Hong Leong Financial Group Berhad

Annual Report 2019

Corporate

Financials

Additional Information

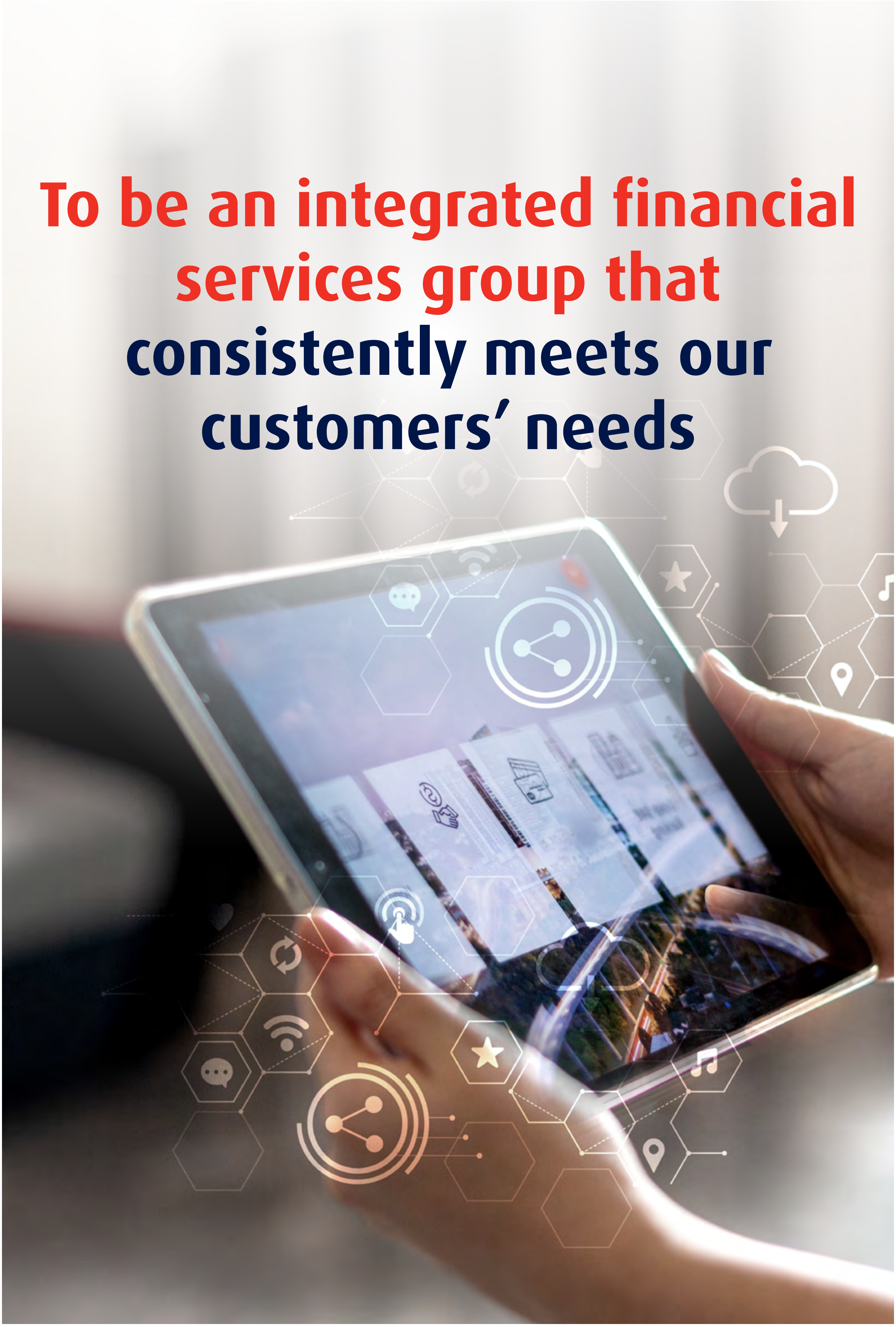
Scan the QR Code by following these simple steps:

Get it
Download the "QR Code Reader" app from Google Play (Android Market), BlackBerry AppWorld, App Store (iOS/iPhone) or Windows Phone Store

Run it
Run the QR Code Reader app and point your camera at the QR Code

Access it
Get access to Hong Leong Financial Group's website

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



Introduction

Hong Leong Financial Group Berhad offers an integrated suite of conventional and Islamic financial products and services which enables it to reach out and connect with customers not only in Malaysia, but throughout the region.

