segments arising from slower capital and equity market activities.

- Our asset management business under Hong Leong Asset Management Bhd ("HLAM") achieved a turnaround this year with a pretax contribution of RM2.2 million. Key for our business has been the drive to improve fund performance over the last few years. HLAM's assets under management crossed the RM10 billion mark to close at RM11.3 billion as at 30 June 2016.

PRESIDENT & CEO'S REVIEW

LOOKING AHEAD

Despite a subdued global economic environment, increased market volatilities and strong competitive challenges, we will continue to pursue our plans to grow our core businesses of Commercial Banking, Islamic Financial Services, Insurance, Investment Banking, Stock Broking and Asset Management whilst taking appropriate steps to control our expenses. We will also continue to seek suitable acquisition opportunities to complement our financial services group.

HLB will focus on judiciously growing its business within the communities in which it operates, whilst investing in its digitalisation strategy to advance and uplift its customer proposition. HLA will focus on continuing its product strategy and further leverage both its bancassurance and agency distribution channels. HLA's planned initiatives will encompass using digital technology to transform our business processes, improve customer experience and provide relevant product solutions for our customers' evolving protection needs. Our investment banking division will strive towards expanding our market presence and positioning, as well as create more innovative products and solutions.

RATING

We are pleased to announce that the Malaysian Rating Corporation Berhad ("MARC") in August 2016 affirmed the short-term and long-term credit ratings of HLFG's Commercial Paper/ Medium Term Notes Programme at AA/MARC-1. The rating outlook is stable.

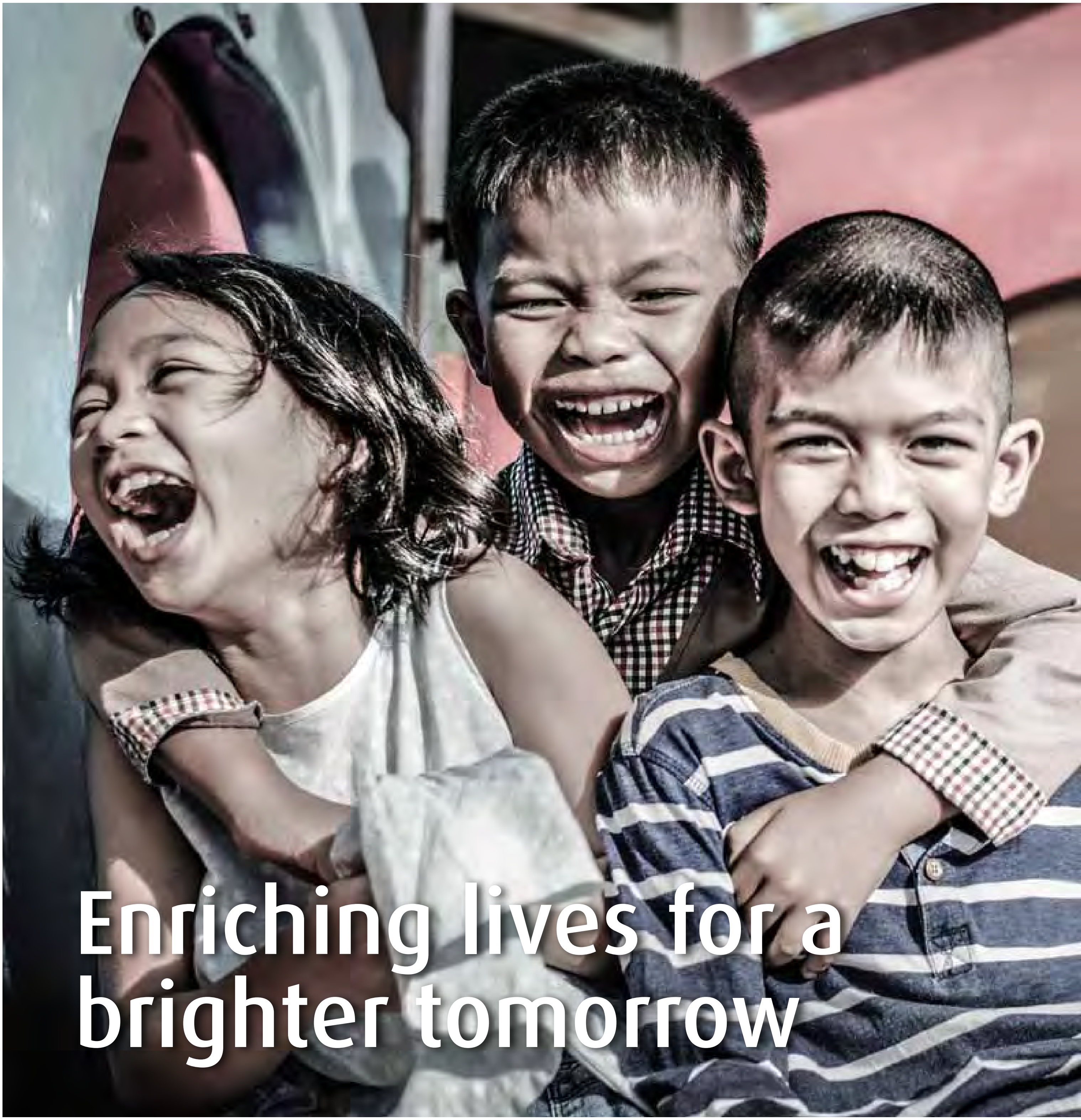
APPRECIATION

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, colleagues and staff throughout the HLFG Group for their dedication and commitment.

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

TAN KONG KHOON
President & CEO
15 September 2016

CORPORATE SOCIAL RESPONSIBILITY



CORPORATE SOCIAL RESPONSIBILITY

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

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

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

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

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

WORKPLACE

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

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

CORPORATE SOCIAL RESPONSIBILITY

ENVIRONMENT

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

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

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

Nationwide, in Hong Leong Bank Berhad ("HLB") branches, we look to reducing both paper usage and wastage where paper-based products continue to be recycled as part of our ongoing group recycling programme. We estimate that in the past year alone, we have had a savings of RM10,000 in just paper resource consumption.

MARKETPLACE

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

- Financial Management Disciplines which drive excellence in financial management so that the quality of the business as an ongoing concern is both preserved, enhanced and sustained.

- Enterprise Risk Management structure to ensure that a systematic process and delegation of responsibility are clearly set out to guide management.

CORPORATE SOCIAL RESPONSIBILITY

- A code of business conduct and ethics of financial reports, which contains disclosures that are true and fair.

- In choosing its directors, the Group seeks individuals of high integrity, with shareholder orientation and a genuine interest in the respective businesses of the respective companies. The Group also advocates gender equality at work.

COMMUNITY

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

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

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

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

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

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

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

Education remains key

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

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

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

CORPORATE SOCIAL RESPONSIBILITY

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

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

Children remain a significant focus for us

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

To encourage the love of reading among the young, the HLB Credit Cards tie-up with The Big Bad Wolf Sale saw children paired with our volunteers for a book-shopping trip at Malaysia's largest and most popular annual book sale. For this, 330 underprivileged children from various homes around Klang Valley each received RM150 cash vouchers to purchase books of their choice. On top of that, a total of RM55,321 was collected from HLB employees through internal collections, pledges, and donations.

Under Hong Leong Bank's Islamic arm, hundreds of underprivileged children's lives were touched by community projects that encouraged self-reliance.

For instance, the 'Si Jantung Hati 2016' was one where children belonging to a local orphanage were given an introduction to video production skills. Upon release, the home's inaugural mini video clip managed to garner a million views in just over three weeks.

During the month of Ramadhan, approximately 100 underprivileged children enjoyed an Iftar session by a renowned international singer and songwriter organised by Hong Leong Islamic Bank ("HLISB"), with the aim of showing that entertainment can be both fun and spiritual.

The 'Baju Raya 2016' project made 714 underprivileged children around the nation the recipients of new clothes for Hari Raya Aidilfitri, and in yet another project, funds amounting to RM8,000 raised through a charity cupcake programme was channeled towards new school uniforms for 160 children in need.

The spirit of volunteerism is ever present

We are proud to see our employees come together to answer the call for CSR involvement at a more personal level by running a marathon, all for a good cause. In August 2015, HLISB and Hong Leong Capital Berhad had participated in "*The Bull Charge Run 2015*", a charity run organized by Bursa Malaysia. Collections were channeled towards various charities supporting economic sustainability among disadvantaged communities, for the benefit of entrepreneurs, and the improvement of financial literacy.

Apart from collaborating with Life Insurance Association of Malaysia

CORPORATE SOCIAL RESPONSIBILITY

("LIAM") on blood donation drives, volunteers from HLA had also committed time and manpower to frequent visitation, clean-ups and community service work at selected old folks homes, children shelters, orphanages, and centers for the handicapped. Year-round, volunteers from HLA were involved in 10 separate initiatives under the CSR banner of 'Do Good', that focused on improving the same communities in which we serve.

Over at HLISB, our staff can be seen volunteering, throughout the year, in established soup kitchens in Kuala Lumpur to provide food and other forms of aid for the homeless and hard-core poor.

In addition to that, during the Muslim fasting month approximately 30 volunteers from HLISB Headquarters distributed 1,000 packets of 'bubur lambuk' to commuters at selected LRT stations, the headquarters of Polis DiRaja Malaysia, and Bomba. Other HLISB branches followed suit in a nationwide distribution effort to spread the spirit of Ramadhan.

Staying vigilant against forces larger than ourselves

Flood victims from the massive 2014 floods that hit the East Coast region of Malaysia continue to be part of the bank's community welfare focus. To help rebuild their lives, the Bank continued with its post flood rehabilitation initiatives.

We took proactive steps to ensure that aid could be collected and dispatched in a timely and managed manner, should a flood emergency be announced in any of the Malaysian states.

With valuable input provided by seasoned volunteers who are continuously and actively involved in flood and other relief activities throughout the country, staff across various companies within the Group were guided on packing a useful mix of essential items with a reasonable shelf life into boxes that can easily be transported for distribution using land, air, or watercraft. Drop-off points and packing tips were formalized and communicated to facilitate contributors should the need arise.

Giving animals a better life

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

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

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

The crossfit challenge also raised a total of RM35,945 that benefitted 15 NGOs namely PERTIWI, Pusat Jagaan Rumah Kesayangan, Pusat Jagaan Qamara, Majlis Kebajikan dan Pembangunan Masyarakat Selangor, Pertubuhan Jagaan Kanak-Kanak Cacat Setia, Lighthouse Children Welfare, Pusat Kasih Sayang YMCA, Furry Friends Farm, Paws Animal Welfare Society, Fugee School, Rumah Siraman Kasih, Pertubuhan Kebajikan Ephratha Rawang Selangor, National Cancer Society of Malaysia, and Home of Peace and Association for the Mentally Handicapped.

LOOKING FORWARD

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

CORPORATE **INFORMATION**

DIRECTORS

YBhg Tan Sri Quek Leng Chan
(Chairman)

Mr Tan Kong Khoon
(President & Chief Executive Officer)

YBhg Tan Sri Dato' Seri
Khalid Ahmad bin Sulaiman

Ms Lim Tau Kien

Ms Lim Lean See

Mr Saw Kok Wei

GROUP COMPANY SECRETARY

Ms Christine Moh Suat Moi
MAICSA 7005095

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PricewaterhouseCoopers
Chartered Accountants
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Fax: 03-2173 1288

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Tel : 03-2164 8228
Fax : 03-2164 2503

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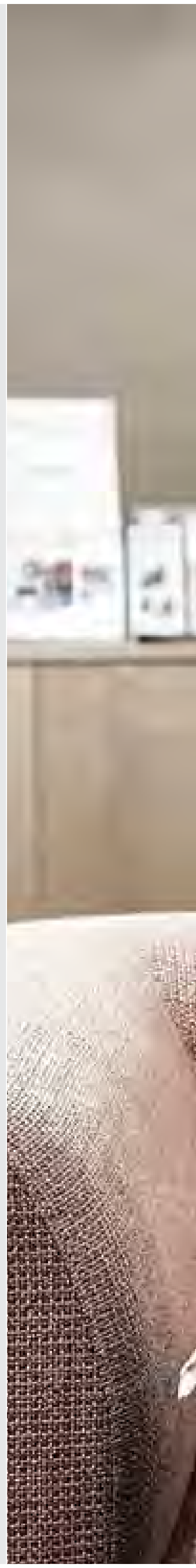

CORPORATE INFORMATION

BOARD OF DIRECTORS

BOARD OF DIRECTORS

YBHG TAN SRI QUEK LENG CHAN

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

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

YBhg Tan Sri Quek is the Chairman of Hong Leong Financial Group Berhad ("HLFG") and was appointed to the Board of Directors ("Board") of HLFG on 6 September 1968. He is a member of the Remuneration Committee ("RC") and Nominating Committee ("NC") of HLFG.

He is the Chairman & Chief Executive Officer of Hong Leong Company (Malaysia) Berhad, a public company; Chairman of Hong Leong Bank Berhad ("HLB"), Hong Leong Capital Berhad ("HLCB") and GuocoLand (Malaysia) Berhad, companies listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"); and Chairman of Hong Leong Assurance Berhad ("HLA") and Hong Leong Foundation, both are public companies.

MR TAN KONG KHOON

President & Chief Executive Officer/Non-Independent
Age 59, Male, Singaporean

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

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

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

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

Mr Tan was appointed to the Board of HLFG on 5 February 2016.

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

YBHG TAN SRI DATO' SERI KHALID AHMAD BIN SULAIMAN

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

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

YBhg Tan Sri Khalid was appointed to the Board of HLFG on 1 July 1982. YBhg Tan Sri Khalid is a member of the NC and RC of HLFG.

YBhg Tan Sri Khalid is also a Director of HLCB, a company listed on the Main Market of Bursa Securities, and the Chairman of Hong Leong Investment Bank Berhad, a public company.

BOARD OF DIRECTORS

MS LIM TAU KIEN

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

Ms Lim Tau Kien graduated with a Bachelor of Accountancy from the University of Glasgow Faculty of Law and is a Chartered Accountant registered with the Institute of Chartered Accountants of Scotland.

Ms Lim forged her early career with Ernst & Young, United Kingdom, before joining the Ministry of Finance and Prime Minister's Department as a Federal Accountant. She subsequently moved to Shell where she held various senior financial positions over a period of 25 years, her last position being the Country Chief Financial Officer/Country Controller/Finance Director of Shell China.

Ms Lim was appointed to the Board of HLFG on 8 April 2010 and is the Chairman of the Board Audit and Risk Management Committee ("BARMC") and a member of NC of HLFG.

Ms Lim is also a Director of Malaysian Pacific Industries Berhad, a company listed on the Main Market of Bursa Securities and UEM Group Berhad, a public company.

MS LIM LEAN SEE

Non-Executive Director/Independent
Age 63, Female, Malaysian

Ms Lim Lean See holds an Associateship in Accounting and an Associateship in Secretarial and Administrative Practice both from the Curtin University, Australia. Her professional qualifications include being a Fellow of the Australian Society of Certified Practicing Accountants, Registered Accountant with the Malaysian Institute of Accountants, a Trade Member of Financial Planning Association of Malaysia and a member of the Asian Institute of Chartered Bankers.

Ms Lim has 33 years experience in the banking industry and has held various senior positions including the Head of Corporate Banking and Head of Business Banking Division, the last being the Chief Representative of a foreign bank Representative Office with the corporate rank of an Executive Director.

Ms Lim was appointed to the Board of HLFG on 22 August 2011 and she is the Chairman of the NC and RC and a member of BARMC of HLFG.

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

MR SAW KOK WEI

Non-Executive Director/Independent
Age 53, Male, Malaysian

Mr Saw Kok Wei holds a B.Sc (Hons) in Accounting and Finance degree from the University of Warwick, United Kingdom. Mr Saw is currently the Chief Financial Officer of Jurong Port Pte Ltd, a leading international multi-purpose port operator headquartered in Singapore. Prior to joining Jurong Port Pte Ltd, he was with Electrolux Major Appliances – Asia Pacific for nine years during which time he held the positions of Deputy Head of Strategy, Asia Pacific, based in Singapore from July 2011 to September 2013, Chief Financial Officer of Electrolux China, based in Shanghai from October 2008 to June 2011, General Manager of P.T. Electrolux Indonesia from January 2007 to September 2008 and before that from March 2004 to December 2006, he was the Vice President, Finance & Administration – East Asia.

Before joining Electrolux, Mr Saw was with Merck Sharp & Dohme (I.A.) Corp from 2001 to 2003 and Nike Southeast Asia from 1999 to 2001, where he held the position of Finance Director in both companies.

Mr Saw was appointed to the Board of HLFG on 22 August 2011 and is a member of the BARMC and NC of HLFG.

Notes:

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

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

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

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

KEY SENIOR MANAGEMENT

MR CHEW SEONG AUN

Chief Financial Officer of Hong Leong Financial Group Berhad ("HLFG")
Age 52, Male, Malaysian

Mr Chew Seong Aun obtained a Bachelor of Science (Eng) in Civil Engineering (Honours) degree in 1986 from Imperial College, University of London and is an ICAEW qualified Chartered Accountant (FCA) which he obtained subsequently via training and working with KPMG London.

Mr Chew joined HLFG on 1 November 2006 as the Chief Financial Officer ("CFO").

Mr Chew has over 30 years of experience in finance and banking. He spent 5½ years with KPMG London and then worked with Gulf International Bank in their London and Bahrain offices for approximately 6 years of which his last position was the Head of Financial Audit. Mr Chew then returned to Malaysia working in Citibank's Consumer Business as its Business Controller before being its Consumer CFO. He spent 8 years with Citibank Malaysia. He then spent about a year as a General Manager at Vsource Asia Berhad, a business process outsourcing firm before returning to banking as UOB Malaysia's CFO in September 2005.

MR DOMENIC FUDA

Group Managing Director/Chief Executive Officer of Hong Leong Bank Berhad ("HLB"), a subsidiary of HLFG
Age 49, Male, Australian

Mr Domenic Fuda holds a Bachelor of Economics from Macquarie University, Sydney, as well as a Master of Business (Banking & Finance) and a Master of Business Administration (M.B.A.), both from University of Technology, Sydney.

Mr Domenic Fuda was appointed as the Group Managing Director/Chief Executive Officer of HLB on 5 February 2016.

Mr Domenic Fuda was the Managing Director and Deputy Group Head, Consumer Banking & Wealth Management of DBS Bank Ltd ("DBS"), Singapore. He joined DBS in March 2010 as Chief Financial Officer of Regional Consumer Banking & Wealth Management. During his tenure with DBS, Mr Domenic Fuda was responsible for the formulation and execution of a multi-year growth strategy for the 6 Asian markets in which DBS operates its consumer and wealth management businesses.

Prior to his position in DBS, he spent 16 years at Citigroup where he served in various senior management roles across Asia, the latest being Chief Operating Officer for South East Asia Pacific, Australia and New Zealand, where he helped to drive execution of Citi's strategy across 10 countries, launched Citi's Consumer Banking business in Vietnam and helped to manage the banking operations during the 2008/2009 financial crises.

KEY SENIOR MANAGEMENT

MS LEE JIM LENG

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

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

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

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

MS LOH GUAT LAN

Group Managing Director/Chief Executive Officer of Hong Leong Assurance Berhad ("HLA"), a subsidiary of HLFG
Age 51, Female, Malaysian

Ms Loh Guat Lan holds a Bachelor of Science in Nutrition Science and is the fellow member of Life Management Institute (FLMI), Customer Service Management (CSM) and Life Office Management (LOMA). She is also a Certified Financial Planner (CFP) and Registered Financial Planner (RFP).

Ms Loh joined HLA as the Chief Operating Officer (Life Division) on 6 August 2007 and was appointed as the Group Managing Director/Chief Executive Officer of HLA on 1 September 2009.

Ms Loh has extensive experience in the insurance industry, including agency management, branch management, and agency development and training. Prior to joining HLA, she was in the employment of American International Assurance Company Limited where her last position was Vice President & Senior Director of Agency (Malaysia).

Ms Loh is also a Director of Hong Leong MSIG Takaful Berhad and MSIG Insurance (Malaysia) Bhd, both public companies.

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 HLFG.

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

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

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT

CONSTITUTION

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

COMPOSITION

Ms Lim Tau Kien
(Chairman, Independent Non-Executive Director)

Mr Saw Kok Wei
(Independent Non-Executive Director)

Ms Lim Lean See
(Independent Non-Executive Director)

SECRETARY

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

TERMS OF REFERENCE

The terms of reference of BARMC are published on the Company's website at www.hlfg.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 chief financial officer, Group risk and compliance officers and external auditors are 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.

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

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

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

ACTIVITIES

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

During the financial year ended 30 June 2016 ("FYE 2016"), four (4) BARMC meetings were held and the attendance of the BARMC members was as follows:-

Member	Attendance
Ms Lim Tau Kien	4/4
Mr Saw Kok Wei	4/4
Ms Lim Lean See	4/4

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 & RISK MANAGEMENT COMMITTEE REPORT

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 2016 is Messrs PricewaterhouseCoopers ("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 response to the external auditor's audit findings. 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 paid to PwC for the FYE 2016 amounted to RM3,888,708 of which RM903,523 was payable in respect of non-audit services. Non-audit services accounted for 23.2% 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 and considered PwC to be independent. PwC, in accordance with professional ethical standards, have provided the BARMC with confirmation of their independence for the duration of the FYE 2016 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 2016 Annual General Meeting.

Related Parties 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 reviewed the adequacy of internal audit scope, internal audit plan and resources of the various internal audit functions within Group Internal Audit Division ("GIAD").

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

The review of BARMC on the audit findings and recommendations of the GIAD focusing on the adequacy and integrity of internal control systems, business and compliance audits on the respective Divisions. The management's responses to GIAD'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 GIAD in their audit reports were effectively resolved and that any outstanding audit findings be tracked for timely resolution.

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT

Risk Management

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 Chief Risk Officers of the respective business units under the Group were invited to present to the BARMC their respective Risk Management Dashboards 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.

INTERNAL AUDIT FUNCTION

The Group's Internal Audit function is carried out by the GIAD. GIAD employs a risk-based assessment approach in auditing the Group business and operational activities. The high risk activities are given due attention and audited on a more regular basis while the rest are prioritised to the potential risk exposure and impact. These audits are performed in line with the Bank Negara Malaysia Guidelines on Internal Audit Function.

During the FYE 2016, the GIAD carried out internal audit functions to all business entities of the Group, summarised as follows:

- Banking : audits on operations, information technology system, treasury, credit, head office, branches, business centre, mortgage sales centre, loan centre, overseas branches and subsidiaries, investigation and other assignments as required by regulatory bodies. Shariah audits were performed on Islamic banking business as well.

- Investment Banking : audits on operations, supervisory functions, information technology systems, treasury, investment banking, stockbroking, fund management, unit trusts, branches and other assignments as required by regulatory bodies.

- Insurance : audits on operations, compliance, actuarial, investment, financial, information technology system, branches, and other assignments as required by regulatory bodies.

The cost incurred for the Group Internal Audit function for the FYE 2016 was RM14.7 million.

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

CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL

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

~ Finance Committee on Corporate Governance

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

A. ROLES AND RESPONSIBILITIES OF THE BOARD

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

In discharging its responsibilities, the Board established functions which are reserved for the Board and those which are delegated to management. The key roles and responsibilities of the Board are set out in the Board Charter, which is reviewed periodically by the Board and published on the Company's website at 'www.hlfg.com.my'. The key roles and responsibilities of the Board broadly cover formulation of corporate policies and strategies; overseeing and evaluating the conduct of the Group's businesses; identifying principal risks and ensuring the implementation of appropriate systems to manage those risks; and reviewing and approving key matters such as financial results, investments and divestments, acquisitions and disposals, and major capital expenditure and such other responsibilities that are required of them by Bank Negara Malaysia ("BNM") as specified in guidelines and circulars issued by BNM from time to time.

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

There is a clear division of responsibilities between the Chairman and the CEO, which are distinct and separate. This segregation of responsibilities between the Chairman and the CEO ensures an appropriate balance of roles, responsibilities and accountability.

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

CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL

A. ROLES AND RESPONSIBILITIES OF THE BOARD (CONTINUED)

The CEO is responsible for the vision and strategic direction of the Group as well as to monitor progress on implementation of Key Performance Areas ("KPAs") and strategic developments.

The CEO's main responsibility is to work with the operating managers to develop strategic business plans and to set out the KPAs for the operating managers as well as to focus on creating value through deployment of the assets in the Group and to seek optimal use of the capital resources available to him.

Independent Non-Executive Directors ("INEDs") are responsible for providing insights, unbiased and independent views, advice and judgment to the Board and bring impartiality to Board deliberations and decision-making. They also ensure effective checks and balances on the Board. INEDs do not participate in the day-to-day management of the Company and there are no relationships or circumstances that could interfere with or are likely to affect the exercise of their independent judgment or the ability to act in the best interest of the Company and its shareholders.

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

The Board observes the Company Directors' Code of Ethics established by the Companies Commission of Malaysia ("CCM") which is available at CCM's website at 'www.ssm.com.my'. In addition, the Company also has a Code of Conduct and Ethics that sets out sound principles and standards of good practice which are observed by the employees. The Group has in place procedures and rules for employees to raise responsibly, in confidence, concerns about serious misconduct and other possible improprieties which pose financial, legal, reputational or operational risks to the Group.

B. BOARD COMPOSITION

The Board comprises six (6) directors, five (5) of whom are non-executive. Of the non-executive directors, three (3) are independent. The profiles of the members of the Board are provided in the Annual Report.

BNM's Guidelines on Corporate Governance for Licensed Institutions was superseded by BNM's policy document on Corporate Governance ("BNM CG") with effect from 3 August 2016.

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

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

The Board is of the view that the current size and composition of the Board are appropriate and effective for the control and direction of the Group's 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 ('www.hlfg.com.my').

CORPORATE GOVERNANCE,
RISK MANAGEMENT & INTERNAL CONTROL

C. BOARD COMMITTEES (CONTINUED)

(b) NC

The NC has been established on 30 October 2008. The composition of the NC was reconstituted as follows:

Ms Lim Lean See
(Chairman, Independent Non-Executive Director)

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

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

Ms Lim Tau Kien
(Independent Non-Executive Director)

Mr Saw Kok Wei
(Independent Non-Executive Director)

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

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 appointment, re-appointment, re-election and retention of directors, (ii) the appointment of Board Committee members, and (iii) the appointment and re-appointment of CEO, and the criteria used for such assessments. Upon the approval of the Board, an application on the prescribed forms will be submitted to BNM for approval in respect of new appointments and re-appointments.

(i) New Appointments

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

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

In assessing the candidates, 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 core competencies of the Board as a whole having regard to the candidates' attributes, qualifications, management, leadership and business experience. In the case of CEO, the NC would take into account the candidate's knowledge and experience in the industry, market and segment. The NC will also consider candidates' F&P Declarations in line with the standards required under the relevant BNM Guidelines.

CORPORATE GOVERNANCE,
RISK MANAGEMENT & INTERNAL CONTROL

C. BOARD COMMITTEES (CONTINUED)

(b) NC (continued)

(ii) Re-Appointments

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

CTOS (Bankruptcy search)	→	• Assessment against Assessment Criteria and BNM Guidelines • F&P Declaration • Recommendation by the NC	→	Deliberation by the Board and decision thereof

For re-appointments, the Directors/CEOs will be evaluated on their performance in the discharge of duties and responsibilities effectively, including, inter alia, contribution to board deliberations, commitment and for independent directors, their independence as well as the Annual Board Assessment results and F&P Declarations.

(iii) Board Committee Appointments

The nomination, assessment and approval process for Board Committees Appointments shall be as follows:

Identification of Directors for Board Committees membership	→	• Assessment against Assessment Criteria and BNM Guidelines • Recommendation by the NC	→	Deliberation by the Board and decision thereof

The assessment for Board Committees Appointments will be based on the Directors' potential contributions and value-add to the Board Committees with regards 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 ("Board Annual Assessment"). For newly appointed director/CEO, the Board Annual Assessment will be conducted at the next annual assessment exercise following the completion of one year of service.

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

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

CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL

C. BOARD COMMITTEES (CONTINUED)

(b) NC (continued)

During the financial year ended 30 June 2016 ("FYE 2016"), two (2) NC meetings were held and the attendance of the NC members was as follows:

Member	Attendance
Ms Lim Lean See	2/2
YBhg Tan Sri Quek Leng Chan	2/2
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman	2/2
Ms Lim Tau Kien	2/2
Mr Saw Kok Wei	2/2

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

- Reviewed and recommended to the Board for consideration and approval new Board appointments and re-appointments;
- Considered and recommended to the Board for approval the appointment of the CEO;
- Considered and recommended to the Board for approval the appointment of the Chief Compliance Officer;
- Considered and recommended to the Board for approval the appointment of the Chief Internal Auditor;
- Carried out the Board Annual Assessment and was satisfied that the Board as a whole, Board Committees and individual directors have continued to effectively discharge their duties and responsibilities in accordance with their respective TORs, and that the current Board composition in terms of Board balance, size and mix of skills is appropriate and effective for the discharge of its functions;
- 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 BNM's Policy Document on F&P criteria;
- Reviewed and recommended to the Board for adoption the revision to the Tenure Policy of independent directors of the Company wherein the tenure for independent directors was revised from 12 years to 9 years;
- Reviewed and recommended to the Board for adoption the revision to the F&P Policy on new appointments and re-appointment of directors and CEO; Board Committees appointments and Board Annual Assessment.
- Refined the assessment process for new Board appointments in the assessment process to include a credit bureau check to improve the effectiveness of the evaluation of Board candidates on financial probity.

CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL

C. BOARD COMMITTEES (CONTINUED)

(c) Remuneration Committee ("RC")

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

Ms Lim Lean See
(Chairman, Independent Non-Executive Director)

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

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

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

During the FYE 2016, one (1) RC meeting was held and the attendance of the RC members was as follows:

Member	Attendance
Ms Lim Lean See	1/1
YBhg Tan Sri Quek Leng Chan	1/1
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman	1/1

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

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

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

The aggregate remuneration of director (including the director who had resigned during the financial year, and remuneration earned as directors of subsidiaries) for the FYE 2016 is as follows:

	Fees (RM)		Salaries & Other Emoluments (RM)		Total (RM)	
	Company	Group	Company	Group	Company	Group
Executive Directors	–	–	2,779,630	7,156,899	2,779,630	7,156,899
Non-Executive Directors	400,000	799,721	188,000	372,000	588,000	1,171,721

CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL

C. BOARD COMMITTEES (CONTINUED)

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

The number of directors whose remuneration (including the director who had resigned during the FYE 2016) falls into the following bands is as follows:

Range of Remuneration (RM)	Executive		Non-Executive	
	Company	Group	Company	Group
1 – 50,000	–	–	1	1
100,001 – 150,000	–	–	3	–
150,001 – 200,000	–	–	1	–
200,001 – 250,000	–	–	–	2
300,001 – 350,000	–	–	–	1
350,001 – 400,000	–	–	–	1
1,150,001 – 1,200,000	1	–	–	–
1,550,001 – 1,600,000	1	1	–	–
5,550,001 – 5,600,000	–	1	–	–

D. INDEPENDENCE

The Board takes cognisance of Recommendations 3.2 and 3.3 of the Code. Recommendation 3.2 states that the tenure of an independent director should not exceed a cumulative term of 9 years and upon completion of the 9 years, an independent director may continue to serve on the Board subject to the director's re-designation as a non-independent director. Recommendation 3.3 states that in the event the Company wishes to retain an independent director who has served a cumulative term of 9 years and above, shareholders' approval shall be sought at the AGM every year with justification.

The Company has in place a policy in relation to the tenure for independent directors of the Company ("Tenure Policy") under the F&P Policy of the Company. Pursuant to the Tenure Policy, an independent director who has served on the Board of any company under the Hong Leong Financial Group for a period of 9 years continuously or more shall submit a Letter of Intent to the NC informing of his intention to continue in office or to retire from the Board as an independent director, upon:

(a) the expiry of his term of office approved by BNM; or
(b) the due date for his retirement either by rotation pursuant to the Articles of Association of the Company or pursuant to Section 129(2) of the Companies Act, 1965, as the case may be.

If the intention is to continue in office, the NC shall consider based on the assessment criteria and guidelines set out in the F&P Policy and make the appropriate recommendation to the Board. If the intention is to retire from office, an application shall be made to BNM to seek clearance in accordance with BNM Guidelines. 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 Code 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.

CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL

D. INDEPENDENCE (CONTINUED)

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. The tenure of all the independent directors on the Board does not exceed 9 years.

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 of the Company to enable them to discharge their duties effectively. Board meetings are scheduled a year ahead in order to enable full attendance at Board meetings. Additional meetings may be convened on an adhoc basis as and when necessary. Where appropriate, decisions are also taken by way of Directors' Circular Resolutions. Directors are required to attend at least 75% of Board meetings held in each financial year pursuant to the BNM CG.

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

All directors have access to the advice and services of a qualified and competent Company Secretary to facilitate the discharge of their duties effectively. The Company Secretary is qualified to act under Section 139A of the Companies Act, 1965. She is responsible for providing support and guidance to the Board on policies and procedures, relevant rules, regulations and laws in relation to corporate governance. All directors also have access to the advice and services of the internal auditors and in addition, to independent professional advice, where necessary, at the Company's expense, in consultation with the Chairman or the CEO 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 six (6) times for the FYE 2016 with timely notices of issues to be discussed. Details of attendance of each director are as follows:-

Director	Attendance
YBhg Tan Sri Quek Leng Chan	6/6
Mr Tan Kong Khoon(1)	1/1
Mr Quek Kon Sean(2)	6/6
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman	6/6
Ms Lim Tau Kien	6/6
Ms Lim Lean See	6/6
Mr Saw Kok Wei	6/6

Note:
(1) One Board meeting was held since his appointment to the Board on 5 February 2016
(2) Resigned with effect from 9 July 2016

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

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

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

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.

CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL

E. COMMITMENT (CONTINUED)

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-a-vis various laws, regulations and guidelines governing the same.

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

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

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

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

- BNM – Financial Institutions Directors' Education ("FIDE") Elective Programme: Advanced Risk Governance and Risk Management Programme
- BNM – FIDE Forum – "Breakfast Series with Directors - The Board's Response in Light of Rising Shareholder Engagements"
- BNM – FIDE Forum & Perbadanan Insurans Deposit Malaysia – Special Invite : Directors Register Focus Group Sessions
- BNM – FIDE Forum: A Dialogue on "The New and Revised Auditor Reporting Standards: Implications to Financial Institutions"
- BNM – FIDE Forum: Special Invitation to Industry Briefing on Directors Register Implementation
- BNM – FIDE Forum: Directors' Remuneration Report 2015: Briefing Session for Directors. A special briefing on the implementation of the Recommendations
- BNM – FIDE Forum: Focus Group Discussion in Preparation for Dialogue with BNM's Senior Management (for the Banking, Islamic Banking and Investment Banking Businesses)
- BNM – FIDE Forum: 1st Distinguished Board Leadership Series - "Cyber-Risk Oversight"
- BNM – FIDE Forum: 4th Distinguished Board Leadership Series: Board Leading Change : Organisational Transformation Strategy as Key to Sustainable Growth in Challenging Times"
- FIDE Forum - 6th Distinguished Board Leadership Series "Digital Transformation and Its Impact on Financial Services – Role of the Board in Maximising Potential"
- ICLIF & Bursa Malaysia – "Board Chairman Series Part 2: Leadership Excellence from the Chair"
- Bursa Malaysia - Sustainability Engagement Series for Directors/CEOs of Listed Issuers
- Securities Industry Development Corporation ("SIDC") & Bursa Malaysia: "The Interplay Between CG, NFI and Investment Decision – What Boards of Listed Companies Need to Know"
- SIDC – Capital Market Director Programme ("CDMP")
- SIDC - CMDP Alumni Event: Doing Business in a Responsible Way
- Federation of Public Listed Companies Bhd – Governance, Director Duties and Listing Requirement Updates for Directors of PLCs
- Thomson Reuters - Anti-Money Laundering and Countering Financing of Terrorism ("AML/CFT") eLearning course
- Amanie Academy – The Essence of Shariah Compliance in Modern Islamic Financial Institutions – Shariah Standards
- Malaysian Economic Association – 2016 BNM Governor's Address on the Malaysian Economy & Panel Discussion

CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL

E. COMMITMENT (CONTINUED)

- Audit Committee Conference 2016
- MIRA Seminar – "Is the economy in a crisis and have we learned from the past crisis?"
- Digital Banking & Current Challenges in Accounting (IFRS)
- The Most Innovative Companies – Four Factors that Differentiate Leaders
- AML/CFT – Recent Lessons Learnt from Industry
- BNM Concept Paper on Corporate Governance
- BNM Concept Paper on Shareholder Suitability
- Amendments to Bursa Malaysia Securities Berhad Main Market Listing Requirements
- Amendments to Capital Markets and Services Act 2007 and Securities Commission Act 1993
- Regulatory update session on recent changes in regulations, legislation and accounting standards
- Third Party Contracts (Rights of Third Parties) Ordinance
- New guidance on direct marketing provisions under the Personal Data (Privacy) Ordinance
- Guidelines for Submission of Complaints Statistics (Banking Institutions and Development Financial Institutions)
- Managing Unauthorised Trading and Market Manipulation
- Submission for Repurchase Agreement Transaction
- Financial Action Task Force Report: Emerging Terrorist Financing Risks
- Statements by the Financial Action Task Force on Money Laundering
- Capital Adequacy Framework (Capital Components)
- Capital Adequacy Framework (Basel II – Risk Weighted Asset)
- Observation Period Reporting (Capital Adequacy Ratios and Liquidity Coverage Ratio)
- Issues of Concern Noted on Trading Clerks and Third Party Receipts
- Guidelines for Registered Person – Registered Representative.

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.

CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL

F. ACCOUNTABILITY AND AUDIT (CONTINUED)

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. In this regard, an annual assessment is 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 non-audit services. Assessment will be conducted by the BARMC for non-audit services to ensure that the provision of non-audit services does not interfere with the exercise of independent judgment of the external auditors.

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

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

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

G. DISCLOSURE

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

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

H. SHAREHOLDERS

I Dialogue between Companies and Investors

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

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

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

The Board has identified Ms Lim Tau Kien, the Chairman of the BARMC, as the Independent Non-Executive Director of the Board to whom concerns may be conveyed, and who would bring the same to the attention of the Board.

In addition, shareholders and investors can 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 : 03-2164 8228
Fax No : 03-2715 8988
E-mail address : cfo-hlfg@hongleong.com.my

CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL

H. SHAREHOLDERS (CONTINUED)

II AGM

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

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

I. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

I The responsibility of the Board

The Board recognises its responsibilities for the system of internal controls of the Group and for reviewing its adequacy and integrity. Accordingly, the Board has established and maintained a Risk Management Framework appropriate to the operations of the Group, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The controls built into the Risk Management Framework of the Group are designed to ensure that all relevant and significant risks are identified and managed as part of the risk management process and are not intended to eliminate all risks of failure to achieve business objectives. It only provides a reasonable and not absolute assurance against material misstatements, losses or frauds that may affect the Group's financial position or its operations.

The Board has received assurance from the President & Chief Executive 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.

II The Risk Management Framework

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

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

These processes have been in place throughout the FYE 2016 and have continued up to the date this statement was approved.

The Board has entrusted the BARMC with the responsibility to oversee the implementation of the Risk Management Framework of the Group.
The Group's Risk Officers administer the Risk Management Framework of the Group. The primary responsibilities of the Group's Risk Officers are:

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

In discharging the above responsibilities, the Group's Risk Officers are guided by but are not limited to the Statement on Risk Management & Internal Control - Guidelines for Directors of Listed Issuers.

CORPORATE GOVERNANCE, RISK MANAGEMENT & INTERNAL CONTROL

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

III Internal Control Review and Regulatory Compliance Procedures

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

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

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

IV Management and Decision-Making Processes

The Board has incorporated the Risk Management Framework as an integral component in the management and decision-making process of the Group.

The vision and mission statements of the Group form the basis of medium-term business plans and budgets. The key strategies to achieve these business plans and budgets are approved by the Board. The management performs monthly review to monitor the performance of all operating units against the business plans and budgets. The budget is monitored and major variances are followed-up by the management. These are then reported to the Board on a quarterly basis.

The Company's financial system records business transactions to produce quarterly reports that allow management to focus on key areas of concern. The public release of quarterly financial reporting of the Group will only be made after being reviewed by the BARMC and approved by the Board.

The Group has a well-defined organisational structure with clearly defined authorities, accountability and segregation of duties. The respective heads of the operating subsidiaries of the Group operate their respective units within the policies, functional, financial and operating reporting standards and control procedures developed by the Group. Such reporting standards and control procedures are supplemented by operating procedures developed by the operating units to suit the regulatory and business environment, in which they operate.

The Group has identified the major risks that has significant impact on its operations, namely; credit risk, market risk, liquidity risk, settlement risk, operational risk, and legal and compliance risk. Each operating unit has a number of functional departments and/or units that will be responsible for managing and monitoring these risks through limits, procedures and oversight. Where feasible and necessary, relevant group resources are focused to manage and monitor common risks on an integrated and Group-wide basis, using common tools, procedures and control systems as appropriate.

As required by Paragraph 15.23 of the MMLR, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Recommended Practice Guide ("RPG") 5 (Revised) issued by the Malaysian Institute of Accountants. RPG 5 (Revised) does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

J. DIRECTORS' RESPONSIBILITY IN FINANCIAL REPORTING

The MMLR requires the directors to prepare financial statements for each financial year which give a true and fair view of the financial position of the Group and of the Company as at the end of the financial year and of its financial performance and cash 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 2016, the Group has used the appropriate accounting policies and applied them consistently. The directors are also of the view that relevant approved accounting standards have been followed in the preparation of these financial statements.

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

DIRECTORS' REPORT
for the financial year ended 30 June 2016

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2016.

PRINCIPAL ACTIVITIES

The principal activities of the Company are those of investment holding and provision of services to its subsidiaries to enhance group value.

The Hong Leong Financial Group (the Company and its subsidiaries) is a diversified financial group whose businesses provide a broad range of financial products and services to consumer, corporate and institutional customers.

The principal activities of the significant subsidiaries consist of commercial banking business, Islamic banking services, insurance and takaful business, investment banking, futures and stock broking and asset management business as disclosed in Note 11 to the financial statements.

There have been no significant changes in the principal activities of the Group and the Company during the financial year.

FINANCIAL RESULTS

	The Group RM'000	The Company RM'000
Net profit after taxation:		
- Owners of the parent	1,358,895	445,689
- Non-controlling interests	704,649	–
	2,063,544	445,689

DIVIDENDS

The dividends on ordinary shares paid or declared by the Company since the previous financial year ended 30 June 2015 were as follows:

(a) A first interim single-tier dividend of 13 sen per share, amounting to RM136,859,813 in respect of the financial year ended 30 June 2016, was paid on 23 December 2015.

(b) A second interim single-tier dividend of 25 sen per share, amounting to RM286,879,223 in respect of the financial year ended 30 June 2016, was paid on 28 June 2016.

The Directors do not recommend the payment of any final dividend for the financial year ended 30 June 2016.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 52 to the financial statements.

DIRECTORS' REPORT
for the financial year ended 30 June 2016

SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR

Significant events subsequent to the financial year are disclosed in Note 53 to the financial statements.

CREDIT RATING

On 23 August 2016, Malaysian Rating Corporation Berhad ("MARC") has reaffirmed a MARC-1/AA ratings to Hong Leong Financial Group Berhad ("HLFG")'s Commercial Paper and Medium Term Notes Programmes with a combined limit of RM1.8 billion. The rating outlook for the long-term rating is stable. The ratings are based on the continued ability of HLFG's enlarged banking subsidiary, Hong Leong Bank Berhad, to generate strong earnings and the well-capitalised positions of both its banking and insurance subsidiaries.

Details of the ratings are as follows:

RM1,800 million Commercial Paper and Medium Term Notes Programmes

Date accorded	Rating action	Rating classification	Definition
August 2016	Affirmed	Short-term rating: MARC-1	Highest category; indicates a very high likelihood that principal and interest will be paid on a timely basis.
August 2016	Affirmed	Long-term rating: AA	Indicates a very strong ability to repay principal and pay interest on a timely basis, with limited incremental risk compared to issues rated in the highest category.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

DIRECTORS

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

YBhg Tan Sri Quek Leng Chan	(Chairman, Non-Executive Non-Independent)
Mr Tan Kong Khoon (Appointed with effect from 5 February 2016)	(President & Chief Executive Officer, Non-Independent)
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman	(Non-Independent Non-Executive Director)
Ms Lim Tau Kien	(Independent Non-Executive Director)
Ms Lim Lean See	(Independent Non-Executive Director)
Mr Saw Kok Wei	(Independent Non-Executive Director)
Mr Quek Kon Sean (Resigned with effect from 9 July 2016)	(Non-Independent Non-Executive Director)

DIRECTORS' REPORT
for the financial year ended 30 June 2016

DIRECTORS' INTERESTS

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

		Shareholdings in which Directors have direct interests Number of ordinary shares/preference shares/ordinary shares issued or to be issued or acquired arising from the exercise of options*/ conversion of redeemable convertible unsecured loan stocks** or redeemable convertible cumulative preference shares***			
	Nominal value per share RM (unless indicated)	As at 01.07.2015	Acquired	Sold	As at 30.06.2016
Interests of YBhg Tan Sri Quek Leng Chan in:					
Hong Leong Company (Malaysia) Berhad	1.00	390,000	–	–	390,000
Hong Leong Financial Group Berhad	1.00	4,989,600	449,064 (9)	–	5,438,664
Guoco Group Limited	USD0.50	1,056,325	–	–	1,056,325
GuocoLand Limited	(1)	13,333,333	–	–	13,333,333
GuocoLand (Malaysia) Berhad	0.50	19,506,780	–	–	19,506,780
GL Limited (formerly known as GuocoLeisure Limited)	USD0.20	735,000	–	–	735,000
The Rank Group Plc	GBP13$^{8/9}$p	285,207	–	–	285,207
Interests of YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman in:					
Hong Leong Financial Group Berhad	1.00	5,544,000	–	–	5,544,000
Hong Leong Bank Berhad	1.00	400,000	–	–	400,000
Hong Leong Industries Berhad	0.50	52,800	–	–	52,800
Malaysian Pacific Industries Berhad	0.50	20,800	–	–	20,800
Hume Industries Berhad	1.00	57,024	–	–	57,024
Interest of Mr Quek Kon Sean (13) in:					
Hong Leong Financial Group Berhad	1.00	2,250,000	202,500 (9)	–	2,452,500
Hong Leong Company (Malaysia) Berhad	1.00	–	164,355	–	164,355
Hong Leong Industries Berhad		–	200,000 *	–	200,000 *
Hume Industries Berhad		–	100,000 *	–	100,000 *
GuocoLand Limited		–	100,000 *	–	100,000 *
GL Limited (formerly known as GuocoLeisure Limited)		–	100,000 *	–	100,000 *

DIRECTORS' REPORT
for the financial year ended 30 June 2016

DIRECTORS' INTERESTS (CONTINUED)

	Nominal value per share RM (unless indicated)	Shareholdings in which Directors have indirect interests Number of ordinary shares/preference shares/ordinary shares issued or to be issued or acquired arising from the exercise of options*/ conversion of redeemable convertible unsecured loan stocks** or redeemable convertible cumulative preference shares*** As at 01.07.2015	Acquired	Sold	As at 30.06.2016
Interests of YBhg Tan Sri Quek Leng Chan in:					
Hong Leong Company (Malaysia) Berhad	1.00	13,069,100	164,355 (6)	–	13,233,455
Hong Leong Financial Group Berhad	1.00	824,437,300	73,999,432 (9)	–	898,436,732
Hong Leong Capital Berhad	1.00	200,805,058	–	–	200,805,058
Hong Leong Bank Berhad	1.00	1,160,549,285	185,687,884 (9)	–	1,346,237,169
Hong Leong MSIG Takaful Berhad	1.00	65,000,000	–	–	65,000,000
Hong Leong Assurance Berhad	1.00	140,000,000	–	–	140,000,000
Hong Leong Industries Berhad	0.50	245,435,003 (6)	–	–	245,435,003 (6)
		–	200,000 *(6)	–	200,000 *(6)
Hong Leong Yamaha Motor Sdn Bhd	1.00	17,352,872	–	–	17,352,872
Guocera Tile Industries (Meru) Sdn Bhd	1.00	19,600,000	–	–	19,600,000
Hong Leong Maruken Sdn Bhd (In members' voluntary liquidation)	1.00	1,750,000	–	–	1,750,000
Century Touch Sdn Bhd (In members' voluntary liquidation)	1.00	6,545,001	–	–	6,545,001
Varinet Sdn Bhd (In members' voluntary liquidation)	1.00	10,560,627	–	–	10,560,627
Malaysian Pacific Industries Berhad	0.50	112,217,857 (6)	–	–	112,217,857 (6)
Carter Resources Sdn Bhd (formerly known as Carter Realty Sdn Bhd)	1.00	5,640,607	–	–	5,640,607
Carsem (M) Sdn Bhd	1.00	84,000,000	–	–	84,000,000
	100.00	22,400 (7)	–	–	22,400 (7)
Hume Industries Berhad	1.00	354,373,046 (6)	–	(925,559) (11)	353,447,487 (6)
		–	100,000 *(6)	–	100,000 *(6)
Guoco Group Limited	USD0.50	237,124,930	–	–	237,124,930
GuocoLand Limited	(1)	819,244,363 (6)	–	–	819,244,363 (6)
		–	100,000 *(6)	–	100,000 *(6)
Southern Steel Berhad ("SSB")	1.00	299,541,202	–	–	299,541,202
	1.00	141,627,296 **	–	–	141,627,296 **
Southern Pipe Industry (Malaysia) Sdn Bhd	1.00	118,822,953	–	–	118,822,953
	1.00	20,000,000 ***(8)	–	–	20,000,000 ***(8)
Belmeth Pte. Ltd.	(1)	40,000,000	–	–	40,000,000
Guston Pte. Ltd.	(1)	8,000,000	–	–	8,000,000
Perfect Eagle Pte. Ltd.	(1)	24,000,000	–	–	24,000,000
First Garden Development Pte Ltd (In members' voluntary liquidation)	(1)	63,000,000	–	(63,000,000) (10)	–
Sanctuary Land Pte Ltd (In members' voluntary liquidation)	(1)	90,000	–	(90,000) (10)	–

DIRECTORS' REPORT
for the financial year ended 30 June 2016

DIRECTORS' INTERESTS (CONTINUED)

		Shareholdings in which Directors have indirect interests Number of ordinary shares/preference shares/ordinary shares issued or to be issued or acquired arising from the exercise of options*/ conversion of redeemable convertible unsecured loan stocks** or redeemable convertible cumulative preference shares***			
	Nominal value per share RM (unless indicated)	As at 01.07.2015	Acquired	Sold	As at 30.06.2016
Interests of YBhg Tan Sri Quek Leng Chan in: (continued)					
Beijing Minghua Property Development Co., Ltd (In members' voluntary liquidation)	(2)	150,000,000	–	–	150,000,000
Shanghai Xinhaojia Property Development Co., Ltd	(2)	3,150,000,000	–	–	3,150,000,000
Shanghai Xinhaozhong Property Development Co., Ltd	(3)	19,600,000	–	–	19,600,000
Beijing Cheng Jian Dong Hua Real Estate Development Company Limited	(2)	50,000,000	–	(50,000,000)	–
Lam Soon (Hong Kong) Limited	(5)	140,008,659	–	–	140,008,659
Kwok Wah Hong Flour Company Limited	(5)	9,800	–	(9,800) (10)	–
Guangzhou Lam Soon Food Products Limited	(4)	6,570,000	–	–	6,570,000
GuocoLand (Malaysia) Berhad	0.50	455,698,596	–	–	455,698,596
Guoman Hotel & Resort Holdings Sdn Bhd	1.00	277,000,000	–	–	277,000,000
JB Parade Sdn Bhd	1.00	28,000,000	–	–	28,000,000
	0.01	68,594,000 (7)	–	–	68,594,000 (7)
Continental Estates Sdn Bhd	1.00	34,408,000	–	–	34,408,000
	0.01	123,502,605 (7)	–	–	123,502,605 (7)
GL Limited (formerly known as GuocoLeisure Limited)	USD0.20	923,255,425	9,818,400	–	933,073,825
		–	100,000 *(6)	–	100,000 *(6)
The Rank Group Plc	GBP13 8/9p	219,282,221	–	–	219,282,221
Interests of YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman in:					
Hong Leong Financial Group Berhad	1.00	3,600 (12)	–	–	3,600 (12)
Hong Leong Bank Berhad	1.00	–	68,000 (12)	–	68,000 (12)
Interests of Mr Quek Kon Sean (13) in:					
Hong Leong Industries Berhad	0.50	750,000	–	–	750,000
Malaysian Pacific Industries Berhad	0.50	281,250	–	–	281,250
Hume Industries Berhad	1.00	810,000	–	–	810,000

DIRECTORS' REPORT

for the financial year ended 30 June 2016

DIRECTORS' INTERESTS (CONTINUED)

Notes:

(1) Concept of par value was abolished with effect from 30 January 2006 pursuant to the Singapore Companies (Amendment) Act, 2005

(2) Capital contribution in RMB

(3) Capital contribution in USD

(4) Capital contribution in HKD

(5) Concept of par value was abolished with effect from 3 March 2014 pursuant to the New Companies Ordinance (Chapter 622), Hong Kong

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

(7) Redeemable Preference Shares

(8) The redeemable convertible cumulative preference shares ("RCCPS") are convertible into ordinary shares of RM1.00 each at the option of the holder of RCCPS on the basis of 400 ordinary shares of RM1.00 each for every RCCPS of RM1.00 nominal value

(9) Shares acquired from rights issue

(10) Dissolved during the financial year

(11) Transfer of free ordinary shares of RM1.00 each in Hume Industries Berhad to the grant holders upon vesting

(12) Interest pursuant to Section 134(12)(c) of the Companies Act, 1965 in shares held by family member

(13) Resigned with effect from 9 July 2016

DIRECTORS' BENEFITS

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

Neither at the end of the financial year, nor at any time during the financial year, did there subsist any other arrangements to which the Company is a party, with the object or objects of enabling the 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 share options granted pursuant to the Executive Share Option Scheme and Executive Share Scheme.

EXECUTIVE SHARE OPTION SCHEME AND EXECUTIVE SHARE SCHEME

There are two share issuance schemes in place in the Company, namely Executive Share Option Scheme 2006/2016 and Executive Share Scheme. Executive Share Option Scheme 2006/2016 had expired on 23 January 2016.

(a) Executive Share Option Scheme 2006/2016 ("ESOS 2006/2016")

The ESOS 2006/2016 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.

There were no options granted under the ESOS 2006/2016 of the Company during the financial year ended 30 June 2016.

DIRECTORS' REPORT
for the financial year ended 30 June 2016

EXECUTIVE SHARE OPTION SCHEME AND EXECUTIVE SHARE SCHEME (CONTINUED)

(a) Executive Share Option Scheme 2006/2016 ("ESOS 2006/2016") (continued)

As at 30 June 2016, a total of 20,451,000 options had been granted under ESOS 2006/2016, out of which 15,936,000 options had been exercised and there are no options remaining outstanding. The aggregate options granted to Directors and chief executives of the Group under the ESOS 2006/2016 amounted to 15,800,000, out of which 12,755,000 options had been exercised and there are no options outstanding.

Since the commencement of the ESOS 2006/2016, the maximum allocation applicable to Directors and senior management of the Group is 50% of the ESOS 2006/2016 Aggregate Maximum Allocation.

As at 30 June 2016, the actual percentage of total options granted to Directors and senior management of the Group under the ESOS 2006/2016 was 1.66% of the issued and paid up ordinary share capital of the Company.

The ESOS 2006/2016 had expired on 23 January 2016.

(b) Executive Share Scheme ("ESS")

The ESS of up to ten percent (10%) of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company comprises the Executive Share Option Scheme 2013/2023 ("ESOS 2013/2023") and the Executive Share Grant Scheme ("ESGS").

(i) ESOS 2013/2023

The ESOS 2013/2023 which was approved by the shareholders of the Company on 30 October 2012, was established on 12 March 2013 and would be in force for a period of ten (10) years.

On 18 September 2012, the Company announced that Bursa Malaysia Securities Berhad had resolved to approve the listing of new ordinary shares of the Company to be issued pursuant to the exercise of options under the ESOS 2013/2023.

The ESOS 2013/2023 would provide an opportunity for eligible executives who had contributed to the growth and development of the Group to participate in the equity of the Company.

(ii) ESGS

The ESGS which was approved by the shareholders of the Company on 29 October 2013, was established on 28 February 2014 and would end on 11 March 2023.

On 6 September 2013, the Company announced that Bursa Malaysia Securities Berhad had resolved to approve-in-principle the listing of new ordinary shares of the Company to be issued pursuant to the ESGS.

The ESGS would provide the Company with the flexibility to reward the eligible executives of the Group for their contribution with awards of the Company's shares without any consideration payable by the eligible executives.

At any point of time during the existence of the ESS, the aggregate number of shares comprised in the options and grants under the ESS and any other executive share schemes established by the Company which are still subsisting shall not exceed 10% of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company at any one time ("Schemes Aggregate Maximum Allocation").

There were 12,200,000 options granted at an exercise price of RM16.88 under the ESS of the Company on 2 April 2015.

DIRECTORS' REPORT
for the financial year ended 30 June 2016

EXECUTIVE SHARE OPTION SCHEME AND EXECUTIVE SHARE SCHEME (CONTINUED)

(b) Executive Share Scheme ("ESS") (continued)

Arising from the completion of the Company's Rights Issue on 7 December 2015, the exercise price for the share options granted on 2 April 2015 under the ESS was adjusted from RM16.88 to RM16.61 and additional share options of 189,819 were allotted to the option holders, in accordance with the provisions of the Bye-Laws governing the ESS.

As at 30 June 2016, a total of 12,389,819 options had been granted under ESS, with 11,688,183 options remaining outstanding. The aggregate options granted to Directors and chief executives of the Group under the ESS amounted to 5,081,823, all of which remain outstanding.

Since the commencement of the ESS, the maximum allocation applicable to Directors and senior management of the Group is 50% of the Schemes Aggregate Maximum Allocation.

As at 30 June 2016, the actual percentage of total options granted to Directors and senior management of the Group under the ESS was 0.84% of the issued and paid up ordinary share capital of the Company, and the actual percentage of total options granted to Directors and senior management of the Group during the financial year ended 30 June 2016 was 0.01% of the issued and paid up ordinary share capital of the Company.

A trust has been set up for the ESOS 2006/2016 and ESS (collectively "Schemes") and it is administered by an appointed trustee. This trustee will be entitled from time to time to accept financial assistance from the Company upon such terms and conditions as the Company and the trustee may agree to purchase the Company's shares from the open market for the purposes of this trust. In accordance with MFRS 132, the shares purchased for the benefit of the Schemes holdings are recorded as "Treasury Shares for ESOS" in the shareholders' equity on the Statements of Financial Position. The cost of operating the Schemes is charged to the statements of income.

For further details on the ESOS 2006/2016 and ESS, refer to Note 51 on Equity Compensation Benefits.

SHARE CAPITAL

During the financial year ended 30 June 2016, the Company increased its issued and paid-up capital from 1,052,767,789 to 1,147,516,890 via issuance of 94,749,101 new ordinary shares of RM1.00 each on the basis of 9 rights shares for every 100 existing shares held by HLFG entitled shareholders on 6 November 2015 at an issue price of RM11.60 per rights share.

STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(a) As at the end of the financial year

(i) Before the statements of income and statements of financial position 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 financing and the making of allowance for doubtful debts and financing and had satisfied themselves that all known bad debts and financing had been written off and that adequate allowance had been made for doubtful debts and financing; and

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

(ii) In the opinion of the Directors, the results of the operations of the Group and the Company during the financial year had not been substantially affected by any item, transaction or event of a material and unusual nature.

DIRECTORS' REPORT
for the financial year ended 30 June 2016

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

(ii) In the opinion of the Directors:

- the results of the operations of the Group and the Company for the financial year ended 30 June 2016 are not likely to be substantially affected by any item, transaction or event of a material and unusual nature which had arisen in the interval between the end of the financial year and the date of this report; and
- no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and the Company to meet their obligations as and when they fall due.

(c) As at the date of this report

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

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

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

DISCLOSURE OF SHARIAH ADVISORY COMMITTEE

The Group's Islamic banking and takaful business activities are subject to the Shariah compliance and confirmation by the Shariah Advisory Committee consisting of 5 scholars, at all times, appointed by the Board of Directors of Hong Leong Islamic Bank Berhad and Hong Leong MSIG Takaful Berhad, and approved by Bank Negara Malaysia.

The primary role of the Shariah Advisory Committee is mainly advising on matters relating to the business operations and products of the Group and providing support by attending regular meetings with the Group to ensure that they are in conformity with Shariah principles.

DIRECTORS' REPORT
for the financial year ended 30 June 2016

ULTIMATE HOLDING COMPANY

The ultimate holding company is Hong Leong Company (Malaysia) Berhad, a company incorporated in Malaysia.

AUDITORS

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

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

Tan Kong Khoon
Director

Lim Tau Kien
Director

Kuala Lumpur
15 September 2016

STATEMENTS OF FINANCIAL POSITION
as at 30 June 2016

		The Group		The Company	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
Assets					
Cash and short-term funds	2	**9,429,592**	8,463,194	**9,620**	8,345
Deposits and placements with banks and other financial institutions	3	**3,033,666**	4,325,129	**8,400**	8,888
Securities purchased under resale agreements		**4,056,670**	12,163,252	**–**	–
Financial assets held-for-trading	4	**8,524,673**	9,238,804	**–**	–
Financial investments available-for-sale	5	**35,767,092**	29,623,057	**–**	–
Financial investments held-to-maturity	6	**12,911,318**	10,941,838	**–**	–
Derivative financial instruments	20	**1,062,358**	1,468,084	**80**	126
Loans, advances and financing	7	**120,444,892**	113,111,668	**–**	–
Clients' and brokers' balances	8	**395,884**	337,631	**–**	–
Other receivables	9	**1,816,828**	1,415,833	**639**	609
Amount due from subsidiaries	47	**–**	–	**48**	179
Statutory deposits with Central Banks	10	**4,328,519**	3,532,372	**–**	–
Tax recoverable		**29,011**	49,961	**2,729**	9,771
Investment in subsidiary companies	11	**–**	–	**16,915,160**	15,007,609
Investment in associated companies	12	**3,982,091**	3,740,302	**–**	–
Investment in joint ventures	13	**145,183**	129,230	**–**	–
Deferred tax assets	22	**–**	–	**330**	2,170
Property and equipment	14	**1,849,202**	1,149,955	**1,729**	2,375
Investment properties	15	**1,940**	1,848	**–**	–
Goodwill arising on consolidation	16	**2,410,644**	2,410,644	**–**	–
Intangible assets	17	**284,971**	337,842	**106**	213
Total assets		**210,474,534**	202,440,644	**16,938,841**	15,040,285

The accompanying accounting policies and notes form an integral part of these financial statements

STATEMENTS OF FINANCIAL POSITION

as at 30 June 2016

		The Group		The Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Liabilities					
Deposits from customers	18	**149,490,533**	140,955,465	**–**	–
Deposits and placements of banks and other financial institutions	19	**8,106,000**	8,943,622	**–**	–
Obligations on securities sold under repurchase agreements		**3,494,903**	3,691,338	**–**	–
Bills and acceptances payable		**350,455**	1,900,967	**–**	–
Derivative financial instruments	20	**1,654,225**	1,369,365	**1,455**	1,158
Clients' and brokers' balances		**279,919**	192,728	**–**	–
Payables and other liabilities	21	**6,237,822**	5,796,694	**9,351**	11,103
Provision for claims		**141,175**	128,905	**–**	–
Provision for taxation		**39,357**	168,926	**–**	–
Deferred tax liabilities	22	**202,237**	171,845	**–**	–
Borrowings	23	**3,191,919**	3,096,882	**1,641,717**	860,666
Subordinated obligations	24	**2,958,641**	5,161,255	**–**	–
Non-Innovative Tier 1 stapled securities	25	**–**	1,410,869	**–**	–
Innovative Tier 1 capital securities	26	**521,512**	530,223	**–**	–
Insurance funds	27	**10,628,680**	9,457,257	**–**	–
Total liabilities		**187,297,378**	182,976,341	**1,652,523**	872,927
Equity attributable to owners of the parent					
Share capital	28	**1,147,517**	1,052,768	**1,147,517**	1,052,768
Reserves	29	**14,229,330**	12,070,956	**14,138,804**	13,114,592
Treasury shares for ESOS	30	**(35,712)**	(12,698)	**(3)**	(2)
		15,341,135	13,111,026	**15,286,318**	14,167,358
Non-controlling interests		**7,836,021**	6,353,277	**–**	–
Total equity		**23,177,156**	19,464,303	**15,286,318**	14,167,358
Total equity and liabilities		**210,474,534**	202,440,644	**16,938,841**	15,040,285
Commitments and contingencies	41	**159,472,609**	157,622,016	**200,000**	775,000

The accompanying accounting policies and notes form an integral part of these financial statements

STATEMENTS OF INCOME

for the financial year ended 30 June 2016

		The Group		The Company	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
Interest income	31	**6,448,483**	6,250,419	**5,017**	3,457
Interest expense	32	**(3,807,541)**	(3,540,724)	**(54,357)**	(42,753)
Net interest income/(expense)		**2,640,942**	2,709,695	**(49,340)**	(39,296)
Income from Islamic banking business	33	**467,466**	419,758	**–**	–
		3,108,408	3,129,453	**(49,340)**	(39,296)
Non-interest income	34	**1,434,920**	1,361,491	**524,905**	851,005
		4,543,328	4,490,944	**475,565**	811,709
Overhead expenses	35	**(2,284,381)**	(2,000,263)	**(15,204)**	(21,396)
Operating profit before allowances		**2,258,947**	2,490,681	**460,361**	790,313
(Allowance for)/writeback of impairment losses on loans, advances and financing and other losses	36	**(52,537)**	52,644	**–**	–
(Allowance for)/writeback of impairment losses on financial investments available-for-sale and held-to-maturity		**(43,480)**	2,603	**–**	–
Allowance for impairment loss on subsidiary		**–**	–	**(9,714)**	(3,266)
		2,162,930	2,545,928	**450,647**	787,047
Share of results of associated companies	12	**381,057**	463,297	**–**	–
Share of results of joint ventures	13	**21,051**	14,060	**–**	–
Profit before taxation		**2,565,038**	3,023,285	**450,647**	787,047
Taxation	38	**(501,494)**	(562,908)	**(4,958)**	(4,472)
Net profit for the financial year		**2,063,544**	2,460,377	**445,689**	782,575
Attributable to:					
Owners of the parent		**1,358,895**	1,620,743	**445,689**	782,575
Non-controlling interests		**704,649**	839,634	**–**	–
		2,063,544	2,460,377	**445,689**	782,575
Earnings per share attributable to equity holders of the Company (sen)					
- Basic	39	**123.2**	154.3	**40.3**	74.3
- Diluted	39	**123.2**	154.3	**40.3**	74.3

The accompanying accounting policies and notes form an integral part of these financial statements

STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 30 June 2016

		The Group		The Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Net profit for the financial year		**2,063,544**	2,460,377	**445,689**	782,575
Other comprehensive income/(loss):					
Items that may be reclassified subsequently to profit or loss:					
Currency translation differences		**181,580**	714,895	**–**	–
Share of other comprehensive income of associated companies		**7,426**	10,156	**–**	–
Net fair value changes in cash flow hedge	54	**(2,477)**	216	**–**	–
Net fair value changes on financial investments available-for-sale	54	**113,416**	(128,349)	**–**	–
Income tax relating to components of other comprehensive (income)/loss	54	**(21,614)**	1,535	**–**	–
Other comprehensive income for the financial year, net of tax		**278,331**	598,453	**–**	–
Total comprehensive income for the financial year, net of tax		**2,341,875**	3,058,830	**445,689**	782,575
Attributable to:					
Owners of the parent		**1,547,606**	1,980,613	**445,689**	782,575
Non-controlling interests		**794,269**	1,078,217	**–**	–
		2,341,875	3,058,830	**445,689**	782,575

The accompanying accounting policies and notes form an integral part of these financial statements

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 30 June 2016

The Group	Note	Attributable to owners of the parent Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserves* RM'000	Fair value reserve RM'000	Cash flow hedge reserve RM'000	Other capital reserve RM'000	Share options reserve RM'000	Exchange fluctuation reserve RM'000	Retained profits RM'000	Treasury shares for ESOS RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
As at 1 July 2015		1,052,768	117,229	2,964,899	402,388	170,409	106	134,868	–	464,265	7,816,792	(12,698)	13,111,026	6,353,277	19,464,303
Comprehensive income															
Net profit for the financial year		–	–	–	–	–	–	–	–	–	1,358,895	–	1,358,895	704,649	2,063,544
Currency translation differences		–	–	–	–	–	–	–	–	123,103	–	–	123,103	58,477	181,580
Share of other comprehensive income of associated companies		–	–	–	–	5,869	–	–	–	–	–	–	5,869	1,557	7,426
Net fair value changes in financial investments available-for-sale, net of tax	54	–	–	–	–	60,974	–	–	–	–	–	–	60,974	30,231	91,205
Net fair value changes in cash flow hedge, net of tax	54	–	–	–	–	–	(1,235)	–	–	–	–	–	(1,235)	(645)	(1,880)
Total comprehensive income/(loss)		–	–	–	–	66,843	(1,235)	–	–	123,103	1,358,895	–	1,547,606	794,269	2,341,875
Transaction with owners															
Transfer to statutory reserve		–	–	345,602	–	–	–	–	–	–	(345,602)	–	–	–	–
Transfer to regulatory reserve		–	–	–	199,947	–	–	–	–	–	(199,947)	–	–	–	–
Allocation of other reserves to non-controlling interests		–	–	–	–	–	–	–	–	–	22,040	–	22,040	(22,040)	–
Dividends paid:															
- first interim dividend for the financial year ended 30 June 2016	40	–	–	–	–	–	–	–	–	–	(136,860)	–	(136,860)	–	(136,860)
- second interim dividend for the financial year ended 30 June 2016	40	–	–	–	–	–	–	–	–	–	(286,879)	–	(286,879)	–	(286,879)
Non-controlling interests share of dividend		–	–	–	–	–	–	–	–	–	–	–	–	(267,593)	(267,593)
Non-controlling interests share of subsidiary treasury shares		–	–	–	–	–	–	–	–	–	–	–	–	(26,517)	(26,517)
Non-controlling interests subscription of rights shares		–	–	–	–	–	–	–	–	–	–	–	–	1,004,625	1,004,625
Options charge arising from ESOS		–	–	–	–	–	–	–	10,205	–	–	–	10,205	–	10,205
Purchase of treasury shares		–	–	–	–	–	–	–	–	–	–	(19,612)	(19,612)	–	(19,612)
Transfer to capital redemption reserve		–	–	–	–	–	–	2	–	–	(2)	–	–	–	–
Issue of share pursuant to rights issue exercise		94,749	1,002,262	–	–	–	–	–	–	–	–	(3,402)	1,093,609	–	1,093,609
Total transaction with owners		94,749	1,002,262	345,602	199,947	–	–	2	10,205	–	(947,250)	(23,014)	682,503	688,475	1,370,978
As at 30 June 2016		1,147,517	1,119,491	3,310,501	602,335	237,252	(1,129)	134,870	10,205	587,368	8,228,437	(35,712)	15,341,135	7,836,021	23,177,156

* Comprise regulatory reserves maintained by the Group's banking subsidiary companies in Malaysia of RM591,090,000 (2015: RM391,143,000) in accordance to BNM's Policy Document on Classification and Impairment Provisions for Loans/Financing and the banking subsidiary company in Vietnam with the State Bank of Vietnam of RM11,245,000 (2015: RM11,245,000).

The accompanying accounting policies and notes form an integral part of these financial statements

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 30 June 2016

The Group	Note	Attributable to owners of the parent												Non-controlling interests RM'000	Total equity RM'000
		Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserves* RM'000	Fair value reserve RM'000	Cash flow hedge reserve RM'000	Other capital reserve RM'000	Share options reserve RM'000	Exchange fluctuation reserve RM'000	Retained profits RM'000	Treasury shares for ESOS RM'000	Total RM'000		
As at 1 July 2014		1,052,768	117,229	2,454,525	10,266	287,257	–	134,848	7,806	(12,347)	7,447,552	(25,422)	11,474,482	5,530,249	17,004,731
Comprehensive income															
Net profit for the financial year		–	–	–	–	–	–	–	–	–	1,620,743	–	1,620,743	839,634	2,460,377
Currency translation differences		–	–	–	–	–	–	–	–	476,612	–	–	476,612	238,283	714,895
Share of other comprehensive loss of associated companies		–	–	–	–	5,560	–	–	–	–	–	–	5,560	4,596	10,156
Net fair value changes in financial investments available-for-sale, net of tax	54	–	–	–	–	(122,408)	–	–	–	–	–	–	(122,408)	(4,352)	(126,760)
Net fair value changes in cash flow hedge, net of tax	54	–	–	–	–	–	106	–	–	–	–	–	106	56	162
Total comprehensive (loss)/income		–	–	–	–	(116,848)	106	–	–	476,612	1,620,743	–	1,980,613	1,078,217	3,058,830
Transaction with owners															
Transfer to statutory reserve		–	–	510,374	–	–	–	–	–	–	(510,374)	–	–	–	–
Transfer to regulatory reserve		–	–	–	392,122	–	–	–	–	–	(392,122)	–	–	–	–
Allocation of other reserves to non-controlling interests		–	–	–	–	–	–	–	–	–	17,427	–	17,427	29,183	46,610
Dividends paid:															
- first interim dividend for the financial year ended 30 June 2015	40	–	–	–	–	–	–	–	–	–	(136,470)	–	(136,470)	–	(136,470)
- second interim dividend for the financial year ended 30 June 2015	40	–	–	–	–	–	–	–	–	–	(263,186)	–	(263,186)	–	(263,186)
Non-controlling interests share of dividend		–	–	–	–	–	–	–	–	–	–	–	–	(283,254)	(283,254)
Non-controlling interests share of subsidiary treasury shares		–	–	–	–	–	–	–	–	–	–	–	–	(1,118)	(1,118)
Options charge arising from ESOS		–	–	–	–	–	–	–	2,108	–	–	–	2,108	–	2,108
Purchase of treasury shares		–	–	–	–	–	–	–	–	–	–	(2,695)	(2,695)	–	(2,695)
Exercise of ESOS		–	–	–	–	–	–	–	(9,914)	–	33,242	15,419	38,747	–	38,747
Transfer to capital redemption reserve		–	–	–	–	–	–	20	–	–	(20)	–	–	–	–
Total transaction with owners		–	–	510,374	392,122	–	–	20	(7,806)	–	(1,251,503)	12,724	(344,069)	(255,189)	(599,258)
As at 30 June 2015		1,052,768	117,229	2,964,899	402,388	170,409	106	134,868	–	464,265	7,816,792	(12,698)	13,111,026	6,353,277	19,464,303

* Comprise regulatory reserves maintained by the Group's banking subsidiary companies in Malaysia of RM391,143,000 in accordance to BNM's Policy Document on Classification and Impairment Provisions for Loans/Financing and the banking subsidiary company in Vietnam with the State Bank of Vietnam of RM11,245,000.

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 30 June 2016

The Company	Note	Non-distributable Share capital RM'000	Share premium RM'000	Other capital reserve RM'000	Share options reserve RM'000	Treasury shares for ESOS RM'000	Distributable Retained profits RM'000	Total equity RM'000
As at 1 July 2015		**1,052,768**	**117,229**	**254,991**	**–**	**(2)**	**12,742,372**	**14,167,358**
Net profit for the financial year		**–**	**–**	**–**	**–**	**–**	**445,689**	**445,689**
Dividends paid								
- first interim dividend for the financial year ended 30 June 2016	40	**–**	**–**	**–**	**–**	**–**	**(136,860)**	**(136,860)**
- second interim dividend for the financial year ended 30 June 2016	40	**–**	**–**	**–**	**–**	**–**	**(286,879)**	**(286,879)**
Options charge arising from ESOS		**–**	**–**	**–**	**–**	**–**	**–**	**–**
Subscription of rights shares		**–**	**–**	**–**	**–**	**(1)**	**–**	**(1)**
Issue of share pursuant to rights issue exercise		**94,749**	**1,002,262**	**–**	**–**	**–**	**–**	**1,097,011**
As at 30 June 2016		**1,147,517**	**1,119,491**	**254,991**	**–**	**(3)**	**12,764,322**	**15,286,318**
As at 1 July 2014		1,052,768	117,229	254,991	4,638	(15,181)	12,332,614	13,747,059
Net profit for the financial year		–	–	–	–	–	782,575	782,575
Dividends paid								
- first interim dividend for the financial year ended 30 June 2015	40	–	–	–	–	–	(136,470)	(136,470)
- second interim dividend for the financial year ended 30 June 2015	40	–	–	–	–	–	(263,186)	(263,186)
Options charge arising from ESOS		–	–	–	2,070	–	–	2,070
Exercise of ESOS		–	–	–	(6,708)	15,179	26,839	35,310
As at 30 June 2015		1,052,768	117,229	254,991	–	(2)	12,742,372	14,167,358

The accompanying accounting policies and notes form an integral part of these financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the financial year ended 30 June 2016

	The Group	
	2016 RM'000	2015 RM'000
Cash flows from operating activities		
Profit before taxation	**2,565,038**	3,023,285
Adjustments for:		
Unearned premium reserves	**16,077**	68
Life fund - underwriting surplus	**1,350,914**	1,333,631
Depreciation of property and equipment	**93,119**	77,507
Amortisation of intangible assets	**78,308**	73,249
Intangible assets written off	**3,386**	2,875
Property and equipment written off	**834**	209
Gain on sale of property and equipment	**(1,967)**	(6,947)
Gain on revaluation of investment properties	**(92)**	(88)
Gain from disposal of financial assets held-for-trading	**(54,224)**	(58,341)
Gain from disposal of financial investments available-for-sale	**(103,435)**	(123,980)
Gain from redemption of financial investments held-to-maturity	**(31)**	(350)
Loss from disposal of derivative financial instruments	**19,444**	8,673
Net unrealised loss on revaluation of financial assets held-for-trading and derivative financial instruments	**100,450**	49,333
Net realised loss on fair value changes arising from fair value hedges and amortisation of fair value changes arising from terminated fair value hedges	**519**	3,279
Unrealised exchange loss	**176,516**	342,115
Allowance for/(writeback of) impairment losses on financial investments	**43,480**	(2,603)
Allowances for impairment losses on loans, advances and financing and other losses	**259,147**	163,033
Impaired loans and financing written off	**22,048**	45,617
Interest expense on borrowings	**126,718**	140,938
Interest expense on subordinated obligations	**171,079**	226,515
Interest expense on Non-Innovative Tier 1 stapled securities	**60,024**	71,317
Interest expense on Innovative Tier 1 capital securities	**32,652**	30,516
Interest income from financial assets held-for-trading	**(554,361)**	(576,911)
Interest income from financial investments available-for-sale	**(548,827)**	(458,054)
Interest income from financial investments held-to-maturity	**(325,274)**	(274,044)
Dividend income from financial assets held-for-trading and financial investments available-for-sale	**(233,667)**	(181,235)
Options charge arising from ESOS	**10,205**	2,108
Surplus transferred from life insurance business	**(185,586)**	(222,539)
Share of results of associated companies	**(381,057)**	(463,297)
Share of results of joint ventures	**(21,051)**	(14,060)
	155,348	188,534
Operating profit before working capital changes	**2,720,386**	3,211,819

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

	The Group	
	2016 RM'000	**2015 RM'000**
Decrease/(increase) in operating assets		
Deposits and placements with banks and other financial institutions	**1,291,463**	168,068
Securities purchased under resale agreements	**8,106,582**	(9,166,055)
Financial assets held-for-trading	**1,225,298**	4,606,502
Loans, advances and financing	**(7,614,419)**	(9,654,870)
Clients' and brokers' balances	**(58,253)**	93,173
Other receivables	**267,749**	(938,576)
Statutory deposits with Central Banks	**(796,147)**	(350,980)
Increase/(decrease) in operating liabilities		
Deposits from customers	**8,535,068**	10,323,179
Deposits and placements of banks and other financial institutions	**(837,622)**	(222,633)
Obligations on securities sold under repurchase agreements	**(196,435)**	(604,637)
Bills and acceptances payable	**(1,550,512)**	1,542,235
Payables and other liabilities	**377,602**	(427,053)
Provision for claims	**12,270**	61,817
Clients' and brokers' balances	**87,191**	(144,958)
	8,849,835	(4,714,788)
Cash generated from/(used in) operating activities	**11,570,221**	(1,502,969)
Income tax paid	**(636,093)**	(513,390)
Interest received	**5,017**	3,457
	(631,076)	(509,933)
Net cash generated from/(used in) operating activities	**10,939,145**	(2,012,902)
Cash flows from investing activities		
Net purchases of financial investments available-for-sale	**(5,972,198)**	(3,136,664)
Net purchases of financial investments held-to-maturity	**(1,959,611)**	(1,090,356)
Interest received on financial investments available-for-sale and financial investments held-to-maturity	**874,101**	732,098
Dividends received on financial assets held-for-trading and financial investments available-for-sale	**233,667**	181,235
Dividends received from associated and joint ventures companies	**131,626**	126,860
Net proceeds from disposal of property and equipment	**3,313**	9,312
Subscription of shares in joint ventures	**–**	(1,653)
Purchase of property and equipment	**(350,598)**	(200,639)
Purchase of intangible assets	**(25,223)**	(49,672)
Net cash used in investing activities	**(7,064,923)**	(3,429,479)

The accompanying accounting policies and notes form an integral part of these financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the financial year ended 30 June 2016

	Note	The Group 2016 RM'000	2015 RM'000
Cash flows from financing activities			
Interest paid on subordinated obligations		**(188,840)**	(224,517)
Interest paid on borrowings		**(129,859)**	(196,661)
Interest paid on Non-Innovative Tier 1 stapled securities		**(70,893)**	(70,700)
Interest paid on Innovative Tier 1 capital securities		**(31,143)**	(29,137)
Drawdown/(repayment) of revolving credit		**305,000**	(65,000)
Issuance/(redemption) of medium term notes and commercial papers		**375,000**	(2,410,000)
Drawdown of term loans		**120,000**	240,000
Repayment of term loans		**(25,000)**	(265,000)
Repayment of senior bonds		**(1,241,100)**	–
Repayment of Non-Innovative Tier 1 stapled securities		**(1,400,000)**	–
Repayment of subordinated obligations		**(2,185,000)**	(200,000)
Purchase of treasury shares		**(19,612)**	(2,695)
Cash received from ESOS exercised		**–**	38,747
Net proceeds from rights issue		**1,093,609**	–
Non-controlling interests subscription of rights shares		**1,004,625**	–
Dividends paid to			
- owners of the parent		**(423,739)**	(399,656)
- non-controlling interest		**(267,593)**	(283,254)
Net cash used in financing activities		**(3,084,545)**	(3,867,873)
Net increase/(decrease) in cash and cash equivalents		**789,677**	(9,310,254)
Effects of exchange rate changes		**176,721**	688,188
Cash and cash equivalents at beginning of financial year		**8,462,294**	17,084,360
Cash and cash equivalents at end of financial year	2	**9,428,692**	8,462,294
Analysis of cash and cash equivalents			
Cash and short-term funds	2	**9,429,592**	8,463,194
Less: restricted cash	2	**(900)**	(900)
		9,428,692	8,462,294

COMPANY STATEMENTS OF CASH FLOWS

for the financial year ended 30 June 2016

	The Company	
	2016 RM'000	**2015 RM'000**
Cash flows from operating activities		
Profit before taxation	**450,647**	787,047
Adjustments for:		
Depreciation of property and equipment	**656**	558
Amortisation of intangible assets	**108**	103
Gain on sale of property and equipment	**–**	(320)
(Gain)/loss from disposal of financial assets held-for-trading	**(16)**	50
Loss from disposal of derivative financial instruments	**1,237**	5,363
Net unrealised loss on revaluation of derivative financial instruments	**1,038**	568
Allowance for impairment loss on subsidiary	**9,714**	3,266
Interest expense	**54,357**	42,753
Interest income	**(5,017)**	(3,457)
Dividend income from financial assets held-for-trading	**(3,031)**	(699)
Dividend income from subsidiary companies	**(513,534)**	(845,482)
Options charge arising from ESOS	**–**	2,070
	(454,488)	(795,227)
Operating loss before working capital changes	**(3,841)**	(8,180)
Decrease/(increase) in operating assets		
Other receivables	**(1,831)**	50,976
Deposits and placements with banks and other financial institutions	**488**	(1,026)
Financial assets held-for-trading	**16**	(50)
Decrease in operating liabilities		
Other payables	**(1,752)**	(6,104)
	(3,079)	43,796
Cash (used in)/generated from operating activities	**(6,920)**	35,616
Income tax refunded/(paid)	**3,924**	(2,063)
Interest received	**5,017**	3,457
	8,941	1,394
Net cash generated from operating activities	**2,021**	37,010
Cash flows from investing activities		
Dividends received on financial assets held-for-trading	**3,031**	699
Dividends received from subsidiary companies	**513,534**	845,482
Proceeds from disposal of property and equipment	**–**	320
Purchase of property and equipment	**(10)**	(1,142)
Purchase of intangible assets	**(1)**	(137)
Proceeds from redemption of redeemable preference shares	**1,920**	40,057
Subscription of ordinary shares in subsidiary	**(1,903,501)**	(11,352)
Subscription of redeemable preference shares	**(15,684)**	(52,600)
Net cash (used in)/generated from investing activities	**(1,400,711)**	821,327

The accompanying accounting policies and notes form an integral part of these financial statements

COMPANY STATEMENTS OF CASH FLOWS

for the financial year ended 30 June 2016

		The Company	
	Note	2016 RM'000	2015 RM'000
Cash flows from financing activities			
Interest paid on borrowings		**(48,306)**	(43,428)
Drawdown/(repayment) of revolving credit		**305,000**	(65,000)
Issuance/(redemption) of medium term notes and commercial papers		**375,000**	(360,000)
Drawdown of term loans		**120,000**	240,000
Repayment of term loans		**(25,000)**	(265,000)
Cash received from ESOS exercised		**–**	35,310
Proceeds from issuance of rights issue		**1,097,010**	–
Dividends paid to shareholders of the Company		**(423,739)**	(399,656)
Net cash generated from/(used in) financing activities		**1,399,965**	(857,774)
Net increase in cash and cash equivalents		**1,275**	563
Cash and cash equivalents at beginning of financial year		**7,445**	6,882
Cash and cash equivalents at end of financial year		**8,720**	7,445
Analysis of cash and cash equivalents			
Cash and short-term funds	2	**9,620**	8,345
Less: restricted cash	2	**(900)**	(900)
		8,720	7,445

The accompanying accounting policies and notes form an integral part of these financial statements

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

The following accounting policies have been used consistently in dealing with items that are considered material in relation to the financial statements.

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The financial statements incorporate the activities relating to the Islamic banking and takaful businesses which have been undertaken by its subsidiaries, Hong Leong Islamic Bank Berhad ("HLISB") and Hong Leong MSIG Takaful Berhad ("HLMT") in compliance with Shariah principles. Islamic banking business refers generally to the acceptance of deposits and granting of financing under Shariah principles while takaful business refers generally to underwriting of Islamic insurance under the Shariah principles.

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 at fair value through profit or loss (including derivative financial instruments).

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 income and expenses during the reported period. 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 management and Directors' best knowledge of current events and actions, actual results may differ from those estimates.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 55.

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

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

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

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 July 2016. The Group and the Company will apply these standards, amendments to published standards and interpretations from:

(i) Financial year beginning on/after 1 July 2016

- Amendment to MFRS 11 "Joint Arrangements" (effective from 1 January 2016) requires an investor to apply the principles of MFRS 3 "Business Combination" when it acquires an interest in a joint operation that constitutes a business. The amendments are applicable to both the acquisition of the initial interest in a joint operation and the acquisition of additional interest in the same joint operation. However, a previously held interest is not re-measured when the acquisition of an additional interest in the same joint operation results in retaining joint control.

- Amendments to MFRS 116 "Property, Plant and Equipment" and MFRS 138 "Intangible Assets" (effective from 1 January 2016) clarify that the use of revenue-based methods to calculate the depreciation of an item of property, plant and equipment is not appropriate. This is because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2016

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

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

(i) Financial year beginning on/after 1 July 2016 (continued)

The amendments to MFRS 138 also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption can be overcome only in the limited circumstances where the intangible asset is expressed as a measure of revenue or where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

(ii) Financial year beginning on/after 1 July 2017

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

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

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

  The amendments shall be applied retrospectively.

(iii) Financial year beginning on/after 1 July 2018

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

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

  For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2016

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

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

(iii) Financial year beginning on/after 1 July 2018 (continued)

- 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.

(iv) Financial year beginning on/after 1 July 2019

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

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

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

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

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

None of the standards, amendments and interpretations that are effective for the respective financial years is expected to have a significant effect on the financial statements of the Group and the Company, except for MFRS 15 and MFRS 9.

The Group and the Company is in the midst of reviewing the requirements of MFRS 9, as it introduces significant changes in the way the Group and the Company account for financial instruments. Due to the complexity of these standards and its proposed changes, the financial effects of its adoption are still being assessed by the Group and the Company.

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 made up to the end of the financial year.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2016

B CONSOLIDATION (CONTINUED)

(i) Subsidiaries (continued)

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 statements of income.

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 remeasurement are recognised in statements of income.

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 statements of income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The Group applies predecessor accounting to account for business combinations under common control. Under predecessor accounting, assets and liabilities acquired are not restated to their respective fair values. They are recognised 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 (as of the date of the transaction) of the acquired entity is recognised as an adjustment to equity. No additional goodwill is recognised.

The acquirer only incorporates the acquired entity's results and statements of financial position prospectively from the date on which the business combination between entities under common control occurred. Consequently, the consolidated financial statements do not reflect the results of the acquired entity for the period before the transaction occurred. The corresponding amounts for the previous financial year are also not restated.

Predecessor accounting may lead to a difference between the cost of the transaction and the carrying value of the net assets. The difference is recorded in retained profits.

Inter-company transactions, balances and 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. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2016

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 equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(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 statements of income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to statements of income.

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

(iv) Joint arrangements

A joint arrangement is an arrangement of which there is contractually agreed sharing of control by the Group with one or more parties, where decisions about the relevant activities relating to the joint arrangement require unanimous consent of the parties sharing control. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities, relating to the arrangement.