Commercial and Islamic Banking

- Personal Financial Services
- Business & Corporate Banking
- Global Markets
- Islamic Banking

Investment Banking

- Investment Banking
- Stockbroking
- Asset Management

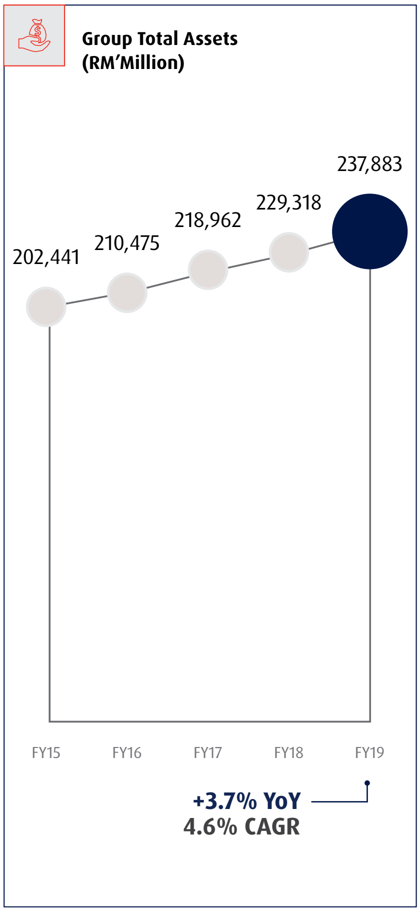
Insurance and Takaful

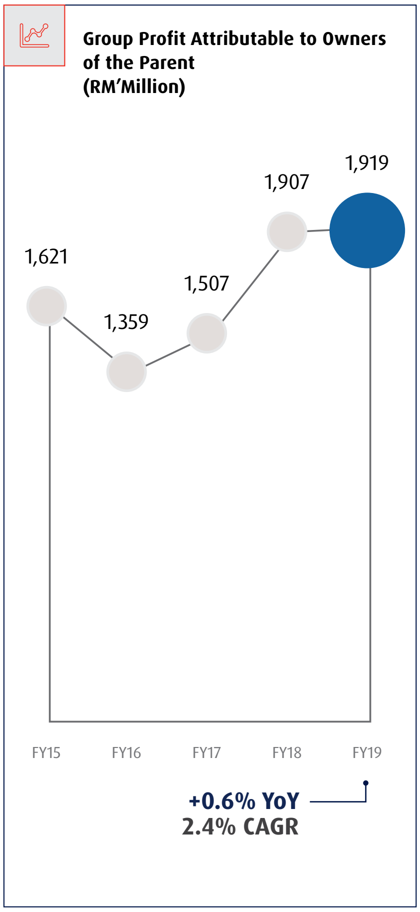
- Life Insurance
- Family Takaful

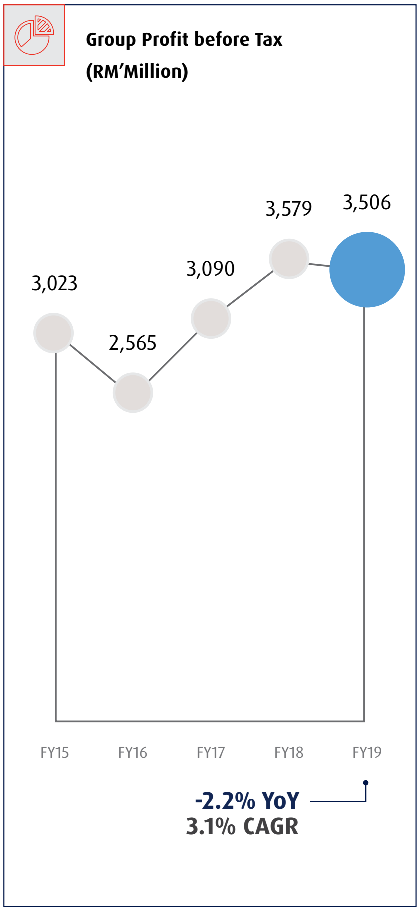
Core Values

- Quality
- Progress
- Entrepreneurship
- Social Responsibility
- Innovation
- Human Resource
- Honour
- Unity

Five Year Group **Financial Highlights**

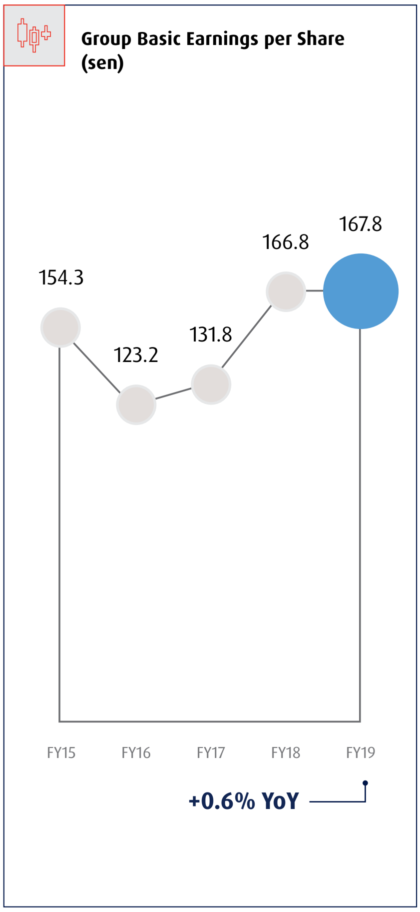


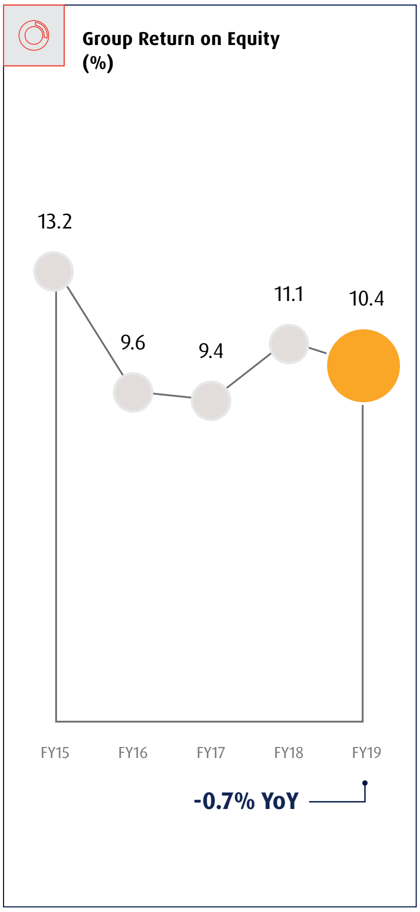


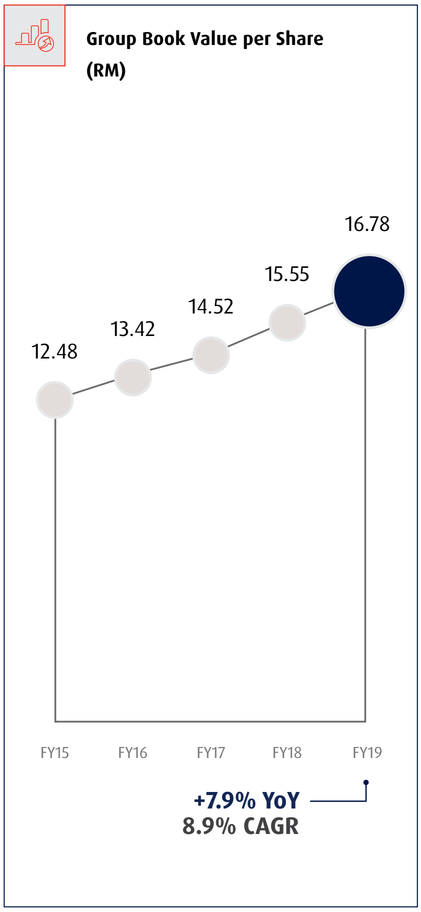


The Group	FY15 RM'Million	FY16 RM'Million	FY17 RM'Million	FY18 RM'Million	FY19 RM'Million
Statements of Financial Position					
Total assets	202,441	210,475	218,962	229,318	**237,883**
Net loans	113,112	120,445	124,812	128,851	**137,058**
Total liabilities	182,976	187,297	193,930	202,638	**209,282**
Deposits from customers	140,955	149,491	154,458	156,883	**161,888**
Shareholders' funds	13,111	15,341	16,609	17,804	**19,097**
Commitments and contingencies	157,622	159,473	171,332	177,098	**174,186**
Statements of Income					
Revenue	4,491	4,543	5,035	5,351	**5,278**
Profit before tax	3,023	2,565	3,090	3,579	**3,506**
Net profit	2,460	2,064	2,317	2,895	**2,914**
Profit attributable to owners of the parent	1,621	1,359	1,507	1,907	**1,919**