The Group's interest in a joint venture is accounted for in the financial statements by the equity method of accounting. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

(v) Associated companies

Associated companies are those corporations, partnerships or other entities over which the Group exercises significant influence, but which it does not control or joint control, generally accompanying a shareholding of between 20% and 50% of voting rights. Significant influence is power to participate in financial and operating policy decisions of associates but not power to exercise control over those policies.

Investments in associated companies are accounted for in the consolidated financial statements using equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2016

B CONSOLIDATION (CONTINUED)

(v) Associated companies (continued)

The Group's share of associated companies' post-acquisition profits or losses is recognised in statements of income, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. If the Group's share of losses of an associated company equals or exceeds its interest in the associated company, the Group discontinues recognising its share of further losses.

The interest in an associated company is the carrying amount of the investment in the associated company under the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associated company. After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the investor has incurred legal or constructive obligations or made payments on behalf of the associated company. If the associated company subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Where necessary, in applying the equity method, adjustments are made to the financial statements of associated companies to ensure consistency of accounting policies with those of the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associated company is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of an associate' in the statements of income.

If the ownership interest in an associated company is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to statements of income where appropriate.

Dilution gains and losses arising in investments in associated companies are recognised in the statements of income.

(vi) Loss of significant influence or joint control

When the Group ceases to have joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in statements of income. This fair value is its fair value on initial recognition as a financial asset in accordance with MFRS 139. 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.

(vii) Investments in subsidiaries, joint ventures and associated companies

In the Company's separate financial statements, investment in subsidiaries, joint ventures and associated companies are carried at cost less any accumulated impairment losses. On disposal of investments in subsidiaries, joint ventures and associated companies, the difference between disposal proceeds and the carrying amount of investments are recognised in the statements of income.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2016

C GOODWILL

Goodwill arises on the acquisition of subsidiaries and represents the excess of the aggregate of fair value 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 the statements of income.

Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which goodwill is monitored for internal management purposes. Goodwill is not amortised but 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 cost to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

D PROPERTY AND EQUIPMENT AND DEPRECIATION

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

Freehold land and capital work-in-progress are not depreciated. Depreciation of other property and equipment is calculated to write off the cost of property and equipment to their residual values over the estimated useful lives, summarised as follows:

Leasehold land	Over the remaining period of the lease or 100 years (1%) whichever is shorter
Buildings on leasehold land	Over the remaining period of the lease or 50 years (2%) whichever is shorter
Buildings on freehold land	2%
Office furniture, fittings, equipment and renovations and computer equipment	10% - 33%
Motor vehicles	20% - 25%

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period.

Depreciation on capital work-in-progress commences when the assets are ready for their intended use.

Property and equipment are reviewed for indication of impairment at each statements of financial position 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 greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in non-interest income.

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

E INVESTMENT PROPERTIES

Investment properties are properties which are held for long term rental yield or for capital appreciation or for both and are not occupied by the Group.

Investment properties are stated at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. The fair values of investment properties are reviewed annually, and a formal valuation by an independent professional valuer is carried out once in every three years. All gains or losses arising from a change in fair value of an investment property are recognised in the statements of income.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the statements of income in the year in which they arise.

F INTANGIBLE ASSETS

(i) 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 years to 8 years.

(ii) Other intangible assets

Other intangible assets include core deposits and customer relationships. These intangible assets were acquired in a business combination and are valued using income approach methodologies. These intangible assets are stated at cost less accumulated amortisation and any accumulated impairment losses. The useful lives of the intangible assets are as follows:

Core deposit: 7 years
Customer relationships: 10 years

G LEASES

(i) 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 statements of income.

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

G LEASES (CONTINUED)

(ii) Operating Lease

Leases of assets under which all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statements of income 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.

H FINANCIAL ASSETS

(i) Classification

The Group and the Company classify their financial assets into the following categories: at fair value through profit or loss, loans and receivables, financial investments available-for-sale and financial investments held-to-maturity. Management determines the classifications at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

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

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

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

(b) Loans and receivables

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

(c) 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 and the Company's management has the positive intent and ability to hold to maturity. If the Group or 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.

(d) 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 rates, 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.

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

H FINANCIAL ASSETS (CONTINUED)

(ii) Recognition and initial measurement

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. Transaction costs for securities carried at fair value through profit or loss are taken directly to the statements of income.

(iii) 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 statements of income 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 loss previously recognised in other comprehensive income are recognised directly in the statements of income. Foreign exchange gains or losses of financial investments available-for-sale are recognised in the statements of income 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 the de-recognition or impairment of the securities are recognised in the statements of income.

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 statements of income. Dividends from available-for-sale equity instruments are recognised in the profit or loss when the entity's right to receive payment is established.

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

(iv) Reclassification of financial assets

The Group and the Company may choose to reclassify a non-derivative financial assets held-for-trading out of the held-for-trading category if the financial asset is no longer held for the purposes of selling in the near term. Financial assets other than loan and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group and the Company may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Group and the Company have the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at the fair value at the date of the reclassification. The fair values of the securities becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before the reclassification date are subsequently made. The effective interest rates for the securities reclassified to held-to-maturity category are determined at the reclassification date. Further changes in estimates of future cash flows are recognised as an adjustment to the effective interest rates.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2016

I 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 statements of income.

(i) 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.

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.

The Group has also designated certain structured deposits at fair value through profit or loss as permitted under MFRS 139 “Financial Instruments: Recognition and Measurement” as it significantly reduces accounting mismatch that would otherwise arise from measuring the corresponding assets and liabilities of different basis.

(ii) 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.

J 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. 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 de-recognition are therefore not met.

K OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount is presented in the statements of financial position where there is a legally enforceable right to offset the recognised amounts and there is 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.

L FORECLOSED PROPERTIES

Foreclosed properties are stated at the lower of carrying amount and fair value less costs to sell.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2016

M DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period. 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 value is positive and as liabilities when fair value is negative. Changes in the fair value of any derivatives that do not qualify for hedge accounting are recognised immediately in the statements of income.

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

The best evidence of 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 the 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 whose variables include only data from observable markets. When such evidence exists, the Group recognise profits immediately.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designated certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge) or (2) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge) or (3) hedges of a net investment in a foreign operation (net investment hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

At the inception of the transaction, the Group document the relationship between hedging instruments and hedged items, as well as their risk management objective and strategy for undertaking various hedge transactions. The Group also document their assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statements of income, together with any changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to statements of income over the period to maturity using a recalculated effective interest rate.

(ii) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain and loss relating to the ineffective portion is recognised immediately in the statements of income. Amounts accumulated in equity are recycled to the statements of income in the periods in which the hedged item will affect statements of income.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statements of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified the statements of income.

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

M DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (CONTINUED)

(iii) Net investment hedges

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the statements of income.

Gains and losses accumulated in the equity are reclassified to the statements of income when the foreign operation is partially disposed or sold.

(iv) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the statements of income.

N BILLS AND ACCEPTANCES PAYABLE

Bills and acceptances payable represent the banking subsidiaries' own bills and acceptances rediscounted and outstanding in the market.

O PROVISIONS

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

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

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

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

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

P BORROWINGS

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2016

Q GENERAL TAKAFUL CONTRACT LIABILITIES

(a) Contribution liabilities

Contribution liabilities refer to the higher of:

(i) the aggregate of the unearned contribution reserves ("UCR"); or
(ii) the best estimate value of the takaful's unexpired risk reserves ("URR") at the valuation date and the provision of risk margin for adverse deviation ("PRAD") calculated at the overall takaful subsidiary level. The best estimate value is a prospective estimate of the expected future payments arising from future events insured under certificates in force as at the valuation date and also includes allowance for the takaful operator's expense including overheads and cost of reinsurance, expected to be incurred during the unexpired period in administering these policies and settling the relevant claims, and allows for expected future contribution refunds.

UCR are calculated for direct and reinsurance inwards business. UCR represents the portion of the net contribution of takaful certificates written that relate to the unexpired periods of the certificates at the end of the financial year. In determining the UCR at the statement of financial position date, the method that most accurately reflects the actual unearned contribution is used, as follows:

(i) 25% method for marine and aviation cargo, and transit business;
(ii) 1/365th method for all other classes of general takaful business within Malaysia except for non-annual policies in respect of Malaysian policies, reduced by the percentage of accounted gross direct business commission to the corresponding premium, not exceeding limits specified by BNM; and
(iii) time apportionment method for non-annual policies (including long-term inwards treaty business) reduced by the percentage of accounted gross direct business commission to the corresponding premium, not exceeding limits specified by BNM.

(b) Claims liabilities

A liability for outstanding claims is recognised in respect of both direct insurance and inward reinsurance.

The amount of outstanding claims is the best estimate of the expenditure required together with related expenses less recoveries to settle the present obligation at the statements of financial position date.

Provision is also made for the cost of claims, together with related expenses, incurred but not reported at the balance sheet date, based on an actuarial valuation with a PRAD at a 75% confidence level as required by BNM, based on actuarial valuation.

R BENEFITS, CLAIMS AND EXPENSES

Benefits and claims that are incurred during the financial year are recognised when a claimable event occurs and/or the insurer/takaful operator is notified.

Recoveries on reinsurance/retakaful claims are accounted for in the same financial year as the original claims are recognised.

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

R BENEFITS, CLAIMS AND EXPENSES (CONTINUED)

Benefits and claims for claims arising on life insurance policies including settlement costs, less reinsurance recoveries, are accounted for using the case basis method and for this purpose, the benefits payable under a life insurance policy are recognised as follows:

(a) maturity or other policy benefit payments due on specified dates are treated as claims payable on the due dates; and
(b) death, surrender and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the assured or occurrence of contingency covered.

S INSURANCE CONTRACT LIABILITIES

These liabilities comprise of claims liabilities, actuarial liabilities, unallocated surpluses, financial investments available-for-sale, fair value reserves and net asset value attributable to unitholders.

(i) Actuarial liabilities

Actuarial liabilities are recognised when contracts are entered into and premiums are charged.

These liabilities are measured by a prospective actuarial valuation method. The liability is determined as the sum of the present value of future guaranteed and, in the case of a participating life policy, appropriate level of non-guaranteed benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at the appropriate risk discount rate. The liability is based on best estimate assumptions and with due regard to significant recent experience. An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of non-participating life policies, the guaranteed benefits liabilities of participating life policies, and non-unit liabilities of investment-linked policies.

The liability in respect of policies of a participating insurance contract is taken as the higher of the guaranteed benefit liabilities or the total benefit liabilities at the fund level.

In the case of a life policy where a part of, or the whole of the premiums are accumulated in a fund, the accumulated amount, as declared to the policy owners, are set as the liabilities if the accumulated amount is higher than the figure as calculated using the prospective actuarial valuation method.

Where policies or extensions of a policy are collectively treated as an asset at the fund level under the valuation method adopted, the value of such asset is eliminated through zerorisation.

The liability is derecognised when the contract expires, is discharged or is cancelled.

(ii) Unallocated surplus

Surplus of contracts with DPF is distributable to policyholders and shareholders in accordance with the relevant terms under the insurance contracts. The insurance subsidiary, however, has discretion over the amount and timing of the distribution of these surpluses to policyholders and shareholders. Surplus of contracts without DPF is attributable wholly to the shareholders and is classified as equity of the Group and the insurance subsidiary. However, the amount and timing of the distribution of surplus of contracts without DPF to the shareholders is subject to the recommendation of the insurance subsidiary's appointed actuary. Unallocated surpluses of DPF, where the amounts of surplus are yet to be allocated or distributed to either policyholders or shareholders by the end of the financial year, are held within the insurance contract liabilities.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2016

S INSURANCE CONTRACT LIABILITIES (CONTINUED)

(iii) Fair value adjustment on AFS financial asset

Where unrealised gains or losses arise on AFS financial assets of DPF, the adjustment to the insurance contract liabilities, equals to the effect that the realisation of those gains or losses at the end of the reporting periods would have on those liabilities, is recognised directly in the other comprehensive income.

T LIFE INSURANCE CONTRACT

The valuation of the insurance liability arising from policy benefits made under life insurance contracts is the insurance subsidiary's most critical accounting estimate. The assumptions in relation to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates are used for calculating the liabilities during the life of the contract. Such assumptions require a significant amount of professional judgement and therefore, actual experience may be materially different than the assumptions made by the insurance subsidiary. Actual experience is monitored to assess whether the assumptions remain appropriate and assumptions are changed as warranted. Any movement in the key assumptions will have an effect in determining the insurance contract liabilities.

An insurance contract is a contract under which the insurance subsidiary (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. The insurance subsidiary defines insurance risk to be significant when the benefits payable on the occurrence of the insured event are 5% or more than the benefits payable if the insured event did not occur at any one point of the insurance contract. Based on this definition, all policy contracts issued by the insurance subsidiary are considered insurance contracts as at the date of this statement of financial position.

U INSURANCE PRODUCT CLASSIFICATION

Investment contracts are those contracts that do not transfer significant insurance risk, but significant financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rate, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance risk is the risk other than financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its life-time, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Insurance contracts are further classified as being either with or without DPF. DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

- likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the issuer; and
- that are contractually based on the:
  - performance of a specified pool of contracts or a specified type of contract;
  - realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
  - profit or loss of the company, fund or other entity that issues the contract.

Contracts in the participating fund are classified as insurance contracts with DPF and contracts in the non-participating fund are classified as insurance contracts without DPF.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2016

U INSURANCE PRODUCT CLASSIFICATION (CONTINUED)

For financial options and guarantees which are not closely related to the host insurance contract and/or investment contract with DPF, bifurcation is required to measure these embedded derivatives separately at fair value through profit or loss. However, bifurcation is not required if the embedded derivative is itself an insurance contract and/or investment contract with DPF, or if the host insurance contract and/or investment contract itself is measured at fair value through profit or loss.

V FAMILY TAKAFUL FUND

The family takaful fund is maintained in accordance with the requirements of the Takaful Act, 1984 and includes the amount attributable to participants. The amount attributable to participants represents the accumulated surplus attributable in accordance with the terms and conditions prescribed by the Shariah Advisory Committee of Hong Leong MSIG Takaful Berhad (“HLMT”).

The family takaful fund surplus/deficit is determined by an annual actuarial valuation of the family takaful fund. Any actuarial deficit in the family takaful fund will be made good by the shareholder’s fund via a benevolent loan or Qardhul Hassan.

W GENERAL TAKAFUL FUND

The general takaful fund is maintained in accordance with the Takaful Act, 1984 and consists of unearned contribution reserves, and accumulated surplus attributable to participants which represents the participants’ share in the net surplus of the general takaful revenue account, distributable in accordance with the terms and conditions prescribed by the Shariah Advisory Committee of HLMT. The general takaful underwriting results are determined for each class of takaful business after taking into account retakaful, unearned contributions and claims incurred. Underwriting deficit will be made good by the shareholders’ fund via a benevolent loan or Qardhul Hassan.

X INCOME AND DEFERRED TAXES

The 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 statements of income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity, respectively.

Current income tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and generates taxable income and includes all taxes based upon the taxable profits.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the 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 assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2016

X INCOME AND DEFERRED TAXES (CONTINUED)

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

Deferred income tax related to fair value remeasurement 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 statements of income together with the deferred gain or loss.

Deferred income 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 and 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 balances on a net basis.

Y RECOGNITION OF INTEREST/PROFIT INCOME AND INTEREST/PROFIT EXPENSE

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

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

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

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

Income from Islamic banking business is recognised on an accrual basis in accordance with the principles of Shariah.

Z RECOGNITION OF FEES AND OTHER INCOME

(i) Loan arrangement fees and commissions are recognised as income when all conditions precedent are fulfilled. 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.

(ii) Commitment fees for loans, advances and financing that are likely to be drawn down and deferred (together with direct costs) and income which forms an integral part of the effective interest rate of a financial instrument is regarded as an adjustment to the effective interest rate of the financial instrument.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2016

Z RECOGNITION OF FEES AND OTHER INCOME (CONTINUED)

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

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

(v) Net brokerage income, margin income, rollover fees, nominees service and handling charges are recognised on an accrual basis.

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

(vii) Rental income is recognised on an accrual basis.

(viii) Management expenses, commission expenses and wakalah fees.

Acquisition costs, commissions and management fees are borne by the family takaful and general takaful funds respectively in the revenue accounts of Hong Leong MSIG Takaful (“HLMT”) at an agreed percentage of the gross contribution, in accordance with the principles of Wakalah as approved by HLMT’s Shariah Advisory Committee and agreed between the participants and HLMT.

These are transferred to the shareholders’ fund via upfront wakalah fee and deferred wakalah fee.

(ix) Contribution - general takaful fund

Contributions are recognised in a financial year in respect of risks assumed during that particular financial year. Contributions from direct business are recognised during the financial year upon the issuance of debit notes. Contributions in respect of risks incepted for which debit notes have not been raised as of the statements of financial position date are accrued at that date.

(x) Premium/contribution - life insurance and family takaful fund

Premiums/contributions are recognised as soon as the amount of premiums/contributions can be reliably measured. First premium premium/contribution is recognised from inception date and subsequent premiums/contributions are recognised on due dates.

Inward treaty reinsurance premiums/retakaful contributions are recognised on the basis of periodic advices received from ceding companies.

Outward reinsurance premiums/retakaful contributions are recognised in the same accounting period as the original policies certificates to which the reinsurance/retakaful relates.

AA INSURANCE COMMISSION AND AGENCY EXPENSES

Commission and agency expenses, which costs directly incurred in securing premium on insurance policies, net of income derived from reinsurers in the course of ceding of premium to reinsurers, are charged to the revenue account in the financial year in which they are incurred.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2016

AB IMPAIRMENT OF FINANCIAL ASSETS

(i) 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, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

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 discounted at the financial assets' original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statements of income. If a loan or financial investments held-to-maturity have a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Financial assets that have not been individually assessed are grouped together for portfolio impairment assessment. These financial assets are grouped according to their credit risk characteristics for the purposes of calculating an estimated collective loss. These 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 assessed. Future cash flows on a group of financial assets that are collectively assessed for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group.

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.

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

If in a subsequent period, the amount of impairment losses decreases and the decrease can be related objectively to an event 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 the statements of income.

On 6 April 2015, BNM issued a revised Policy Document on Classification and Impairment Provisions for Loans/Financing. The banking subsidiaries have complied with the requirements of loans/financing classification as rescheduled and restructured and have maintained, in aggregate, collective impairment allowance and regulatory reserves of no less than 1.2% of total outstanding loans/financing, net of individual impairment allowance. The regulatory reserve is maintained in addition to the collective impairment allowance required under the MFRS 139 Financial Instruments: Recognition and Measurement, and it will be set aside from the retained profits to a separate reserve within equity as an additional credit risk absorbent. The regulatory reserve is not qualified as Common Equity Tier 1 capital under BNM's Capital Adequacy Framework (Capital Components).

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2016

AB IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

(ii) Assets classified as available-for-sale

The Group and the Company assess at each date of the statements of financial position whether there is objective evidence that a financial investment or a group of financial investment is impaired. The criteria the Group and the Company use to determine that there is objective evidence of impairment loss include indications that the issuer is experiencing significant financial difficulty, the probability that the issuer will enter bankruptcy or other financial reorganisation, default or 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 the market or economic conditions that correlate with defaults on the assets. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment resulting in the recognition of an impairment loss.

If any such evidence exists for available-for-sale assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in equity is removed from other comprehensive income and recognised in the statements of income. Impairment losses recognised in the statements of income on equity instruments are not reversed through the statements of income. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in statements of income, the impairment loss is reversed through the statements of income in subsequent periods.

AC EMPLOYEE BENEFITS

(i) 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 constructive obligation.

(ii) Defined contribution plans

A defined contribution plan is a pension plan under which the Group and the Company pays fixed contributions into a separate entity (fund) on a mandatory, contractual or voluntary basis and the Group and the Company 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 financial periods.

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

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Share-based compensation

The Company and certain of its subsidiaries operate equity-settled, share-based compensation plans for their employees. The fair value of the employee services received in exchange for the grant of the share options is recognised as an expense in the statements of income over the vesting periods of the grant with a corresponding increase in equity.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2016

AC EMPLOYEE BENEFITS (CONTINUED)

(iii) Share-based compensation (continued)

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 statements of financial position 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 statements of income, with a corresponding adjustment to share options 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.

In accordance with MFRS 132, the shares purchased for the benefit of the ESOS holders are recorded as "Treasury Shares for ESOS" in equity on the statements of financial position. The cost of operating the ESOS would be charged to the statements of income when incurred in accordance with accounting standards.

When the options are exercised, the Group transfers the Treasury Shares for ESOS to the ESOS holder. The treasury shares and share options reserve would be adjusted against the retailed profits.

When the options are exercised, the Company and certain of its subsidiaries issue new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium.

When options are not exercised and lapsed, the share options reserve is transferred to retained profits.

AD CURRENCY TRANSLATIONS

(i) Functional and presentation currency

Items included in the financial statements of each of the Group'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 Company's functional and presentation currency.

(ii) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as financial investments 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 the statement of income, 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 non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets are recognised in income as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the fair value reserve in other comprehensive income.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2016

AD CURRENCY TRANSLATIONS (CONTINUED)

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statements of financial position presented are translated at the closing rate at the date of the statements of financial position;
- income and expenses for each statements of income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of statements of comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are recognised in statements of comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the statements of income as part of the gain or loss on sale.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences relating to that foreign operation recognised in other comprehensive income and accumulated in the separate component of equity are reclassified to statements of income. In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in statements of income. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to statements of income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

AE CASH AND CASH EQUIVALENTS

Cash and cash equivalents are consist of cash and bank balances and short-term funds.

AF 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 of disposal and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (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 statements of income unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Any subsequent increase in recoverable amount of non-financial assets (other than goodwill) is recognised in the statements of income unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2016

AG 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. The Group has determined the Board of Directors as the collective body of chief operating decision makers.

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, expense, 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.

AH 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, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with MFRS 137 "Provision, Contingent Liabilities and Contingent Assets", and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgement of management. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the statements of income.

AI SHARE CAPITAL

(i) Classification

Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the substance of the particular instrument. Distributions to holders of a financial instrument classified as an equity instrument are charged directly to equity.

(ii) Share issue costs

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

(iii) 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.

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

AI SHARE CAPITAL (CONTINUED)

(iv) Purchase of own shares

Where the Company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental external costs, net of tax, is included in equity attributable to the Company's equity holders as treasury shares until they are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is adjusted against treasury shares and share premium.

AJ SALE AND REPURCHASE AGREEMENTS

Securities purchased under resale agreements ("reverse repurchase agreements") are securities which the Group had purchased with a commitment to re-sell at future dates. The commitment to re-sell the securities is reflected as an asset on the statements of financial position.

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

The difference between sale and repurchase price as well as purchase and resale price is treated as interest and accrued over the life of the resale/repurchase agreement using the effective yield method.

AK CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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

AL TRUST ACTIVITIES

The Group acts as trustees in other fiduciary capabilities that result in holding or placing of assets on behalf of individuals, trust and other institutions. These assets and income arising thereon are excluded from the financial statements, as they are not assets of the Group.

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

1 GENERAL INFORMATION

The principal activities of the Company are those of investment holding and provision of services to its subsidiaries to enhance group value.

The Hong Leong Financial Group (the Company and its subsidiaries) is a diversified financial group whose businesses provide a broad range of financial products and services to consumer, corporate and institutional customers.

The principal activities of the subsidiary companies are disclosed in Note 11 to the financial statements. There were no significant changes in the nature of the activities of the Company and its subsidiaries during the financial year.

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

The address of the registered office and principal place of business of the Company is Level 8, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur.

2 CASH AND SHORT-TERM FUNDS

	The Group		The Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Cash and balances with banks and other financial institutions	**1,791,237**	2,078,122	**24**	2,645
Money at call and deposit placements maturing within one month	**7,638,355**	6,385,072	**9,596**	5,700
	9,429,592	8,463,194	**9,620**	8,345

Inclusive in cash and short-term funds of the Group are accounts held in trust for dealer's representative amounting to RM12,998,000 (2015: RM13,544,000).

The Company has placed a fixed deposit of RM900,000 (2015: RM900,000) with a bank for the RM150 million short-term loan facility. The Company has agreed not to withdraw the fixed deposits during the tenure of the facility. The bank has a right to set-off any sums placed by the Company in the fixed deposit account.

3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group		The Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Bank Negara Malaysia ("BNM")	**–**	1,893	**–**	–
Licensed banks	**2,487,772**	3,205,230	**8,400**	8,888
Licensed investment banks	**–**	251,006	**–**	–
Other financial institutions	**545,894**	867,000	**–**	–
	3,033,666	4,325,129	**8,400**	8,888

As at 30 June 2016, the Company has placed a fixed deposit of RM8,400,000 (2015: RM8,400,000) with a bank for the RM100 million revolving credit facility and RM200 million term loan facility. The Company has agreed not to withdraw the fixed deposits during the tenure of the facility. The bank has a right to set-off any sums placed by the Company in the fixed deposit account.

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

4 FINANCIAL ASSETS HELD-FOR-TRADING

	The Group	
	2016 RM'000	**2015 RM'000**
Money market instruments		
Bank Negara Malaysia bills	**–**	383,325
Government treasury bills	**119,332**	78,632
Malaysian Government securities	**239,083**	120,509
Malaysian Government Investment Certificates	**320,952**	609,725
Bankers' acceptances and Islamic accepted bills	**–**	457,179
Negotiable instruments of deposit	**4,848,396**	5,485,337
Cagamas bonds	**55,474**	36,450
Other government securities	**158,666**	33,035
	5,741,903	7,204,192
Quoted securities		
Shares in Malaysia	**478,460**	515,312
Shares outside Malaysia	**66,899**	92,789
Unit trust investments	**241,851**	189,412
Foreign currency bonds in Malaysia	**488,718**	375,822
Warrants quoted in Malaysia	**–**	129
	1,275,928	1,173,464
Unquoted securities		
Foreign currency bonds in Malaysia	**53,001**	–
Foreign currency bonds outside Malaysia	**134,406**	65,864
Corporate bonds and sukuk	**1,319,435**	795,284
	1,506,842	861,148
Total financial assets held-for-trading	**8,524,673**	9,238,804

Included in the financial assets held-for-trading are foreign currency bonds, which are pledged as collateral for obligations on securities sold under repurchase agreements amounting to RM7,929,000 (2015: RM Nil).

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2016

5 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	The Group	
	2016 RM'000	2015 RM'000
Money market instruments		
Government treasury bills	**69,206**	168,553
Malaysia Government securities	**1,040,565**	486,964
Malaysia Government Investment Certificates	**3,547,351**	3,541,575
Other Government securities	**1,790,368**	1,580,814
Khazanah bonds	**334,686**	345,140
Cagamas bonds	**1,019,398**	905,342
	7,801,574	7,028,388
Quoted securities		
Shares in Malaysia	**1,513,057**	1,349,547
Shares outside Malaysia	**146,706**	273,333
Foreign currency bonds in Malaysia	**3,606,238**	4,380,452
Foreign currency bonds outside Malaysia	**1,954,369**	1,452,826
Unit trust investments	**7,079,657**	3,591,062
	14,300,027	11,047,220
Unquoted securities		
Shares in Malaysia	**427,399**	395,225
Shares outside Malaysia	**16,301**	4,134
Malaysia Government sukuk	**820,552**	–
Corporate bonds and sukuk	**11,004,921**	10,512,322
Foreign currency bonds in Malaysia	**1,125,156**	358,364
Foreign currency bonds outside Malaysia	**468,925**	419,344
Investment-linked funds	**300**	300
	13,863,554	11,689,689
	35,965,155	29,765,297
Allowance for impairment losses	**(198,063)**	(142,240)
Total financial investments available-for-sale	**35,767,092**	29,623,057

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

5 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE (CONTINUED)

The table below shows the movements in allowance for impairment losses during the financial year for the Group:

	The Group	
	2016 RM'000	2015 RM'000
As at 1 July	**142,240**	68,062
Allowance made during the financial year	**141,488**	74,122
Amount written back in respect of recoveries	**–**	(5,218)
Amount written off	**(88,231)**	–
Amount transferred from individual assessment impairment allowance of loans, advances and financing	**2,566**	5,274
As at 30 June	**198,063**	142,240

Included in the financial investments available-for-sale are foreign currency bonds, which are pledged as collateral for obligations on securities sold under repurchase agreements amounting to RM1,950,947,000 (2015: RM1,073,047,000).

6 FINANCIAL INVESTMENTS HELD-TO-MATURITY

	The Group	
	2016 RM'000	2015 RM'000
Money market instruments		
Government treasury bills	**54,922**	–
Malaysian Government securities	**3,403,858**	3,003,596
Malaysian Government Investment Certificates	**7,731,720**	6,549,704
Cagamas bonds	**30,356**	30,454
Negotiable instruments of deposit	**–**	2,338
Other Government securities	**395,513**	335,159
	11,616,369	9,921,251
Unquoted securities		
Loan stocks	**5,923**	6,404
Malaysia Government sukuk	**470,220**	–
Corporate bonds and sukuk	**777,763**	838,113
Foreign currency bonds in Malaysia	**–**	98,029
Foreign currency bonds outside Malaysia	**125,456**	150,358
Investment in preference shares	**32,066**	54,000
	1,411,428	1,146,904
	13,027,797	11,068,155
Allowance for impairment losses	**(116,479)**	(126,317)
Total financial investments held-to-maturity	**12,911,318**	10,941,838

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

6 FINANCIAL INVESTMENTS HELD-TO-MATURITY (CONTINUED)

The table below shows the movements in allowance for impairment losses during the financial year for the Group:

	The Group	
	2016 RM'000	2015 RM'000
As at 1 July	**126,317**	140,985
Amount written back in respect of recoveries	**(9,838)**	(14,668)
As at 30 June	**116,479**	126,317

Included in the financial investments held-to-maturity are Malaysian Government securities, which are pledged as collateral for obligations on securities sold under repurchase agreements amounting to RM1,304,265,000 (2015: RM2,313,740,000). The fair value of the Malaysian Government securities as at 30 June 2016 is RM1,306,625,000 (2015: RM2,315,336,000).

7 LOANS, ADVANCES AND FINANCING

	The Group	
	2016 RM'000	2015 RM'000
Overdrafts	**3,857,485**	4,005,025
Term loans/financing		
- Housing and shop loans/financing	**60,462,347**	53,828,770
- Syndicated term loans/financing	**9,339,212**	9,038,647
- Hire purchase receivables	**18,682,098**	18,099,246
- Other term loans/financing	**8,605,184**	9,002,712
Credit/charge card receivables	**3,755,348**	3,889,314
Bills receivable	**1,107,690**	1,166,833
Trust receipts	**381,531**	322,780
Policy and premium loans	**614,679**	661,576
Claims on customers under acceptance credits	**7,439,144**	7,369,680
Block discounting	**–**	14
Revolving credits	**6,757,003**	6,549,079
Staff loans/financing	**164,914**	167,557
Other loans/financing	**425,856**	305,619
Gross loans, advances and financing	**121,592,491**	114,406,852
Unamortised fair value changes arising from terminated fair value hedges	**(784)**	(2,188)
Allowance for impaired loans, advances and financing		
- Collective assessment allowance	**(856,971)**	(969,925)
- Individual assessment allowance	**(289,844)**	(323,071)
Total net loans, advances and financing	**120,444,892**	113,111,668

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

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

(a) The maturity structure of loans, advances and financing is as follows:

	The Group	
	2016 RM'000	2015 RM'000
Maturing within:		
- one year	**27,848,217**	29,502,698
- one year to three years	**5,434,573**	7,851,837
- three years to five years	**10,710,736**	10,277,792
- over five years	**77,598,965**	66,774,525
Gross loans, advances and financing	**121,592,491**	114,406,852

(b) The loans, advances and financing are disbursed to the following types of customers:

	The Group	
	2016 RM'000	2015 RM'000
Domestic financial institutions	**47**	–
Domestic non-bank financial institutions other than stockbroking companies	**600,249**	638,549
Domestic business enterprises		
- small medium enterprises	**19,246,622**	17,816,923
- others	**17,099,287**	18,531,751
Government and statutory bodies	**24,804**	24,448
Individuals	**77,670,558**	71,743,193
Other domestic entities	**75,714**	171,386
Foreign entities	**6,875,210**	5,480,602
Gross loans, advances and financing	**121,592,491**	114,406,852

(c) Loans, advances and financing analysed by their interest rate/profit rate sensitivity are as follows:

	The Group	
	2016 RM'000	2015 RM'000
Fixed rate		
- Housing and shop loans/financing	**2,604,404**	2,738,272
- Hire purchase receivables	**18,200,640**	17,779,388
- Credit card	**3,755,348**	3,889,314
- Other fixed rate loan/financing	**4,328,490**	3,909,814
Variable rate		
- Base rate/base lending rate plus	**75,993,221**	69,749,552
- Cost plus	**16,322,812**	16,021,109
- Other variable rates	**387,576**	319,403
Gross loans, advances and financing	**121,592,491**	114,406,852

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

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

(d) Loans, advances and financing analysed by their economic purposes are as follows:

	The Group	
	2016 RM'000	**2015 RM'000**
Purchase of securities	**856,080**	927,652
Purchase of transport vehicles	**18,445,657**	18,020,608
Residential property (housing)	**51,510,277**	45,307,229
Non-residential property	**14,986,782**	14,231,669
Purchase of fixed assets (excluding landed properties)	**434,041**	462,979
Personal use	**3,766,429**	3,523,573
Credit card	**3,755,348**	3,889,314
Purchase of consumer durables	**387**	418
Construction	**1,386,003**	1,257,882
Mergers and acquisition	**233,364**	258,988
Working capital	**23,529,783**	23,536,346
Other purposes	**2,688,340**	2,990,194
Gross loans, advances and financing	**121,592,491**	114,406,852

(e) Loans, advances and financing analysed by their geographical distribution are as follows:

	The Group	
	2016 RM'000	**2015 RM'000**
In Malaysia	**115,965,819**	110,271,571
Outside Malaysia		
- Singapore	**4,678,961**	3,529,821
- Hong Kong	**34,168**	20,063
- Vietnam	**387,576**	319,403
- Cambodia	**525,967**	265,994
Gross loans, advances and financing	**121,592,491**	114,406,852

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

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

(f) Impaired loans, advances and financing analysed by their economic purposes are as follows:

	The Group	
	2016 RM'000	**2015 RM'000**
Purchase of securities	**225**	235
Purchase of transport vehicles	**145,528**	184,180
Residential property (housing)	**233,566**	207,744
Non-residential property	**99,145**	46,190
Purchase of fixed assets (excluding landed properties)	**22,872**	34,188
Personal use	**36,909**	34,714
Credit card	**44,308**	42,907
Purchase of consumer durables	**–**	4
Construction	**9,138**	4,114
Working capital	**346,555**	365,444
Other purposes	**18,907**	28,863
Gross impaired loans, advances and financing	**957,153**	948,583

(g) Movements in the impaired loans, advances and financing are as follows:

	The Group	
	2016 RM'000	**2015 RM'000**
As at 1 July	**948,583**	1,232,588
Impaired during the financial year	**1,572,187**	1,525,362
Performing during the financial year	**(798,443)**	(792,443)
Amount written back in respect of recoveries	**(338,880)**	(480,823)
Amount written off	**(426,490)**	(541,798)
Exchange differences	**196**	5,697
As at 30 June	**957,153**	948,583
Gross impaired loans as a % of gross loans, advances and financing	**0.8%**	0.8%

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2016

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

(h) Impaired loans, advances and financing analysed by their geographical distribution are as follows:

	The Group	
	2016 RM'000	2015 RM'000
In Malaysia	**943,207**	935,858
Outside Malaysia		
- Singapore operations	**5,601**	–
- Vietnam operations	**8,345**	12,725
Gross impaired loans, advances and financing	**957,153**	948,583

(i) Movements in the allowance for impaired loans, advances and financing are as follows:

	The Group	
	2016 RM'000	2015 RM'000
Collective assessment allowance		
As at 1 July	**969,925**	1,077,911
Net allowance made during the financial year	**263,678**	213,042
Amount transferred to individual assessment allowance	**(109)**	(94)
Amount written off	**(365,615)**	(310,003)
Unwinding income	**(11,465)**	(12,129)
Exchange differences	**557**	1,198
As at 30 June	**856,971**	969,925
Individual assessment allowance		
As at 1 July	**323,071**	511,647
Net allowance made during the financial year	**57,180**	80,769
Amount transferred from collective assessment allowance	**109**	94
Amount transferred to allowance for impairment losses on financial investments	**(2,566)**	(5,274)
Amount written back in respect of recoveries	**(61,626)**	(130,671)
Amount written off	**(22,014)**	(132,862)
Unwinding income	**(4,404)**	(5,360)
Exchange differences	**94**	4,728
As at 30 June	**289,844**	323,071

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2016

8 CLIENTS' AND BROKERS' BALANCES

Clients' and brokers' balances represent amount receivable from outstanding purchase contracts in respect of the Group's stockbroking and futures clients, amount due from brokers and contra losses and trade receivables from insurance clients.

	The Group	
	2016 RM'000	2015 RM'000
Performing accounts	**394,793**	336,483
Impaired accounts	**1,390**	1,532
	396,183	338,015
Less: Allowances for bad and doubtful debts		
- Individual assessment allowance	**(282)**	(361)
- Collective assessment allowance	**(17)**	(23)
	395,884	337,631

Movements of impaired accounts are as follows:

	The Group	
	2016 RM'000	2015 RM'000
As at 1 July	**1,532**	956
Impaired during the financial year	**581**	928
Written back during the financial year	**(723)**	(352)
As at 30 June	**1,390**	1,532

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

	The Group	
	2016 RM'000	2015 RM'000
Individual assessment allowance		
As at 1 July	**361**	370
Allowance made during the financial year	**150**	97
Allowance written back during the financial year	**(229)**	(106)
As at 30 June	**282**	361
Collective assessment allowance		
As at 1 July	**23**	15
Allowance (written back)/made during the financial year	**(6)**	8
As at 30 June	**17**	23

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

9 OTHER RECEIVABLES

		The Group		The Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Foreclosed properties		**46**	1,023	**–**	–
Sundry debtors and other prepayments		**337,397**	268,330	**410**	381
Treasury related receivables		**629,659**	429,244	**–**	–
Cash collateral pledged for derivative transactions		**684,890**	518,448	**–**	–
Fee income receivables net of allowance for impairment losses of RM28,000 (2015: RM28,000)	(a)	**7,743**	7,123	**–**	–
Other receivables		**157,093**	191,665	**229**	228
		1,816,828	1,415,833	**639**	609

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

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

10 STATUTORY DEPOSITS WITH CENTRAL BANKS

The non-interest bearing statutory deposits are maintained by certain banking subsidiaries with Bank Negara Malaysia in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009, the amounts of which are determined at set percentages of total eligible liabilities. The non-interest bearing statutory deposits of a foreign banking subsidiary and the foreign branch of a banking subsidiary of the Group are maintained with respective central banks in compliance with the applicable legislation.

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

11 INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2016 RM'000	2015 RM'000
Subsidiary companies		
Unquoted shares at cost	**330,684**	316,920
Shares quoted in Malaysia at cost	**16,597,456**	14,693,955
	16,928,140	15,010,875
Less: Allowance for impairment loss	**(12,980)**	(3,266)
	16,915,160	15,007,609

		The Company	
	Note	2016 RM'000	2015 RM'000
As at 1 July		**15,010,875**	14,986,980
Add: Subscription of rights shares in a subsidiary	(i)	**1,903,501**	–
Add: Subscription of ordinary shares in a subsidiary		**–**	11,352
Add: Subscription of redeemable preference shares	(ii)	**15,684**	52,600
Less: Redemption of redeemable preference shares	(iii)	**(1,920)**	(40,057)
As at 30 June		**16,928,140**	15,010,875

(i) The Company has subscribed renounceable rights shares in Hong Leong Bank Berhad comprising of 183,028,960 ordinary shares of RM1.00 each per share on the basis of 4 rights shares for every 25 existing shares at an issue price of RM10.40 per rights share for a consideration of RM1,903,501,184.

(ii) The Company has made capital injection of RM15,620,000 into Hong Leong Equities Sdn Bhd for 15,620 Redeemable Preference Shares ("RPS") of RM1.00 each and RM999.00 share premium, and capital injection of RM64,545 into HLFG Principal Investments (L) Limited for 15,000 Redeemable Preference Shares ("RPS") of USD1.00 each.

(iii) The Company has redeemed 1,920 RPS of RM1.00 each and RM999.00 share premium in Hong Leong Equities Sdn Bhd.

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

11 INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

(i) Information about principal subsidiaries:

The subsidiary companies of the Company are as follows:

Name of companies	Place of incorporation	Effective percentage of ownership 2016 %	2015 %	Principal activities
(a) HLA Holdings Sdn Bhd and its subsidiary companies:	Malaysia	**100.00**	100.00	Investment holding
(i) Hong Leong Assurance Berhad	Malaysia	**70.00**	70.00	Life insurance business
- Unincorporated trust for ESOS$^{\Omega*}$	Malaysia	**–**	–	Special purpose vehicle for ESOS
(ii) Hong Leong Insurance (Asia) Limited*	Hong Kong	**100.00**	100.00	General insurance business
(iii) Hong Leong MSIG Takaful Berhad	Malaysia	**65.00**	65.00	Takaful business
(iv) RC Holdings Sdn Bhd	Malaysia	**100.00**	100.00	Investment holding
(v) HL Assurance Pte. Ltd.	Singapore	**100.00**	100.00	General insurance business
(b) Hong Leong Equities Sdn Bhd	Malaysia	**100.00**	100.00	Investment holding
(c) HLFG Assets Sdn Bhd	Malaysia	**100.00**	100.00	Investment dealing
(d) Wing Trade Investments Limited*	British Virgin Islands	**–**	100.00	Dissolved
(e) Unincorporated trust for ESOS$^{\Omega*}$	Malaysia	**–**	–	Special purpose vehicle for ESOS
(f) HLFG Principal Investments (L) Limited	Labuan	**100.00**	100.00	Investment holding
(g) Hong Leong Capital Berhad and its subsidiary companies:	Malaysia	**83.22**	83.22	Investment holding
(i) HLG Securities Sdn Bhd	Malaysia	**83.22**	83.22	Investment holding
(ii) HLG Capital Markets Sdn Bhd and its subsidiary company:	Malaysia	**83.22**	83.22	Investment holding
- HLG Principal Investments (L) Limited	Labuan	**83.22**	83.22	Dormant
(iii) Hong Leong Investment Bank Berhad and its subsidiary companies:	Malaysia	**83.22**	83.22	Investment banking, stockbroking business, futures broking and related financial services
- HLG Nominee (Tempatan) Sdn Bhd	Malaysia	**83.22**	83.22	In member's voluntary liquidation
- HLG Nominee (Asing) Sdn Bhd	Malaysia	**83.22**	83.22	In member's voluntary liquidation
- RC Research Sdn Bhd	Malaysia	**–**	83.22	Dissolved
- ECS Jaya (1969) Sdn Bhd	Malaysia	**–**	83.22	Dissolved
- SSSB Jaya (1987) Sdn Bhd	Malaysia	**83.22**	83.22	In creditors' voluntary liquidation
- HLIB Nominees (Tempatan) Sdn Bhd	Malaysia	**83.22**	83.22	Nominee and custodian services for Malaysian clients
- HLIB Nominees (Asing) Sdn Bhd	Malaysia	**83.22**	83.22	Nominee and custodian services for foreign clients

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2016

11 INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

(i) Information about principal subsidiaries: (continued)

The subsidiary companies of the Company are as follows: (continued)

Name of companies	Place of incorporation	Effective percentage of ownership 2016 %	2015 %	Principal activities
(iv) HLCB Assets Sdn Bhd (formerly known as HLG Futures Sdn Bhd)	Malaysia	**83.22**	83.22	Investment holding
(v) Hong Leong Asset Management Bhd	Malaysia	**83.22**	83.22	Unit trust management, fund management and sale of unit trusts
(vi) Unincorporated trust for ESOS[Ω*]	Malaysia	**–**	–	Special purpose vehicle for ESOS
(vii) Hong Leong Islamic Institutional Income Management Fund[Ω]	Malaysia	**83.22**	83.22	Unit trust funds
(viii)Hong Leong Islamic Cash Fund[Ω]	Malaysia	**83.22**	83.22	Unit trust funds
(ix) Hong Leong Enhanced Cash Fund[Ω]	Malaysia	**83.22**	83.22	Unit trust funds
(x) Hong Leong Islamic Enhanced Cash Fund[Ω]	Malaysia	**83.22**	83.22	Unit trust funds
(h) Hong Leong Bank Berhad and its subsidiary companies:	Malaysia	**65.62**	65.47	All aspects of commercial banking business and provision of related services
(i) Hong Leong Islamic Bank Berhad	Malaysia	**65.62**	65.47	Islamic banking business and related financial services
(ii) DC Tower Sdn Bhd^	Malaysia	**65.62**	–	Real property investment
(iii) Hong Leong Bank Vietnam Limited[*]	Vietnam	**65.62**	65.47	Commercial banking business
(iv) Hong Leong Bank (Cambodia) PLC[+]	Cambodia	**65.62**	65.47	Commercial banking business
(v) HLF Credit (Perak) Bhd and its subsidiary companies:	Malaysia	**65.62**	65.47	Investment holding
- Gensource Sdn Bhd and its subsidiary company:	Malaysia	**65.62**	65.47	Investment holding
- Pelita Terang Sdn Bhd	Malaysia	**65.62**	65.47	Dormant
- WTB Corporation Sdn Bhd and its subsidiary companies:	Malaysia	**65.62**	65.47	Investment holding
- Wah Tat Nominees (Tempatan) Sdn Bhd	Malaysia	**65.62**	65.47	In member's voluntary liquidation
- Wah Tat Nominees (Asing) Sdn Bhd	Malaysia	**65.62**	65.47	In member's voluntary liquidation
- Chew Geok Lin Finance Sdn Bhd	Malaysia	**65.62**	65.47	Investment holding
- Hong Leong Leasing Sdn Bhd[*]	Malaysia	**65.62**	65.47	Investment holding
- HL Leasing Sdn Bhd	Malaysia	**65.62**	65.47	Investment holding
- HLB Realty Sdn Bhd	Malaysia	**65.62**	65.47	Real property investment and investment holding

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

11 INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

(i) Information about principal subsidiaries: (continued)

The subsidiary companies of the Company are as follows: (continued)

Name of companies	Place of incorporation	Effective percentage of ownership 2016 %	2015 %	Principal activities
(vi) HLB Nominees (Tempatan) Sdn Bhd	Malaysia	**65.62**	65.47	Agent and nominee for Malaysian clients
(vii) HLB Nominees (Asing) Sdn Bhd	Malaysia	**65.62**	65.47	Agent and nominee for foreign clients
(viii) HL Bank Nominees (Singapore) Pte Ltd+	Singapore	**65.62**	65.47	Agent and nominee for clients
(ix) HLB Trade Services (Hong Kong) Limited+	Hong Kong	**65.62**	65.47	Ceased operations
(x) HLB Principal Investments (L) Limited and its subsidiary company:	Malaysia	**65.62**	65.47	Holding of or dealings in offshore securities and investment holding
- Promino Sdn Bhd	Malaysia	**65.62**	65.47	Ceased operations
(xi) Prominic Berhad	Malaysia	**65.62**	65.47	To issue Subordinated Notes under a Stapled Securities structure and to on-lend the proceeds from the issuance to Hong Leong Bank Berhad, the issuer of the Capital Securities
(xii) Promitol Sdn Bhd	Malaysia	**–**	65.47	Dissolved
(xiii) Promilia Berhad	Malaysia	**65.62**	65.47	Dormant
(xiv) EB Nominees (Tempatan) Sendirian Berhad	Malaysia	**65.62**	65.47	Nominee services
(xv) EB Nominees (Asing) Sendirian Berhad	Malaysia	**65.62**	65.47	Nominee services
(xvi) EB Realty Sendirian Berhad	Malaysia	**65.62**	65.47	Property investment
(xvii) OBB Realty Sdn Bhd	Malaysia	**65.62**	65.47	Property investment
(xviii) Unincorporated trust for ESOSΩ*	Malaysia	**–**	–	Special purpose vehicle for ESOS
(i) Cova Horizon Sdn BhdΩ*	Malaysia	**–**	–	Ceased control during the year
(j) Halcyon Capital Sdn BhdΩ*	Malaysia	**–**	–	Special purpose vehicle
(k) Balius Capital Sdn BhdΩ*	Malaysia	**–**	–	Special purpose vehicle
(l) Hong Leong Wholesale Bond FundΩ	Malaysia	**–**	–	Unit trust funds

* Not audited by PricewaterhouseCoopers

\+ Audited by member firms of PricewaterhouseCoopers International which is a separate and independent legal entity from PricewaterhouseCoopers Malaysia

Ω Deemed subsidiary companies pursuant to MFRS 10 "Consolidated Financial Statements"

^ The details of acquisition of DC Tower Sdn Bhd by the subsidiary, Hong Leong Bank Berhad are as disclosed in Note 52

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for the financial year ended 30 June 2016

11 INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

(ii) Details of subsidiary companies that have material non-controlling interests:

Set out below are the Group's subsidiary companies that have material non-controlling interests:

	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
	2016 %	2015 %	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Hong Leong Bank Berhad	**34.38**	34.53	**655,873**	770,900	**7,260,075**	5,831,696
Hong Leong Capital Berhad	**16.78**	16.78	**11,345**	11,805	**116,559**	92,582
Hong Leong Assurance Berhad	**30.00**	30.00	**40,093**	57,069	**431,726**	398,682
Individually immaterial subsidiaries with non-controlling interests			**(2,662)**	(140)	**27,661**	30,317
			704,649	839,634	**7,836,021**	6,353,277

Summarised financial information for each subsidiary companies that has non-controlling interests that are material to the Group is set out below. The summarised financial information below represents amounts before inter-company eliminations.