Five Year Group Financial Highlights

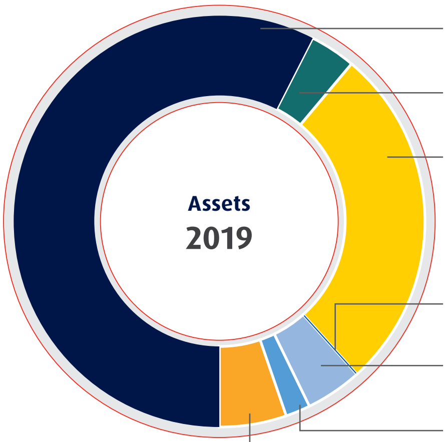




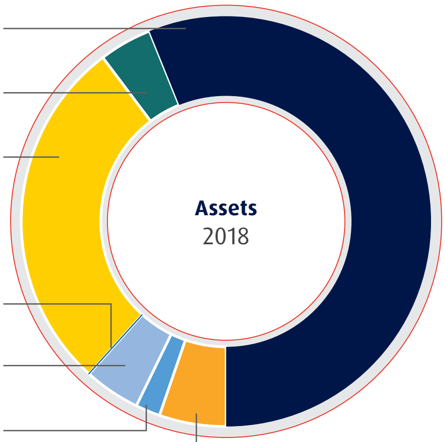


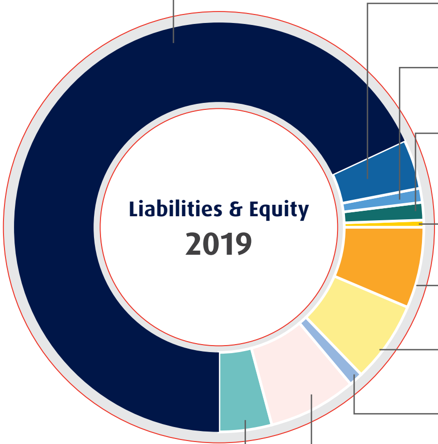
The Group	FY15 RM'Million	FY16 RM'Million	FY17 RM'Million	FY18 RM'Million	FY19 RM'Million
Key Performance Indicators					
Share price (RM)	15.16	14.68	16.80	18.00	**18.54**
Book value per share (RM)	12.48	13.42	14.52	15.55	**16.78**
Basic earnings per share (sen)	154.3	123.2	131.8	166.8	**167.8**
Net dividend per share (sen)	38.0	38.0	38.0	40.0	**42.0**
Financial Ratios (%)					
Profitability Ratios					
Return on equity	13.2%	9.6%	9.4%	11.1%	**10.4%**
Return on average assets	0.8%	0.7%	0.7%	0.9%	**0.8%**
Cost/income ratio	44.5%	50.3%	44.1%	42.9%	**45.1%**
Asset Quality/Loan Ratios					
Gross loans to deposits ratio	81.2%	81.3%	81.6%	82.8%	**85.4%**
Gross impaired loans ratio	0.8%	0.8%	1.0%	0.9%	**0.8%**

Simplified Group Statements of **Financial Position**

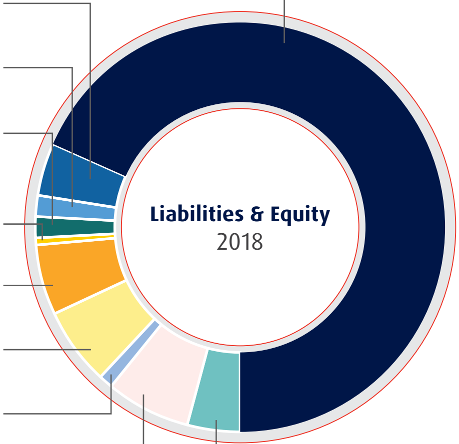


2019		2018
57.6%	Loans, advances and financing	56.2%
3.6%	Cash and short-term funds	4.3%
27.4%	Portfolio of securities	28.0%
-	Securities purchased under resale agreements	0.02%
4.2%	Deposits and placements with banks and other FI	4.4%
2.0%	Statutory deposits with Central Banks	1.9%
5.2%	Other assets (including goodwill)	5.2%





2019		2018
68.1%	Deposits from customers	68.4%
4.1%	Deposits and placements of banks and other FI	4.1%
1.0%	Obligations on securities sold under repurchase agreements	1.7%
1.5%	Borrowings and subordinated obligations	1.8%
0.5%	Additional Tier 1 and Innovative Tier 1 capital securities	0.4%
6.3%	Insurance funds	5.8%
6.4%	Other liabilities	6.1%
1.0%	Share capital	1.0%
7.1%	Reserves (net of treasury shares for ESOS)	6.8%
4.0%	Non-controlling interests	3.9%