	Hong Leong Assurance Berhad		Hong Leong Bank Berhad		Hong Leong Capital Berhad	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total assets	**14,820,940**	14,228,759	**189,828,215**	184,019,735	**4,149,057**	3,711,683
Total liabilities	**(13,382,294)**	(12,900,263)	**(168,711,068)**	(167,230,143)	**(3,448,696)**	(3,063,786)
Net assets	**1,438,646**	1,328,496	**21,117,147**	16,789,592	**700,361**	647,897
Equity attributable to owners of the Company	**(1,006,920)**	(929,814)	**(13,857,072)**	(10,957,896)	**(583,802)**	(555,315)
Non-controlling interests	**(431,726)**	(398,682)	**(7,260,075)**	(5,831,696)	**(116,559)**	(92,582)

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11 INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

(ii) Details of subsidiary companies that have material non-controlling interests: (continued)

Set out below are the Group's subsidiary companies that have material non-controlling interests: (continued)

	Hong Leong Assurance Berhad		Hong Leong Bank Berhad		Hong Leong Capital Berhad	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Revenue	**198,983**	258,771	**6,303,462**	6,104,469	**127,462**	131,218
Profit before taxation	**162,648**	232,664	**2,381,699**	2,746,158	**64,500**	78,508
Taxation	**(29,006)**	(42,438)	**(478,282)**	(512,971)	**(2,623)**	(7,904)
Other comprehensive (loss)/income	**(23,488)**	(25,507)	**278,963**	711,754	**5,365**	1,899
Total comprehensive income	**110,154**	164,719	**2,182,380**	2,944,941	**67,242**	72,503
Net cash used in investing activities	**(4,452)**	(232,001)	**(6,402,145)**	(3,662,803)	**(138,772)**	(157,538)
Net cash (used in)/ generated from financing activities	**(22,562)**	(109,623)	**(3,056,699)**	(1,304,774)	**(23,166)**	21,447
Net cash generated from/(used in) operating activities	**43,877**	340,679	**10,514,315**	(3,612,798)	**(13,469)**	(174,360)
Net increase/(decrease) in cash and cash equivalents	**16,863**	(945)	**1,055,471**	(8,580,375)	**(175,407)**	(310,451)
Profit allocated to non-controlling interests of the Group	**40,093**	57,069	**655,873**	770,900	**11,345**	11,805
Dividends paid to non-controlling interests of the Group	**26,100**	26,100	**235,439**	251,100	**6,054**	6,054

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

12 INVESTMENT IN ASSOCIATED COMPANIES

	The Group	
	2016 RM'000	2015 RM'000
Unquoted shares, at cost		
- In Malaysia	**618,666**	618,666
- Outside Malaysia	**946,505**	946,505
Cumulative share of results, net of dividend received	**1,855,269**	1,602,083
Cumulative share of changes in other comprehensive income	**13,711**	6,285
Exchange fluctuation reserve	**547,940**	566,763
	3,982,091	3,740,302

(a) Information about associated companies

			The Group Percentage (%) of equity held	
Name	Country of incorporation	Principal activities	2016 %	2015 %
Bank of Chengdu Co., Ltd	China	Commercial banking	**20**	20
Community CSR Sdn Bhd	Malaysia	Investment holding	**20**	20
MSIG Insurance (Malaysia) Bhd	Malaysia	Insurance	**30**	30

Nature of relationship

(i) Bank of Chengdu Co., Ltd ("BOCD")

On 25 October 2007, Hong Leong Bank Berhad ("HLB") entered into a Share Subscription Agreement with Bank of Chengdu Co., Ltd ("BOCD") to subscribe for new shares representing 19.99% equity interest of the Enlarged Capital in BOCD. BOCD is a leading commercial bank in Western and Central China with its base in Chengdu, the capital of Sichuan Province. The subscription enables HLB to enter into a strategic alliance with BOCD to tap the promising and growing financial services sector of China. It strengthens and diversifies the earning base of the Group.

(ii) Community CSR Sdn Bhd ("CCSR")

In 2011, HLB subscribed to RM50 million Cumulative Redeemable Preference Shares ("CRPS") in Jana Pendidikan Malaysia Sdn Bhd. For every RM1 million subscription of CRPS, HLB is entitled to subscribe for 1 Ordinary Share of RM1 each in CCSR. As such, HLB subscribed for 50 CCSR shares of RM1 each for cash at par which represent 20% equity interest of CCSR.

(iii) MSIG Insurance (Malaysia) Bhd ("MSIM")

On 1 October 2010, HLA Holdings Sdn Bhd ("HLAH") entered into a Strategic Partnership with Mitsui Sumitomo Insurance Company, Limited ("MSIJ") to transfer the Non-Life Business of Hong Leong Assurance Berhad ("HLA") to MSIG Insurance (Malaysia) Bhd ("MSIM"), a subsidiary of MSIJ and one of the largest general insurance in Malaysia, satisfied via the issuance of new shares 30% of the ordinary issued and paid-up capital of MSIM.

All associated companies are non-listed companies and there is no quoted market price available for their shares.

The Group deems BOCD and MSIM as material associated companies.

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

12 INVESTMENT IN ASSOCIATED COMPANIES (CONTINUED)

(b) The summarised financial information below represents amounts shown in the material associated companies financial statements which are accounted for using equity method is as follows:

(i) Bank of Chengdu Co., Ltd

	The Group	
	2016 RM'000	2015 RM'000
Total assets	**210,788,236**	192,679,002
Total liabilities	**(194,899,396)**	(177,790,122)
Net assets	**15,888,840**	14,888,880
Interest income	**8,591,993**	8,299,667
Interest expense	**(3,682,577)**	(3,622,526)
Non-interest income	**751,728**	247,973
Profit before taxation	**2,164,939**	2,378,765
Profit after taxation	**1,560,890**	2,006,385
Dividends paid by the associated company during the financial year	**489,440**	334,470
Shares of results of associated company (%)	**20%**	20%
Shares of results of associated company (RM'000)	**312,178**	401,277

(ii) MSIG Insurance (Malaysia) Bhd

	The Group	
	2016 RM'000	2015 RM'000
Total assets	**4,916,992**	4,760,931
Total liabilities	**(2,235,914)**	(2,219,177)
Net assets	**2,681,078**	2,541,754
Interest income	**77,252**	72,094
Non-interest income	**436,204**	406,255
Profit before taxation	**285,013**	272,731
Profit after taxation	**229,597**	206,733
Dividends paid by the associated company during the financial year	**99,943**	99,943
Shares of results of associated company (%)	**30%**	30%
Shares of results of associated company (RM'000)	**68,879**	62,020

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

12 INVESTMENT IN ASSOCIATED COMPANIES (CONTINUED)

(c) Reconciliation of the summarised financial information to the carrying amount of the interest in the material associated companies recognised in the consolidated financial statements:

(i) Bank of Chengdu Co., Ltd

	The Group	
	2016 RM'000	2015 RM'000
Opening net assets as at 1 July	**14,888,880**	10,316,600
Profit for the financial year	**1,560,890**	2,006,385
Other comprehensive income for the financial year	**22,625**	66,550
Dividends	**(489,440)**	(334,470)
Exchange fluctuation reserve	**(94,115)**	2,833,815
Closing net assets as at 30 June	**15,888,840**	14,888,880
Interest in associated company (%)	**20%**	20%
Interest in associated company (RM'000)	**3,177,768**	2,977,776

(ii) MSIG Insurance (Malaysia) Bhd

	The Group	
	2016 RM'000	2015 RM'000
Opening net assets as at 1 July	**2,541,754**	2,445,477
Profit for the financial year	**229,597**	206,733
Other comprehensive income/(loss) for the financial year	**9,670**	(10,513)
Dividends	**(99,943)**	(99,943)
Closing net assets as at 30 June	**2,681,078**	2,541,754
Interest in associated company (%)	**30%**	30%
Interest in associated company (RM'000)	**804,323**	762,526

The information presented above is based on the financial statements of the associated company after reflecting adjustments made by the Group when using the equity method, such as fair value adjustments made at the time of acquisition and differences in accounting policies between the Group and the associated companies.

The summarised financial information above represents amount shown in the material associate's financial statements prepared in accordance with MFRSs (adjusted by the Group for equity accounting purposes).

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

13 INVESTMENT IN JOINT VENTURES

	The Group	
	2016 RM'000	2015 RM'000
Unquoted shares, at cost		
- In Malaysia	**3,252**	3,252
- Outside Malaysia	**76,711**	76,711
Cumulative share of results, net of dividend received	**43,943**	26,647
Exchange fluctuation reserve	**21,277**	22,620
	145,183	129,230

(a) Information about joint ventures

			The Group Percentage (%) of equity held	
Name	Country of incorporation	Principal activities	2016 %	2015 %
Sichuan Jincheng Consumer Finance Limited Company	China	Consumer finance	**49**	49
Bangsar Capital Holdings (L) Limited (Incorporated in the Federal Territory of Labuan)	Malaysia	In members' voluntary liquidation	**50**	50

Nature of relationship

(i) Sichuan Jincheng Consumer Finance Limited Company ("CFC")

On 1 March 2010, HLB together with BOCD, obtained operation approval from China Banking Regulatory Commission ("CBRC") for Sichuan Jincheng Consumer Finance Limited Company ("JV Co"), a joint venture company that is part of the first batch of approved companies, to start consumer finance operations in Central and Western China. This JV Co focuses primarily in the consumer financing business with HLB having a 49% equity interest and BOCD having a 51% equity interest in the JV Co. This strategic alliance between HLB and BOCD to tap into the promising and growing financial services sector in China further cements HLB's strategic partnership in BOCD and affirms the Group's vision and belief in the huge potential of China.

(ii) Bangsar Capital Holdings (L) Limited ("BCH")

On 28 June 2014, HLFG Principal Investments (L) Limited ("HLFGPI"), a wholly-owned subsidiary of HLFG, had entered into a joint venture agreement with CIMB Strategic Assets Sdn Bhd ("CIMBSA"), a wholly-owned subsidiary of CIMB Group Holdings Berhad, to establish a joint venture investment holding company to be incorporated in Labuan ("Joint Venture Entity"), in which CIMBSA and HLFGPI would each hold 50% of the equity interests respectively. The Joint Venture Entity, BCH, has been incorporated to establish and manage a private equity fund. The Joint Venture Entity has commenced liquidation during the financial year.

All joint ventures companies are non-listed companies and there is no quoted market price available for their shares.

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

13 INVESTMENT IN JOINT VENTURES (CONTINUED)

(b) The summarised financial information below represents amounts shown in joint venture companies' financial statements which are accounted for using equity method is as follows:

(i) Sichuan Jincheng Consumer Finance Limited Company

	The Group	
	2016 RM'000	**2015 RM'000**
Total assets	**959,061**	840,048
Total liabilities	**(663,398)**	(577,211)
Net assets	**295,663**	262,837
Interest income	**114,510**	106,593
Interest expenses	**(40,666)**	(27,254)
Non-interest income	**41,059**	19,820
Profit before taxation	**57,513**	44,629
Profit after taxation	**43,320**	33,471
Dividend paid by the joint venture during the financial year	**7,663**	–
Shares of results of joint venture (%)	**49%**	49%
Shares of results of joint venture (RM'000)	**21,227**	16,401

(ii) Bangsar Capital Holdings (L) Limited

	The Group	
	2016 RM'000	**2015 RM'000**
Total assets	**788**	5,151
Total liabilities	**(172)**	(4,271)
Net assets	**616**	880
Loss before taxation	**(352)**	(4,682)
Loss after taxation	**(352)**	(4,682)
Shares of results of joint venture (%)	**50%**	50%
Shares of results of joint venture (RM'000)	**(176)**	(2,341)

There are no commitments or contingent liabilities relating to the Group's interest in the joint ventures.

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

13 INVESTMENT IN JOINT VENTURES (CONTINUED)

(c) Reconciliation of the summarised financial information to the carrying amount of the interest in joint venture companies recognised in the consolidated financial statements:

(i) Sichuan Jincheng Consumer Finance Limited Company

	The Group	
	2016 RM'000	2015 RM'000
Opening net assets as at 1 July	262,837	183,837
Profit for the financial year	43,320	33,471
Dividend	(7,663)	–
Exchange fluctuation reserve	(2,831)	45,529
Closing net assets as at 30 June	295,663	262,837
Interest in joint ventures (%)	49%	49%
Interest in joint ventures (RM'000)	144,875	128,790

(ii) Bangsar Capital Holdings (L) Limited

	The Group	
	2016 RM'000	2015 RM'000
Opening net assets as at 1 July	880	1,664
Issued capital during the financial year	–	3,276
Loss for the financial year	(352)	(4,682)
Exchange fluctuation reserve	88	622
Closing net assets as at 30 June	616	880
Interest in joint ventures (%)	50%	50%
Interest in joint ventures (RM'000)	308	440

The information presented above is based on the financial statements of the joint venture after reflecting adjustments made by the Group when using the equity method, such as differences in accounting policies between the Group and the joint venture.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2016

14 PROPERTY AND EQUIPMENT

The Group		Land and building*	Office and computer equipment	Furniture, fittings and renovation	Motor vehicles	Capital work-in-progress	Property work-in-progress	Total
2016	**Note**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Cost								
As at 1 July 2015		753,955	969,908	432,748	13,076	88,813	–	2,258,500
Exchange differences		3,754	4,195	1,786	94	(1,173)	–	8,656
Reclassification to intangible assets	17	–	1,172	–	–	(5,922)	–	(4,750)
Additions		40,181	86,429	16,782	862	37,599	620,075	801,928
Disposals/write-off		(1,445)	(14,960)	(11,389)	(1,506)	–	–	(29,300)
As at 30 June 2016		796,445	1,046,744	439,927	12,526	119,317	620,075	3,035,034
Accumulated depreciation								
As at 1 July 2015		114,940	679,830	305,866	7,909	–	–	1,108,545
Exchange differences		376	2,492	557	75	–	–	3,500
Reclassification to intangible assets	17	–	131	–	–	–	–	131
Disposals/write-off		(232)	(14,602)	(10,802)	(1,484)	–	–	(27,120)
Charge during the financial year		16,628	58,179	24,342	1,627	–	–	100,776
As at 30 June 2016		131,712	726,030	319,963	8,127	–	–	1,185,832
Net book value as at 30 June 2016		664,733	320,714	119,964	4,399	119,317	620,075	1,849,202

* Land and building consists of the following:

The Group	Freehold land	Freehold building	Long-term leasehold land	Long-term leasehold building	Short-term leasehold land	Short-term leasehold building	Total
2016	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Cost							
As at 1 July 2015	159,815	317,898	33,249	238,811	3,450	732	753,955
Exchange differences	–	–	–	3,754	–	–	3,754
Additions	17,960	17,066	3,800	1,355	–	–	40,181
Reclassification	(11,945)	12,271	(15,361)	15,291	(1,757)	1,501	–
Disposals	(486)	(293)	(133)	(533)	–	–	(1,445)
As at 30 June 2016	165,344	346,942	21,555	258,678	1,693	2,233	796,445
Accumulated depreciation							
As at 1 July 2015	–	76,833	4,286	31,244	2,160	417	114,940
Exchange differences	–	–	–	376	–	–	376
Reclassification	–	(1,207)	(1,659)	3,058	(763)	571	–
Disposals	–	(95)	(18)	(119)	–	–	(232)
Charge during the financial year	–	11,853	172	4,567	3	33	16,628
As at 30 June 2016	–	87,384	2,781	39,126	1,400	1,021	131,712
Net book value as at 30 June 2016	165,344	259,558	18,774	219,552	293	1,212	664,733

The addition of property work-in-progress arose from the acquisition of DC Tower Sdn Bhd as highlighted in Note 52. The Group has paid a total consideration of RM620.1 million, which comprises cash consideration of RM168.8 million, assumed borrowings of RM384.7 million (Note 23(c)(iii)) and assumed liabilities of RM66.6 million.

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

14 PROPERTY AND EQUIPMENT (CONTINUED)

The Group 2015	Note	Land and building* RM'000	Office and computer equipment RM'000	Furniture, fittings and renovation RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Cost							
As at 1 July 2014		747,835	857,954	399,285	15,050	60,013	2,080,137
Exchange differences		8,840	6,461	1,802	96	43	17,242
Reclassification to intangible assets	17	–	1,009	–	–	(4,336)	(3,327)
Additions		–	125,146	40,217	2,183	33,093	200,639
Disposals/write-off		(2,720)	(20,662)	(8,556)	(4,253)	–	(36,191)
As at 30 June 2015		753,955	969,908	432,748	13,076	88,813	2,258,500
Accumulated depreciation							
As at 1 July 2014		101,746	647,897	290,089	10,149	–	1,049,881
Exchange differences		848	4,699	1,228	97	–	6,872
Reclassification to intangible assets	17	–	258	–	–	–	258
Disposals/write-off		(807)	(20,571)	(7,986)	(4,253)	–	(33,617)
Charge during the financial year		13,153	47,547	22,535	1,916	–	85,151
As at 30 June 2015		114,940	679,830	305,866	7,909	–	1,108,545
Net book value as at 30 June 2015		639,015	290,078	126,882	5,167	88,813	1,149,955

* Land and building consists of the following:

The Group	Freehold		Long-term leasehold		Short-term leasehold		
	land	building	land	building	land	building	Total
2015	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost							
As at 1 July 2014	154,796	322,684	26,257	235,883	5,271	2,944	747,835
Exchange differences	–	–	–	8,840	–	–	8,840
Reclassification	5,720	(4,048)	7,082	(5,551)	(1,323)	(1,880)	–
Disposals	(701)	(738)	(90)	(361)	(498)	(332)	(2,720)
As at 30 June 2015	159,815	317,898	33,249	238,811	3,450	732	753,955
Accumulated depreciation							
As at 1 July 2014	–	55,545	3,492	38,950	2,856	903	101,746
Exchange differences	–	–	–	848	–	–	848
Reclassification	–	13,898	180	(13,205)	(520)	(353)	–
Disposals	–	(358)	(11)	(70)	(221)	(147)	(807)
Charge during the financial year	–	7,748	625	4,721	45	14	13,153
As at 30 June 2015	–	76,833	4,286	31,244	2,160	417	114,940
Net book value as at 30 June 2015	159,815	241,065	28,963	207,567	1,290	315	639,015

NOTES TO THE FINANCIAL STATEMENTS
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14 PROPERTY AND EQUIPMENT (CONTINUED)

The Company	Note	Office and computer equipment RM'000	Furniture, fittings and renovation RM'000	Motor vehicles RM'000	Total RM'000
2016					
Cost					
As at 1 July 2015		**778**	**1,512**	**2,139**	**4,429**
Additions		**10**	**–**	**–**	**10**
As at 30 June 2016		**788**	**1,512**	**2,139**	**4,439**
Accumulated depreciation					
As at 1 July 2015		**554**	**1,104**	**396**	**2,054**
Charge during the financial year		**103**	**126**	**427**	**656**
As at 30 June 2016		**657**	**1,230**	**823**	**2,710**
Net book value as at 30 June 2016		**131**	**282**	**1,316**	**1,729**
2015					
Cost					
As at 1 July 2014		726	1,497	3,453	5,676
Additions		59	15	1,068	1,142
Disposals/write-off		–	–	(2,382)	(2,382)
Reclassification to intangible assets	17	(7)	–	–	(7)
As at 30 June 2015		778	1,512	2,139	4,429
Accumulated depreciation					
As at 1 July 2014		484	978	2,416	3,878
Disposals/write-off		–	–	(2,382)	(2,382)
Charge during the financial year		70	126	362	558
As at 30 June 2015		554	1,104	396	2,054
Net book value as at 30 June 2015		224	408	1,743	2,375

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

15 INVESTMENT PROPERTIES

	The Group	
	2016 RM'000	2015 RM'000
Fair value		
As at 1 July	**1,848**	1,760
Fair value gain	**92**	88
As at 30 June	**1,940**	1,848
The analysis of investment properties is as follows:		
Leasehold land and building	**1,940**	1,848

The fair value of the properties was estimated at RM1,940,000 (2015: RM1,848,000) based on open market valuation by an independent professional valuer, Messrs Rahim & Co International Property Consultants.

The fair value of the properties is based on the highest and best use of the subject property and on the basis of Market Value as defined by the Malaysian Valuation Standards.

The fair value are within Level 2 of the fair value hierarchy.

The following amounts have been reflected in the statements of income:

	The Group	
	2016 RM'000	2015 RM'000
Rental income	**91**	102
Operating expenses arising from investment properties that generated the rental income	**33**	9

16 GOODWILL ARISING ON CONSOLIDATION

	The Group	
	2016 RM'000	2015 RM'000
As at 1 July/30 June	**2,410,644**	2,410,644

Allocation of goodwill to cash-generating units

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

	The Group	
	2016 RM'000	2015 RM'000
CGU		
Commercial banking	**2,246,484**	2,246,484
Investment banking and asset management	**99,803**	99,803
Insurance	**64,357**	64,357
	2,410,644	2,410,644

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16 GOODWILL ARISING ON CONSOLIDATION (CONTINUED)

Impairment test for goodwill

The recoverable amount of CGUs is determined based on higher of fair value less costs to sell and value-in-use calculations. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, less costs of disposal. This estimate is mainly determined, on 30 June 2016, on the basis of available market information such as the fair value of the underlying assets and liabilities which have been marked-to-market.

(i) Commercial banking CGU and investment banking and asset management CGU

The recoverable amounts of the commercial banking CGU and investment banking and asset management CGU have been determined based on the respective value-in-use calculations. Value in use is the present value of the future cash flows expected to be derived from the CGU. This calculation uses pre-tax cash flow projection based on the budget for the financial year ending 2017, which is approved by the respective Board of Directors of Hong Leong Bank Berhad and Hong Leong Capital Berhad. There is a further projection of 3 years (2015: 3 years) based on the average historical Gross Domestic Product ("GDP") growth of the country covering a 5 year (2015: 5 years) period, revised for current economic conditions. Cash flows beyond the 4 year period are extrapolated using an estimated growth rate of 3.60% (2015: 4.05%) representing the forecasted GDP growth rate of the country for all cash generating units. The cash flow projections are derived based on a number of key factors including past performance of these CGUs and management's expectation of market developments.

The discount rate used in determining the recoverable amount of the commercial banking CGUs and investment banking and asset management CGUs are 10.20% (2015: 9.88%) and 10.69% (2015: 11.81%) respectively. The pre-tax discount rate reflects the specific risks relating to the CGUs.

(ii) Insurance CGU

The value-in-use of the insurance CGU is derived using the actuarial valuation for the Life insurance business. The actuarial valuation of the Life insurance fund is based on the latest position as at statements of financial position date, using the most recent available assumptions at the point of assessment. Such assumptions are derived from historical experience of the insurer and current industry trends and positions.

The value-in-use has been calculated based on the set of assumptions outlined below:

(a) The present value of future shareholders' earnings is discounted at 9% (2015: 9%).
(b) Future earnings are projected based on actuarial assumptions that are determined in accordance with generally accepted actuarial best practice and are appropriate to the business and risk profile of the business.
(c) Allowance for tax of 17% (2015: 18%) has been made on the assumptions that the application of current tax legislation and tax rates will continue unchanged.
(d) The current actuarial reserving methods and bases have been assumed to continue unaltered.
(e) The current risk-based capital requirement has been assumed to continue unaltered.
(f) Required risk-based capital are at the management's capital adequacy ratio target level.
(g) The cost of capital is the cost of holding the required capital at the internal capital adequacy ratio allowing for future investment return on the capital held.

It should be recognised that the actual future results will differ from those stated above, from any future changes in the operations and economic environment and natural variation in experience. There is no warranty that the future experience will be in line with the assumptions made.

Management believes that any reasonably possible change in the key assumptions would not cause the carrying amount of the goodwill to exceed the recoverable amount of the CGUs, which could warrant any impairment to be recognised.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2016

17 INTANGIBLE ASSETS

The Group	Note	Core deposit RM'000	Customer relationship RM'000	Computer software RM'000	Total RM'000
2016					
Cost or valuation					
As at 1 July 2015		**152,434**	**127,426**	**585,516**	**865,376**
Additions		**–**	**–**	**25,223**	**25,223**
Disposals/write-off		**–**	**–**	**(4,953)**	**(4,953)**
Exchange fluctuation		**–**	**–**	**1,669**	**1,669**
Reclassification from property and equipment	14	**–**	**–**	**4,750**	**4,750**
As at 30 June 2016		**152,434**	**127,426**	**612,205**	**892,065**
Accumulated amortisation and impairment					
As at 1 July 2015		**90,734**	**53,095**	**383,705**	**527,534**
Amortisation during the financial year		**21,776**	**12,743**	**46,114**	**80,633**
Disposals/write-off		**–**	**–**	**(1,565)**	**(1,565)**
Exchange fluctuation		**–**	**–**	**623**	**623**
Reclassification from property and equipment	14	**–**	**–**	**(131)**	**(131)**
As at 30 June 2016		**112,510**	**65,838**	**428,746**	**607,094**
Net book value as at 30 June 2016		**39,924**	**61,588**	**183,459**	**284,971**
2015					
Cost or valuation					
As at 1 July 2014		152,434	127,426	537,620	817,480
Additions		–	–	49,672	49,672
Disposals/write-off		–	–	(8,684)	(8,684)
Exchange fluctuation		–	–	3,581	3,581
Reclassification from property and equipment	14	–	–	3,327	3,327
As at 30 June 2015		152,434	127,426	585,516	865,376
Accumulated amortisation and impairment					
As at 1 July 2014		68,958	40,352	347,249	456,559
Amortisation during the financial year		21,776	12,743	40,746	75,265
Disposals/write-off		–	–	(5,809)	(5,809)
Exchange fluctuation		–	–	1,777	1,777
Reclassification from property and equipment	14	–	–	(258)	(258)
As at 30 June 2015		90,734	53,095	383,705	527,534
Net book value as at 30 June 2015		61,700	74,331	201,811	337,842

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

17 INTANGIBLE ASSETS (CONTINUED)

		Computer software	
The Company	**Note**	**2016 RM'000**	**2015 RM'000**
Cost			
As at 1 July		**840**	696
Additions		**1**	137
Reclassification from property and equipment	14	**–**	7
As at 30 June		**841**	840
Accumulated amortisation and impairment			
As at 1 July		**627**	524
Amortisation during the financial year		**108**	103
As at 30 June		**735**	627
Net book value as at 30 June		**106**	213

Customer relationships acquired in a business combination have value when they represent an identifiable and predictable source of future cash flow to the combined business.

The valuation of business banking customer relationships was determined using an income approach, specifically the multi-period excess earning method ("MEEM"). This was done by discounting forecasted incremental customer revenues attributable solely to EON Banking Group's existing business banking customer.

Core deposits comprising savings and current accounts are low cost source of funds. The valuation of core deposits was derived using an income approach, specifically the cost savings method under the incremental cash flow method. This was done by discounting forecast net interest savings from core deposits.

The discount rate used in discounting incremental cash flow was based on the risk associated with the identified intangible assets. The remaining amortisation period of core deposits and customer relationships are 2 to 5 years respectively.

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

18 DEPOSITS FROM CUSTOMERS

	The Group	
	2016 RM'000	**2015 RM'000**
At amortised cost		
Fixed deposits	**85,737,639**	78,620,058
Negotiable instruments of deposits	**7,816,740**	11,257,419
Short-term placements	**16,429,616**	13,031,197
	109,983,995	102,908,674
Demand deposits	**20,559,745**	20,030,167
Savings deposits	**16,581,412**	15,823,857
Others	**943,462**	640,821
Gross deposits from customers	**148,068,614**	139,403,519
At fair value through profit or loss		
Callable range accrual notes, at cost	**1,442,912**	1,621,641
Fair value changes arising from designation at fair value through profit or loss*	**(20,993)**	(69,695)
	1,421,919	1,551,946
Total net deposits from customers	**149,490,533**	140,955,465

* The banking subsidiary has issued structured deposits (Callable Range Accrual Notes) and designated them at fair value through profit or loss. This designation is permitted under MFRS 139 "Financial Instruments: Recognition and Measurement" as it significantly reduces accounting mismatch. These instruments are managed by the Group on the basis of its fair value and includes terms that have substantive derivative characteristic.

The fair value changes of the structured deposits that are attributable to the changes in own credit risk are not significant.

The carrying amount of the structured deposits of the Group is RM12,771,000 (2015: RM60,254,000), which is lower than the contractual amount at maturity.

(a) The maturity structure of fixed deposits, negotiable instruments of deposits and short-term placements are as follows:

	The Group	
	2016 RM'000	**2015 RM'000**
Due within:		
- six months	**90,130,671**	79,310,112
- six months to one year	**16,791,342**	21,105,271
- one year to five years	**3,044,069**	2,493,291
- more than five years	**17,913**	–
	109,983,995	102,908,674

(b) The deposits are sourced from the following customers:

	The Group	
	2016 RM'000	**2015 RM'000**
Government and statutory bodies	**2,891,538**	3,573,261
Business enterprises	**62,776,728**	65,130,000
Individuals	**81,366,305**	70,176,437
Others	**2,455,962**	2,075,767
	149,490,533	140,955,465

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2016

19 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group	
	2016 RM'000	2015 RM'000
Licensed banks and investment banks	6,842,865	7,007,161
Licensed Islamic bank	–	49,004
Other financial institutions	1,263,135	1,887,457
	8,106,000	8,943,622

20 DERIVATIVE FINANCIAL INSTRUMENTS

		The Group		The Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Derivatives at fair value through profit or loss					
- Interest rate swaps		307,063	229,592	80	126
- Cross currency swaps		415,859	331,513	–	–
- Foreign currency forwards		287,846	834,803	–	–
- Foreign currency options		23,091	60,914	–	–
- Foreign currency swaps		18,347	–	–	–
- Futures		11	667	–	–
- Equity options		9,266	10,049	–	–
- Commodity swap		875	306	–	–
Derivatives designated as cash flow hedge					
- Interest rate swaps	(a)	–	240	–	–
Total derivative financial instruments assets		1,062,358	1,468,084	80	126
Derivatives at fair value through profit or loss					
- Interest rate swaps		(435,849)	(327,186)	(1,455)	(1,158)
- Cross currency swaps		(579,482)	(460,329)	–	–
- Foreign currency forwards		(528,156)	(482,679)	–	–
- Foreign currency options		(17,676)	(58,420)	–	–
- Foreign currency swaps		(30,597)	–	–	–
- Futures		(3,142)	(6,952)	–	–
- Equity options		(7,995)	(3,224)	–	–
- Swaption		(48,215)	(30,268)	–	–
- Commodity swap		(852)	(283)	–	–
Derivatives designated as cash flow hedge					
- Interest rate swaps	(a)	(2,261)	(24)	–	–
Total derivative financial instruments liabilities		(1,654,225)	(1,369,365)	(1,455)	(1,158)

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

20 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(a) Cash flow hedge

The Group's cash flow hedges principally consist of interest rate swaps that are used to protect against exposures to variability in future interest cash flows on interest incurring liabilities. The amount and timing of the interest cash flows, are projected on the basis of their contractual terms and other relevant factors, including estimates of renewal of interest incurring liabilities. The aggregate projected interest cash flows over time form the basis for identifying gains and losses on the effective portions of derivatives designated as cash flow hedges to forecast transactions. Gains and losses are initially recognised directly in equity, in the cash flow hedge reserve, and are transferred to statements of income when the forecast cash flows affect the statements of income.

The hedging relationship was fully effective for the total hedging period and as of the reporting date. As such, the unrealised loss of RM1,718,000 (2015: gain of RM162,000) from the hedging relationship were recognised through other comprehensive income.

All underlying hedged cashflows are expected to be recognised in profit or loss in the period in which they occur. This is anticipated to take place over the next 3 to 4 years from the financial year ended 30 June 2016 (2015: 4 to 5 years), as detailed below:

	The Group				
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000
As at 30 June 2016					
Cash inflows (assets)	**1,384**	**464**	**1,867**	**3,433**	**18,586**
Cash outflows (liabilities)	**(1,346)**	**(454)**	**(1,811)**	**(3,271)**	**(17,812)**
Net cash inflows	**38**	**10**	**56**	**162**	**774**
As at 30 June 2015					
Cash inflows (assets)	1,391	469	1,900	3,643	28,855
Cash outflows (liabilities)	(1,391)	(469)	(1,850)	(3,518)	(28,431)
Net cash inflows	–	–	50	125	424

21 PAYABLES AND OTHER LIABILITIES

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trade payables	**1,964,896**	1,607,852	**–**	–
Post employment benefits obligation				
- defined contribution plan	**1,774**	1,695	**43**	41
Loan advance payment	**2,641,139**	2,268,769	**–**	–
Treasury and cheque clearing	**163,202**	589,704	**–**	–
Treasury related payables	**189,958**	174,206	**–**	–
Sundry creditors and accruals	**560,146**	564,022	**1,462**	2,106
Provision for bonus and staff related expenses	**151,062**	144,710	**7,846**	8,956
Others	**565,645**	445,736	**–**	–
	6,237,822	5,796,694	**9,351**	11,103

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

22 DEFERRED TAXATION

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

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deferred tax assets/(liabilities)				
- to be recovered within 12 months	**136,489**	151,876	**330**	2,506
- to be recovered more than 12 months	**(338,726)**	(323,721)	**–**	(336)
	(202,237)	(171,845)	**330**	2,170

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deferred tax assets				
- Cash flow hedge reserve	**543**	–	**–**	–
- Unabsorbed tax losses	**89,692**	83,554	**–**	–
- Senior bonds	**69,732**	108,938	**–**	–
- Provision for expenses	**65,386**	27,694	**–**	2,336
- Other temporary differences	**10,645**	1,731	**330**	252
	235,998	221,917	**330**	2,588
Deferred tax liabilities				
- Property and equipment	**(108,957)**	(88,143)	**–**	(418)
- Cash flow hedge reserve	**–**	(54)	**–**	–
- Financial investments available-for-sale	**(147,978)**	(121,166)	**–**	–
- Intangible assets	**(24,363)**	(34,008)	**–**	–
- Unallocated surplus	**(156,937)**	(150,391)	**–**	–
	(438,235)	(393,762)	**–**	(418)
Deferred tax (liabilities)/assets net	**(202,237)**	(171,845)	**330**	2,170

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2016

22 DEFERRED TAXATION (CONTINUED)

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

The Group	Note	Property and equipment RM'000	Financial investments available-for-sale RM'000	Cash flow hedge reserve RM'000	Intangible assets RM'000	Unutilised tax credit RM'000	Senior bonds RM'000	Provision for expenses RM'000	Unallocated surplus RM'000	Other temporary differences RM'000	Total RM'000
2016											
As at 1 July		**(88,143)**	**(121,166)**	**(54)**	**(34,008)**	**83,554**	**108,938**	**27,694**	**(150,391)**	**1,731**	**(171,845)**
Credited/ (charged) to statements of income	38	**(20,814)**	**(572)**	**–**	**9,645**	**6,138**	**(39,206)**	**37,692**	**(6,546)**	**5,038**	**(8,625)**
Charged to Life fund		**–**	**(4,029)**	**–**	**–**	**–**	**–**	**–**	**–**	**3,876**	**(153)**
(Charged)/ credited to equity		**–**	**(22,211)**	**597**	**–**	**–**	**–**	**–**	**–**	**–**	**(21,614)**
As at 30 June		**(108,957)**	**(147,978)**	**543**	**(24,363)**	**89,692**	**69,732**	**65,386**	**(156,937)**	**10,645**	**(202,237)**
2015											
As at 1 July		(103,739)	(113,346)	–	(42,638)	89,182	22,688	82,881	(123,157)	(21,888)	(210,017)
Credited/ (charged) to statements of income	38	15,956	(145)	–	8,630	(5,628)	86,250	(55,187)	(27,234)	7,963	30,605
Credited to Life fund		–	(9,264)	–	–	–	–	–	–	14,425	5,161
(Charged)/ credited to equity		(360)	1,589	(54)	–	–	–	–	–	1,231	2,406
As at 30 June		(88,143)	(121,166)	(54)	(34,008)	83,554	108,938	27,694	(150,391)	1,731	(171,845)

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

22 DEFERRED TAXATION (CONTINUED)

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

The Company	Note	Property and equipment RM'000	Provision for expenses RM'000	Other temporary differences RM'000	Total RM'000
2016					
As at 1 July		**(418)**	**2,336**	**252**	**2,170**
Credited/(charged) to statements of income	38	**418**	**(2,336)**	**78**	**(1,840)**
As at 30 June		**–**	**–**	**330**	**330**
2015					
As at 1 July		–	3,434	116	3,550
Credited/(charged) to statements of income	38	(418)	(1,098)	136	(1,380)
As at 30 June		(418)	2,336	252	2,170

23 BORROWINGS

		The Group		The Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Revolving credit	(a)	**305,450**	–	**305,450**	–
Commercial papers	(b)	**349,347**	374,236	**349,347**	374,236
Medium term notes	(b)	**756,286**	351,194	**806,457**	401,358
Term loans/bridging loan	(c)	**565,193**	85,072	**180,463**	85,072
Senior bonds	(d)	**1,215,643**	2,286,380	**–**	–
		3,191,919	3,096,882	**1,641,717**	860,666

(a) The revolving credit facilities carried interest rates ranging from 3.64% to 3.92% (2015: ranging from 3.58% to 3.77%) per annum.

The revolving credit facilities are unsecured and repayable within 12 months.

(b) On 14 October 2011, the Company entered into RM1.8 billion CP/MTNs Programme comprising a seven (7) years Commercial Papers (CP) programmes and a twenty (20) years Medium Term Notes (MTNs) programmes which were constituted by a Trust Deed between the Company and Malaysian Trustees Berhad as trustee. The CPs are issued at a discount and the issue price is calculated in accordance with the Rules on Fully Automated System for Issuing/Tendering ("FAST") issued by Bank Negara Malaysia at the tenure of one (1), two (2), three (3), six (6), nine (9) or twelve (12) months as the Company may select. The CPs carry interest rate ranging from 3.58% to 3.86% (2015: 3.58% to 3.82%).

The MTNs are issued at par and the issue price is calculated in accordance with the FAST Rules, at the tenure which shall be more than one (1) year as the Company may select. The MTNs carry interest rates ranging from 4.30% to 4.80% (2015: 4.05% to 4.50%) per annum.

The CP/MTNs are unsecured and the Company is required to maintain a debt to equity ratio for these facilities.

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

23 BORROWINGS (CONTINUED)

(c) The Group and the Company has the following term loans for the financial year:

(i) The Company has an unsecured short-term loan facility of RM10 million maturing on 11 January 2017. The term loan with one month interest period bears interest rate ranging from 3.70% to 3.92% (2015: 3.66% to 3.93%) per annum.

(ii) The Company has an unsecured term loan of RM170 million maturing on 2 July 2017. The term loan with one month interest period bears interest rate ranging from 3.70% to 3.92% (2015: 3.66% to 3.93%) per annum.

(iii) The bridging loan of RM284.7 million and term loan of RM100.0 million are part of the net assets of an indirect subsidiary, DC Tower Sdn Bhd ("DCT") that was acquired during the financial year.

These facilities are secured by a deed of assignment assigning all the rights and titles, interests and benefits under the sale and purchase agreements which incorporates the assignment of development rights, including ownership over the property work-in-progress and a third party legal charge on a parcel of freehold land of the Group's related company.

The bridging loan is repayable over the periods from years 2018 to 2022 and bears interest rates ranging from 4.49% to 4.54% per annum. The term loan is repayable in year 2020 and bears interest at rates ranging from 4.49% to 5.02% per annum.

(d) The Group has the following senior bonds for the financial year:

		The Group	
	Note	2016 RM'000	2015 RM'000
USD300 million senior bonds, at par	(i)	–	916,350
USD300 million senior bonds, at par	(ii)	**919,200**	919,200
Foreign exchange translations		**290,550**	435,750
		1,209,750	2,271,300
Add: Interest payable		**7,561**	19,401
		1,217,311	2,290,701
Less: Unamortised discounts		**(1,668)**	(4,321)
		1,215,643	2,286,380

(i) On 17 March 2011, HLB issued USD300.0 million in aggregate principal amount of Senior Bonds ("the Bonds"), which will mature in 2016. The Bonds bear interest at the rate of 3.75% is payable semi-annually. The Bonds were issued at a price of 99.761 per cent of the principal amount of the Bonds.

The Bonds will constitute direct general, unsubordinated and (subject to the provisions of Negative Pledge Condition) unsecured obligations of HLB which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of HLB.

On 17 March 2016, HLB had fully redeemed the Bonds of USD300.0 million on its maturity date.

(ii) On 20 April 2012, HLB completed its inaugural US dollar senior unsecured notes issuance of USD300.0 million (the "Senior Notes") under its Euro Medium Term Note Programme of up to USD1.5 billion (or its equivalent in other currencies) in nominal value (the "Programme") which was established on 9 April 2012.