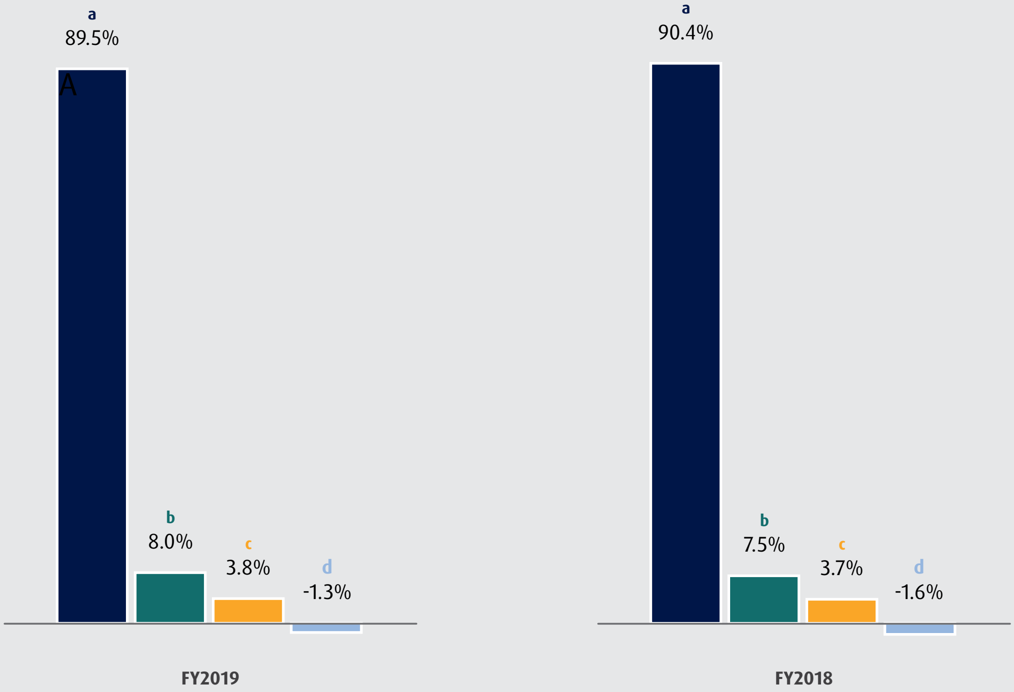
Group Quarterly
Financial Performance

	2019				
RM'Million	**Q1**	**Q2**	**Q3**	**Q4**	**Year**
Statements of Income					
Revenue	1,383	1,245	1,308	1,342	5,278
Profit before tax	929	878	859	840	3,506
Net Profit	769	732	702	711	2,914
Profit attributable to owners of the parent	505	482	463	469	1,919
Key Performance Indicators					
Share price (RM)	19.3	18.6	19.2	18.5	18.5
Book Value per Share (RM)	15.9	16.2	16.7	16.8	16.8
Basic earnings per share (sen)	44.2	42.1	40.5	41.0	167.8
Dividend per share (sen)	-	13.0	-	29.0	42.0

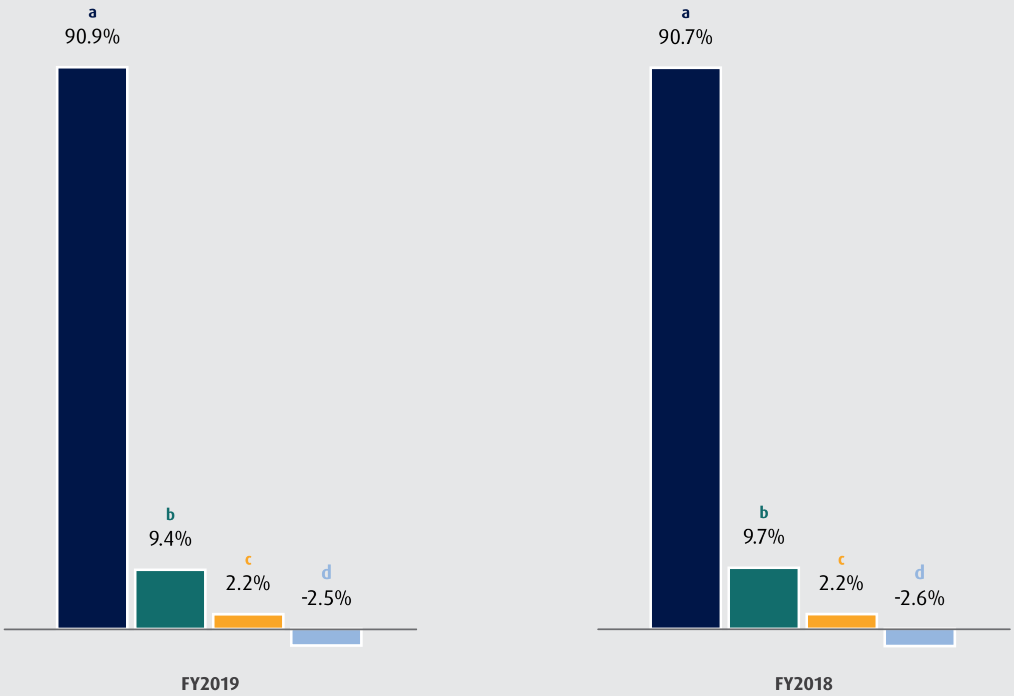
	2018				
RM'Million	**Q1**	**Q2**	**Q3**	**Q4**	**Year**
Statements of Income					
Revenue	1,279	1,366	1,386	1,320	5,351
Profit before tax	840	925	943	871	3,579
Net Profit	690	750	762	693	2,895
Profit attributable to owners of the parent	455	495	503	454	1,907
Key Performance Indicators					
Share price (RM)	16.6	17.9	19.3	18.0	18.0
Book Value per Share (RM)	14.9	15.1	15.4	15.6	15.6
Basic earnings per share (sen)	39.8	43.3	43.9	39.7	166.8
Dividend per share (sen)	-	13.0	-	27.0	40.0