The Senior Notes will have a tenor of five years, maturing on 19 April 2017. The Senior Notes will pay a coupon of 3.125% per annum which is equivalent to a yield to investors of 3.269%.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2016

24 SUBORDINATED OBLIGATIONS

		The Group	
		2016	2015
	Note	RM'000	RM'000
RM700 million Tier 2 subordinated debt, at par	(a)	–	685,000
Add: Interest payable		–	12,673
		–	697,673
Less: Unamortised discounts		–	(2)
		–	697,671
RM1.0 billion Tier 2 subordinated debt, at par	(b)	–	1,000,000
Add: Interest payable		–	6,793
		–	1,006,793
Less: Unamortised discounts		–	(124)
		–	1,006,669
Subordinated medium term notes, at par	(c)	–	500,000
Add: Interest payable		–	65
		–	500,065
Less: Unamortised discounts		–	(350)
Fair value adjustments on completion of business combination accounting		–	(147)
		–	499,568
RM1.5 billion Tier 2 subordinated debt, at par	(d)	**1,500,000**	1,500,000
Add: Interest payable		**1,480**	1,664
		1,501,480	1,501,664
Less: Unamortised discounts		**(589)**	(1,027)
		1,500,891	1,500,637
RM500 million Tier 2 subordinated debt, at par	(e)	**500,000**	500,000
Add: Interest payable		**8,692**	6,895
		508,692	506,895
Less: Unamortised discounts		**(1,620)**	(204)
		507,072	506,691
RM400 million Tier 2 subordinated Sukuk Ijarah, at par	(f)	**400,000**	400,000
Add: Profit payable		**736**	736
		400,736	400,736
Less: Unamortised discounts		**(254)**	(431)
		400,482	400,305
RM500 million Tier 2 subordinated notes, at par	(g)	**500,000**	500,000
Add: Interest payable		**526**	526
		500,526	500,526
Less: Unamortised discounts		**(577)**	(1,006)
		499,949	499,520
RM50 million Tier 2 subordinated notes, at par	(h)	**50,000**	50,000
Add: Interest payable		**407**	407
		50,407	50,407
Less: Unamortised discounts		**(160)**	(213)
		50,247	50,194
		2,958,641	5,161,255

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

24 SUBORDINATED OBLIGATIONS (CONTINUED)

(a) On 10 August 2010, HLB had completed the first issuance of RM700.0 million nominal value of Tier 2 Subordinated Debt ("Sub Debt") out of its RM1.7 billion Tier 2 Subordinated Notes Programme. The RM700.0 million Sub Debt will mature in 2020 and is callable at the end of year 5 and on each subsequent coupon payment dates thereafter subject to approval of BNM. The Sub Debt which bears interest of 4.85% per annum is payable semi-annually in arrears.

The Sub Debt constitute unsecured liabilities of HLB, and is subordinated in right of payment to the deposit liabilities and all other liabilities of HLB in accordance with the terms and conditions of the issue and qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of HLB.

On 10 August 2015, HLB had fully redeemed the RM700.0 million nominal value of the Tier 2 Subordinated Debt.

(b) On 5 May 2011, HLB issued the remaining RM1.0 billion nominal value of Sub Debt which will mature in 2021 and is callable at the end of year 5 and on each subsequent coupon payment dates thereafter subject to approval of BNM. The second issuance of Sub Debt bears interest at the rate of 4.35% per annum and is payable semi-annually in arrears.

The Sub Debt constitute unsecured liabilities of HLB, and is subordinated in right of payment to the deposit liabilities and all other liabilities of HLB in accordance with the terms and conditions of the issue and qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of HLB.

On 5 May 2016, HLB had fully redeemed the RM1.0 billion nominal value of the Subordinated Debt.

(c) On 27 February 2009, Promino Sdn Bhd ("Promino"), a wholly owned subsidiary of HLB, has successfully issued the first tranche of RM410.0 million nominal value of the 10 non-callable 5 years Subordinated Medium Term Notes ("MTN") callable on 27 February 2014 (and thereafter) and due on 27 February 2019 under the RM2.0 billion Subordinated MTN Programme. The coupon rate of the Subordinated MTN is 5.75% per annum, which is payable semi-annually in arrears from the date of the issue. Should Promino decide not to exercise its call option on the fifth (5) year from the issue date, the coupon rate will be revised to be equivalent to 7.75% or the then prevailing 5 years RM swap rate plus 3.70% per annum, whichever is higher, from the beginning of the sixth (6) year to the final maturity date.

Subsequently, on 2 December 2009, Promino issued a second tranche of RM250.0 million nominal value of the 10 non-callable 5 years Subordinated MTN callable on 2 December 2014 (and thereafter) and due on 2 December 2019 under the RM2.0 billion Subordinated MTN Programme. The coupon rate of this second tranche of the Subordinated MTN is 5.75% per annum, which is payable semi-annually in arrears from the date of the issue. Should Promino decide not to exercise its call option on the fifth (5) year from the issue date, the coupon rate of this second tranche will be revised to be equivalent to 7.75% or the then prevailing 5 years RM swap rate plus 3.70% per annum, whichever is higher, from the beginning of the sixth (6) year to the final maturity date; similar to the step-up rates in the first tranche.

Subsequently, on 30 December 2010, Promino issued a third tranche of RM500.0 million nominal value of the 10 non-callable 5 years Subordinated MTN callable on 30 December 2015 (and at each anniversary date thereafter) and due on 30 December 2020 under the RM2.0 billion Subordinated MTN Programme. The coupon rate of this third tranche of the Subordinated MTN is 4.75% per annum, which is payable semi-annually in arrears from the date of the issue. Should Promino decide not to exercise its call option on the fifth (5) year from the issue date, or at each anniversary date thereafter, the coupon rate of this third tranche will be remain at 4.75% per annum, from the beginning of the sixth (6) year to the final maturity date.

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

24 SUBORDINATED OBLIGATIONS (CONTINUED)

(c) On 1 July 2011, the above Subordinated MTN was vested to HLB. The above tranches of Subordinated MTNs constitute unsecured liabilities of HLB and are subordinated to all deposit liabilities and all other liabilities except those liabilities, which by their terms, rank equally in rights of payment with the Subordinated MTNs. The Subordinated MTNs qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of HLB.

On 27 February 2014, HLB had fully redeemed the first tranche of RM410.0 million nominal value of the 10 non-callable 5 years subordinated MTNs bearing coupon rate of 5.75% per annum.

On 2 December 2014, HLB had fully redeemed the second tranche of RM250.0 million nominal value of the 10 non-callable 5 years subordinated MTNs bearing coupon rate of 5.75% per annum.

On 30 December 2015, HLB had fully redeemed the third tranche of RM500.0 million nominal value of the 10 non-callable 5 years subordinated MTNs bearing coupon rate of 4.75% per annum.

(d) On 22 June 2012, HLB had completed the issuance of RM1.5 billion nominal value of Tier 2 Subordinated Notes ("Sub Notes"). The RM1.5 billion Sub Notes will mature in 2024 and are callable on any interest payment date falling on or after the 7th anniversary of the issue date subject to approval of BNM. The Sub Notes which bears interest of 4.50% per annum is payable semi-annually in arrears.

The Sub Notes constitute unsecured liabilities of HLB, and is subordinated in right of payment to the deposit liabilities and all other liabilities of HLB in accordance with the terms and conditions of the issue and qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of HLB.

(e) On 19 September 2012, HLA created and issued up to RM500.0 million in nominal value of Subordinated Notes ("Sub-Notes") under a proposed Subordinated Notes Programme to raise funds for general working capital and/or business operations purpose.

On 20 March 2014, the Securities Commission approved the application subject to certain operational terms and conditions being fulfilled.

On 7 February 2014, the HLA completed its RM500.0 million Sub-Notes issuance. The Sub-Notes were issued for a period of 12 years on a 12 non-callable 7 basis with a coupon rate of 4.5% per annum.

The Sub-Notes are unsecured liabilities and classified as Tier 2 capital under Risk-Based Capital Framework for Insurers.

(f) On 17 June 2014, Hong Leong Islamic Bank Berhad ("HLISB"), a wholly owned subsidiary of HLB, had completed the first issuance of RM400.0 million nominal value of Tier 2 Subordinated Sukuk Ijarah ("Subordinated Sukuk Ijarah") out of its RM1.0 billion Tier 2 Subordinated Sukuk Ijarah Programme. The RM400.0 million Subordinated Sukuk Ijarah will mature in 2024 and is callable at end of year 5 and on each subsequent coupon payment dates thereafter subject to approval of BNM. The Subordinated Sukuk Ijarah which bears profit rate of 4.80% per annum is payable semi-annually in arrears.

The Subordinated Sukuk Ijarah constitute direct, unconditional, subordinated and unsecured obligations of HLISB and subordinated in right and priority of payment, to the extend and in the manner provided in the Subordinated Sukuk Ijarah, ranking *pari passu* among themselves. The Subordinated Sukuk Ijarah is subordinated in right of payment to all deposit liabilities and other liabilities of HLISB, except to those liabilities, which by their terms, rank equally in right of payment with or are subordinated to the Subordinated Sukuk Ijarah. The Subordinated Sukuk Ijarah qualifies as Tier 2 capital for the purpose of determining the capital adequacy ratio of HLISB.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2016

24 SUBORDINATED OBLIGATIONS (CONTINUED)

(g) On 23 June 2014, HLB had completed the first issuance of RM500.0 million nominal value of Tier 2 Subordinated Notes ("Sub-Notes") out of its RM10.0 billion Multi-Currency Sub-Notes Programme. The RM500.0 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 4.80% 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 the Group, and is subordinated in right of payment to the deposit liabilities and all other liabilities of the Group 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 may be written off, either fully or partially, at the discretion of BNM at the point of non-viability as determined by BNM or Perbadanan Insurans Deposit Malaysia. The Sub-Notes qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Group.

(h) On 6 November 2014, Hong Leong Investment Bank Berhad ("HLIB"), a wholly owned subsidiary of Hong Leong Capital Berhad and also an indirect subsidiary of HLFG, had completed the first issuance of RM50 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.

25 NON-INNOVATIVE TIER 1 STAPLED SECURITIES

	The Group	
	2016 RM'000	2015 RM'000
RM1.4 billion Non-Innovative Tier 1 stapled securities, at par	–	1,400,000
Add: Interest payable	–	11,040
	–	1,411,040
Less: Unamortised discounts	–	(171)
	–	1,410,869

On 5 May 2011, HLB had completed its issuance of Non-Innovative Tier 1 Stapled Securities ("NIT-1 Stapled Securities") of RM1.4 billion. The NIT-1 Stapled Securities which is perpetual in nature and callable at the end of year 5 and on each coupon payment date, pays a semi annual coupon of 5.05% per annum. The call option shall be subject to the approval of BNM.

The NIT-1 Stapled Securities constitute unsecured liabilities of HLB, and is subordinated in right of payment to the deposit liabilities and all other liabilities of HLB in accordance with the terms and conditions of the issue and qualify as Tier 1 capital for the purpose of determining the capital adequacy ratio of HLB.

On 5 May 2016, HLB had fully redeemed the RM1.4 billion Non-Innovative Tier 1 Stapled Securities.

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

26 INNOVATIVE TIER 1 CAPITAL SECURITIES

	The Group	
	2016 RM'000	2015 RM'000
RM500 million Innovative Tier 1 capital securities, at par	**500,000**	500,000
Add: Interest payable	**12,771**	12,771
	512,771	512,771
Less: Unamortised discounts	**(5,858)**	(7,367)
Fair value adjustments on completion of business combination accounting	**14,599**	24,819
	521,512	530,223

On 10 September 2009, Promino, an indirect subsidiary of the Company issued the first tranche of Innovative Tier 1 Capital Securities ("IT-1 Capital Securities") amounting to RM500.0 million in nominal value, from its RM1.0 billion IT-1 Capital Securities Programme. The IT-1 Capital Securities is structured in accordance with the Risk-Weighted Capital Adequacy Framework (General Requirements and Capital Components) issued by BNM.

The RM500.0 million IT-1 Capital Securities has a tenor of 30 years and Promino has the option to redeem the RM500.0 million IT-1 Capital Securities at the 10th anniversary, subject to BNM approval. The RM500.0 million IT-1 Capital Securities has a coupon rate of 8.25% per annum, payable semi-annually. In the event the IT-1 Capital Securities is not redeemed at the 10th anniversary (the First Optional Redemption Date), the coupon rate will be revised to 9.25% per annum from the 11th year to the final maturity.

On 1 July 2011, the above IT-Capital Securities was vested to HLB. The IT-1 Capital Securities constitute unsecured and subordinated obligations of HLB and are subordinated to all deposit liabilities and all other liabilities except those liabilities which rank equally in, and/or junior to, the rights of payment of the IT-1 Capital Securities. The IT-1 Capital Securities qualify as Tier 1 capital for the purpose of computing the capital adequacy ratio of HLB.

27 INSURANCE FUNDS

	The Group	
	2016 RM'000	2015 RM'000
Unearned premium reserves	**41,282**	25,205
Life policyholders' fund	**8,940,776**	8,012,613
Fair value reserves - financial investments available-for-sale	**251,637**	208,122
Life investment-linked unitholders' fund	**1,394,985**	1,211,317
	10,628,680	9,457,257

The main insurance risks that the Group is exposed to are the following:

- Mortality risk – risk of loss arising due to policyholder's death experience being different than expected.
- Morbidity risk – risk of loss arising due to policyholder's health experience being different than expected.
- Longevity risk – risk of loss arising due to the annuitants living longer than expected.
- Investment return/interest rate risk – risk of loss arising from actual returns being different than expected.
- Expense risk – risk of loss arising from expense experience being different than expected.
- Lapse risk – risk of loss arising due to policyholder surrender experience being different than expected.

The risks vary in relation to the location of the risk insured by the Group, type of risk insured or by industry.

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

28 SHARE CAPITAL

		The Group and The Company	
	Note	2016 RM'000	2015 RM'000
Authorised			
Ordinary shares of RM1.00 each		**2,000,000**	2,000,000
Issued and fully paid capital			
Ordinary shares of RM1.00 each			
As at 1 July		**1,052,768**	1,052,768
Add: New ordinary shares issued during the financial year	52(a)	**94,749**	–
As at 30 June		**1,147,517**	1,052,768

29 RESERVES

		The Group		The Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Retained profits	(a)	**8,228,437**	7,816,792	**12,764,322**	12,742,372
Share premium	(b)	**1,119,491**	117,229	**1,119,491**	117,229
Statutory reserve	(c)	**3,310,501**	2,964,899	**–**	–
Regulatory reserves	(d)	**602,335**	402,388	**–**	–
Share options reserve	(e)	**10,205**	–	**–**	–
Exchange fluctuation reserve	(f)	**587,368**	464,265	**–**	–
Other capital reserve	(g)	**134,870**	134,868	**254,991**	254,991
Fair value reserve	(h)	**237,252**	170,409	**–**	–
Cash flow hedge reserve	(i)	**(1,129)**	106	**–**	–
		14,229,330	12,070,956	**14,138,804**	13,114,592

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

(b) Share premium is used to record premium arising from new shares issued by the Company.

(c) The statutory reserve are maintained by the banking subsidiaries in compliance with Section 47(2)(f) of the Financial Services Act, 2013 and the Islamic banking subsidiary in compliance with Section 57(2)(f) of the Islamic Financial Services Act, 2013 and is not distributable as cash dividends.

(d) The Group's Malaysian banking subsidiaries are required to maintain in aggregate collective impairment allowances of no less than 1.2% of the total outstanding loans, advances and financing, net of individual impairment allowances, in accordance with BNM circular dated 6 April 2015 titled 'Classification and Impairment Provisions for Loans/Financing – Maintenance of Regulatory Reserves'.

During the financial year, an additional amount of RM199.9 million (2015: RM392.1 million) at Group has been transferred from retained profits to regulatory reserves.

Included in the Group is the regulatory reserve maintained by the Group's banking subsidiary company in Vietnam of RM11.3 million (2015: RM11.3 million) in line with the requirements of the State Bank of Vietnam.

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

29 RESERVES (CONTINUED)

(e) The share options reserve arose from the employee share option schemes granted to eligible executives of the Group. Terms of the share options and movements in the number of shares held by Trustee for ESOS are disclosed in Note 51 to the financial statements.

(f) Exchange differences arising from translation of the Group's banking foreign branches, subsidiaries, associated companies and joint venture are shown under exchange fluctuation reserve.

(g) The other capital reserve of the Group arose from the capitalisation of bonus issue and gain on disposal of subsidiary company and assets in certain subsidiary companies and capital redemption reserve arising from redemption of RPS. The capital reserve of the Company arose from gain on disposal of a subsidiary company not recognised in the statements of income due to a common control transaction, and investments and proceeds on issuance of replacement warrants used for bond redemption in previous years.

(h) Movement of the fair value reserve is as follows:

		The Group	
	Note	2016 RM'000	2015 RM'000
As at 1 July		**170,409**	287,257
Net gain/(loss) from change in fair value		**172,843**	(43,171)
Reclassification adjustments to net profit on disposal and impairment		**(89,658)**	(80,826)
Deferred taxation	22	**(22,211)**	1,589
Share of fair value reserve of associated companies		**5,869**	5,560
Net change in fair value reserve		**66,843**	(116,848)
As at 30 June		**237,252**	170,409

(i) Hedging reserve arises from cash flow hedge activities undertaken by HLB to hedge the changes in the cash flow hedged items arising from the movement of market interest rates. The reserve is non-distributable and is reversed to the statement of income when the hedged items affect the statement of income or termination of the cash flow hedge.

30 TREASURY SHARES FOR ESOS

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

MFRS132 – Financial Instruments: Presentation 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, the shares purchased for the benefit of the ESOS holders are recorded as "Treasury Shares for ESOS" in the equity on the balance sheet. As at 30 June 2016, the number of shares held by the appointed trustee was 500 shares (2015: 408) at an average price of RM6.31 per share (2015: RM5.06). The total consideration paid, including transaction costs was RM3,156 (2015: RM2,089).

Pursuant to the insurance subsidiary company's ESOS, the insurance subsidiary company also held 3,963,900 (2015: 2,281,492) units of the Company's shares at an average price of RM9.01 (2015: RM5.56) per share with total consideration paid, including transaction costs of RM35,709,188 (2015: RM12,695,910), which have been classified as treasury shares held for ESOS at the Group level.

The main features of the ESOS are disclosed in the Director's Report and details of the ESOS are disclosed in Note 51 to the financial statements.

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

31 INTEREST INCOME

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Loans, advances and financing	**4,665,092**	4,435,221	**–**	–
Money at call and deposit placements with financial institutions	**193,360**	275,001	**5,017**	1,553
Securities purchased under resale agreements	**145,767**	218,068	**–**	–
Financial assets held-for-trading	**554,361**	576,911	**–**	–
Financial investments available-for-sale	**548,827**	458,054	**–**	–
Financial investments held-to-maturity	**325,274**	274,044	**–**	–
Others	**15,802**	13,120	**–**	1,904
	6,448,483	6,250,419	**5,017**	3,457
Of which:				
Accretion of discount less amortisation of premium	**241,921**	221,283	**–**	–
Interest income earned on impaired loans, advances and financing	**49,997**	58,180	**–**	–

32 INTEREST EXPENSE

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deposits and placements of banks and other financial institutions	**96,216**	83,275	**–**	–
Deposits from other customers	**3,000,705**	2,744,262	**–**	–
Short-term placements	**307,746**	232,673	**–**	–
Borrowings	**126,718**	140,938	**53,786**	41,980
Subordinated obligations	**171,079**	226,515	**–**	–
Non-Innovative Tier 1 stapled securities	**60,024**	71,317	**–**	–
Innovative Tier 1 capital securities	**32,652**	30,516	**–**	–
Others	**12,401**	11,228	**571**	773
	3,807,541	3,540,724	**54,357**	42,753

33 INCOME FROM ISLAMIC BANKING BUSINESS

	The Group	
	2016 RM'000	2015 RM'000
Income derived from investment of depositors' funds and others	**986,299**	903,576
Income derived from investment of shareholders' funds	**124,306**	92,445
Total distributable income	**1,110,605**	996,021
Income attributable to depositors	**(643,139)**	(576,263)
	467,466	419,758
Of which:		
Financing income earned on impaired financing and advances	**7,995**	7,596

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

34 NON-INTEREST INCOME

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Insurance income	214,705	248,361	–	–
Brokerage income	58,165	58,387	–	–
Fee income				
Commissions	139,557	154,417	–	–
Service charges and fees	51,963	48,501	–	–
Guarantee fees	17,219	20,120	–	–
Credit card related fees	256,917	234,464	–	–
Corporate advisory fees	7,212	14,183	–	–
Commitment fees	34,624	35,174	–	–
Fee on loans, advances and financing	56,944	53,896	–	–
Placement fees	9,001	8,544	–	–
Arranger fees	15,428	8,849	–	–
Unit trust fee income	20,750	16,299	–	–
Other fee income	80,057	88,468	10,410	10,436
	689,672	682,915	10,410	10,436
Net income from securities				
Net realised gain/(loss) from sale/redemption of financial assets:				
- financial assets held-for-trading	54,224	58,341	16	(50)
- financial investments available-for-sale	103,435	123,980	–	–
- financial investments held-to-maturity	31	350	–	–
- derivative financial instruments	(19,444)	(8,673)	(1,237)	(5,363)
Gross dividend income from:				
- financial assets held-for-trading	7,151	1,600	3,031	699
- financial investments available-for-sale	226,516	179,635	–	–
- subsidiary companies	–	–	513,534	845,482
Net unrealised gain/(loss) on revaluation of:				
- financial assets held-for-trading	(13,444)	2,401	–	–
- derivative financial instruments	(87,006)	(51,734)	(1,038)	(568)
Amortisation of fair value changes arising from terminated fair value hedges	(519)	(3,279)	–	–
	270,944	302,621	514,306	840,200
Other income				
Foreign exchange gain	184,139	36,827	1	–
Rental income	9,051	6,396	–	–
Gain on sale of property and equipment (net)	1,967	6,947	–	320
Other non-operating income	6,277	19,037	188	49
	201,434	69,207	189	369
	1,434,920	1,361,491	524,905	851,005

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2016

35 OVERHEAD EXPENSES

		The Group		The Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Personnel costs	(a)	**1,359,453**	1,131,941	**9,831**	15,005
Establishment costs	(b)	**478,147**	451,152	**2,213**	1,873
Marketing expenses	(c)	**173,384**	168,298	**–**	–
Administration and general expenses	(d)	**273,397**	248,872	**3,160**	4,518
		2,284,381	2,000,263	**15,204**	21,396

(a) Personnel costs comprise the following:

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Salaries, bonus and allowances	**1,065,972**	1,048,898	**8,721**	11,644
Mutual separation scheme (MSS)*	**172,064**	–	**–**	–
Medical expenses	**31,672**	27,441	**96**	170
Training and convention expenses	**33,566**	11,904	**23**	19
Staff welfare	**7,995**	10,843	**397**	303
Other employees benefits	**48,184**	32,855	**594**	2,869
	1,359,453	1,131,941	**9,831**	15,005

(b) Establishment costs comprise the following:

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Depreciation of property and equipment	**93,119**	77,507	**656**	558
Amortisation of intangible assets	**78,308**	73,249	**108**	103
Rental of premises	**93,458**	88,200	**729**	791
Information technology expenses	**120,382**	121,368	**128**	56
Security services	**27,686**	26,177	**–**	–
Electricity, water and sewerage	**27,408**	24,912	**43**	43
Hire of plant and machinery	**15,472**	13,875	**36**	34
Others	**22,314**	25,864	**513**	288
	478,147	451,152	**2,213**	1,873

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

35 OVERHEAD EXPENSES (CONTINUED)

(c) Marketing expenses comprise the following:

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Advertisement and publicity	**31,412**	36,526	**–**	–
Credit card related fees	**119,434**	112,590	**–**	–
Others	**22,538**	19,182	**–**	–
	173,384	168,298	**–**	–

(d) Administration and general expenses comprise the following:

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Teletransmission expenses	**14,665**	15,329	**31**	24
Stationery and printing expenses	**18,332**	19,540	**36**	38
Professional fees	**71,566**	68,935	**575**	1,715
Insurance fees	**38,125**	36,217	**–**	–
Stamp, postage and courier	**22,010**	21,875	**5**	4
Credit card fees	**36,587**	31,910	**–**	–
Travelling and transport expenses	**4,924**	6,181	**42**	26
Registration and license fees	**9,667**	7,239	**–**	–
Brokerage and commission	**6,897**	6,844	**–**	–
Others	**50,624**	34,802	**2,471**	2,711
	273,397	248,872	**3,160**	4,518

* Hong Leong Bank Berhad and Hong Leong Islamic Bank Berhad had implemented a MSS as part of its move to strengthen operational efficiencies. This scheme was offered to all permanent staff at all levels, functions and locations on a voluntary basis, which will create an opportunity for both the banking subsidiaries and employees to gain mutual benefits.

NOTES TO THE FINANCIAL STATEMENTS
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35 OVERHEAD EXPENSES (CONTINUED)

The above expenditure includes the following statutory disclosures:

		The Group		The Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Directors' remuneration	37	**8,329**	9,110	**3,368**	8,684
Hire of equipment		**15,546**	13,976	**36**	34
Auditors' remuneration:					
(i) PwC Malaysia firm					
- statutory audit		**2,986**	2,965	**126**	126
- regulatory related fees		**828**	1,046	**32**	132
- other services		**89**	574	**–**	13
- tax compliance		**125**	126	**–**	–
- other tax services		**6**	532	**–**	–
(ii) PwC overseas affiliated firms					
- statutory audit		**866**	664	**–**	–
- regulatory related fees		**143**	75	**–**	–
- tax compliance		**191**	75	**–**	–
- other fees		**–**	1,126	**–**	–
(iii) Other overseas firm					
- statutory audit		**63**	67	**–**	–
Property and equipment written off		**834**	209	**–**	–
Intangible assets written off		**3,386**	2,875	**–**	–
Options charge arising from ESOS		**10,205**	2,108	**–**	2,070

36 ALLOWANCE FOR/(WRITEBACK OF) IMPAIRMENT LOSSES ON LOANS, ADVANCES AND FINANCING AND OTHER LOSSES

	The Group	
	2016 RM'000	2015 RM'000
Allowance for/(writeback of) impairment losses on loans, advances and financing		
- collective assessment allowance	**263,678**	213,042
- individual assessment allowance	**(4,446)**	(49,902)
Allowance for/(writeback of) impairment losses on clients' and brokers' balances		
- collective assessment allowance	**(6)**	8
- individual assessment allowance	**(79)**	(9)
Writeback of allowance for impairment losses on fee income receivables		
- individual assessment allowance	**–**	(106)
Impaired loans and financing		
- written off	**22,048**	45,617
- recovered	**(228,658)**	(261,294)
	52,537	(52,644)

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

37 DIRECTORS' REMUNERATION

Forms of remuneration in aggregate for all Directors for the financial year are as follows:

	The Group				The Company			
2016	Salaries and other remunerations RM'000	Director fees RM'000	Estimated monetary value for benefits-in-kind RM'000	Total RM'000	Salaries and other remunerations RM'000	Director fees RM'000	Estimated monetary value for benefits-in-kind RM'000	Total RM'000
Executive Directors								
Mr Tan Kong Khoon (Appointed on 5 February 2016)	5,523	–	36	5,559	1,167	–	15	1,182
Mr Choong Yee How (Resigned on 1 September 2015)	1,592	–	6	1,598	1,592	–	6	1,598
	7,115	–	42	7,157	2,759	–	21	2,780
Non-executive Directors								
Mr Quek Kon Sean	–	–	–	–	–	–	–	–
YBhg Tan Sri Quek Leng Chan	–	–	28	28	–	–	28	28
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman	–	329	–	329	–	110	–	110
Ms Lim Lean See	–	395	–	395	–	150	–	150
Mr Saw Kok Wei	–	205	–	205	–	145	–	145
Ms Lim Tau Kien	–	215	–	215	–	155	–	155
	–	1,144	28	1,172	–	560	28	588
Total Directors' remuneration	7,115	1,144	70	8,329	2,759	560	49	3,368

The movement and details of the Directors of the Company in office and interests in shares and share options are reported in the Directors' Report.

Included in the Non-Executive Directors' remunerations are amounts paid to Directors in their capacities as Executive Directors for certain subsidiary companies.

NOTES TO THE FINANCIAL STATEMENTS
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37 DIRECTORS' REMUNERATION (CONTINUED)

Forms of remuneration in aggregate for all Directors for the financial year are as follows: (continued)

	The Group				The Company			
2015	Salaries and other remunerations RM'000	Director fees RM'000	Estimated monetary value for benefits-in-kind RM'000	Total RM'000	Salaries and other remunerations RM'000	Director fees RM'000	Estimated monetary value for benefits-in-kind RM'000	Total RM'000
Executive Directors								
Mr Choong Yee How	8,064	–	32	8,096	8,064	–	32	8,096
Non-executive Directors								
YBhg Tan Sri Quek Leng Chan	–	–	28	28	–	–	28	28
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman	–	309	–	309	–	110	–	110
Ms Lim Lean See	–	335	–	335	–	150	–	150
Mr Saw Kok Wei	–	187	–	187	–	145	–	145
Ms Lim Tau Kien	–	155	–	155	–	155	–	155
	–	986	28	1,014	–	560	28	588
Total Directors' remuneration	8,064	986	60	9,110	8,064	560	60	8,684

The movement and details of the Directors of the Company in office and interests in shares and share options are reported in the Directors' Report.

Included in the Non-Executive Directors' remunerations are amounts paid to Directors in their capacities as Executive Directors for certain subsidiary companies.

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

38 TAXATION

		The Group		The Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Income tax		**484,693**	633,930	**3,200**	3,092
Deferred taxation	22	**8,625**	(30,605)	**1,840**	1,380
Under/(over) accrual in prior years		**8,176**	(40,417)	**(82)**	–
Taxation		**501,494**	562,908	**4,958**	4,472

A reconciliation of income tax applicable to profit before taxation at the statutory income tax rate to income tax expenses of the Group and the Company is as follows:

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit before taxation	**2,565,038**	3,023,285	**450,647**	787,047
Tax calculated at a rate of 24% (2015: 25%)	**615,609**	755,821	**108,155**	196,762
Tax effects of:				
- Differences in tax rate of foreign inward and offshore insurance	**1,266**	354	**–**	–
- Income not subject to tax	**(91,921)**	(89,504)	**(123,508)**	(211,625)
- Share of net income of associated companies and joint ventures	**(96,548)**	(119,925)	**–**	–
- Expenses not deductible for tax purposes	**80,045**	65,930	**20,393**	19,335
- Under/(over) accrual in prior years	**8,176**	(40,417)	**(82)**	–
- Origination of temporary differences previously not recognised	**(15,133)**	(9,351)	**–**	–
Taxation	**501,494**	562,908	**4,958**	4,472

	The Group	
	2016 RM'000	2015 RM'000
Tax losses		
Tax losses for which the related tax credit has not been recognised in the financial statements	**69,681**	66,787
Tax credit		
Tax credit which has not been recognised in the financial statements	**121,830**	133,921
Capital allowance		
Deductible temporary differences and unutilised capital allowances for which the related tax credit has not been recognised in the financial statements	**807**	807

The above unabsorbed tax losses of the Group have not been recognised as future realisation is uncertain.

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

39 EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	The Group		The Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Weighted average number of ordinary shares ('000)	**1,102,947**	1,050,486	**1,106,355**	1,052,768
Net profit attributable to owners of the parent	**1,358,895**	1,620,743	**445,689**	782,575
Basic earnings per share (sen)	**123.2**	154.3	**40.3**	74.3

Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potential ordinary shares. For the share options, calculation is done to determine the number of shares that could been acquired at fair value based on the monetary value of the subscription rights attached to outstanding share options. The Group's dilutive potential ordinary shares is share option, of which the impact of dilution is as below:

	The Group		The Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Weighted average number of ordinary shares ('000)	**1,102,947**	1,050,486	**1,106,355**	1,052,768
Adjustment for ESOS shares ('000)	**–**	142	**–**	–
	1,102,947	1,050,628	**1,106,355**	1,052,768
Net profit attributable to owners of the parent	**1,358,895**	1,620,743	**445,689**	782,575
Diluted earnings per share (sen)	**123.2**	154.3	**40.3**	74.3

40 DIVIDENDS

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

	The Group and The Company	
	2016 RM'000	**2015 RM'000**
First interim single-tier dividend of 13 sen per share (2015: 13 sen per share (single-tier))	**136,860**	136,470
Second interim single-tier dividend of 25 sen per share (2015: 25 sen per share (single-tier))	**286,879**	263,186
	423,739	399,656

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2016

41 COMMITMENTS AND CONTINGENCIES

(a) Group related commitments and contingencies

In the normal course of business, the Group 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 notional/principal amount of the commitments and contingencies constitute the following:

	The Group		The Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Direct credit substitutes*	**121,679**	220,983	**–**	–
Certain transaction related contingent items	**1,621,014**	1,606,465	**–**	–
Short-term self liquidating trade related contingencies	**766,350**	755,587	**–**	–
Any commitments that are unconditionally cancellable at any time by the Group without prior notice				
- less than one year	**686,780**	722,877	**–**	–
Irrevocable commitments to extend credit:				
- less than one year	**17,515,111**	17,264,715	**–**	–
- more than one year	**16,125,773**	18,161,494	**–**	–
Foreign exchange related contracts^:				
- less than one year	**30,866,808**	33,596,962	**–**	–
- one year to less than five years	**4,950,940**	4,409,157	**–**	–
- five years and above	**895,329**	819,693	**–**	–
Interest rate related contracts^:				
- less than one year	**35,439,838**	23,442,517	**100,000**	–
- one year to less than five years	**39,926,819**	46,063,835	**100,000**	775,000
- five years and above	**2,532,411**	2,654,631	**–**	–
Equity related contracts^:				
- less than one year	**296,489**	360,330	**–**	–
- one year to less than five years	**219,299**	111,437	**–**	–
Commodity related contracts^:				
- less than one year	**4,949**	1,471	**–**	–
- one year to less than five years	**–**	3,826	**–**	–
Unutilised credit card lines	**7,503,020**	7,426,036	**–**	–
	159,472,609	157,622,016	**200,000**	775,000

* Included in direct credit substitutes are the financial guarantee contracts of RM112,451,135 (2015: RM207,714,163), of which fair value at the time of issuance is zero.

^ These derivatives are revalued at gross position basis and the unrealised gains or losses have been reflected in Note 20 to the financial statements as derivative assets or derivative liabilities.

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

41 COMMITMENTS AND CONTINGENCIES (CONTINUED)

(b) Other commitments and contingencies - unsecured

Hong Leong Asset Management Bhd, a wholly owned subsidiary of company of Hong Leong Capital Berhad ("HLCB"), is the Manager of Hong Leong Consumer Products Sector Fund ("Funds"). HLCB 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 million, HLCB would invest cash, equivalent to the shortfall, into the relevant fund.

The size of each of the funds was above the minimum of RM1 million as at 30 June 2016 (2015: RM1 million).

42 CAPITAL COMMITMENTS

	The Group	
	2016 RM'000	**2015 RM'000**
Approved and contracted for	**98,858**	46,094
Approved but not contracted for	**63,802**	320,920
	162,660	367,014

The capital commitments are in respect of:
- property and equipment
- intangible assets

43 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, under non-cancellable operating lease commitment are as follows:

	The Group	
	2016 RM'000	**2015 RM'000**
Not more than one year	**9,589**	12,184
More than one year but less than five years	**9,929**	20,929
More than 5 years	**2,113**	4,148
	21,631	37,261

44 ULTIMATE HOLDING COMPANY

The ultimate holding company is Hong Leong Company (Malaysia) Berhad, a company incorporated in Malaysia.

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

45 CAPITAL ADEQUACY

The banking subsidiaries' regulatory capital is governed by BNM Capital Adequacy Framework guidelines. With effect from 1 January 2013, the capital adequacy ratios of the banking subsidiaries are computed in accordance with BNM's Capital Adequacy Framework issued on 28 November 2012 and its revised version on 13 October 2015 (the "Framework"). The Framework sets out the approach for computing the regulatory capital adequacy ratios, the minimum levels of the ratios at which banking institutions are required to operate as well as requirement on Capital Conservation Buffer ("CCB") and Counter Cyclical Buffer ("CCyB"). The minimum capital adequacy requirements for Common Equity Tier I (CET I) capital ratio, Tier I capital ratio and Total Capital ratio are 4.50%, 6.00% and 8.00% respectively. The Group are also required to maintain CCB of up to 2.50% of total risk weighted assets ("RWA"), which is phased in starting with 0.625% in year 2016, 1.250% in year 2017, 1.875% in year 2018 and 2.500% in year 2019. The CCyB which ranges from 0% up to 2.50% is determined as the weighted average of prevailing CCyB rates applied in the jurisdictions in which a financial institution has credit exposures. There is no BNM announcement on the CCyB rates yet.

Individual entities within the Group comply with all externally imposed capital requirements to which they are subject to. The risk-weighted assets ("RWA") of the banking subsidiaries have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk computation.

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

	Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	2016	2015	2016	2015	2016	2015
Before deducting proposed dividends						
CET I capital ratio	**13.176%**	11.147%	**12.493%**	9.861%	**29.202%**	23.683%
Tier I capital ratio	**13.577%**	12.297%	**12.961%**	11.179%	**29.202%**	23.683%
Total capital ratio	**15.104%**	14.715%	**14.858%**	14.226%	**33.576%**	27.355%
After deducting proposed dividends						
CET I capital ratio	**12.745%**	10.750%	**11.991%**	9.406%	**24.986%**	20.832%
Tier I capital ratio	**13.146%**	11.900%	**12.458%**	10.724%	**24.986%**	20.832%
Total capital ratio	**14.673%**	14.318%	**14.355%**	13.771%	**29.360%**	24.504%

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

45 CAPITAL ADEQUACY (CONTINUED)

(b) The component of CET I, Tier I and Tier II capital under the revised Capital Components Framework are as follows:

	Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
CET I capital						
Paid up share capital	**2,167,718**	1,879,909	**2,167,718**	1,879,909	**165,000**	165,000
Share premium	**5,571,345**	2,872,183	**5,571,345**	2,872,183	**87,950**	87,950
Retained profit	**8,412,365**	7,819,514	**6,035,024**	5,653,204	**36,357**	22,742
Other reserves	**4,939,875**	4,363,914	**3,727,869**	3,219,396	**199,404**	197,667
Less: Treasury shares	**(735,040)**	(648,588)	**(735,040)**	(648,588)	**–**	–
Less: Other intangible assets	**(264,766)**	(318,107)	**(246,784)**	(302,801)	**–**	–
Less: Goodwill	**(1,831,312)**	(1,831,312)	**(1,771,547)**	(1,771,547)	**(34,379)**	(32,535)
Less: Deferred tax assets	**(3,957)**	–	**–**	–	**(91,882)**	(95,002)
Less: Investment in subsidiary company/associated company/joint venture	**(1,993,586)**	(1,242,626)	**(1,531,798)**	(952,672)	**(217)**	(154)
Total CET I capital	**16,262,642**	12,894,887	**13,216,787**	9,949,084	**362,233**	345,668
Additional Tier I capital						
Non-Innovative Tier-1 stapled securities	**–**	980,000	**–**	980,000	**–**	–
Innovative Tier-1 capital securities	**494,142**	350,000	**494,142**	350,000	**–**	–
Total additional Tier-1 capital	**494,142**	1,330,000	**494,142**	1,330,000	**–**	–
Total Tier I capital	**16,756,784**	14,224,887	**13,710,929**	11,279,084	**362,233**	345,668
Tier II Capital						
Collective assessment allowance^ and regulatory reserves#	**1,214,681**	1,109,877	**1,029,079**	951,123	**4,394**	3,825
Subordinated obligations	**1,999,411**	3,552,000	**1,999,411**	3,552,000	**50,000**	50,000
Tier II capital before regulatory adjustments	**3,214,092**	4,661,877	**3,028,490**	4,503,123	**54,394**	53,825
Less: Investment in subsidiary companies/associated company/joint venture	**(1,329,057)**	(1,863,940)	**(1,021,198)**	(1,429,008)	**(144)**	(230)
Total Tier II capital	**1,885,035**	2,797,937	**2,007,292**	3,074,115	**54,250**	53,595
Total capital	**18,641,819**	17,022,824	**15,718,221**	14,353,199	**416,483**	399,263

^ Excludes collective assessment allowance attributable to loans, advances and financing classified as impaired but not individually assessed for impairment.

Includes the qualifying regulatory reserves for non-impaired loans of Hong Leong Bank Group of RM587,527,000 (2015: RM388,112,000), Hong Leong Bank Berhad of RM495,008,000 (2015: RM334,138,000) and Hong Leong Investment Bank Berhad of RM3,563,000 (2015: RM3,031,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS
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45 CAPITAL ADEQUACY (CONTINUED)

(c) The breakdown of RWA by each major risk category is as follows:

	Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Credit risk	**111,838,090**	105,009,787	**95,233,431**	91,202,163	**520,091**	678,033
Market risk	**3,951,986**	3,052,311	**3,857,577**	3,065,215	**416,042**	483,713
Operational risk	**7,633,295**	7,620,076	**6,698,869**	6,627,632	**304,287**	297,840
Total RWA	**123,423,371**	115,682,174	**105,789,877**	100,895,010	**1,240,420**	1,459,586

(d) The capital adequacy ratios of Hong Leong Bank Group's subsidiary company are as follows:

	Hong Leong Islamic Bank Berhad	
	2016	2015
Before deducting proposed dividends		
CET I capital ratio	**10.383%**	11.323%
Tier I capital ratio	**10.383%**	11.323%
Total capital ratio	**13.855%**	15.240%
After deducting proposed dividends		
CET I capital ratio	**10.383%**	11.253%
Tier I capital ratio	**10.383%**	11.253%
Total capital ratio	**13.855%**	15.170%

46 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.

Inter-segment pricing is based on internally computed cost of funds.

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 cost incurred during the period to acquire segment assets that are expected to be used during more than one period.

Business segments

The Group comprises the following main business segments:

Commercial banking	- Commercial banking business
Investment banking and asset management	- Investment banking, futures and stock broking, fund and unit trust management
Insurance	- Life and general insurance and takaful business
Other operations	- Investment holding and provision of management services

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

46 SEGMENTAL INFORMATION (CONTINUED)

Business segment reporting

Set out below is information of the Group by business segments:

The Group 2016	Commercial banking RM'000	Investment banking RM'000	Insurance RM'000	Other operations RM'000	Eliminations/ consolidation adjustments RM'000	Consolidated RM'000
Revenue						
External sales	4,153,353	168,337	261,531	(39,893)	–	4,543,328
Inter-segment sales	24,509	4,558	6,055	529,151	(564,273)	–
Segment revenue	4,177,862	172,895	267,586	489,258	(564,273)	4,543,328
Overhead expenses of which:	(2,086,800)	(108,463)	(97,540)	(24,051)	32,473	(2,284,381)
Depreciation of property and equipment	(83,512)	(2,002)	(3,792)	(3,813)	–	(93,119)
Amortisation of intangible assets	(72,838)	(1,500)	(3,862)	(108)	–	(78,308)
Allowance for impairment losses on loans, advances and financing	(52,605)	68	–	–	–	(52,537)
Writeback of/(allowance for) impairment losses	9,839	–	(41,420)	(21,613)	9,714	(43,480)
Segment results	2,048,296	64,500	128,626	443,594	(522,086)	2,162,930
Share of results of associated companies	312,178	–	68,879	–	–	381,057
Share of results of joint ventures	21,227	–	–	(176)	–	21,051
Profit before taxation	2,381,701	64,500	197,505	443,418	(522,086)	2,565,038
Taxation						(501,494)
Net profit for the financial year						2,063,544
Non-controlling interests						(704,649)
Profit attributable to owners of the parent						1,358,895
Other information						
Segment assets	189,824,259	4,056,679	16,351,304	17,112,723	(16,870,431)	210,474,534
Segment liabilities	168,707,111	3,356,319	13,808,691	1,654,040	(228,783)	187,297,378
Other significant segment items						
Capital expenditure	809,367	7,143	10,630	11	–	827,151

Note:
Total segment revenue comprises of net interest income, income from Islamic banking business and non-interest income.

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

46 SEGMENTAL INFORMATION (CONTINUED)

Business segment reporting (continued)

Set out below is information of the Group by business segments: (continued)

The Group 2015	Commercial banking RM'000	Investment banking RM'000	Insurance RM'000	Other operations RM'000	Eliminations/ consolidation adjustments RM'000	Consolidated RM'000
Revenue						
External sales	4,016,311	181,481	314,395	(21,243)	–	4,490,944
Inter-segment sales	50,637	1,843	5,486	861,235	(919,201)	–
Segment revenue	4,066,948	183,324	319,881	839,992	(919,201)	4,490,944
Overhead expenses of which:	(1,813,859)	(105,531)	(73,733)	(21,560)	14,420	(2,000,263)
Depreciation of property and equipment	(70,819)	(1,920)	(3,683)	(1,085)	–	(77,507)
Amortisation of intangible assets	(69,487)	(881)	(2,778)	(103)	–	(73,249)
Writeback of impairment losses on loans, advances and financing	51,929	715	–	–	–	52,644
Writeback of/(allowance for) impairment losses	23,462	–	(20,859)	(3,266)	3,266	2,603
Segment results	2,328,480	78,508	225,289	815,166	(901,515)	2,545,928
Share of results of associated companies	401,277	–	62,020	–	–	463,297
Share of results of joint ventures	16,401	–	–	(2,341)	–	14,060
Profit before taxation	2,746,158	78,508	287,309	812,825	(901,515)	3,023,285
Taxation						(562,908)
Net profit for the financial year						2,460,377
Non-controlling interests						(839,634)
Profit attributable to owners of the parent						1,620,743
Other information						
Segment assets	184,019,735	3,621,963	14,618,735	15,202,651	(15,022,440)	202,440,644
Segment liabilities	167,230,143	2,974,065	12,241,548	872,517	(341,932)	182,976,341
Other significant segment items						
Capital expenditure	232,829	5,079	11,124	1,279	–	250,311

Note:
Total segment revenue comprises of net interest income, income from Islamic banking business and non-interest income.

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

46 SEGMENTAL INFORMATION (CONTINUED)

The Group operates in two main geographical areas:

- Malaysia, the home country of the Group, which includes all the areas of operations in the primary business segments.
- Overseas operations, which includes branch, subsidiary, associate and joint ventures operations in Singapore, Hong Kong, China, Vietnam and Cambodia. The overseas operations are mainly in commercial banking and insurance business.

The Group	Revenue RM'000	Total assets RM'000	Total liabilities RM'000	Capital expenditure RM'000
2016				
Malaysia	**4,293,149**	**198,962,327**	**176,794,597**	**803,329**
Overseas operations	**250,179**	**11,512,207**	**10,502,781**	**23,822**
	4,543,328	**210,474,534**	**187,297,378**	**827,151**
2015				
Malaysia	4,264,665	191,979,165	173,442,961	218,924
Overseas operations	226,279	10,461,479	9,533,380	31,387
	4,490,944	202,440,644	182,976,341	250,311

47 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Related parties and relationship

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

Related parties	Relationship
Hong Leong Company (Malaysia) Berhad ("HLCM")	Ultimate holding company
HLCM Capital Sdn Bhd, Hong Leong Share Registration Services Sdn Bhd, HL Management Co Sdn Bhd and GuoLine Capital Assets Limited ("HLCM Group")	Subsidiary companies of ultimate holding company
Guardian Security Consultants Sdn Bhd ("GSC")	Associated company of ultimate holding company
Hong Leong Industries Berhad and its subsidiary and associated companies as disclosed in its financial statements ("HLI Group")	Subsidiary and associated companies of ultimate holding company
Malaysian Pacific Industries Berhad and its subsidiary and associated companies as disclosed in its financial statements ("MPI Group")	Subsidiary and associated companies of ultimate holding company
Hume Industries Berhad and its subsidiary and associated companies as disclosed in its financial statements ("Hume Group")	Subsidiary and associated companies of ultimate holding company

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

47 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Related parties and relationship (continued)

The related parties of and their relationship with the Company are as follows: (continued)

Related parties	Relationship
HLMG Management Co Sdn Bhd (formerly known as HLI-Hume Management Co Sdn Bhd) ("HLMG"), Hume Cement Sdn Bhd, Hume Construction Sdn Bhd, Hume Plastics (Malaysia) Sdn Berhad, Hume Quarry (Sarawak) Sdn Bhd, Hongvilla Development Sdn Bhd, HIMB Overseas Limited, HIMB Trading Limited and Delta Touch Limited	Subsidiary companies of ultimate holding company
Guoco Group Limited and its subsidiary and associated companies as disclosed in its financial statements ("GGL Group")	Subsidiary and associated companies of ultimate holding company
GuocoLand (Malaysia) Berhad and its subsidiary and associated companies as disclosed in its financial statements	Subsidiary and associated companies of ultimate holding company
Subsidiary companies of the Company as disclosed in Note 11	Subsidiary companies of the Company
Key management personnel	The key management personnel of the Group and the Company consists of: - All Directors of the Company - Key management personnel of the Company who are in charge of the HLFG Group
Related parties of key management personnel (deemed as related to the Company)	(i) Close family members and dependents of key management personnel (ii) Entities that are controlled, jointly controlled or significant influenced by, or for which significant voting power in such entity resides with, directly or indirectly by key management personnel or its close family members

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

47 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Related party transactions

Transactions with related parties are as follows:

	The Group			
2016	Parent company RM'000	Associated companies RM'000	Other related companies RM'000	Key management personnel RM'000
Income				
Interest on deposits	–	330	–	–
Interest on loans	–	–	12,839	1
Interest on redeemable preference shares	–	–	1,333	–
Brokerage fee received	–	–	90	91
Insurance premium received	–	–	1,689	–
Others	–	–	8,021	41
	–	330	23,972	133
Expenditure				
Rental and maintenance	–	–	3,704	–
Interest on deposits	–	–	813	319
Interest paid on short-term placements	–	–	2,671	3,446
Management fees	–	–	32,486	–
Other miscellaneous expenses	–	–	11,439	–
	–	–	51,113	3,765
Amount due from:				
Deposits and placements	–	5,846	–	–
Current account	–	19,653	–	–
Loans	–	–	233,364	63
Redeemable preference shares	–	–	32,066	–
Insurance premium receivable	–	–	380	–
Credit card	–	–	–	90
Others	–	–	372	–
	–	25,499	266,182	153
Amount due to:				
Current account and fixed deposits	–	–	81,364	20,623
Short-term placements	–	–	498,447	100,110
Others	–	–	1,977	–
	–	–	581,788	120,733

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2016

47 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Related party transactions (continued)

Transactions with related parties are as follows: (continued)

	The Group			
2015	Parent company RM'000	Associated companies RM'000	Other related companies RM'000	Key management personnel RM'000
Income				
Interest on loans	–	–	13,035	1
Interest on redeemable preference shares	–	–	2,000	–
Brokerage fee received	–	–	72	301
Insurance premium received	–	–	687	–
Others	–	–	4,975	40
	–	–	20,769	342
Expenditure				
Rental and maintenance	–	–	4,276	–
Interest on deposits	–	–	2,120	316
Interest paid on short-term placements	–	–	1,512	2,859
Management fees	–	–	35,055	–
Other miscellaneous expenses	–	–	3,955	–
	–	–	46,918	3,175
Amount due from:				
Deposits and placements	–	228,873	–	–
Current account	–	19,453	–	–
Loans	–	–	256,012	70
Redeemable preference shares	–	–	54,000	–
Insurance premium receivable	–	–	467	–
Credit card	–	–	–	189
Others	–	–	397	–
	–	248,326	310,876	259
Amount due to:				
Current account and fixed deposits	110	–	26,693	27,231
Short-term placements	–	–	539,620	130,502
Others	–	–	160,998	–
	110	–	727,311	157,733

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

47 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Related party transactions (continued)

Transactions with related parties are as follows: (continued)

	The Company			
2016	Parent company RM'000	Subsidiary companies RM'000	Other related companies RM'000	Key management personnel RM'000
Income				
Dividend income	–	513,534	–	–
Interest on deposit	–	275	–	–
Management fee	–	10,410	–	–
	–	524,219	–	–
Expenditure				
Insurance	–	2	12	–
Interest expense	–	2,150	–	–
Interest on derivatives	–	253	–	–
Management fee	–	–	2,171	–
Rental and maintenance	–	729	–	–
Other miscellaneous expenses	–	73	101	–
	–	3,207	2,284	–
Amount due from:				
Money at call and deposit placements	–	446	–	–
Others	–	48	4	–
	–	494	4	–
Amount due to:				
Borrowings	–	50,171	–	–
Others	–	1,455	–	–
	–	51,626	–	–

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

47 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Related party transactions (continued)

Transactions with related parties are as follows: (continued)

	The Company			
2015	Parent company RM'000	Subsidiary companies RM'000	Other related companies RM'000	Key management personnel RM'000
Income				
Dividend income	–	845,482	–	–
Interest on deposit	–	74	–	–
Interest on loan	–	1,904	–	–
Management fee	–	10,436	–	–
	–	857,896	–	–
Expenditure				
Insurance	–	2	32	–
Interest expense	–	2,150	–	–
Interest on derivatives	–	174	–	–
Management fee	–	–	2,258	–
Rental and maintenance	–	791	–	–
Other miscellaneous expenses	–	56	93	–
	–	3,173	2,383	–
Amount due from:				
Money at call and deposit placements	–	2,625	–	–
Others	–	179	32	–
	–	2,804	32	–
Amount due to:				
Borrowings	–	50,164	–	–
Others	–	486	–	–
	–	50,650	–	–

	The Group	
	2016 RM'000	2015 RM'000
The approved limit on loans, advances and financing for key management personnel	**1,900**	2,760

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

47 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key management personnel

Key management compensation

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Salaries and other short-term employee	**10,162**	11,372	**5,201**	10,946

	Units '000	Units '000	Units '000	Units '000
Share options balance of the Company	**–**	–	**–**	–

Included in the above is the Directors' compensation which is disclosed in Note 37.

Loans made to key management personnel of the Group is on similar terms and conditions generally available to other employees within the Group. No specific allowances were required in financial years 2016 and 2015 for loans made to key management personnel.

48 FINANCIAL INSTRUMENTS

(a) Risk management objectives and policies

The Group's financial risk management policies are adopted from its main operating subsidiary companies which are involved in banking and finance, securities and insurance related business.

The Board of Directors ("The Board") of each main operating subsidiary company has the overall responsibility to ensure there is proper oversight of the management of risks in each of the subsidiary company. The Board sets the risk appetite and tolerance level that are consistent with each subsidiary company's overall business objectives and desired risk profile. A number of committees and dedicated risk management functions have been established to address and manage specific areas of risk and implement various risk management policies and procedures.

Specifically, a Board Audit & Risk Management Committee ("BARMC") comprising members of the Directors, has been set up to oversee that risk management at all levels is being managed effectively. They, in turn, report all the risk management activities to the Directors.

Commercial Banking

Integrated Risk Management ("IRM")

The Banking Group has implemented an integrated risk management framework with the objective to ensure the overall financial soundness and stability of the Banking Group's business operations. The Banking Group's integrated risk management framework outlines the overall governance structure, aspiration, values and risk management strategies that balances between risk profiles and returns objectives. Appropriate methodologies and measurements have been developed to manage uncertainties such that deviations from intended strategic objectives are closely monitored and kept within tolerable levels.

From a governance perspective, the Board has the overall responsibility to define the Banking Group's risk appetite and ensure that a robust risk management and compliance culture prevails. The Board is assisted by the Board Risk Management Committee ("BRMC") in approving the Banking Group's integrated risk management framework as well as the attendant capital management framework, risk appetite statement, risk management strategies and risk policies.

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

48 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Risk management objectives and policies (continued)

Commercial Banking (continued)

Integrated Risk Management ("IRM") (continued)

Dedicated management level committees are established by the Banking Group to oversee the development and the assessment of effectiveness of risk management policies, to review risk exposures and portfolio composition as well as to ensure appropriate infrastructures, resources and systems are put in place for effective risk management activities.

The BRMC is assisted by the Group Integrated Risk Management and Compliance ("GIRMC") function, which has been established to provide independent oversight on the adequacy, effectiveness and integrity of risk management practices at all levels within the Banking Group. The core functions of the Banking Group's risk management are to identify all key risks for the Banking Group, measure these risks, manage the risk positions and determine the optimum capital allocations. The Banking Group regularly reviews its risk management framework to reflect changes in markets, products, regulatory and emerging best market practice.

Credit Risk Management

Credit risk is risk of financial loss due to a borrower or counterparty being unable or unwilling to deliver on its payment obligations to the Banking Group, which leads to a loss of revenue and the principal sum. It arises principally from lending, trade finance and treasury activities. The Banking Group has established a credit risk management framework to ensure that exposure to credit risk is kept within the Banking Group's financial capacity to withstand potential future losses. Lending activities are guided by the internal credit policies and guidelines that are reviewed and concurred by the Management Credit Committee ("MCC"), endorsed by the BRMC and the Board Credit Supervisory Committee ("BCSC"), and approved by the Board. These policies are subject to review and enhancements, at least on an annual basis.

Credit portfolio strategies and significant exposures are reviewed by both the BRMC and the Board. These portfolio strategies are designed to achieve a desired portfolio risk tolerance level and sector distribution.

The Banking Group's credit approving process encompasses pre-approval evaluation, approval and post-approval evaluation. While the business units are responsible for credit origination, the credit approving function rests mainly with the Credit Evaluation Departments, the MCC and the BCSC. The Board delegates approving and discretionary authority to the MCC and the various personnel of the Bank based on job function and designation.

For any new products, credit risk assessment also forms part of the new product sign-off processes to ensure that the new product complies with the appropriate policies and guidelines, prior to the introduction of the product.

The Banking Group's exposure to credit risk is mainly from its retail customers, small and medium enterprise ("SME"), commercial and corporate customers. The credit assessment for retail customers is managed on a portfolio basis and the risk scoring models and lending templates are designed to assess the credit worthiness and the likelihood of the obligors to repay their debts. The SME, commercial and corporate customers are individually assessed and assigned with a credit rating, which is based on the assessment of relevant factors such as the customer's financial position, industry outlook, types of facilities and collaterals offered.

In addition, the Banking Group also conducts periodic stress testing of its credit portfolios to ascertain credit risk impact to capital under the relevant stress scenarios.

Internal Audit conducts independent post approval reviews on sampling basis to ensure that quality of credit appraisals and approval standards are in accordance with the credit standards and the lending policies and directives established and approved by the Banking Group's management.

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

48 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Risk management objectives and policies (continued)

Commercial Banking (continued)

Market Risk Management

Market risk is the risk of financial loss arising from exposure to adverse changes in values of financial instruments caused by changes in market prices or rates, which include changes to interest rates.

The Banking Group adopts a systematic approach in managing such risks by types of instruments and nature of exposure. Market risk is primarily controlled via a series of cut-loss limits and potential loss limits, i.e. "Value at Risk" ("VaR"), set in accordance with the size of positions and risk tolerance appetites.

Portfolios held under the Banking Group's trading books are tracked using daily mark-to-market positions, which are compared against preset limits. The daily tracking of positions is supplemented by sensitivity analysis and stress tests, using VaR and other measurements.

Foreign exchange risks arising from adverse exchange rate movements, is managed by the setting of preset limits, matching of open positions against these pre-set limits and imposition of cut-loss mechanisms.

Interest rate risk exposure is also identified, measured and controlled through limits and procedures, which includes regularly reviewing the interest rate outlook and developing strategies to protect total net interest income from changes in market interest rates. This applies to both interest rate risk exposure in the trading book and in the banking book. In managing the interest rate risk exposure in the banking book, the Banking Group adopts methodologies that measure exposure in both earnings at risk perspective and economic value or capital at risk perspective.

In addition, the Banking Group also conducts periodic and stress testing of its respective portfolios to ascertain market risk under abnormal market conditions.

Liquidity Risk Management

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 arise from the withdrawal of deposits, funding of loans committed and repayment of borrowed funds. It is the Banking Group's policy to ensure there is adequate liquidity across all business units to sustain ongoing operations, as well as sufficient liquidity to fund asset growth and strategic opportunities.

To manage liquidity risk, the Banking Group adopts the BNM's New Liquidity Framework as one of the liquidity measurement methods. In addition to ensuring compliance with the New Liquidity Framework, the Banking Group maintains a liquidity compliance buffer to meet any unexpected cash outflows.

This is supplemented by the banking subsidiaries' comprehensive liquidity risk management framework consisting of risk appetite, policies, triggers, limits and controls which are reviewed and concurred by the ALCO, endorsed by the BRMC and approved by the Board. The key elements of the framework cover proactive monitoring and management of cash flow, maintenance of high quality long-term and short-term marketable debt securities as well as diversification of funding base as well as maintains a liquidity compliance buffer to meet any unexpected cash outflows.

The banking subsidiaries' have in place liquidity contingency funding plans and stress test programs to minimise the liquidity risk that may arise due to unforeseen adverse changes in the marketplace. Contingency funding plans set out the crisis escalation process and the various strategies to be employed to preserve liquidity including an orderly communication channel during liquidity crisis scenarios. Liquidity stress tests are conducted regularly to ensure there is adequate liquidity contingency fund to meet the shortfalls during liquidity crisis scenarios.

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

48 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Risk management objectives and policies (continued)

Commercial Banking (continued)

Liquidity Risk Management (continued)

In addition, the banking subsidiaries' also monitors the Net Stable Funding Ratio which is one of the key Basel III liquidity ratios in line with the observation period reporting to BNM.

Investment Banking

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

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 Investment Banking 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 Investment Banking Group also uses derivative financial instruments.

The Investment Banking 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 mitigating 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 Investment Banking 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.

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 Investment Banking Group.

The Investment Banking Group has set out Board approved policies and guidelines for the management of credit risk. To oversee all credit related matters of the Investment Banking 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.

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

48 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Risk management objectives and policies (continued)

Insurance

Insurers have to comply with the Malaysian Insurance Act and Regulations, including guidelines on investments. The Board is responsible for formulating policies and overseeing the major risks including those risks associated with the Financial Instruments described below.

The responsibility for the formulation, establishment and approval of the Insurance Group's investment policy rest with the Board as reported in the Corporate Governance Framework in the Directors' Report. The deployment and execution of the investment policies is delegated to the Investment Committee ("IC") in which the members are appointed by the Board. The IC oversees the formulation of investment and risk strategy and asset allocation to determine the optimum risk and return profile.

Risk limits are in place at various levels and monitored by a risk manager to ensure all investment securities are compatible with the Insurance Group's investment principles and philosophy. Sensitivity and stress tests are carried out on a regular basis to assess the resilience of the investment portfolios and the impact on the Insurance Group's solvency. An Asset and Liability Management ("ALM") model is being deployed to address the Insurance Group's assets and liabilities match. The ALM model will enable management to assess the long-term impact of the investment strategy, asset mix and product pricing strategy on the Insurance Group's financial ability to meet its future obligations.

Actuarial and underwriting risk

Actuarial risks relate to the adequacy of insurance premium rate levels to provide for insurance liabilities and solvency margin and takes into consideration the developments in mortality, morbidity, lapses and expenses.

Underwriting risk represents the risk that claims incurred are higher than anticipated. This is attributable to the nature of risk underwritten, random nature of claims frequency and severity of claims.

The Insurance Group manages the risks through strict underwriting guidelines, which include exclusions, cover limits, loadings and reinsurance programmes. New risks are carefully assessed before an insurance policy is underwritten and issued.

Credit risk

Credit risk is the risk of loss due to inability or unwillingness of an counterparty to service its debt obligations. The credit risk and investment activities is monitored regularly with respect to single customer limit, sectorial exposure, credit rating and residual maturity, in accordance with the investment guidelines and limits approved by the Board of Directors and the authorities.

At the date of the statement of financial position, the credit exposure is within the investment guidelines and limits approved by the Board of Directors and the authorities. The maximum exposure to credit risk is the carrying amount as stated in the financial statements.

Interest rate risk

Investment activities and insurance business are inherently exposed to interest rate risk. This risk arises from differences in pricing or tenure of investments and liabilities. Interest rate risk is managed by targeting a desired return, which is reviewed periodically, based on the Insurance Group's long-term view on interest rates. Investment activities are managed by appropriate asset allocation, which is regularly reviewed and changed in relation to the investment climate to meet the Insurance Group's desired return.

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

48 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Risk management objectives and policies (continued)

Insurance (continued)

Market risk

Adverse changes in the equity market impairs the carrying value of the equity portfolio which could affect the solvency of the Insurance Group. The Board has set internal limits for maximum equity exposure and individual stock exposure, which are consistent with BNM's guidelines and has also imposed daily trading limits. The Insurance Group's investment committee decides on the appropriate asset allocation for equities on a regular basis in line with the investment and economic conditions at time of review.

Liquidity risk

Liquidity risk arises due to inability of the Insurance Group to meet its financial obligations as and when they fall due. The risk is managed via a three-year planning process to ascertain operational cash flow requirements and maintaining a reasonable level of liquid assets to meet any unexpected cash flow.

(b) Market risk

Market risk sensitivity assessment is based on the changes in key variables, such as interest rates, foreign currency rates and equity risk, while all other variables remain unchanged. 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 and the Company as at 30 June 2016.

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 units and risk management to mitigate the effect of this movement in key variables. In reality, the Group and the Company proactively seeks to ensure that the interest rate risk profile is managed to minimise losses and optimise net revenues.

(i) Interest/profit rate risk sensitivity analysis

The interest/profit rate sensitivity results below shows the impact on profit after tax and equity of financial assets or financial liabilities bearing floating interest/profit rates and fixed rate financial assets and financial liabilities.

	The Group Increase/(decrease)		The Company Increase/(decrease)	
	Impact on profit after tax RM'000	Impact on equity RM'000	Impact on profit after tax RM'000	Impact on equity RM'000
2016				
+100 basis points ('bps')	**64,335**	**(352,867)**	**1,576**	**–**
-100 bps	**(60,601)**	**361,346**	**(1,654)**	**–**
2015				
+100 bps	79,983	(289,934)	3,974	–
-100 bps	(78,301)	296,267	(3,357)	–

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

48 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

(ii) Foreign currency risk sensitivity analysis

The Group and the Company take on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on their financial position and cash flows.

The table below sets out the principal structure of foreign exchange exposures (net of investment hedges) of the Group and the Company:

	The Group		The Company	
	Net receivable/(payable) exposure			
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
United States Dollar ("USD")	**977,860**	306,922	**–**	11,412
Euro ("EUR")	**50,356**	8,801	**–**	–
Great Britain Pound ("GBP")	**4,980**	85,558	**–**	–
Singapore Dollar ("SGD")	**48,269**	49,923	**–**	–
Chinese Yuan Renminbi ("CNY")	**17,001**	155,419	**–**	–
Hong Kong Dollar ("HKD")	**(379,709)**	18,651	**–**	–
Japanese Yen ("JPY")	**14,046**	15,878	**–**	–
Australian Dollar ("AUD")	**20,440**	25,432	**–**	–
Others	**14,358**	40,009	**–**	–
	767,601	706,593	**–**	11,412

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2016

48 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

(ii) Foreign currency risk sensitivity analysis (continued)

An analysis of the exposures to assess the impact of a one per cent change in the RM exchange rates to the profit after tax are as follows:

	The Group Increase/(decrease)		The Company Increase/(decrease)	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
+ 1%				
United States Dollar ("USD")	**4,944**	291	**–**	114
Euro ("EUR")	**9**	66	**–**	–
Great Britain Pound ("GBP")	**40**	418	**–**	–
Singapore Dollar ("SGD")	**(189)**	(169)	**–**	–
Chinese Yuan Renminbi ("CNY")	**129**	1,166	**–**	–
Hong Kong Dollar ("HKD")	**(3,369)**	(614)	**–**	–
Japanese Yen ("JPY")	**–**	1	**–**	–
Australian Dollar ("AUD")	**50**	125	**–**	–
Others	**101**	143	**–**	–
	1,715	1,427	**–**	114
- 1%				
United States Dollar ("USD")	**(4,944)**	(291)	**–**	(114)
Euro ("EUR")	**(9)**	(66)	**–**	–
Great Britain Pound ("GBP")	**(40)**	(418)	**–**	–
Singapore Dollar ("SGD")	**189**	169	**–**	–
Chinese Yuan Renminbi ("CNY")	**(129)**	(1,166)	**–**	–
Hong Kong Dollar ("HKD")	**3,369**	614	**–**	–
Japanese Yen ("JPY")	**–**	(1)	**–**	–
Australian Dollar ("AUD")	**(50)**	(125)	**–**	–
Others	**(101)**	(143)	**–**	–
	(1,715)	(1,427)	**–**	(114)

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

48 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

(iii) Equity risk

Equity risk refers to the impact of change in equity positions held by the Group for yield purposes.

	The Group Increase/(decrease) Impact on profit after tax RM'000	Impact on equity RM'000
2016		
+ 20% change in equity market price	**10,404**	**53,621**
- 20% change in equity market price	**(10,404)**	**(53,621)**
2015		
+ 20% change in equity market price	5,642	100,146
- 20% change in equity market price	(5,642)	(100,146)

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2016

48 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

(iv) Interest/profit rate risk

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

	The Group Non-trading book							
2016	Up to 1 month RM'000	>1 – 3 months RM'000	>3 - 12 months RM'000	>1 – 5 years RM'000	Over 5 years RM'000	Non-interest/ profit rate sensitive RM'000	Trading book RM'000	Total RM'000
Financial assets								
Cash and short-term funds	7,728,937	–	–	–	–	1,700,655	–	9,429,592
Deposits and placements with banks and other financial institutions	–	1,932,032	1,083,130	–	–	18,504	–	3,033,666
Securities purchased under resale agreements	4,052,152	–	–	–	–	4,518	–	4,056,670
Financial assets held-for-trading	–	–	–	–	–	–	8,524,673	8,524,673
Financial investments available-for-sale	7,265,562	431,680	1,959,539	17,074,828	6,331,106	2,704,377	–	35,767,092
Financial investments held-to-maturity	36,390	1,362,207	1,555,827	7,935,892	1,854,413	166,589	–	12,911,318
Derivative financial instruments								
- Trading derivatives	–	–	–	–	–	–	1,062,358	1,062,358
Loans, advances and financing								
- Performing	97,529,756	508,622	807,065	10,014,853	10,532,808	613,856	–	120,006,960
- Impaired^	111,397	1,297	7,998	71,977	245,263	–	–	437,932
Clients' and brokers' balances	–	–	–	–	–	395,884	–	395,884
Other receivables	18,304	–	–	–	–	1,696,217	–	1,714,521
Statutory deposits with Central Banks	–	–	–	–	112,002	4,216,517	–	4,328,519
Total financial assets	116,742,498	4,235,838	5,413,559	35,097,550	19,075,592	11,517,117	9,587,031	201,669,185

^ This represents outstanding impaired loans after deducting individual assessment impairment allowance and collective assessment impairment allowance.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2016

48 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

(iv) Interest/profit rate risk (continued)

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

	The Group							
	Non-trading book							
2016	Up to 1 month RM'000	>1 – 3 months RM'000	>3 - 12 months RM'000	>1 – 5 years RM'000	Over 5 years RM'000	Non-interest/ profit rate sensitive RM'000	Trading book RM'000	Total RM'000
Financial liabilities								
Deposits from customers	64,260,295	23,993,880	36,842,186	3,741,330	514,452	20,138,390	–	149,490,533
Deposits and placements of banks and other financial institutions	4,934,009	2,974,993	188,879	–	–	8,119	–	8,106,000
Obligations on securities sold under repurchase agreements	1,789,407	1,700,606	–	–	–	4,890	–	3,494,903
Bills and acceptance payable	51,034	26,062	15,159	–	–	258,200	–	350,455
Derivative financial instruments								
- Trading derivatives	–	–	–	–	–	–	1,651,964	1,651,964
- Hedging derivatives	–	–	–	2,261	–	–	–	2,261
Clients' and brokers' balances	–	–	–	–	–	279,919	–	279,919
Payables and other liabilities	–	–	–	–	–	5,988,684	–	5,988,684
Provision for claims	–	–	–	–	–	141,175	–	141,175
Borrowings	1,219,730	–	1,308,082	650,000	–	14,107	–	3,191,919
Subordinated obligations	–	–	–	2,398,581	548,220	11,840	–	2,958,641
Innovative Tier 1 capital securities	–	–	–	508,741	–	12,771	–	521,512
Insurance funds	–	–	–	–	–	10,628,680	–	10,628,680
Total financial liabilities	72,254,475	28,695,541	38,354,306	7,300,913	1,062,672	37,486,775	1,651,964	186,806,646
Net interest sensitivity gap	44,488,023	(24,459,703)	(32,940,747)	27,796,637	18,012,920			
Financial guarantees	–	–	–	–	–	541,524		
Credit related commitments and contingencies	–	–	–	–	–	41,830,685		
Treasury related commitments and contingencies (hedging)	–	–	–	200,000	–	–		
Net interest sensitivity gap	–	–	–	200,000	–	42,372,209		

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

48 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

(iv) Interest/profit rate risk (continued)

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

	The Group							
	← Non-trading book					→		
2015	Up to 1 month RM'000	>1 – 3 months RM'000	>3 - 12 months RM'000	>1 – 5 years RM'000	Over 5 years RM'000	Non-interest/ profit rate sensitive RM'000	Trading book RM'000	Total RM'000
Financial assets								
Cash and short-term funds	6,440,645	–	–	–	–	2,022,549	–	8,463,194
Deposits and placements with banks and other financial institutions	–	1,837,948	2,460,179	488	–	26,514	–	4,325,129
Securities purchased under resale agreements	10,344,798	1,799,856	–	–	–	18,598	–	12,163,252
Financial assets held-for-trading	–	–	–	–	–	–	9,238,804	9,238,804
Financial investments available-for-sale	650,386	891,597	1,660,662	16,429,935	4,318,614	5,671,863	–	29,623,057
Financial investments held-to-maturity	234,749	379,608	1,829,998	6,893,251	1,431,646	172,586	–	10,941,838
Derivative financial instruments								
- Trading derivatives	–	–	–	–	–	–	1,467,844	1,467,844
- Hedging derivatives	–	–	–	240	–	–	–	240
Loans, advances and financing								
- Performing	90,543,250	103,976	630,386	8,793,652	12,001,214	661,457	–	112,733,935
- Impaired^	96,998	4,023	8,713	70,974	197,025	–	–	377,733
Clients' and brokers' balances	–	–	–	–	–	337,631	–	337,631
Other receivables	–	–	–	–	–	1,322,598	–	1,322,598
Statutory deposits with Central Banks	–	–	–	–	52,991	3,479,381	–	3,532,372
Total financial assets	108,310,826	5,017,008	6,589,938	32,188,540	18,001,490	13,713,177	10,706,648	194,527,627

^ This represents outstanding impaired loans after deducting individual assessment impairment allowance and collective assessment impairment allowance.

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

48 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

(iv) Interest/profit rate risk (continued)

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

	The Group							
	← Non-trading book →							
2015	Up to 1 month RM'000	>1 – 3 months RM'000	>3 - 12 months RM'000	>1 – 5 years RM'000	Over 5 years RM'000	Non-interest/ profit rate sensitive RM'000	Trading book RM'000	Total RM'000
Financial liabilities								
Deposits from customers	54,355,313	24,881,619	37,491,841	3,330,179	679,024	20,217,489	–	140,955,465
Deposits and placements of banks and other financial institutions	6,455,660	1,992,226	487,421	–	–	8,315	–	8,943,622
Obligations on securities sold under repurchase agreements	1,274,795	1,992,378	421,285	–	–	2,880	–	3,691,338
Bills and acceptance payable	1,077,780	517,585	16,960	–	–	288,642	–	1,900,967
Derivative financial instruments								
- Trading derivatives	–	–	–	–	–	–	1,369,341	1,369,341
- Hedging derivatives	–	–	–	24	–	–	–	24
Clients' and brokers' balances	–	–	–	–	–	192,728	–	192,728
Payables and other liabilities	–	–	–	–	–	5,645,173	–	5,645,173
Provision for claims	–	–	–	–	–	128,905	–	128,905
Borrowings	460,000	–	1,131,329	1,485,650	–	19,903	–	3,096,882
Subordinated obligations	–	699,998	1,499,379	2,397,536	532,344	31,998	–	5,161,255
Non-Innovative Tier 1 stapled securities	–	–	1,399,828	–	–	11,041	–	1,410,869
Innovative Tier 1 capital securities	–	–	–	517,452	–	12,771	–	530,223
Insurance funds	–	–	–	–	–	9,457,257	–	9,457,257
Total financial liabilities	63,623,548	30,083,806	42,448,043	7,730,841	1,211,368	36,017,102	1,369,341	182,484,049
Net interest sensitivity gap	44,687,278	(25,066,798)	(35,858,105)	24,457,699	16,790,122			
Financial guarantees	–	–	–	–	–	620,341		
Credit related commitments and contingencies	–	–	–	–	–	43,575,122		
Treasury related commitments and contingencies (hedging)	–	–	–	200,000	–	–		
Net interest sensitivity gap	–	–	–	200,000	–	44,195,463		

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2016

48 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

(iv) Interest/profit rate risk (continued)

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

	The Company Non-trading book							
2016	Up to 1 month RM'000	>1 – 3 months RM'000	>3 - 12 months RM'000	>1 – 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Financial assets								
Cash and short-term funds	9,620	–	–	–	–	–	–	9,620
Deposits and placements with banks and other financial institutions	–	–	8,400	–	–	–	–	8,400
Derivative financial instruments								
- Trading derivatives	–	–	–	–	–	–	80	80
Other receivables	–	–	–	–	–	434	–	434
Amount due from subsidiaries	–	–	–	–	–	48	–	48
Total financial assets	9,620	–	8,400	–	–	482	80	18,582
Financial liabilities								
Derivative financial instruments								
- Trading derivatives	–	–	–	–	–	–	1,455	1,455
Payables and other liabilities	–	–	–	–	–	8,590	–	8,590
Borrowings								
- Term loans	180,000	–	–	–	–	463	–	180,463
- Revolving credit	305,000	–	–	–	–	450	–	305,450
- Commercial papers	350,000	–	–	–	–	(653)	–	349,347
- Medium term notes	–	–	150,000	650,000	–	6,457	–	806,457
Total financial liabilities	835,000	–	150,000	650,000	–	15,307	1,455	1,651,762
Net interest sensitivity gap	(825,380)	–	(141,600)	(650,000)	–			

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

48 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

(iv) Interest/profit rate risk (continued)

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

	The Company							
	Non-trading book							
2015	Up to 1 month RM'000	>1 – 3 months RM'000	>3 - 12 months RM'000	>1 – 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Financial assets								
Cash and short-term funds	8,345	–	–	–	–	–	–	8,345
Deposits and placements with banks and other financial institutions	–	–	8,400	488	–	–	–	8,888
Derivative financial instruments								
- Trading derivatives	–	–	–	–	–	–	126	126
Other receivables	–	–	–	–	–	324	–	324
Amount due from subsidiaries	–	–	–	–	–	179	–	179
Total financial assets	8,345	–	8,400	488	–	503	126	17,862
Financial liabilities								
Derivative financial instruments								
- Trading derivatives	–	–	–	–	–	–	1,158	1,158
Payables and other liabilities	–	–	–	–	–	10,332	–	10,332
Borrowings								
- Term loans	85,000	–	–	–	–	72	–	85,072
- Revolving credit	–	–	–	–	–	–	–	–
- Commercial papers	375,000	–	–	–	–	(764)	–	374,236
- Medium term notes	–	–	–	400,000	–	1,358	–	401,358
Total financial liabilities	460,000	–	–	400,000	–	10,998	1,158	872,156
Net interest sensitivity gap	(451,655)	–	8,400	(399,512)	–			

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2016

48 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 become due without incurring substantial losses. The liquidity risk is identified based on concentration, volatility of source of fund and funding maturity structure and it is measured primarily using Bank Negara Malaysia's New Liquidity Framework and depositor's concentration ratios. The Group and the Company seek to 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 30 June 2016 based on the remaining contractual maturity:

	The Group							
2016	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	7,469,879	1,957,109	–	–	–	–	2,604	9,429,592
Deposits and placements with banks and other financial institutions	–	–	1,934,961	859,301	239,404	–	–	3,033,666
Securities purchased under resale agreements	–	4,056,670	–	–	–	–	–	4,056,670
Financial assets held-for-trading	72,353	2,295,835	2,303,320	90,384	2,916	2,974,458	785,407	8,524,673
Financial investments available-for-sale	7,157,135	118,016	436,006	694,516	960,438	23,942,938	2,458,043	35,767,092
Financial investments held-to-maturity	16,435	20,373	1,379,218	923,763	640,976	9,930,553	–	12,911,318
Derivative financial instruments	110,402	85,251	79,217	70,124	48,698	668,666	–	1,062,358
Loans, advances and financing	11,256,845	6,148,011	5,812,698	2,813,164	1,299,092	93,115,082	–	120,444,892
Clients' and brokers' balances	197,034	–	–	–	198,850	–	–	395,884
Other receivables	1,113,595	26,122	12,871	8,304	117,212	20,965	517,759	1,816,828
Statutory deposits with Central Banks	–	–	–	–	–	–	4,328,519	4,328,519
Tax recoverable	–	–	–	–	–	–	29,011	29,011
Investment in associated companies	–	–	–	–	–	–	3,982,091	3,982,091
Investment in joint ventures	–	–	–	–	–	–	145,183	145,183
Property and equipment	–	–	–	–	–	–	1,849,202	1,849,202
Investment properties	–	–	–	–	–	–	1,940	1,940
Goodwill	–	–	–	–	–	–	2,410,644	2,410,644
Intangible assets	–	–	–	–	–	–	284,971	284,971
Total assets	27,393,678	14,707,387	11,958,291	5,459,556	3,507,586	130,652,662	16,795,374	210,474,534

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

48 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) as at 30 June 2016 based on the remaining contractual maturity: (continued)

	The Group							
2016	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	48,810,978	35,338,385	23,852,338	20,155,934	16,842,166	4,490,732	–	149,490,533
Deposits and placements of banks and other financial institutions	2,930,267	1,848,668	3,018,108	212,022	96,935	–	–	8,106,000
Obligations on securities sold under repurchase agreements	230,836	1,562,179	1,701,888	–	–	–	–	3,494,903
Bills and acceptances payable	43,503	7,531	26,062	15,155	4	–	258,200	350,455
Derivative financial instruments	67,119	78,105	177,053	202,384	105,189	1,024,375	–	1,654,225
Clients' and brokers' balances	279,919	–	–	–	–	–	–	279,919
Payables and other liabilities	3,664,225	1,679	2,270	766	2,395,114	197	173,571	6,237,822
Provision for claims	–	–	–	–	141,175	–	–	141,175
Provision for taxation	–	–	–	–	7,704	–	31,653	39,357
Deferred tax liabilities	–	–	–	–	1,005	179,055	22,177	202,237
Borrowings	–	835,260	–	104,497	1,215,643	1,034,730	1,789	3,191,919
Subordinated obligations	–	–	8,692	–	–	2,949,949	–	2,958,641
Innovative Tier 1 capital securities	–	–	–	–	–	521,512	–	521,512
Insurance funds*	–	–	–	–	1,430,011	8,952,892	–	10,382,903
Total liabilities	56,026,847	39,671,807	28,786,411	20,690,758	22,234,946	19,153,442	487,390	187,051,601
Total equity	–	–	–	–	–	–	23,177,156	23,177,156
Total liabilities and equity	56,026,847	39,671,807	28,786,411	20,690,758	22,234,946	19,153,442	23,664,546	210,228,757
Net liquidity gap	(28,633,169)	(24,964,420)	(16,828,120)	(15,231,202)	(18,727,360)	111,499,220		

* Excluding AFS Reserve

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

48 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) as at 30 June 2015 based on the remaining contractual maturity:

	The Group							
2015	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	7,061,420	1,401,774	–	–	–	–	–	8,463,194
Deposits and placements with banks and other financial institutions	–	–	1,859,915	1,441,656	1,023,070	488	–	4,325,129
Securities purchased under resale agreements	2,310,095	8,052,072	1,801,085	–	–	–	–	12,163,252
Financial assets held-for-trading	921,422	770,259	3,054,385	708,029	60,180	2,930,235	794,294	9,238,804
Financial investments available-for-sale	2,834,879	616,078	892,537	304,714	1,371,791	20,921,915	2,681,143	29,623,057
Financial investments held-to-maturity	557	238,656	387,872	128,925	1,724,810	8,461,018	–	10,941,838
Derivative financial instruments	140,659	307,850	265,344	147,654	116,556	490,021	–	1,468,084
Loans, advances and financing	9,389,802	10,206,828	3,807,574	1,280,160	4,304,866	84,122,438	–	113,111,668
Clients' and brokers' balances	198,183	–	–	–	139,448	–	–	337,631
Other receivables	430,405	4,475	8,696	11,465	121,512	18,793	820,487	1,415,833
Statutory deposits with Central Banks	–	–	–	–	–	–	3,532,372	3,532,372
Tax recoverable	–	–	–	–	–	–	49,961	49,961
Investment in associated companies	–	–	–	–	–	–	3,740,302	3,740,302
Investment in joint ventures	–	–	–	–	–	–	129,230	129,230
Property and equipment	–	–	–	–	–	–	1,149,955	1,149,955
Investment properties	–	–	–	–	–	–	1,848	1,848
Goodwill	–	–	–	–	–	–	2,410,644	2,410,644
Intangible assets	–	–	–	–	–	–	337,842	337,842
Total assets	23,287,422	21,597,992	12,077,408	4,022,603	8,862,233	116,944,908	15,648,078	202,440,644

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

48 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) as at 30 June 2015 based on the remaining contractual maturity: (continued)

	The Group							
2015	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	50,950,953	23,483,290	24,860,934	16,497,283	21,108,308	4,054,697	–	140,955,465
Deposits and placements of banks and other financial institutions	3,847,533	2,401,616	2,206,369	464,487	23,617	–	–	8,943,622
Obligations on securities sold under repurchase agreements	301,670	974,237	1,993,913	421,518	–	–	–	3,691,338
Bills and acceptances payable	276,954	800,826	517,585	16,226	734	–	288,642	1,900,967
Derivative financial instruments	133,898	123,678	124,852	164,322	62,068	760,547	–	1,369,365
Clients' and brokers' balances	192,728	–	–	–	–	–	–	192,728
Payables and other liabilities	3,716,306	1,728	2,055	2,665	1,968,710	–	105,230	5,796,694
Provision for claims	–	–	–	–	128,905	–	–	128,905
Provision for taxation	–	–	–	–	16,683	–	152,243	168,926
Deferred tax liabilities	–	–	–	–	1,502	186,449	(16,106)	171,845
Borrowings	–	459,309	–	1,358	1,143,718	1,490,951	1,546	3,096,882
Subordinated obligations	–	–	721,805	499,568	1,006,669	2,933,213	–	5,161,255
Non-Innovative Tier 1 stapled securities	–	–	–	–	1,410,869	–	–	1,410,869
Innovative Tier 1 capital securities	–	–	–	–	–	530,223	–	530,223
Insurance funds*	–	–	–	–	1,174,240	8,079,854	–	9,254,094
Total liabilities	59,420,042	28,244,684	30,427,513	18,067,427	28,046,023	18,035,934	531,555	182,773,178
Total equity	–	–	–	–	–	–	19,464,303	19,464,303
Total liabilities and equity	59,420,042	28,244,684	30,427,513	18,067,427	28,046,023	18,035,934	19,995,858	202,237,481
Net liquidity gap	(36,132,620)	(6,646,692)	(18,350,105)	(14,044,824)	(19,183,790)	98,908,974		

* Excluding AFS Reserve

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2016

48 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) as at 30 June 2016 based on the remaining contractual maturity:

	The Company							
2016	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	9,620	–	–	–	–	–	–	9,620
Deposits and placements with banks and other financial institutions	–	–	–	8,400	–	–	–	8,400
Derivative financial instruments	–	–	–	–	–	80	–	80
Other receivables	–	–	–	–	–	–	639	639
Amount due from subsidiaries	–	–	–	–	–	–	48	48
Tax recoverable	–	–	–	–	–	–	2,729	2,729
Investment in subsidiary companies	–	–	–	–	–	–	16,915,160	16,915,160
Deferred tax assets	–	–	–	–	–	–	330	330
Property and equipment	–	–	–	–	–	–	1,729	1,729
Intangible assets	–	–	–	–	–	–	106	106
Total assets	9,620	–	–	8,400	–	80	16,920,741	16,938,841
Liabilities								
Derivative financial instruments	–	–	–	–	–	1,455	–	1,455
Payables and other liabilities	–	–	–	–	–	–	9,351	9,351
Borrowings								
- Term loans	–	180,463	–	–	–	–	–	180,463
- Revolving credits	–	305,450	–	–	–	–	–	305,450
- Commercial papers	–	349,347	–	–	–	–	–	349,347
- Medium term notes	–	–	–	156,457	–	650,000	–	806,457
Total liabilities	–	835,260	–	156,457	–	651,455	9,351	1,652,523
Net liquidity gap	9,620	(835,260)	–	(148,057)	–	(651,375)		

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2016

48 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) as at 30 June 2015 based on the remaining contractual maturity:

	The Company							
2015	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	7,445	900	–	–	–	–	–	8,345
Deposits and placements with banks and other financial institutions	–	–	–	8,400	–	488	–	8,888
Derivative financial instruments	–	–	–	–	–	126	–	126
Other receivables	–	–	–	–	–	–	609	609
Amount due from subsidiaries	–	–	–	–	–	–	179	179
Tax recoverable	–	–	–	–	–	–	9,771	9,771
Investment in subsidiary companies	–	–	–	–	–	–	15,007,609	15,007,609
Deferred tax assets	–	–	–	–	–	–	2,170	2,170
Property and equipment	–	–	–	–	–	–	2,375	2,375
Intangible asset	–	–	–	–	–	–	213	213
Total assets	7,445	900	–	8,400	–	614	15,022,926	15,040,285
Liabilities								
Derivative financial instruments	–	–	–	–	–	1,158	–	1,158
Payables and other liabilities	–	–	–	–	–	–	11,103	11,103
Amount due to subsidiaries	–	–	–	–	–	–	–	–
Borrowings								
- Term loans	–	85,072	–	–	–	–	–	85,072
- Revolving credits	–	–	–	–	–	–	–	–
- Commercial papers	–	374,236	–	–	–	–	–	374,236
- Medium term notes	–	–	–	1,358	–	400,000	–	401,358
Total liabilities	–	459,308	–	1,358	–	401,158	11,103	872,927
Net liquidity gap	7,445	(458,408)	–	7,042	–	(400,544)		

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

48 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

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

	The Group					
2016	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Financial Liabilities						
Deposits from customers	84,485,941	24,206,953	37,927,447	4,266,104	550,166	151,436,611
Deposits and placements of banks and other financial institutions	5,884,467	3,412,544	97,263	–	–	9,394,274
Obligations on securities sold under repurchase agreements	1,567,165	2,213,440	–	–	–	3,780,605
Bills and acceptances payable	305,688	3,244	1,665	–	–	310,597
Derivative financial instruments						
- Gross settled derivatives						
- Inflow	(5,868,571)	(5,013,580)	(5,335,276)	(2,881,709)	(1,842,714)	(20,941,850)
- Outflow	5,927,814	5,174,565	5,639,685	3,364,296	1,910,265	22,016,625
- Net settled derivatives	24,784	41,006	291,335	540,644	36,799	934,568
Clients' and brokers' balances	279,919	–	–	–	–	279,919
Payables and other liabilities	3,704,955	2,110	2,282,481	–	243	5,989,789
Provision for claims	–	–	141,175	–	–	141,175
Borrowings	4,321	97,903	1,634,153	1,430,874	346,706	3,513,957
Subordinated obligations	–	10,042	134,443	2,721,692	639,721	3,505,898
Innovative Tier 1 capital securities	–	21,021	20,229	603,295	–	644,545
Insurance funds*	231	684	1,427,022	1,731,561	19,913,560	23,073,058
Total financial liabilities	96,316,714	30,169,932	44,261,622	11,776,757	21,554,746	204,079,771

* Excluding AFS Reserve

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

48 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

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

	The Group					
2015	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Financial Liabilities						
Deposits from customers	74,686,638	25,778,413	38,442,677	4,207,897	788,250	143,903,875
Deposits and placements of banks and other financial institutions	7,575,862	3,681,890	398,006	–	–	11,655,758
Obligations on securities sold under repurchase agreements	974,431	2,297,078	422,363	–	–	3,693,872
Bills and acceptances payable	1,363,567	499,991	–	–	–	1,863,558
Derivative financial instruments						
- Gross settled derivatives						
- Inflow	(975,245)	(10,001,836)	(2,773,745)	(160,842)	(2,501,210)	(16,412,878)
- Outflow	972,945	9,815,141	2,654,104	152,778	2,561,772	16,156,740
- Net settled derivatives	11,835	44,614	83,823	153,660	54,057	347,989
Clients' and brokers' balances	192,728	–	–	–	–	192,728
Payables and other liabilities	3,769,181	4,720	1,874,283	130	(3,138)	5,645,176
Provision for claims	–	–	128,905	–	–	128,905
Borrowings	1,457	24,321	1,232,562	2,033,131	1,660	3,293,131
Subordinated obligations	–	726,870	1,690,237	2,832,497	649,232	5,898,836
Non-Innovative Tier 1 stapled securities	–	–	1,470,894	–	–	1,470,894
Innovative Tier 1 capital securities	–	20,795	20,568	644,545	–	685,908
Insurance funds*	–	–	1,170,144	1,392,202	19,561,795	22,124,141
Total financial liabilities	88,573,399	32,891,997	46,814,821	11,255,998	21,112,418	200,648,633

* Excluding AFS Reserve

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2016

48 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

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

	The Company					
	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
2016						
Financial Liabilities						
Payables and other liabilities	**956**	**–**	**7,635**	**–**	**–**	**8,591**
Derivative financial instruments						
- Gross settled derivatives						
- Inflow	**–**	**–**	**–**	**–**	**–**	**–**
- Outflow	**–**	**–**	**–**	**–**	**–**	**–**
- Net settled derivatives	**–**	**7**	**449**	**1,351**	**–**	**1,807**
Borrowings						
- Term loans	**583**	**1,151**	**14,820**	**170,280**	**–**	**186,834**
- Revolving credit	**1,103**	**81,677**	**225,926**	**–**	**–**	**308,706**
- Commercial papers	**1,004**	**2,162**	**9,555**	**367,459**	**–**	**380,180**
- Medium term notes	**–**	**9,669**	**173,789**	**719,345**	**–**	**902,803**
Total financial liabilities	**3,646**	**94,666**	**432,174**	**1,258,435**	**–**	**1,788,921**
2015						
Financial Liabilities						
Payables and other liabilities	1,586	–	8,745	–	–	10,331
Derivative financial instruments						
- Gross settled derivatives						
- Inflow	(11,412)	–	–	–	–	(11,412)
- Outflow	11,434	–	–	–	–	11,434
- Net settled derivatives	70	149	715	836	–	1,770
Borrowings						
- Term loans	275	535	12,194	75,060	–	88,064
- Commercial papers	1,182	2,318	10,246	407,331	–	421,077
- Medium term notes	–	–	17,748	431,313	–	449,061
Total financial liabilities	3,135	3,002	49,648	914,540	–	970,325

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

48 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

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

	The Group		
	Less than 1 year RM'000	Over 1 year RM'000	Total RM'000
2016			
Direct credit substitutes	**120,526**	**1,153**	**121,679**
Any commitment that are unconditionally cancelled at anytime by the Group without prior notice	**686,780**	**–**	**686,780**
Short-term self liquidating trade related contingencies	**370,876**	**48,970**	**419,846**
Irrevocable commitments to extend credit	**17,515,111**	**16,125,773**	**33,640,884**
Unutilised credit card lines	**7,503,020**	**–**	**7,503,020**
Total commitments and contingencies	**26,196,313**	**16,175,896**	**42,372,209**
2015			
Direct credit substitutes	118,309	102,674	220,983
Any commitment that are unconditionally cancelled at anytime by the Group without prior notice	722,877	–	722,877
Short-term self liquidating trade related contingencies	390,349	9,009	399,358
Irrevocable commitments to extend credit	17,264,715	18,161,494	35,426,209
Unutilised credit card lines	7,426,036	–	7,426,036
Total commitments and contingencies	25,922,286	18,273,177	44,195,463

Undrawn loan commitments are recognised at activation stage and include commitments which are unconditionally cancellable by the Group. The Group expect that not all of the contingent liabilities and undrawn loan commitments will be drawn before expiry.