Segmental Information

Operating Revenue
By Business Segment



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

FY2019 42.0 sen **5.0% YoY**
FY2018 40.0 sen

Share Price

FY2019 RM18.54 **3.0% YoY**
FY2018 RM18.00

Market Capitalisation

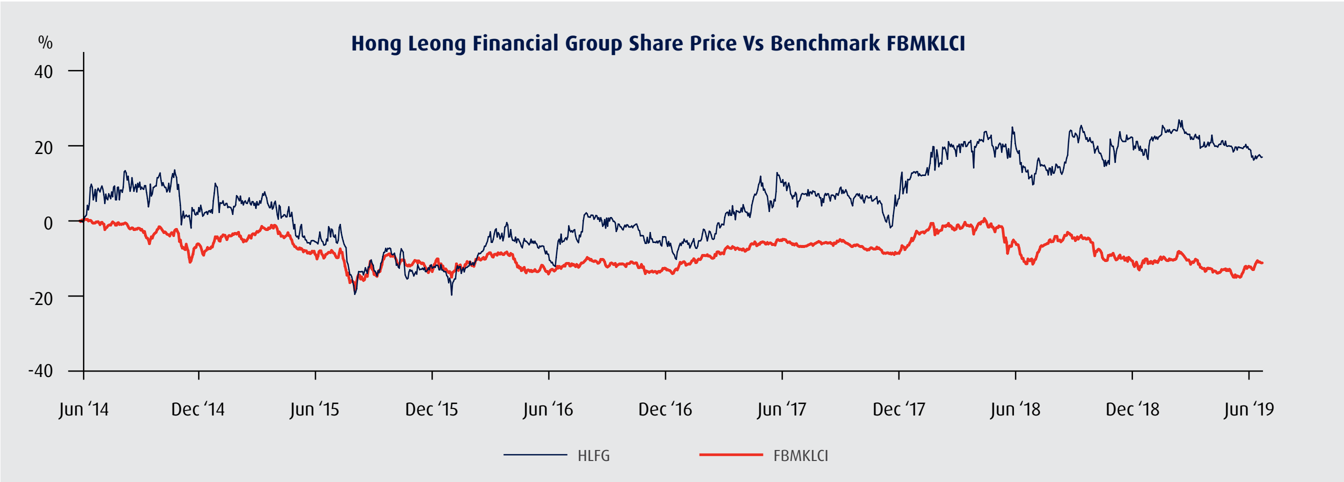
FY2019 RM21.3 bil **2.9% YoY**
FY2018 RM20.7 bil