(d) Credit risk

(i) Maximum exposure to credit risk

The maximum exposure to credit risk for financial assets recognised in the statements of financial position is their carrying amounts. 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.

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

48 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(i) Maximum exposure to credit risk (continued)

The table below shows the maximum exposure to credit risk for the Group and the Company:

	The Group		The Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Credit risk exposure relating to:				
Short-term funds and placements with banks and other financial institutions (exclude cash in hand)	**11,242,419**	11,277,720	**18,019**	14,588
Securities purchased under resale agreement	**4,056,670**	12,163,252	**–**	–
Financial assets and investments portfolios (exclude shares and unit trust investments)				
- Financial assets held-for-trading	**7,737,463**	8,441,162	**–**	–
- Financial investments available-for-sale	**26,776,637**	24,146,598	**–**	–
- Financial investments held-to-maturity	**12,878,719**	10,887,303	**–**	–
Loans, advances and financing	**120,444,892**	113,111,668	**–**	–
Clients' and brokers' balances	**395,884**	337,631	**–**	–
Other receivables	**1,696,217**	1,322,598	**434**	324
Amount due from subsidiaries	**–**	–	**48**	179
Derivative financial instruments	**1,062,358**	1,468,085	**80**	126
Commitments and contingencies	**42,372,209**	44,195,463	**–**	–
Total maximum credit risk exposure	**228,663,468**	227,351,480	**18,581**	15,217

(ii) Collaterals

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

(a) Fixed deposits, Mudharabah General Investment Account, negotiable instrument of deposits, foreign currency deposits and cash deposits/margins
(b) Land and buildings
(c) Aircrafts, vessels and automobiles
(d) Quoted shares, unit trust, Malaysian Governments Bonds and securities and private debt securities
(e) Endowment life policies with cash surrender value
(f) Other tangible business assets, such as inventory and equipment

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

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for loans, advances and financing for the Group is 84.05% (2015: 81.61%). The financial effects of collateral held for the remaining financial assets are insignificant.

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

48 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iii) Credit Quality

The Group assess credit quality of loans and advances using internal rating techniques tailored to the various categories of products and counterparties. These techniques have been developed internally and combine statistical analysis with credit officers judgement.

The credit quality of financial assets other than loans, advances and financing are determined based on the ratings of counterparties as defined by Moody's or equivalent ratings of other internationals rating agencies as defined below:

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

(a) Loans, advances and financing

Loans, advances and financing are summarised as follows:

	The Group	
	2016 RM'000	**2015 RM'000**
Neither past due nor impaired	**113,200,312**	105,601,617
Past due but not impaired	**7,435,026**	7,856,652
Individually impaired	**957,153**	948,583
Gross loans, advances and financing	**121,592,491**	114,406,852
Unamortised fair value changes arising from terminated fair value hedges	**(784)**	(2,188)
Less : Allowance for impaired loans, advances and financing		
- individual assessment allowance	**(289,844)**	(323,071)
- collective assessment allowance	**(856,971)**	(969,925)
Net loans, advances and financing	**120,444,892**	113,111,668

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

48 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iii) Credit Quality (continued)

(a) Loans, advances and financing (continued)

(i) Loans, advances and financing neither past due nor impaired

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

		The Group	
		2016 RM'000	2015 RM'000
Hong Leong Bank Group			
Consumer loans/financing			
Risk Grade			
Good		**80,222,051**	72,422,243
Weakest		**382,298**	587,566
		80,604,349	73,009,809
Corporates loans/financing			
Risk Grade	Credit Quality		
A	Exceptional	**1,015,687**	899,588
B+	Superior	**2,829,101**	3,723,977
B	Excellent	**5,361,051**	5,945,468
B-	Strong	**5,921,342**	5,119,426
C+	Good	**5,945,392**	5,484,968
C	Satisfactory	**7,046,394**	6,670,357
C -	Fair	**2,575,544**	2,575,284
D+	Adequate	**509,732**	734,607
D	Marginal	**88,609**	45,745
Un-graded		**315,830**	404,449
		31,608,682	31,603,869
Hong Leong Capital Group			
Risk Grade			
Good		**38,178**	92,533
Satisfactory		**46,349**	50,533
Un-graded		**288,075**	183,297
		372,602	326,363
HLA Holdings Group			
Risk Grade			
Un-graded		**614,679**	661,576
The Group total neither past due nor impaired		**113,200,312**	105,601,617

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

48 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iii) Credit Quality (continued)

(a) Loans, advances and financing (continued)

(ii) Loans, advances and financing 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.

Loans, advances and financing less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. Gross amount of loans, advances and financing by class to customers that were past due but not impaired were as follows:

	The Group	
	2016 RM'000	2015 RM'000
Past due less than 30 days	**5,176,331**	5,427,934
Past due 30 to less than 60 days	**1,681,913**	1,734,968
Past due 60 to less than 90 days	**576,782**	693,750
Past due but not impaired	**7,435,026**	7,856,652

(iii) Loans, advances and financing that are determined to be impaired as at 30 June 2016 and 30 June 2015 are as follows:

	The Group	
	2016 RM'000	2015 RM'000
Gross amount of impaired loans	**957,153**	948,583
Less: Individual assessment impairment allowance	**(289,844)**	(323,071)
Less: Collective assessment impairment allowance	**(228,903)**	(247,267)
Total net amount of impaired loans	**438,406**	378,245

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

48 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iii) Credit Quality (continued)

(b) Other financial assets

Analysis of other financial assets by rating agency designation (where applicable) as at 30 June 2016, based on Moody's ratings or its equivalent are as follows:

	The Group							
	Short-term funds and deposits and placements with banks and other financial institutions* 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	Clients' and brokers' balances RM'000	Other receivables RM'000	Derivative financial instruments RM'000
2016								
Neither past due nor impaired								
AAA to AA3	4,376,414	–	1,752,732	11,050,870	710,751	–	31,000	148,881
A1 to A3	3,513,616	–	780,204	4,742,491	63,902	–	–	665,619
Baa1 to Baa3	23,364	–	155,005	1,033,616	61,553	–	–	26,411
P1 to P3	–	–	5,028	10,159	–	–	–	–
Non-rated	3,329,025	4,056,670	5,044,494	9,939,501	12,042,513	395,884	1,665,217	221,447
	11,242,419	4,056,670	7,737,463	26,776,637	12,878,719	395,884	1,696,217	1,062,358
Individually impaired	–	–	–	–	–	–	–	–
	11,242,419	4,056,670	7,737,463	26,776,637	12,878,719	395,884	1,696,217	1,062,358

The amount of short-term funds, deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investment portfolios, other receivables, clients' and brokers' balances and derivative financial instruments that are past due but not impaired is not material.

* Placements with banks and other financial institutions with no ratings comprise of mainly placements with BNM.
^ Comprises of securities purchased under resale agreements with local financial institutions.
\# Securities with no ratings consists of government securities.

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

48 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iii) Credit Quality (continued)

(b) Other financial assets (continued)

Analysis of other financial assets by rating agency designation (where applicable) as at 30 June 2015, based on Moody's ratings or its equivalent are as follows:

	The Group							
	Short-term funds and deposits and placements with banks and other financial institutions* 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	Clients' and brokers' balances RM'000	Other receivables RM'000	Derivative financial instruments RM'000
2015								
Neither past due nor impaired								
AAA to AA3	2,470,863	–	905,658	11,588,797	536,661	799	3,614	126,691
A1 to A3	4,713,933	–	435,545	3,484,457	49,059	–	–	756,897
Baa1 to Baa3	548,661	–	22,528	660,766	199,328	–	–	24,422
P1 to P3	570,781	–	426,775	70,395	–	–	4,374	27
Non-rated	2,973,482	12,163,252	6,650,656	8,342,183	10,102,255	336,832	1,314,610	560,048
	11,277,720	12,163,252	8,441,162	24,146,598	10,887,303	337,631	1,322,598	1,468,085
Individually impaired	–	–	–	–	–	–	–	–
	11,277,720	12,163,252	8,441,162	24,146,598	10,887,303	337,631	1,322,598	1,468,085

The amount of short-term funds, deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investment portfolios, other receivables, clients' and brokers' balances and derivative financial instruments that are past due but not impaired is not material.

* Placements with banks and other financial institutions with no ratings comprise of mainly placements with BNM.

^ Comprises of securities purchased under resale agreements with local financial institutions.

Securities with no ratings consists of government securities.

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

48 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iii) Credit Quality (continued)

(b) Other financial assets (continued)

Analysis of other financial assets by rating agency designation (where applicable) as at 30 June 2016 and 30 June 2015, based on Moody's ratings or its equivalent are as follows:

	The Company			
	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Other receivables RM'000	Amount due from subsidiaries RM'000	Derivative financial instruments RM'000
2016				
Neither past due nor impaired				
AAA to AA3	**18,019**	-	–	–
A1 to A3	-	-	–	–
Baa1 to Baa3	-	-	–	–
P1 to P3	-	-	–	–
Non-rated	-	**434**	**48**	**80**
	18,019	**434**	**48**	**80**
Individually impaired	-	-	–	–
	18,019	**434**	**48**	**80**
2015				
Neither past due nor impaired				
AAA to AA3	14,588	–	–	–
A1 to A3	–	–	–	–
Baa1 to Baa3	–	–	–	–
P1 to P3	–	–	–	–
Non-rated	–	324	179	126
	14,588	324	179	126
Individually impaired	–	-	–	–
	14,588	324	179	126

(iv) Collateral and other credit enhancements obtained

	The Group	
	2016 RM'000	2015 RM'000
Properties	**103,459,100**	93,521,160

Repossessed properties are made available-for-sale in an orderly fashion, with the proceeds used to reduce or repay the outstanding indebtedness. The Group generally does not occupy the premises repossessed for its business use.

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

48 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(v) Credit risk exposure analysed by industry in respect of the Group's financial assets are set out below:

	The Group												
	Short-term funds and placements with banks and other financial institutions 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, advances and financing RM'000	Clients' and brokers' balances RM'000	Other receivables RM'000	Derivative financial instruments RM'000	Total credit risk exposures RM'000	Credit related commitments and contingencies RM'000	Undrawn loan commitments and other facilities RM'000	Guarantees, endorsements and other contingent items RM'000
2016													
Agriculture	–	–	50,191	60,575	–	2,800,195	–	–	–	2,910,961	–	896,679	1,184
Mining and quarrying	–	–	–	41,383	–	347,776	–	–	–	389,159	–	186,823	–
Manufacturing	–	–	–	48,842	–	8,939,890	–	604	–	8,989,336	–	6,497,895	145,388
Electricity, gas and water	–	–	118,749	2,620,621	–	167,402	–	32	–	2,906,804	–	183,603	–
Construction	–	–	87,858	866,819	–	2,293,560	–	4,296	–	3,252,533	1,000	1,568,446	15,391
Wholesale and retail	–	–	–	83,758	–	10,027,519	–	555	–	10,111,832	–	6,158,637	202,727
Transport, storage and communications	–	–	471,932	607,139	–	2,418,559	–	–	–	3,497,630	–	505,001	5,408
Finance, insurance, real estate and business services	9,324,642	–	5,890,914	13,912,899	379,480	9,402,704	198,850	1,629,360	1,062,358	41,801,207	2,754	3,724,008	164,971
Government and government agencies	1,917,777	4,056,670	681,952	6,662,831	12,056,234	–	–	20,299	–	25,395,763	–	–	202
Education, health and others	–	–	–	–	–	2,113,462	–	35	–	2,113,497	–	468,984	–
Household	–	–	–	–	–	79,874,894	–	–	–	79,874,894	–	20,522,701	1,387
Purchase of securities	–	–	–	–	–	287,888	197,034	–	–	484,922	686,780	–	–
Others	–	–	435,867	1,871,770	443,005	1,771,043	–	41,036	–	4,562,721	–	428,374	3,866
	11,242,419	4,056,670	7,737,463	26,776,637	12,878,719	120,444,892	395,884	1,696,217	1,062,358	186,291,259	690,534	41,141,151	540,524

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48 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(v) Credit risk exposure analysed by industry in respect of the Group's and the Company's financial assets are set out below: (continued)

	The Group												
	Short-term funds and placements with banks and other financial institutions 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, advances and financing RM'000	Clients' and brokers' balances RM'000	Other receivables RM'000	Derivative financial instruments RM'000	Total credit risk exposures RM'000	Credit related commitments and contingencies RM'000	Undrawn loan commitments and other facilities RM'000	Guarantees, endorsements and other contingent items RM'000
2015													
Agriculture	–	–	–	85,860	–	2,844,898	–	–	–	2,930,758	–	984,783	1,738
Mining and quarrying	–	–	–	76,322	–	358,799	–	–	–	435,121	700	184,917	–
Manufacturing	–	–	5,036	117,185	–	8,859,936	–	216	–	8,982,373	–	6,240,230	180,134
Electricity, gas and water	–	–	55,390	1,742,717	–	152,818	–	1,352	–	1,952,277	–	124,169	–
Construction	–	–	94,676	754,503	–	2,071,193	–	3,292	–	2,923,664	8,701	1,622,774	10,362
Wholesale and retail	–	–	–	5,048	–	9,691,885	–	744	–	9,697,677	–	5,623,431	175,792
Transport, storage and communications	–	–	36,685	722,994	–	1,754,451	–	233	–	2,514,363	–	575,145	13,217
Finance, insurance, real estate and business services	9,386,221	–	6,872,010	13,698,018	589,581	10,722,051	139,448	1,286,300	1,468,085	44,161,714	30,325	4,121,785	225,437
Government and government agencies	1,891,499	12,163,252	1,155,912	5,615,090	9,862,754	–	–	14,012	–	30,702,519	–	–	650
Education, health and others	–	–	–	–	–	1,284,155	–	160	–	1,284,315	680,675	697,050	562
Household	–	–	–	–	–	73,352,548	–	–	–	73,352,548	–	22,202,262	4,449
Purchase of securities	–	–	–	–	–	–	198,183	–	–	198,183	–	–	–
Others	–	–	221,453	1,328,861	434,968	2,018,934	–	16,289	–	4,020,505	14,976	471,199	–
	11,277,720	12,163,252	8,441,162	24,146,598	10,887,303	113,111,668	337,631	1,322,598	1,468,085	183,156,017	735,377	42,847,745	612,341

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for the financial year ended 30 June 2016

48 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(v) Credit risk exposure analysed by industry in respect of the Group's and the Company's financial assets are set out below: (continued)

	The Company				
	Short-term funds and placements with banks and other financial institutions RM'000	Other receivables RM'000	Amount due from subsidiaries RM'000	Derivative financial instruments RM'000	Total credit risk exposures RM'000
2016					
Finance, insurance, real estate and business services	**18,019**	**434**	**48**	**80**	**18,581**
2015					
Finance, insurance, real estate and business services	14,588	324	179	126	15,217

49 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The information presented herein represents the estimates of fair values as at the statement of financial position date.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the uncertainties and assumptions could materially affect these estimates and the resulting fair value estimates.

(a) Determination of fair value and fair value hierarchy

The Group and the Company measure 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.

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

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Determination of fair value and fair value hierarchy (continued)

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 markets 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 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 instrument are generally classified as Level 2.

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

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Such inputs are generally determined based on observable inputs of a similar nature, historical observations on the level of the input or other analytical techniques.

The table below analyses financial instruments carried at fair value analysed by level within the fair value hierarchy:

	The Group			
	Fair Value			
2016	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Recurring fair value measurements				
Financial assets				
Financial assets held-for-trading				
- Money market instruments	–	5,741,903	–	5,741,903
- Quoted securities	1,275,928	–	–	1,275,928
- Unquoted securities	–	1,506,842	–	1,506,842
Financial investments available-for-sale				
- Money market instruments	–	7,801,574	–	7,801,574
- Quoted securities	14,121,041	–	–	14,121,041
- Unquoted securities	–	13,414,757	429,720	13,844,477
Derivative financial instruments	11	1,054,352	7,995	1,062,358
	15,396,980	29,519,428	437,715	45,354,123
Financial liabilities				
Derivative financial instruments	1,564	1,644,666	7,995	1,654,225
Financial liabilities designated at fair value				
- Callable range accrual notes	–	1,421,919	–	1,421,919
	1,564	3,066,585	7,995	3,076,144

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

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Determination of fair value and fair value hierarchy (continued)

The table below analyses financial instruments carried at fair value analysed by level within the fair value hierarchy: (continued)

	The Group			
	Fair Value			
2015	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Recurring fair value measurements				
Financial assets				
Financial assets held-for-trading				
- Money market instruments	–	7,204,192	–	7,204,192
- Quoted securities	1,173,464	–	–	1,173,464
- Unquoted securities	–	861,148	–	861,148
Financial investments available-for-sale				
- Money market instruments	–	7,028,388	–	7,028,388
- Quoted securities	10,912,158	–	–	10,912,158
- Unquoted securities	–	11,285,232	397,279	11,682,511
Derivative financial instruments	42	1,461,090	6,952	1,468,084
	12,085,664	27,840,050	404,231	40,329,945
Financial liabilities				
Derivative financial instruments	2,959	1,359,454	6,952	1,369,365
Financial liabilities designated at fair value				
- Callable range accrual notes	–	1,551,946	–	1,551,946
	2,959	2,911,400	6,952	2,921,311

The Group recognise transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial year (2015: RM Nil).

	The Company			
	Fair Value			
2016	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Recurring fair value measurements				
Financial assets				
Derivative financial instruments	**–**	**80**	**–**	**80**
Financial liabilities				
Derivative financial instruments	**–**	**1,455**	**–**	**1,455**

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2016

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Determination of fair value and fair value hierarchy (continued)

The table below analyses financial instruments carried at fair value analysed by level within the fair value hierarchy: (continued)

2015	The Company Fair Value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Recurring fair value measurements				
Financial assets				
Derivative financial instruments	–	126	–	126
Financial liabilities				
Derivative financial instruments	–	1,158	–	1,158

The Company recognise transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial year (2015: RM Nil).

Reconciliation of fair value measurements in Level 3 of the fair value hierarchy, as below:

	The Group		
	Financial Assets		Financial Liability
2016	Financial investments available-for-sale RM'000	Derivative financial instruments RM'000	Derivative financial instruments RM'000
As at 1 July	**397,279**	**6,952**	**6,952**
Fair value changes recognised in statements of income	**–**	**(3,023)**	**(3,023)**
Net fair value changes recognised in other comprehensive income	**32,441**	**–**	**–**
Purchases	**–**	**4,171**	**4,171**
Disposal	**–**	**(105)**	**(105)**
As at 30 June	**429,720**	**7,995**	**7,995**
Fair value changes recognised in statements of income relating to assets/ liability held on 30 June 2016	**–**	**(3,023)**	**(3,023)**
Total gain recognised in other comprehensive income relating to assets held on 30 June 2016	**32,441**	**–**	**–**

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

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Determination of fair value and fair value hierarchy (continued)

Reconciliation of fair value measurements in Level 3 of the fair value hierarchy, as below: (continued)

	The Group		
	Financial Assets		Financial Liability
2015	Financial investments available-for-sale RM'000	Derivative financial instruments RM'000	Derivative financial instruments RM'000
As at 1 July	369,708	–	–
Fair value changes recognised in statements of income	–	(480)	(480)
Net fair value changes recognised in other comprehensive income	27,596	–	–
Total interest accrued	–	–	–
Purchases	–	7,432	7,432
Disposal	(25)	–	–
As at 30 June	397,279	6,952	6,952
Fair value changes recognised in statements of income relating to assets/ liability held on 30 June 2015	–	(480)	(480)
Total gain recognised in other comprehensive income relating to assets held on 30 June 2015	27,596	–	–

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2016

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Determination of fair value and fair value hierarchy (continued)

Quantitative information about fair value measurements using significant unobservable inputs (Level 3)

The Group						
Description	**Fair value assets RM'000**	**Fair value liabilities RM'000**	**Valuation technique(s)**	**Unobservable input**	**Range (weighted average)**	**Inter-relationship between significant unobservable inputs and fair value measurement**
Financial investments available-for-sale						
Unquoted shares	429,720	–	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value
Derivative financial instruments						
Equity derivatives	7,995	(7,995)	Monte Carlo Simulation	Equity volatility	+19% to +48%	Higher volatility, would generally result in higher fair valuation for long volatility positions and vice versa
			Monte Carlo Simulation	Equity/FX Correlation between underlyers	-51% to +75%	An increase in correlation, would generally result in a higher fair value measurement and vice versa

Sensitivity analysis for level 3

			Effect of reasonable possible alternative assumptions to: Profit or loss	
			Favourable/Unfavourable changes	
The Group	**Type of unobservable input**	**Sensitivity of significant unobservable input**	**Financial assets RM'000**	**Financial liabilities RM'000**
2016				
Derivative financial instruments				
- Equity derivatives	**Equity volatility**	**+10%**	**617**	**(617)**
		–10%	**(569)**	**569**
	Equity/Fx Correlation	**+10%**	**137**	**(137)**
		–10%	**(110)**	**110**
	Total *		**75**	**(75)**
2015				
Derivative financial instruments				
- Equity derivatives	Equity volatility	+10%	1,669	(1,669)
		–10%	(2,127)	2,127
	Equity/Fx Correlation	+10%	323	(323)
		–10%	(772)	772
	Total *		(907)	907

* No or insignificant impact to the Group. All equity link derivatives with unobservable inputs are hedged back-to-back with external parties.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2016

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair values of financial instruments not carried at fair value

Set out below is the comparison of the carrying amount and fair value of those financial instruments of the Group and the Company which are not carried at fair value in the financial instruments, but for which fair value is disclosed. It does not include those short term/on demand financial assets and financial liabilities where the carrying amount are reasonable approximation of their fair values:

	The Group			
	Carrying amount 2016 RM'000	Fair value 2016 RM'000	Carrying amount 2015 RM'000	Fair value 2015 RM'000
Financial assets				
Financial investments held-to-maturity				
- Money market instruments	**11,616,369**	**11,654,226**	9,921,251	9,875,516
- Unquoted securities	**1,294,949**	**1,310,222**	1,020,587	1,038,131
Loans, advances and financing	**120,444,892**	**120,406,882**	113,111,668	113,206,637
	133,356,210	**133,371,330**	124,053,506	124,120,284
Financial liabilities				
Deposits from customers	**148,068,614**	**148,985,363**	139,403,519	141,297,349
Borrowings	**3,191,919**	**3,197,625**	3,096,882	3,093,242
Subordinated obligations	**2,958,641**	**2,940,915**	5,161,255	5,132,243
Non-Innovative Tier 1 stapled securities	**–**	**–**	1,410,869	1,420,865
Innovative Tier 1 capital securities	**521,512**	**565,528**	530,223	579,348
	154,740,686	**155,689,431**	149,602,748	151,523,047

	The Company			
	Carrying amount 2016 RM'000	Fair value 2016 RM'000	Carrying amount 2015 RM'000	Fair value 2015 RM'000
Financial liabilities				
Borrowings	**1,641,717**	**1,640,298**	860,666	827,327

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2016

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair values of financial instruments not carried at fair value (continued)

The following table analyses within the fair value hierarchy of the Group's and the Company's assets and liabilities not measured at fair value at 30 June 2016 and 30 June 2015 but for which fair value is disclosed:

	The Group				
	Carrying amount RM'000	Fair Value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2016					
Financial assets					
Financial investments held-to-maturity					
- Money market instruments	**11,616,369**	**–**	**11,654,226**	**–**	**11,654,226**
- Unquoted securities	**1,294,949**	**–**	**1,309,687**	**535**	**1,310,222**
Loans, advances and financing	**120,444,892**	**–**	**120,406,882**	**–**	**120,406,882**
	133,356,210	**–**	**133,370,795**	**535**	**133,371,330**
Financial liabilities					
Deposits from customers	**148,068,614**	**–**	**148,985,363**	**–**	**148,985,363**
Borrowings	**3,191,919**	**–**	**3,197,625**	**–**	**3,197,625**
Subordinated obligations	**2,958,641**	**–**	**2,940,915**	**–**	**2,940,915**
Innovative Tier 1 capital securities	**521,512**	**–**	**565,528**	**–**	**565,528**
	154,740,686	**–**	**155,689,431**	**–**	**155,689,431**
2015					
Financial assets					
Financial investments held-to-maturity					
- Money market instruments	9,921,251	–	9,875,516	–	9,875,516
- Unquoted securities	1,020,587	–	1,037,647	484	1,038,131
Loans, advances and financing	113,111,668	–	113,206,637	–	113,206,637
	124,053,506	–	124,119,800	484	124,120,284
Financial liabilities					
Deposits from customers	139,403,519	–	141,297,349	–	141,297,349
Borrowings	3,096,882	–	3,093,242	–	3,093,242
Subordinated obligations	5,161,255	–	5,132,243	–	5,132,243
Non-Innovative Tier 1 stapled securities	1,410,869	–	1,420,865	–	1,420,865
Innovative Tier 1 capital securities	530,223	–	579,348	–	579,348
	149,602,748	–	151,523,047	–	151,523,047

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2016

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair values of financial instruments not carried at fair value (continued)

The following table analyses within the fair value hierarchy of the Group's and the Company's assets and liabilities not measured at fair value at 30 June 2016 and 30 June 2015 but for which fair value is disclosed: (continued)

	The Company				
	Carrying amount RM'000	Fair Value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2016					
Financial liabilities					
Borrowings	**1,641,717**	**–**	**1,640,298**	**–**	**1,640,298**
2015					
Financial liabilities					
Borrowings	860,666	–	827,327	–	827,327

(c) Fair value methodologies and assumptions

Short-term funds and placements with financial institutions

For short-term funds and placements with financial institutions with maturities of less than six months, the carrying value is a reasonable estimate of fair value. For short-term funds 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.

Securities purchased under resale agreements

The fair values of securities purchased under resale agreements with maturities of less than six months approximate the carrying values. For securities purchased under resale agreements with maturities of six months and above, the estimated fair values are based on discounted cash flows using market rates for the remaining term to maturity.

Securities held at fair value through profit or loss, available-for-sale and 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 establishes the fair value by using valuation techniques.

Loans, advances and financing

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

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 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.

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

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value methodologies and assumptions (continued)

Deposits and placements of banks and other financial institutions, bills and acceptances payable

The estimated fair values of deposits and placements of banks and other financial institutions and bills and acceptances payable 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, senior bonds, stapled securities and capital securities

The fair value of subordinated obligations, senior bonds, stapled securities and capital securities are based on quoted market prices where available.

Other financial assets and liabilities

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

Borrowings

The estimated fair values of borrowings with maturities of less than six months approximate the carrying values. For other borrowings with maturities six months or more, the fair values are estimated based on discounted cash flows using prevailing market rates for borrowings with similar risk profile.

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.

Foreign exchange and interest rate related contracts

The fair values of foreign exchange and interest rate related contracts are the estimated amounts the Group or the Company would receive or pay to transfer the contracts at the statements of financial position date.

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for the financial year ended 30 June 2016

50 OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows:

	The Group						The Company					
				Related amount not set off in the statements of financial position						Related amount not set off in the statements of financial position		
2016	Gross amount recognised in the statements of financial position RM'000	Gross amount offset in the statement of financial position RM'000	Net amount presented in the statements of financial position RM'000	Values of the financial instruments RM'000	Cash collateral received/ pledged RM'000	Net amount RM'000	Gross amount recognised in the statements of financial position RM'000	Gross amount offset in the statement of financial position RM'000	Net amount presented in the statements of financial position RM'000	Values of the financial instruments RM'000	Cash collateral received/ pledged RM'000	Net amount RM'000
Financial assets												
Clients' and brokers' balances	756,216	(360,332)	395,884	–	–	395,884	–	–	–	–	–	–
Derivative financial instruments	1,076,042	(13,684)	1,062,358	(631,609)	(144,179)	286,570	80	–	80	–	–	80
Securities purchased under resale agreements	4,563,431	(506,761)	4,056,670	(4,056,670)	–	–	–	–	–	–	–	–
Total	6,395,689	(880,777)	5,514,912	(4,688,279)	(144,179)	682,454	80	–	80	–	–	80
Financial liabilities												
Clients' and brokers' balances	523,092	(243,173)	279,919	–	–	279,919	–	–	–	–	–	–
Derivative financial instruments	1,667,909	(13,684)	1,654,225	(631,609)	(534,301)	488,315	1,455	–	1,455	–	–	1,455
Obligations on securities sold under repurchase agreements	4,001,664	(506,761)	3,494,903	(3,254,893)	(12,664)	227,346	–	–	–	–	–	–
Payables and other liabilities	6,374,546	(136,724)	6,237,822	–	–	6,237,822	9,351	–	9,351	–	–	9,351
Total	12,567,211	(900,342)	11,666,869	(3,886,502)	(546,965)	7,233,402	10,806	–	10,806	–	–	10,806

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

50 OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows: (continued)

	The Group						The Company					
				Related amount not set off in the statements of financial position						Related amount not set off in the statements of financial position		
2015	Gross amount recognised in the statements of financial position RM'000	Gross amount offset in the statement of financial position RM'000	Net amount presented in the statements of financial position RM'000	Values of the financial instruments RM'000	Cash collateral received/ pledged RM'000	Net amount RM'000	Gross amount recognised in the statements of financial position RM'000	Gross amount offset in the statement of financial position RM'000	Net amount presented in the statements of financial position RM'000	Values of the financial instruments RM'000	Cash collateral received/ pledged RM'000	Net amount RM'000
Financial assets												
Clients' and brokers' balances	635,412	(297,781)	337,631	–	–	337,631	–	–	–	–	–	–
Derivative financial instruments	1,510,926	(42,842)	1,468,084	(690,725)	(148,534)	628,825	770	(644)	126	–	–	126
Securities purchased under resale agreements	12,670,084	(506,832)	12,163,252	(12,170,922)	–	(7,670)	–	–	–	–	–	–
Total	14,816,422	(847,455)	13,968,967	(12,861,647)	(148,534)	958,786	770	(644)	126	–	–	126
Financial liabilities												
Clients' and brokers' balances	396,141	(203,413)	192,728	–	–	192,728	–	–	–	–	–	–
Derivative financial instruments	1,411,563	(42,198)	1,369,365	(690,725)	(405,142)	273,498	1,158	–	1,158	–	–	1,158
Obligations on securities sold under repurchase agreements	4,198,170	(506,832)	3,691,338	(2,532,086)	(85,799)	1,073,453	–	–	–	–	–	–
Payables and other liabilities	5,907,631	(110,937)	5,796,694	–	–	5,796,694	11,103	–	11,103	–	–	11,103
Total	11,913,505	(863,380)	11,050,125	(3,222,811)	(490,941)	7,336,373	12,261	–	12,261	–	–	12,261

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

51 EQUITY COMPENSATION BENEFITS

Executive Share Option Scheme And Executive Share Scheme

The Company has concurrently established and implemented an Executive Share Option Scheme and an Executive Share Scheme.

(a) Executive Share Option Scheme 2006/2016 ("ESOS 2006/2016")

The ESOS 2006/2016 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.

On 18 January 2006, the Company announced that Bursa Malaysia Securities Berhad had approved-in-principle the listing of new ordinary shares of the Company to be issued pursuant to the exercise of options under the ESOS 2006/2016 at any time during the existence of the ESOS 2006/2016.

The ESOS 2006/2016 would provide an opportunity for eligible executives who had contributed to the growth and development of the Company and its subsidiaries ("the Group") to participate in the equity of the Company.

The main features of the ESOS 2006/2016 are, inter alia, as follows:

1. Eligible executives are persons as defined by the ESOS 2006/2016 Bye-Laws.

2. The maximum allowable allotments for the full time Executive Directors had been approved by the shareholders of the Company in a general meeting. The Board, as defined by the ESOS 2006/2016 Bye-Laws, may from time to time at its discretion select and identify suitable eligible executives to be offered options.

3. The aggregate number of shares to be issued under the ESOS 2006/2016 shall not exceed 15% of the issued and paid-up ordinary share capital of the Company for the time being.

4. The ESOS 2006/2016 shall be in force for a period of ten (10) years from 23 January 2006.

5. The option price shall not be at a discount of more than ten percent (10%) (or such discount as the relevant authorities shall permit) from the 5-day weighted average market price of the shares of the Company preceding the Date of Offer as defined by the ESOS 2006/2016 Bye-Laws, and shall in no event be less than the par value of the shares of the Company.

6. The options granted to an option holder under the ESOS 2006/2016 is exercisable by the option holder only during his employment with the Group and upon meeting the vesting conditions of each of the ESOS plan as stated in the following pages, subject to any maximum limit as may be determined by the Board under the Bye-Laws of the ESOS 2006/2016.

7. The exercise of the options may, at the absolute discretion of the Board, be satisfied by way of issuance of new shares; transfer of existing shares purchased by a trust established for the ESOS 2006/2016; or a combination of both new shares and existing shares.

The ESOS 2006/2016 had expired on 23 January 2016. There were no options granted and remaining outstanding under the ESOS 2006/2016 of the Company as at 30 June 2016.

There were no options granted during the financial year. The ESOS 2006/2016 had expired on 23 January 2016.

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

51 EQUITY COMPENSATION BENEFITS (CONTINUED)

Executive Share Option Scheme And Executive Share Scheme (continued)

(b) Executive Share Scheme ("ESS")

The ESS of up to ten percent (10%) of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company comprises the Executive Share Option Scheme 2013/2023 ("ESOS 2013/2023") and the Executive Share Grant Scheme ("ESGS").

(i) ESOS 2013/2023

The ESOS 2013/2023 which was approved by the shareholders of the Company on 30 October 2012, was established on 12 March 2013 and would be in force for a period of ten (10) years.

On 18 September 2012, the Company announced that Bursa Malaysia Securities Berhad had resolved to approve the listing of new ordinary shares of the Company to be issued pursuant to the exercise of options under the ESOS 2013/2023.

The ESOS 2013/2023 would provide an opportunity for eligible executives who had contributed to the growth and development of the Group to participate in the equity of the Company.

Arising from the completion of the Company's Rights Issue on 7 December 2015, the exercise price for the share options granted on 2 April 2015 under the ESS was adjusted from RM16.88 to RM16.61 and additional share options of 189,819 were allotted to the option holders, in accordance with the provisions of the Bye-Laws governing the ESS.

(ii) ESGS

The ESGS which was approved by the shareholders of the Company on 29 October 2013, was established on 28 February 2014 and would end on 11 March 2023.

On 6 September 2013, the Company announced that Bursa Malaysia Securities Berhad had resolved to approve-in-principle the listing of new ordinary shares of the Company to be issued pursuant to the ESGS.

The ESGS would provide the Company with the flexibility to reward the eligible executives of the Group for their contribution with awards of the Company's shares without any consideration payable by the eligible executives.

There are no share granted under the ESGS to date.

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

1. Eligible executives are persons as defined by the ESS Bye-Laws.

2. The maximum allowable allotments for the full time Executive Directors had been approved by the shareholders of the Company in a general meeting. The Board, as defined by the ESS Bye-Laws, may from time to time at its absolute discretion select and identify suitable eligible executives to be offered options or grants.

3. At any point of time during the existence of the ESS, the aggregate number of shares comprised in the options and grants under the ESS and any other executive share schemes established by the Company which are still subsisting shall not exceed 10% of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company at any one time.

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

51 EQUITY COMPENSATION BENEFITS (CONTINUED)

Executive Share Option Scheme And Executive Share Scheme (continued)

(b) Executive Share Scheme ("ESS") (continued)

The main features of the ESS are, inter alia, as follows: (continued)

4. The option price for the options to be granted under the ESOS 2013/2023 shall not be at a discount of more than ten percent (10%) (or such discount as the relevant authorities shall permit) from the 5-day weighted average market price of the shares of the Company preceding the Date of Offer as defined by the ESS Bye-Laws, and shall in no event be less than the par value of the shares of the Company.

5. The options granted to an option holder under the ESOS 2013/2023 is exercisable by the option holder during his employment or directorship with the Group and upon meeting the vesting conditions of each ESOS plan as stated in the following pages, subject to any maximum limit as may be determined by the Board under the Bye-Laws of the ESS.

6. The shares to be vested to a grant holder under the ESGS will be vested to the grant holder only during his employment or directorship with the Group and subject to any other terms and conditions as may be determined by the Board.

7. The exercise of the options under the ESOS 2013/2023 or the vesting of shares under the ESGS may, at the absolute discretion of the Board, be satisfied by way of issuance of new shares; transfer of existing shares purchased by a trust established for the ESS; or a combination of both new shares and existing shares.

The ESOS options granted have performance and/or service based vesting conditions. Generally, the share options granted can be classified into 2 categories:

(i) An award that is conditional upon achieving agreed key performance indicators and milestones; and/or
(ii) An award for the recognition of material and positive accomplishments towards building a strong and sustainable underlying business value, preserving and enhancing the quality of assets and for shareholders wealth creation.

A trust has been set up for the ESOS 2006/2016 and ESS (collectively "Schemes") and it is administered by an appointed trustee. This trustee will be entitled from time to time to accept financial assistance from the Company upon such terms and conditions as the Company and the trustee may agree to purchase the Company's shares from the open market for the purposes of this trust. In accordance with MFRS 132, the shares purchased for the benefit of the Schemes holdings are recorded as "Treasury Shares for ESOS" in the shareholders' equity on the statements of financial position. The cost of operating the Schemes is charged to the statements of income.

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

	The Group			
	2016		2015	
	Number of trust shares held unit	Cost RM	Number of trust shares held unit	Cost RM
As at 1 July	**2,281,900**	**12,698,172**	5,154,700	25,421,501
Purchase of treasury shares	**1,682,500**	**23,014,346**	177,500	2,694,865
Exercise of ESOS	**–**	**–**	(3,050,300)	(15,418,194)
As at 30 June	**3,964,400**	**35,712,518**	2,281,900	12,698,172

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2016

51 EQUITY COMPENSATION BENEFITS (CONTINUED)

Executive Share Option Scheme And Executive Share Scheme (continued)

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

	The Company			
	2016		2015	
	Number of trust shares held unit	Cost RM	Number of trust shares held unit	Cost RM
As at 1 July	**408**	**2,089**	3,000,408	15,181,189
Rights issue	**92**	**1,067**	–	–
Exercise of ESOS	**–**	**–**	(3,000,000)	(15,179,100)
As at 30 June	**500**	**3,156**	408	2,089

ESOS 2013/2023

There were 12,200,000 options granted at an exercise price of RM16.88 under the ESOS 2013/2023 of the Group on 2 April 2015.

Grant date	Expiry date	As at 1-Jul-15	Option granted	Adjustment for rights issue	Forfeited	Outstanding as at 30-Jun-16	Exercisable as at 30-Jun-16
2016							
2-Apr-15	July 2019	**12,200,000**	**–**	**189,819**	**(701,636)**	**11,688,183**	**–**
		12,200,000	**–**	**189,819**	**(701,636)**	**11,688,183**	**–**
2015							
2-Apr-15	July 2019	–	12,200,000	–	–	12,200,000	–
		–	12,200,000	–	–	12,200,000	–

On 6 November 2015 ("modified grant date"), the options exercise price was adjusted and additional options were granted due to the rights issue exercise pursuant to the ESS Bye-Laws.

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

51 EQUITY COMPENSATION BENEFITS (CONTINUED)

Executive Share Option Scheme And Executive Share Scheme (continued)

ESOS 2013/2023 (continued)

Adjustments on exercise price due to Rights Issue

The fair value of share options granted on 2 April 2015 ("grant date") and modified grant date was estimated using the Black-scholes model, taking into account the terms and conditions upon which the options are granted. On modified grant date, the incremental fair value was computed to incorporate the adjustments on exercise price due to rights issue. The value of share options and the key inputs for share options valuation before and after rights issue were as follows:

	Before Rights Issue	After Rights Issue
Fair value of share options (RM)	0.73-1.47	0.80-1.55
Share price at grant date/modified grant date (RM)	16.12	16.12
Exercise price (RM)	16.88	16.61
Weighted average option life at grant date/modified grant date (Years)	3.80	3.80
Expected volatility (%)	20.37	20.37
Weighted average dividend yield (%)	2.36	2.36
Weighted average risk free rate (%)	3.30	3.30

The fair value of share options after the rights issue is inclusive of incremental fair value arising from adjusted exercise price pursuant to the ESS Bye-Laws. The expected volatility reflects the assumption that the historical volatility was indicative of future trends, which may not necessarily be the actual outcome.

The vesting conditions for the above share options are based on the achievement of pre-agreed key performance indicators and milestones, and service (time) based periods. The vesting period of the options range from 2.80 to 4.80 years from grant date. The weighted average remaining option life as at 30 June 2016 is 3.80 years.

Adjustments on additional options due to Rights Issue

For the additional options granted on modified grant date due to Rights Issue exercise,the fair value of share options was estimated using the Black-scholes model, taking into account the terms and conditions upon which the options are granted. The value of share options and the key inputs for share options valuation were as follows:

	After Rights Issue
Fair value of share options (RM)	0.80-1.55
Share price at grant date/modified grant date (RM)	16.12
Exercise price (RM)	16.61
Weighted average option life at grant date (Years)	3.80
Expected volatility (%)	20.37
Weighted average dividend yield (%)	2.36
Weighted average risk free rate (%)	3.30

The vesting conditions for the above share options are based on the achievement of pre-agreed key performance indicators and milestones, and service (time) based periods. The vesting period of the options range from 2.80 to 4.80 years from grant date. The weighted average remaining option life as at 30 June 2016 is 3.80 years.

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

52 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) During the financial year, the Company increased its issued and paid-up capital from 1,052,767,789 to 1,147,516,890 via issuance of 94,749,101 new ordinary shares of RM1.00 each on the basis of 9 rights shares for every 100 existing HLFG shares held on 6 November 2015 at an issue price of RM11.60 per rights share ("HLFG Rights Issue"). The HLFG Rights Issue was completed on 7 December 2015.

(b) During the financial year, HLB increased its issued and paid up capital from 1,879,909,100 to 2,167,718,284 via issuance of 287,809,184 new ordinary shares of RM1.00 each on the basis of 4 rights shares for every 25 existing HLB shares held on 27 November 2015 at an issue price of RM10.40 per rights share ("HLB Rights Issue"). The HLB Rights Issue was completed on 28 December 2015.

(c) On 3 July 2015, HLB announced that it had on 3 July 2015 entered into a conditional share sale agreement ("SSA") with Hong Leong Real Estate Holdings Sdn Bhd ("HLREH") for the acquisition of the entire issued and paid-up share capital of DC Tower Sdn Bhd ("DCT") for an indicative cash consideration of RM189.3 million subject to adjustments (if any) pursuant to the terms of the SSA ("Acquisition").

DCT is principally a property investment company, holding the development and ownership rights in respect of a 33-storey purpose-built stratified office building currently referred to as Office Tower A which is located within the on-going integrated development project known as Damansara City Kuala Lumpur.

On 30 June 2016, HLB announced that the Acquisition had been completed with the purchase price determined at RM168.78 million, subject to adjustment (if any) arising from the finalisation of the audit of DCT's financial statements. Accordingly, DCT has become a wholly-owned subsidiary of HLB.

(d) On 10 August 2015, HLB had fully redeemed the RM700.0 million nominal value of the Tier 2 Subordinated Debt issued on 10 August 2010 bearing coupon rate of 4.85% per annum.

(e) On 30 December 2015, HLB had fully redeemed the RM500.0 million nominal value Subordinated Medium Term Notes bearing coupon rate of 4.75% per annum, which were previously issued by Promino Sdn Bhd (formerly known as EON Bank Berhad) and vested to HLB on 1 July 2011.

(f) On 17 March 2016, HLB had fully redeemed the USD300.0 million US Dollar Senior Unsecured Bonds on its maturity date.

(g) On 5 May 2016, HLB had fully redeemed the RM1.0 billion nominal value of the Subordinated Notes issued on 5 May 2011 bearing coupon rate of 4.35% per annum.

(h) On 5 May 2016, HLB had fully redeemed the RM1.4 billion Non-Innovative Tier 1 Capital Securities issued on 5 May 2011 bearing coupon rate of 5.05% per annum.

(i) On 30 June 2016, the Company announced that Bank Negara Malaysia has no objection for the Company and its wholly owned subsidiary, HLA Holdings Sdn Bhd ("HLAH"), to commence negotiations with certain parties for the possible acquisition by them of HLAH's equity interest in Hong Leong Assurance Berhad, a 70% subsidiary of HLAH, and Hong Leong MSIG Takaful Berhad, a 65% subsidiary of HLAH, subject to the negotiations being concluded within 6 months from 23 June 2016.

Pursuant to the Financial Services Act 2013 and the Islamic Financial Services Act 2013, both the Company and HLAH and the relevant parties would be required to obtain the prior written approval from the Minister of Finance of Malaysia, on the recommendation of BNM, before entering into any agreement to effect the proposed transactions.

53 SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR

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

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

54 INCOME TAX RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME

	The Group		
	Before tax RM'000	Tax benefits RM'000	Net of tax amount RM'000
2016			
Financial investments available-for-sale			
- net fair value gain/(loss)	**113,416**	**(22,211)**	**91,205**
Cash flow hedge			
- net fair value gain/(loss)	**(2,477)**	**597**	**(1,880)**
2015			
Financial investments available-for-sale			
- net fair value gain/(loss)	(128,349)	1,589	(126,760)
Cash flow hedge			
- net fair value gain/(loss)	216	(54)	162

55 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group and the Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Group's and the Company's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are outlined below:

(a) Allowance for impairment losses on loans, advances and financing

The Group reviews their loan portfolios to assess impairment at least on a quarterly basis. It is the policy of the Group to establish, through charges against profit, individual and collective assessment impairment allowances in respect of estimated and inherent credit losses in their portfolio.

In determining individual assessment impairment allowances for loans/financing above the set threshold, management considers objective evidence of impairment and exercises judgement in estimating cash flows and collateral value. Whilst, management's judgement is guided by the relevant BNM guidelines, judgement is made in estimation of the amount and timing of future cash flows in assessing allowance for impairment of financial assets. Among the factors considered are the net realisable value of the underlying collateral value, the viability of the customer's business model and the capacity to generate sufficient cash flows to service debt obligations.

(b) Life policyholders' fund

Material judgement is required in determining the liabilities and in the choice of assumptions.

Assumptions in use are based on the past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information.

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

55 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

(b) Life policyholders' fund (continued)

Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals.

Assumption are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

56 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 15 September 2016.

57 REALISED AND UNREALISED PROFIT

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

The breakdown of the retained profits of the Group and the Company are as follows:

	The Group		The Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Total retained profits of the Group and subsidiaries				
- Realised	**20,263,354**	19,285,289	**12,763,912**	12,740,076
- Unrealised	**908,372**	1,161,592	**410**	2,296
Total share of retained profits from associated companies				
- Realised	**2,356,783**	1,976,541	**–**	–
- Unrealised	**2,574**	1,759	**–**	–
Total share of retained profits from joint ventures				
- Realised	**47,698**	26,647	**–**	–
	23,578,781	22,451,828	**12,764,322**	12,742,372
Less : Consolidation adjustments	**(15,350,344)**	(14,635,036)	**–**	–
Total retained profits	**8,228,437**	7,816,792	**12,764,322**	12,742,372

The Group views translation gains or losses on monetary items as realised as it is incurred in the ordinary course of business.

The disclosure of realised and unrealised profits/(losses) above is solely for compliance with the directive issued by the Bursa Malaysia Securities Berhad and should not be used for any other purpose.

STATEMENT BY DIRECTORS

pursuant to Section 169(15) of the Companies Act, 1965

We, Tan Kong Khoon and Lim Tau Kien, being two of the Directors of Hong Leong Financial Group Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on page 67 to 223 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2016 and of the results and the cash flows of the Group and the Company for the year then ended on that date, in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

On behalf of the Board.

TAN KONG KHOON Director	**LIM TAU KIEN** Director

Kuala Lumpur
15 September 2016

STATUTORY DECLARATION

pursuant to Section 169(16) of the Companies Act, 1965

I, Chew Seong Aun, the Officer primarily responsible for the financial management of Hong Leong Financial Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 67 to 223 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 abovenamed Chew Seong Aun at	)	
Kuala Lumpur in Wilayah Persekutuan on	)	
15 September 2016	)	**CHEW SEONG AUN**

Before me,

TAN SEOK KETT
Pesuruhjaya Sumpah
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

to the members of Hong Leong Financial Group Berhad
(Company no: 8024-W)
(Incorporated in Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Hong Leong Financial Group Berhad on pages 67 to 223, which comprise the statements of financial position as at 30 June 2016 of the Group and of the Company, and the statements of income, comprehensive income, changes in equity and cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 56.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

OPINION

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 30 June 2016 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

INDEPENDENT AUDITORS' REPORT

to the members of Hong Leong Financial Group Berhad
(Company no: 8024-W)
(Incorporated in Malaysia)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965, in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 11 to the financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 57 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

NG YEE LING
(No. 3032/01/17 (J))
Chartered Accountant

Kuala Lumpur
15 September 2016

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Forty-seventh Annual General Meeting of Hong Leong Financial Group Berhad ("Company") will be held at the Theatrette, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Thursday, 27 October 2016 at 11.30 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 2016.

2. To approve the payment of Director Fees of RM400,000 for the financial year ended 30 June 2016 (2015: RM400,000), to be divided amongst the Directors in such manner as the Directors may determine. **(Resolution 1)**

3. To pass the following motions as ordinary resolutions:-

   (a) "**THAT** Mr Tan Kong Khoon who retires pursuant to Article 94 of the Company's Articles of Association, be and is hereby re-elected a Director of the Company." **(Resolution 2)**

   (b) "**THAT** Mr Saw Kok Wei who retires by rotation pursuant to Article 115 of the Company's Articles of Association, be and is hereby re-elected a Director of the Company." **(Resolution 3)**

   (c) "**THAT** YBhg Tan Sri Quek Leng Chan who retires in compliance with Section 129 of the Companies Act, 1965, be and is hereby re-appointed a Director of the Company to hold office until the conclusion of the next Annual General Meeting." **(Resolution 4)**

   (d) "**THAT** YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman who retires in compliance with Section 129 of the Companies Act, 1965, be and is hereby re-appointed a Director of the Company to hold office until the conclusion of the next Annual General Meeting." **(Resolution 5)**

4. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and authorise the Directors to fix their remuneration. **(Resolution 6)**

SPECIAL BUSINESS

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

5. **Ordinary Resolution**

   Authority to Directors to Issue Shares

   "**THAT** pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby empowered to issue shares in the Company, at any time and from time to time, and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." **(Resolution 7)**

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

NOTICE OF ANNUAL GENERAL MEETING

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

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

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

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

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution." **(Resolution 8)**

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 (excluding Hong Leong Bank Berhad and Hong Leong Capital Berhad and their respective subsidiaries) to enter into any of the transactions falling within the types of recurrent related party transactions of a revenue or trading nature as disclosed in Section 2.3(B) of the Company's Circular to Shareholders dated 5 October 2016 with Tower REIT provided that such transactions are undertaken in the ordinary course of business, on arm's length basis and on commercial terms which are not more favourable to Tower REIT than those generally available to and/or from the public and are not, in the Company's opinion, detrimental to the minority shareholders;

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

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

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

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

whichever is the earlier;

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

8. **Ordinary Resolution**

Proposed Allocation of Options and/or Grants to Mr Tan Kong Khoon

"**THAT** authority be and is hereby given to the Directors of the Company, from time to time, to offer to Mr Tan Kong Khoon, the President & Chief Executive Officer of the Company, options to subscribe for/purchase such number of ordinary shares of RM1.00 each (unless otherwise adjusted) in the Company ("Shares") and/or grants comprising such number of Shares under the Executive Share Scheme of the Company ("ESS") as they shall deem fit PROVIDED THAT not more than 10% of the Maximum Aggregate, the "Maximum Aggregate" being defined in the bye-laws of the ESS ("Bye-Laws") as an amount equivalent to 10% of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company at any one time, are allotted to him if he, either singly or collectively through persons connected with him, holds 20% or more of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company subject always to such terms and conditions and/or any adjustment which may be made in accordance with the provisions of the Bye-Laws." **(Resolution 10)**

NOTICE OF ANNUAL GENERAL MEETING

9. To consider any other business of which due notice shall have been given.

By Order of the Board

CHRISTINE MOH SUAT MOI
(MAICSA 7005095)
Group Company Secretary

Kuala Lumpur
5 October 2016

NOTES:

1. For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 21 October 2016 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.
2. Save for a member who is an exempt authorised nominee, a member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. A member who is an authorised nominee may appoint not more than two (2) proxies in respect of each securities account it holds. A member who is an exempt authorised nominee for multiple beneficial owners in one securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.
3. Where two (2) or more proxies are appointed, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which the appointment shall be invalid.
4. The Form of Proxy must be deposited at the Registered Office of the Company at Level 8, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than 48 hours before the time and date of the meeting or adjourned meeting.
5. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of a poll.

EXPLANATORY NOTES

1. Resolution 7 on Authority to Directors to Issue Shares

The proposed Ordinary Resolution, if passed, will give a renewed mandate to the Directors of the Company to issue ordinary shares of the Company from time to time provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being ("Renewed Mandate"). The Renewed Mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting ("AGM") of the Company.

As at the date of this Notice, 94,749,101 new ordinary shares of RM1.00 each in the Company were issued by way of renounceable rights issue ("Rights Issue") pursuant to the Specific Mandates granted to the Directors at the last AGM held on 28 October 2015. The proceeds of RM1,099,089,571.60 raised from the Rights Issue have been utilised for part subscription of the Company's entitlement under the renounceable rights issue of Hong Leong Bank Berhad and expenses incidental to the Rights Issue. No new shares in the Company were issued pursuant to the General Mandate granted to the Directors at the last AGM held on 28 October 2015 and which will lapse at the conclusion of the Forty-seventh AGM.

The Renewed Mandate will enable the Directors to take swift action in case of, inter alia, a need for corporate exercises or in the event business opportunities or other circumstances arise which involve the issue of new shares and to avoid delay and cost in convening general meetings to approve such issue of shares.

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES (CONTINUED)

2. Resolutions 8 and 9 on Recurrent Related Party Transactions of A Revenue or Trading Nature

The proposed Ordinary Resolutions, if passed, will empower the Company and its subsidiaries (excluding Hong Leong Bank Berhad and Hong Leong Capital Berhad and their respective subsidiaries) ("HLFG Group") to enter into recurrent related party transactions of a revenue or trading nature which are necessary for HLFG Group's day-to-day operations, subject to the transactions being in the ordinary course of business and on terms which are not more favourable to the related parties than those generally available to the public and are not, in the Company's opinion, detrimental to the minority shareholders of the Company ("Proposed Shareholders' Mandate").

Detailed information on the Proposed Shareholders' Mandate is set out in the Circular to Shareholders dated 5 October 2016 which is despatched together with the Company's 2016 Annual Report.

3. Resolution 10 on Proposed Allocation of Options and/or Grants to Mr Tan Kong Khoon ("Proposed Allocation")

The proposed Ordinary Resolution, if passed, will allow the Directors of the Company to offer to Mr Tan Kong Khoon, who was appointed as President & Chief Executive Officer of the Company on 5 February 2016, options to subscribe for/purchase such number of ordinary shares of RM1.00 each (unless otherwise adjusted) in the Company ("Shares") and/or grants comprising such number of Shares under the Executive Share Scheme of the Company ("ESS"), as part of the Company's efforts to retain, motivate and reward him with an equity stake in the success of the HLFG Group, provided that not more than 10% of the Maximum Aggregate, the Maximum Aggregate being defined in the bye-laws of the ESS ("Bye-Laws") as an amount equivalent to 10% of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company at any one time, are allotted to him if he, either singly or collectively through persons connected with him, holds 20% or more of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company over the period of the ESS.

The ESS, comprising an executive share option scheme ("ESOS") and an executive share grant scheme ("ESGS") which was implemented on 12 March 2013 and 28 February 2014 respectively, is governed by the Bye-Laws and will expire on 11 March 2023.

The option price to subscribe for/purchase such number of Shares under the ESOS to be determined shall not be more than 10% (or such discount as the relevant authorities shall permit) from the 5-day weighted average market price of the Shares preceding the offer date and shall in no event be less than the par value of the Shares. Shares offered under the ESGS will not require any consideration to be payable.

Mr Tan Kong Khoon is deemed interested in the Proposed Allocation. Accordingly, he will abstain from voting, in respect of his direct and/or indirect shareholdings in the Company, if any, on the proposed ordinary resolution in relation to the Proposed Allocation at the Forty-seventh Annual General Meeting of the Company. Mr Tan Kong Khoon will also ensure that persons connected with him will abstain from voting in respect of their direct and/or indirect shareholdings in the Company, if any, on the proposed ordinary resolution in relation to the Proposed Allocation. Save as disclosed, none of the Directors and major shareholders of the Company and/or persons connected with them, has any interest, direct or indirect, in the Proposed Allocation.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

- Details of individuals who are standing for election as Directors

  No individual is seeking election as a Director at the forthcoming Forty-seventh Annual General Meeting of the Company.

- Statement relating to general mandate for issue of securities in accordance with Paragraph 6.03(3) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

  Details of the general mandate to issue securities in the Company pursuant to Section 132D of the Companies Act, 1965 are set out in Explanatory Note 1 of the Notice of Forty-seventh Annual General Meeting.

OTHER INFORMATION

1. MATERIAL CONTRACTS

Save as disclosed below, 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:

(a) The letter of undertaking dated 14 July 2015 provided by Hong Leong Financial Group Berhad ("HLFG") to Hong Leong Bank Berhad ("HLB") to subscribe and/or procure the subscription in full for its entitlement to the new ordinary shares of RM1.00 in HLB ("HLB Shares") issued pursuant to the renounceable rights issue of new HLB Shares to raise gross proceeds of up to RM3.0 billion ("HLB Rights Issue");

(b) The letter of undertaking dated 14 July 2015 provided by Hong Leong Equities Sdn Bhd, a wholly-owned subsidiary of HLFG, to HLB to subscribe and/or procure the subscription in full for its entitlement to the new HLB Shares issued pursuant to the HLB Rights Issue;

(c) The letter of undertaking dated 14 July 2015 provided by Hong Leong Company (Malaysia) Berhad ("HLCM") to HLFG to subscribe and/or procure the subscription in full for its entitlement to the new ordinary shares of RM1.00 in HLFG ("HLFG Shares") issued pursuant to the renounceable rights issue of new HLFG Shares to raise gross proceeds of up to RM1.1 billion ("HLFG Rights Issue"); and

(d) The letter of undertaking dated 14 July 2015 provided by Guoco Assets Sdn Bhd to HLFG to subscribe and/or procure the subscription in full for its entitlement to the new HLFG Shares issued pursuant to the HLFG Rights Issue.

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2016

Authorised share capital	:	RM2,000,000,000
Issued & paid-up capital	:	RM1,147,516,890
Class of shares	:	Ordinary shares of RM1.00 each
Voting rights	:	1 vote for each share held

Distribution Schedule of Shareholders as at 30 August 2016

Size of Holdings	No. of Shareholders	%	No. of Shares	%
Less than 100	312	8.12	6,916	0.00
100 – 1,000	687	17.89	420,307	0.04
1,001 – 10,000	1,746	45.46	6,547,586	0.57
10,001 – 100,000	831	21.63	26,043,113	2.27
100,001 – less than 5% of issued shares	263	6.85	227,398,872	19.82
5% and above of issued shares	2	0.05	887,100,096	77.30
	3,841	100.00	1,147,516,890	100.00

OTHER INFORMATION

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

List of Thirty Largest Shareholders as at 30 August 2016

Name of Shareholders	No. of Shares	%
1. Assets Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	595,982,955	51.93
2. Assets Nominees (Asing) Sdn Bhd - Guoco Assets Sdn Bhd	291,117,141	25.37
3. Citigroup Nominees (Asing) Sdn Bhd - ING Bank N.V.	20,931,523	1.82
4. HSBC Nominees (Asing) Sdn Bhd - Exempt AN for The Bank Of Nova Scotia Asia Limited	9,009,177	0.79
5. Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	8,583,710	0.75
6. Assets Nominees (Tempatan) Sdn Bhd - Soft Portfolio Sdn Bhd	6,602,130	0.58
7. Citigroup Nominees (Asing) Sdn Bhd - CBNY for The Bank Of Nova Scotia	6,562,018	0.57
8. Cartaban Nominees (Asing) Sdn Bhd - Exempt AN for State Street Bank & Trust Company (West Clt OD67)	6,077,282	0.53
9. Cartaban Nominees (Tempatan) Sdn Bhd - Exempt AN for Eastspring Investments Berhad	5,597,150	0.49
10. Tan Sri Dato' Seri Khalid Ahmad Bin Sulaiman	5,544,000	0.48
11. Tan Sri Quek Leng Chan	5,438,664	0.47
12. Chua Holdings Sdn Bhd	4,967,949	0.43
13. DB (Malaysia) Nominee (Asing) Sdn Bhd - Exempt AN for Bank of Singapore Limited	4,762,710	0.42
14. Hong Bee Hardware Company, Sdn. Berhad	4,730,506	0.41
15. HSBC Nominees (Asing) Sdn Bhd - BBH And Co Boston for Vanguard Emerging Markets Stock Index Fund	3,965,015	0.35
16. MTrustee Berhad - Exempt AN for Hong Leong Financial Group Berhad (HLA-ESOS)	3,963,900	0.35

OTHER INFORMATION

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

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

Name of Shareholders	No. of Shares	%
17. Citigroup Nominees (Asing) Sdn Bhd - Exempt AN for Citibank New York (Norges Bank 9)	3,736,994	0.33
18. Pertubuhan Keselamatan Sosial	3,660,000	0.32
19. Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (Affin-Hwg)	3,555,199	0.31
20. AMSEC Nominees (Tempatan) Sdn Bhd - AmBank (M) Berhad (Hedging)	3,543,481	0.31
21. Cartaban Nominees (Asing) Sdn Bhd - GIC Private Limited for Government Of Singapore (C)	3,335,736	0.29
22. Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (Nomura)	3,289,152	0.29
23. Citigroup Nominees (Asing) Sdn Bhd - Exempt AN for Citibank New York (Norges Bank 14)	3,249,020	0.28
24. HSBC Nominees (Asing) Sdn Bhd - Exempt AN for JPMorgan Chase Bank, National Association (U.S.A.)	2,924,615	0.25
25. Citigroup Nominees (Asing) Sdn Bhd - CBNY for Dimensional Emerging Markets Value Fund	2,751,033	0.24
26. Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (F Templeton)	2,552,697	0.22
27. Quek Kon Sean	2,452,500	0.21
28. Kheng Lim Holdings Sdn Bhd	2,292,492	0.20
29. RHB Capital Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Poh Soon Sim (CEB)	2,164,086	0.19
30. RHB Capital Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Choong Yee How	2,071,000	0.18
	1,025,413,835	89.36

OTHER INFORMATION

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

Substantial Shareholders

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

	Direct		Indirect	
Shareholders	**No. of shares**	**%**	**No. of shares**	**%**
Hong Leong Company (Malaysia) Berhad	595,982,955	51.94	291,121,141	25.37[A]
Tan Sri Quek Leng Chan	5,438,664	0.47	898,436,732	78.29[B]
HL Holdings Sdn Bhd	–	–	887,104,096	77.31[C]
Kwek Holdings Pte Ltd	–	–	891,834,602	77.72[B]
Kwek Leng Beng	1,315,841	0.11	891,834,602	77.72[B]
Hong Realty (Private) Limited	–	–	891,834,602	77.72[B]
Hong Leong Investment Holdings Pte Ltd	–	–	891,834,602	77.72[B]
Davos Investment Holdings Private Limited	–	–	891,834,602	77.72[B]
Kwek Leng Kee	–	–	891,834,602	77.72[B]
Quek Leng Chye	2,098,359	0.18	891,834,602	77.72[B]
Guoco Assets Sdn Bhd	291,117,141	25.37	–	–
GuoLine Overseas Limited	–	–	291,117,141	25.37[D]
Guoco Group Limited	–	–	291,117,141	25.37[D]
GuoLine Capital Assets Limited	–	–	291,117,141	25.37[D]

Notes:

A Held through subsidiary(ies)
B Held through Hong Leong Company (Malaysia) Berhad ("HLCM") and company(ies) in which the substantial shareholder has interest
C Held through HLCM
D Held through Guoco Assets Sdn Bhd

3. DIRECTORS' INTERESTS AS AT 30 AUGUST 2016

Subsequent to the financial year end, there is no change, as at 30 August 2016, to the Directors' interests in the ordinary shares, preference shares and/or options over ordinary shares or convertible bonds of the Company and/or its related corporations (other than wholly-owned subsidiaries), appearing in the Directors' Report on pages 59 to 62 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 except for the changes set out below:

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

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

OTHER INFORMATION

LIST OF PROPERTIES HELD AS AT 30 JUNE 2016

No.	Location	Tenure	Description of property held	Gross Area (Sq–ft)	Approx. Age (Years)	Net book value (RM'000)	Date of acquisition
1	No. 1, Light Street Georgetown 10200 Pulau Pinang	Freehold	Branch premises	20,594	82	7,450	30/12/1986
2	No. 15-G-1, 15-1-1 & 15-2-1 Medan Kampung Relau Bayan Point 11900 Pulau Pinang	Freehold	Branch premises	9,968	17	2,114	26/06/1997
3	No. 42, Jalan Pending 93450 Kuching Sarawak	Leasehold - 859 years (31/12/2779)	Branch premises	4,425	34	1,664	27/12/1983
4	No. 133, 135 & 137 Jalan Kampong Nyabor 96000 Sibu Sarawak	Freehold	Branch premises	4,871	24	2,955	28/12/1992
5	Jungle land at Sungai Lisut Rejang Sarawak Occupation Ticket 612 of 1931	Leasehold - 99 years (31/12/2026)	Jungle land	1,217,938	n/a	1	31/12/1938
6	No. 25 & 27, Jalan Tun Ismail 25000 Kuantan Pahang Darul Makmur	Freehold	Branch premises	1,600	25	1,181	29/06/1996
7	No. 69, 70 & 71, Jalan Dato' Bandar Tunggal 70000 Seremban Negeri Sembilan Darul Khusus	Freehold	Branch premises	6,000	Pre–war	1,436	27/12/1994
8	No. 26, Lorong Rahim Kajai 14 Taman Tun Dr Ismail 60000 Kuala Lumpur	Freehold	Branch premises	3,750	30	511	30/12/1986
9	No. 120-122, Jalan Mersing 86000 Kluang Johor Darul Takzim	Leasehold - 99 years (22/08/2063)	Branch premises	3,355	50	580	31/05/1990
10	No. 100, Jalan Gurney 72100 Bahau Negeri Sembilan Darul Khusus	Freehold	Branch premises	5,107	30	2,172	25/06/1992
11	No. 12, 14 & 16, Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Takzim	Freehold	Branch premises	4,174	25	3,585	25/06/1992
12	No. 6, Jalan Merdeka 96100 Sarikei Sarawak	Leasehold - 60 years (31/12/2029)	Vacant	2,240	47	66	18/10/1969

OTHER INFORMATION

No.	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM'000)	Date of acquisition
13	No. 63 & 65, Jalan SS 23/15 47400 Petaling Jaya Selangor Darul Ehsan	Freehold	Branch premises	4,760	21	3,238	28/04/1997
14	No. 24, Medan Taming 2 Taman Taming Jaya 43300 Balakong Selangor Darul Ehsan	Freehold	Branch premises	3,037	20	1,007	28/04/1997
15	No. 1, Jalan Takal 15/21 Seksyen 15 40000 Shah Alam Selangor Darul Ehsan	Leasehold - 99 years (29/06/2086)	Branch premises	2,625	29	1,186	26/06/1997
16	Lots 3594 & 3595 Jalan Baru Pak Sabah 23000 Dungun Terengganu Darul Iman	Leasehold - 84 years (02/02/2079)	Branch premises	3,199	22	204	26/06/1997
17	Lot 3073 & 3074, Jalan Abang Galau, 97000 Bintulu, Sarawak	Leasehold - 60 years (12/02/2056)	Branch premises	2,582	19	1,054	26/06/1997
18	Lot 34, Putra Industrial Park 47000 Sungai Buloh Selangor Darul Ehsan	Freehold	Warehouse	96,219	20	2,649	26/01/1995
19	No. 1540, Jalan Sultan Badlishah 05000 Alor Setar Kedah Darul Aman	Leasehold - 60 years (19/07/2030)	Vacant	10,619	41	32	30/06/1977
20	No. 9A & 9B, Jalan Kampong Baru 08000 Sungai Petani Kedah Darul Aman	Freehold	Branch premises	9,320	23	798	01/01/1994
21	No. 45, Jalan Burma 10500 Pulau Pinang	Freehold	Branch premises	14,277	38	1,925	24/11/1978
22	No. 33A-C, Lintang Angsana Bandar Baru Air Hitam 11500 Pulau Pinang	Leasehold - 83 years (08/04/2082)	Storage	4,394	21	373	26/12/1995
23	No. 55-57, Jalan Yang Kalsom 30250 Ipoh Perak Darul Ridzuan	Freehold	Branch premises	11,720	37	1,010	01/10/1984
24	No. 27, Jalan Dewangsa 31000 Batu Gajah Perak Darul Ridzuan	Leasehold - 79 years (26/02/2078)	Branch premises	4,694	21	257	24/11/1995
25	No. 75, Jalan Sultan Idris Shah 30000 Ipoh Perak Darul Ridzuan	Freehold	Branch premises	1,900	19	616	15/06/1998

OTHER INFORMATION

No.	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM'000)	Date of acquisition
26	No. 80 & 82, Jalan Othman 1/14 46000 Petaling Jaya Selangor Darul Ehsan	Leasehold - 90 years (15/06/2089)	Branch premises	9,062	26	918	01/06/1994
27	No. 19, Jalan 54, Desa Jaya 52100 Kepong Selangor Darul Ehsan	Leasehold - 99 years (08/03/2081)	Branch premises	5,859	34	331	29/11/1985
28	No. 55, Jalan Pasar 55100 Kuala Lumpur	Freehold	Branch premises	4,313	36	304	01/04/1980
29	Lot 111, Jalan Mega Mendung Kompleks Bandar Off Jalan Klang Lama 58200 Kuala Lumpur	Leasehold - 99 years (11/10/2076)	Branch premises	4,978	36	426	31/07/1988
30	No. 161, Jalan Imbi 55100 Kuala Lumpur	Freehold	Vacant	2,454	20	2,691	14/02/1996
31	No. 8A-C, Jalan Station 80000 Johor Bahru Johor Darul Takzim	Freehold	Branch premises	12,854	23	379	22/10/1977
32	No. 109, Main Road 83700 Yong Peng Johor Darul Takzim	Freehold	Branch premises	2,740	28	205	01/09/1988
33	No. 26 & 28, Jalan Mersing 80050 Johor Bahru Johor Darul Takzim	Freehold	Vacant	7,040	32	1,205	22/05/1995
34	No. 1, Bentong Heights 28700 Bentong Pahang Darul Makmur	Freehold	Branch premises	5,432	48	33	30/06/1977
35	No. 36, Main Road Tanah Rata 39000 Cameron Highland Pahang Darul Makmur	Leasehold - 99 years (24/11/2039)	Branch premises	1,728	76	106	30/08/1982
36	W-1-0, W-2-0 & W-1-1 Subang Square Business Centre Jalan SS15/4G 47500 Subang Jaya Selangor Darul Ehsan	Freehold	Branch premises	4,545	17	1,275	18/12/1999
37	No. 2828-G-02 & 2828-1-02 Jalan Bagan Luar 12000 Butterworth Pulau Pinang	Freehold	Branch premises	12,173	17	2,424	18/12/1999
38	Lots 568-G-17 & 568-1-17 Kompleks Mutiara 3 1/2 Mile Jalan Ipoh 51200 Kuala Lumpur	Freehold	Vacant	4,945	17	2,220	23/11/1999

OTHER INFORMATION

No.	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM'000)	Date of acquisition
39	Plot No 20, Jalan Bidor Raya 35500 Bidor Perak Darul Ridzuan	Freehold	Branch premises	3,243	17	470	23/11/1999
40	No. 1, Persiaran Greentown 2 Greentown Business Centre 30450 Ipoh Perak Darul Ridzuan	Leasehold - 99 years (21/11/2094)	Branch premises	7,870	16	1,627	23/11/1999
41	Lots 39 & 40 Kompleks Munshi Abdullah 75100 Melaka	Leasehold - 99 years (24/02/2084)	Branch premises	5,988	17	1,188	31/05/1991
42	No. 1 & 2 Jalan Raya, 09800 Serdang Kedah Darul Aman	Freehold	Branch premises	5,840	15	360	20/09/2000
43	No. 133 & 135, Jalan Gopeng 31900 Kampar Perak Darul Ridzuan	Freehold	Branch premises	4,700	15	333	13/12/2000
44	No. 65-67, Jalan Tun HS Lee 50000 Kuala Lumpur	Freehold	Vacant	2,223	20	4,754	14/10/1996
45	No. 64, Jalan Tun Mustapha 87007 Labuan	Leasehold - 999 years (28/12/2881)	Branch premises	1,370	25	424	30/05/1991
46	No. 159, Jalan Imbi 55100 Kuala Lumpur	Freehold	Vacant	1,688	11	2,559	25/11/2005
47	No. 163, Jalan Imbi 55100 Kuala Lumpur	Freehold	Vacant	1,688	11	2,637	25/10/2005
48	No. 114 & 116, Jalan Cerdas Taman Connaught 56000 Kuala Lumpur	Leasehold - 99 years (16/10/2078)	Branch premises	12,200	10	3,739	07/06/2006
49	Lot A08-A09 Jalan SS 6/5A Dataran Glomac Pusat Bandar Kelana Jaya 47301 Petaling Jaya	Freehold	Branch premises	9,800	10	2,661	06/07/2006
50	No. 2 Jalan Puteri 2/4, Bandar Puteri, Puchong 47100 Selangor Darul Ehsan	Freehold	Branch premises	11,850	9	5,103	26/06/2007
51	Tower A PJ City Development 46100 Petaling Jaya, Selangor	Leasehold - 99 years (14/08/2094)	Branch premises	194,489	8	75,803	21/07/2008

OTHER INFORMATION

No.	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM'000)	Date of acquisition
52	OUG No.2, Lorong 2/137C, Off Jalan Kelang Lama, 58200 Kuala Lumpur	Leasehold - 99 years (year 2088)	Branch Premises	17,300	6	5,102	01/04/2011
53	KEP Lot No 77C & 77D, Lot No.58529 Jalan Kepong, 52100 Kuala Lumpur	Leasehold - 99 years (07/01/2101)	Branch Premises	30,613	6	8,708	01/05/2011
54	No. 122, Kapit By-Pass 96807 Kapit, Sarawak	Leasehold - 60 years 29/04/2045	Branch Premises	1,200	23	159	30/04/1985
55	No. 12A, Block B Level 2, Fraser's Hill Condominium 49000 Bukit Fraser's Pahang Darul Makmur	Leasehold - 99 years 23/05/2082	1 unit apartment	1,792	29	128	24/05/1983
56	No. 9, Jalan Cheng Lock 50000 Kuala Lumpur Wilayah Persekutuan	Freehold	Vacant	2,199	43	291	18/09/1972
57	No. 3, Jalan Bandar Satu Pusat Bandar Puchong 47100 Puchong Selangor Darul Ehsan	Freehold	Branch Premises	4,687	21	1,828	03/04/1997
58	No. 32 & 34, Jalan 21/19 Sea Park 46300 Petaling Jaya Selangor Darul Ehsan	Freehold	Branch Premises	3,080	53	2,149	19/08/1997
59	No. 1, Jalan Goh Hock Huat 41400 Klang Selangor Darul Ehsan	Freehold	Centre	2,776	33	1,529	09/07/1998
60	No. 26 & 27, Jalan Kenari 1 Bandar Puchong Jaya 47100 Puchong Selangor Darul Ehsan	Freehold	Branch Premises	3,600	20	1,448	22/01/1999
61	No. 2, Jalan PJU 5/8 Dataran Sunway, Kota Damansara 47810 Petaling Jaya Selangor Darul Ehsan	Leasehold - 99 years 23/11/2100	Branch Premises	12,892	12	3,491	12/02/2005
62	No. J09-6 and J02-06 Paradise Lagoon Holiday Apartment, Batu 3 1/2 Jalan Pantai 70100 Port Dickson Negeri Sembilan Darul Khusus	Leasehold - 99 years 06/07/2087	2 units apartment	2,088	20	203	21/04/1994

OTHER INFORMATION

No.	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM'000)	Date of acquisition
63	No. S-3, Kompleks Negeri Jalan Dr. Krishnan 70000 Seremban Negeri Sembilan Darul Khusus	Leasehold - 99 years 30/01/2078	Storage for branches	1,680	32	266	29/06/1981
64	Lot 4 & 5, Jalan TMR 1 Taman Melaka Raya 75000 Melaka	Leasehold - 99 years 20/03/2094	Vacant	3,132	20	530	17/04/1998
65	No. 67 & 69, Jalan Merdeka 75000 Taman Merdeka Raya Melaka	Leasehold - 99 years 07/07/2093	Branch Premises	3,080	21	674	15/08/1999
66	No. 21 & 23, Jalan Indah 15/1 Bukit Indah, 81200 Johor Bahru Johor Darul Takzim	Freehold	Branch Premises	5,090	14	1,451	27/05/2002
67	No. 35, 37 & 39 Jalan Johor Satu Taman Desa Cemerlang 81800 Ulu Tiram Johor Darul Takzim	Freehold	Branch Premises	13,965	13	2,035	12/02/2003
68	No. 21, Jalan Permas 10/1 Bandar Baru Permas Jaya 81750 Masai Johor Darul Takzim	Freehold	Branch Premises	2,624	19	1,019	05/04/1999
69	No. C05-07 Genting Permai Park & Resort 6th Mile 69000 Genting Highland Pahang Darul Makmur	Freehold	1 unit apartment	1,029	17	182	09/02/1996
70	No. B-278 & B-280 Jalan Beserah 25300 Kuantan Pahang Darul Makmur	Freehold	Branch Premises	3,208	15	1,442	04/08/1999
71	No. 31, 33, 35 & 37 Jalan Usahaniaga 1 Taman Niagajaya 14000 Bukit Mertajam Seberang Perai Tengah, Penang	Freehold	Branch Premises	15,844	13	1,163	10/07/2003
72	Lot 171, Jalan Council 95000 Bandar Sri aman Sarawak	Leasehold - 60 years 20/06/2050	Branch Premises	1,740	20	151	21/06/1990
73	Lot No. 2013, Jalan Pisang Barat 93150 Kuching Sarawak	Leasehold - 99 years 31/12/2038	Storage	1,390	23	–	23/09/1992

OTHER INFORMATION

No.	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM'000)	Date of acquisition
74	No: 3/G14, 3/G15 & 3/G16 Block 3, Lorong Api-Api 2 Api-Api Centre 88000 Kota Kinabalu Sabah	Leasehold - 99 years 31/12/2086	Branch Premises	4,141	21	1,817	04/02/1997
75	No. 177, Limbok Hill 70000 Seremban, Negeri Sembilan Darul Khusus	Freehold	Single-storey Detached house	6,730	43	11	16/08/1972
76	No. 11, Jalan Emas 2 Taman Emas Cheras 43200 Cheras, Selangor	Freehold	Storage	5,804	23	–	25/05/1993
77	No. 53 & 55, Jalan Sultan Ismail 50250 Kuala Lumpur	Freehold	Branch Premises	9,600	19	17,547	01/06/2015
78	No. 9, Jalan Kundang, Taman Bukit Pasir 83000 Batu Pahat Johor Darul Takzim	Freehold	Branch Premises	7,060	34	2,677	01/06/2015
79	No. 300, Jalan Jelutong 11600 Pulau Pinang	Freehold	Branch Premises	16,652	14	14,603	23/06/2015
80	Lot 1, Block 35, Fajar Commercial Complex Jalan Lembaga 91000 Tawau, Sabah	Leasehold - 998 years (31/12/2895)	Branch Premises	13,880	44	5,129	17/08/2015
81	Lot 942 Jalan Parry 98000 Miri Sarawak	Leasehold - 60 Years (06/04/2057)	Branch premises	5,496	19	862	31/01/1997
82	Lot 1, 2 & 3, Block 18, Bandar Indah Mile 4, North Road Bandar Indah Sandakan, Sabah	Freehold	Branch premises	6,760	16	1,940	08/11/2001
83	No 3 Persiaran Greentown 4 Greentown Business Centre 30450 Ipoh	Leasehold - 99 Years (21/11/2094)	Branch premises	8,846	21	476	04/12/1995
84	Bangunan HLA 7 Jalan Yayasan 86000 Kluang	Leasehold - 99 Years (23/03/2084)	Branch premises	6,019	27	403	30/12/1989
85	Wisma Hong Leong 18 Jalan Perak 50450 Kuala Lumpur	Freehold	Office premises	333,594	15	262,800	13/11/2001

OTHER INFORMATION

No.	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM'000)	Date of acquisition
86	Unit 2.1.2, 1A Stonor Condominium Off Jalan Conlay 50450 Kuala Lumpur	Leasehold - 99 Years (17/07/2083)	Condominium	1,904	23	521	30/06/1993
87	Unit 1.1.5, 1A Stonor Condominium Off Jalan Conlay 50450 Kuala Lumpur	Leasehold - 99 Years (17/07/2083)	Condominium	1,815	23	497	30/06/1993
88	14-23 Darul Aman Jalan Tun Ismail 25000 Kuantan Pahang	Freehold	Branch premises	5,610	23	470	21/02/1993
89	No 1 Persiaran Greentown 4 Pusat Perdagangan Greentown 30450 Ipoh Perak	Leasehold - 99 Years (21/11/2094)	Branch premises	5,246	21	503	04/12/1995
90	13-2B 2nd Floor Jalan Perdana 6/6 Pandan Perdana 55300 Kuala Lumpur	Leasehold - 99 Years (11/12/2088)	Apartment	468	12	60	2004
91	Block B, PJ City Jalan 219 Seksyen 51A 46100 Petaling Jaya Selangor	Leasehold - 99 Years (12/12/2107)	Office premises	202,194	8	64,470	29/04/2008
92	31 & 32 Jalan Kundang Taman Bukit Pasir 46100 Petaling Jaya Selangor	Freehold	Branch premises	8,932	24	1,477	31/12/2013
93	Menara Raja Laut No. 288 Jalan Raja Laut 50350 Kuala Lumpur Wilayah Persekutuan	Freehold	Office premises	839,574	23	226,594	06/04/2015
94	51-53, Persiaran Greenhill 30450 Ipoh, Perak	Freehold & leasehold - 999 years	Branch premises	4,793	22	1,844	31/12/1993
95	Unit 1-10, 8th Floor Island Place Tower, Island Place No 510 King's Road Hong Kong	Leasehold - 55 Years (30/06/2047)	Office premises	20,000	21	54,118	22/02/2010

FORM OF PROXY

HongLeong Financial Group Berhad (8024-W)

I/We ____________________

NRIC/Passport/Company No. ____________________

of ____________________

being a member of HONG LEONG FINANCIAL GROUP 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 Forty-seventh Annual General Meeting of the Company to be held at the Theatrette, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Thursday, 27 October 2016 at 11.30 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 approve the payment of Director Fees		
2.	To re-elect Mr Tan Kong Khoon as a Director		
3.	To re-elect Mr Saw Kok Wei as a Director		
4.	To re-appoint YBhg Tan Sri Quek Leng Chan as a Director pursuant to Section 129 of the Companies Act, 1965		
5.	To re-appoint YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman as a Director pursuant to Section 129 of the Companies Act, 1965		
6.	To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and authorise the Directors to fix their remuneration.		
Special Business			
7.	To approve the ordinary resolution on Authority to Directors to Issue Shares		
8.	To approve the ordinary resolution on the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Hong Leong Company (Malaysia) Berhad ("HLCM") and Persons Connected with HLCM		
9.	To approve the ordinary resolution on the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Tower Real Estate Investment Trust		
10	To approve the ordinary resolution on the Proposed Allocation of Options and/or Grants to Mr Tan Kong Khoon		

Dated this .... day of 2016

Number of shares held

Signature(s) of Member

Notes:

1. For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 21 October 2016 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.
2. If you wish to appoint other person(s) to be your proxy, insert the name(s) and address(es) of the person(s) desired in the space so provided.
3. If there is no indication as to how you wish your vote(s) to be cast, the proxy will vote or abstain from voting at his/her discretion.
4. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
5. Save for a member who is an exempt authorised nominee, a member shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. A member who is an exempt authorised nominee for multiple beneficial owners in one securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.
6. Where two (2) or more proxies are appointed, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which the appointments shall be invalid (please see note 9 below).
7. In the case where a member is a corporation, this Form of Proxy must be executed under its Common Seal or under the hand of its Attorney.
8. All Forms of Proxy must be duly executed and deposited at the Registered Office of the Company at Level 8, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than 48 hours before the time and date of the meeting or adjourned meeting.
9. In the event two (2) or more proxies are appointed, please fill in the ensuing section:

Name of Proxies	**% of shareholdings to be represented**

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

Fold this flap for sealing

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AFFIX
STAMP

The Group Company Secretary

HONG LEONG FINANCIAL GROUP BERHAD
(Company No. 8024-W)

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

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