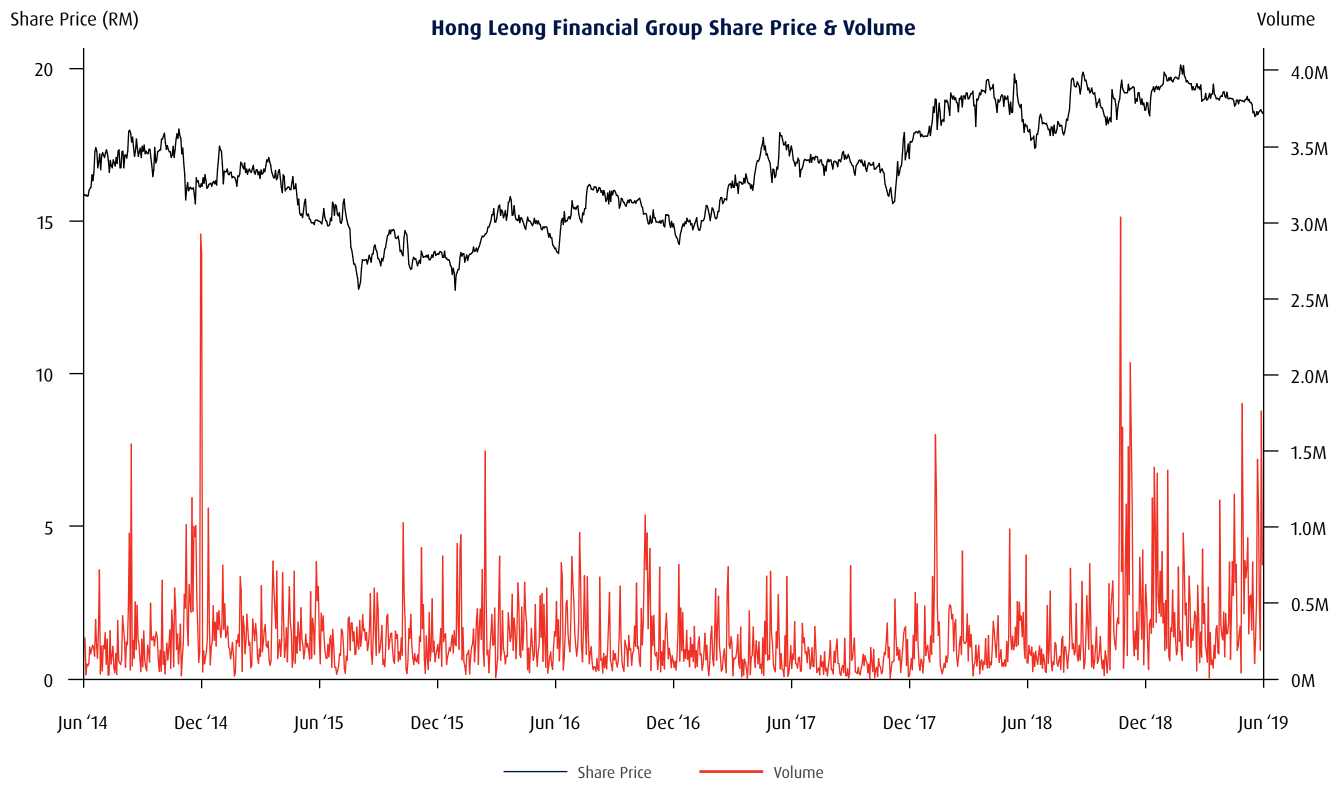
Earning per Share

FY2019 167.8 sen **0.6% YoY**
FY2018 166.8 sen

Total Shareholder Return

FY2019 10.4% **-0.7% YoY**
FY2018 11.1%





Financial **Calendar**

Annual General **Meeting**

31 October 2019 (Thursday)
50th Annual General Meeting

DIVIDENDS

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

Notice	Entitlement	Payment
28 November 2018	13 December 2018	27 December 2018

2nd Interim Single-Tier Dividend of 29 sen per share

Notice	Entitlement	Payment
28 May 2019	14 June 2019	26 June 2019

ANNOUNCEMENT OF CONSOLIDATED RESULTS

28 NOVEMBER 2018

WEDNESDAY

unaudited results for
1st quarter ended
30 September 2018

28 MAY 2019

TUESDAY

unaudited results for
3rd quarter ended
31 March 2019

26 FEBRUARY 2019

TUESDAY

unaudited results for
2nd quarter ended
31 December 2018

28 AUGUST 2019

WEDNESDAY

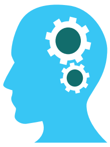
unaudited results for
4th quarter and financial year ended
30 June 2019

Corporate **Milestones**

JULY

2006

Changed name to 'Hong Leong Financial Group Bhd'



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 (BOCD)

OCTOBER

2008

HLIB acquired SBB Securities Sdn Bhd

JANUARY

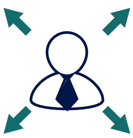
2009

- HLIB obtained investment bank status
- HLB granted Vietnam banking license

FEBRUARY

2009

Insurance holding company, HLAH, was incorporated



OCTOBER

2009

HLCB 1:1 Rights Issue completed

FEBRUARY

2010

Sichuan Jincheng consumer finance JV incorporated

OCTOBER

2010

MSIG Strategic Partnership completed

Corporate Milestones

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

JANUARY
2018
BOCD was listed on the Shanghai Stock Exchange. HLB's equity interest was reduced from 20% to 18%

JULY
2018
HLMT converted its composite Takaful license to a single Family Takaful license

NOVEMBER
2013
HLB established a Representative Office in Nanjing, China

OCTOBER
2013
HLIB awarded 'Best Investment Bank Malaysia' (World Finance Awards)

JULY
2013
HLB Cambodia commenced operations

JUNE
2013
HLAS obtained Singapore general insurance license

MAY
2011
HLB acquired EON Capital Bhd's assets and liabilities

SEPTEMBER
2012
Merger of HLIB & MIMB Investment Bank completed

Awards & Accolades

HONG LEONG FINANCIAL GROUP BERHAD

The Asian Banker Leadership Achievement Awards 2019

Best Managed Bank (Financial Group) in Malaysia

Organised by **The Asian Banker**

The Asian Banker Leadership Achievement Awards 2019

The CEO Leadership Achievement In Malaysia

Organised by **The Asian Banker**

HONG LEONG BANK BERHAD

Asia's Best Brand Awards 2018

Asia's Best Brand

Organised by **CMO Asia**

Asiamoney Best Banks Awards for Malaysia 2018

Best Digital Bank

Organised by **Asiamoney**

Asiamoney Best Banks Awards for Malaysia 2018

Best Domestic Bank

Organised by **Asiamoney**

Inspirational Starz Award 2019

ASNB Inspirational Starz Awards Nite

Organised by **Permodalan Nasional Berhad**

Digital Awards 2019

Best Platform Development (HR) for Hali - Bronze

Organised by **Malaysian Digital Association**

Digital Awards 2019

Best Use of Social Media for CSR Campaign - Bronze

Organised by **Malaysian Digital Association**

HR Excellence Awards 2018

Excellence in HR Innovation - Gold

Organised by **Human Resources Magazine**

The International Banker 2018 Asia & Australasia Awards

Best Innovation in Retail Banking Malaysia

Organised by **International Banker**

2nd Selangor International Business Summit 2018

CEO of the Summit Award

Organised by **Invest Selangor**

Life at Work Awards 2018

Best New Entrant for a Malaysian Organisation

Organised by **TalentCorp**

Malaysian Investor Relations Association Awards 2018

Best IR Professional

Organised by **Malaysian Investor Relations Association**

Malaysian Investor Relations Association Awards 2018

Most Improved Service from IR Team

Organised by **Malaysian Investor Relations Association**

Billion Ringgit Club

Highest Return to Shareholders over Three Years

Organised by **The Edge**

Best Treasury & Cash Management Banks and Providers Awards 2019

Best Bank for Cash Management in Malaysia

Organised by **Global Finance Magazine**

Asia Sustainability Reporting Awards 2018

Asia's Best Materiality Reporting (Finalist)

Organised by **CSR Works**

The Asian Banker at the International Excellence in Retail Financial Services 2019

Best SME Bank in Malaysia

Organised by **The Asian Banker**

CGC SME Awards 2019

Top Financial Institution Partner - Overall Category

Organised by **Credit Guarantee Corporation Malaysia Berhad**

IDC Digital Transformation Awards 2018

Omni-Experience Innovator for Malaysia

Organised by **IDC**

Digital Awards 2019

Best Use of Data (HR) for Hali - Silver

Organised by **Malaysian Digital Association**

HR Excellence Awards 2018

Excellence in Innovative Use of HR Tech - Gold

Organised by **Human Resources Magazine**

HR Excellence Awards 2018

Excellence in Workplace Wellbeing - Bronze

Organised by **Human Resources Magazine**

Digital Awards 2019

Most Innovative Recruitment Strategy (In-House) - Gold

Organised by **Malaysian Digital Association**

HONG LEONG BANK BERHAD (continued)

The Asian Banker Transaction Awards 2019

Best Payment Bank in Malaysia

Organised by **The Asian Banker**

CSR Malaysia Award 2019

Company of the Year (Supporting Social Enterprises)

Organised by **CSR Malaysia**

12th Annual Alpha Southeast Asia Deal & Solution Awards 2018

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

Organised by **Alpha Southeast Asia**

12th Annual Alpha Southeast Asia Deal & Solution Awards 2018

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

Organised by **Alpha Southeast Asia**

RAM Award of Distinction 2018

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

Organised by **RAM**

RAM Award of Distinction 2018

Lead Manager Award by Programme Value - 1st Ranking

Organised by **RAM**

HONG LEONG CAPITAL BERHAD

IFN Awards Deals of the Year 2018

Corporate Finance Deal of the Year

Organised by **IFN - Islamic Finance News**

12th Annual Alpha Southeast Asia Best Financial Institutions Awards 2018

Best Small To Mid-Cap Corporate Finance House in Malaysia

Organised by **Alpha Southeast Asia**

Lipper Fund Awards From Refinitiv 2019

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

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

Organised by **Refinitiv**

Lipper Fund Awards From Refinitiv 2019

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

Hong Leong Dividend Fund

Organised by **Refinitiv**

Lipper Fund Awards From Refinitiv 2019

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

Hong Leong Penny Stock Fund

Organised by **Refinitiv**

Lipper Fund Awards From Refinitiv 2019

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

Hong Leong Balanced Fund

Organised by **Refinitiv**

HONG LEONG ISLAMIC BANK BHD

ASNB Inspirational Starz Awards Nite

Inspirational Starz Award

Organised by **Permodalan Nasional Berhad**

HONG LEONG ASSURANCE BERHAD

Asian Banking and Finance Insurance Asia Awards 2018

Domestic Life Insurer of the Year - Malaysia

Organised by **Asian Banking & Finance**

International Finance Awards 2018

Best Life Insurance Company - Malaysia

Organised by **International Finance Awards 2018**

Chairman's **Statement**

"On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of Hong Leong Financial Group Berhad ("HLFG" or "the Group") for the financial year ended 30 June 2019 ("FY19")."

FINANCIAL RESULTS – REVIEW OF THE YEAR'S PERFORMANCE

The business environment remains challenging amidst continuing global economic uncertainties, escalation of trade tensions between US and China and a subdued domestic economy.

Against this demanding backdrop, HLFG recorded a net profit attributable to shareholders of RM1,919 million for the financial year ended 30 June 2019, flat to last year. Our results were supported by continued steady performances across our core businesses, mainly our commercial banking, insurance and asset management businesses. This was coupled with cost-saving initiatives, a careful monitoring of risks during the period and continued reinvestment into digital initiatives

HLFG recorded a net profit attributable to shareholders of

RM1,919

Million

for the financial year ended 30 June 2019.

Chairman's Statement

across the financial group. We remain focused in our strategy to improve long-term sustainable profits.

In respect of the performances of our key businesses, Hong Leong Bank Berhad ("HLB") experienced moderate growth, with its net profit recorded at RM2,665 million, +1% year-on-year ("yoy"), ending the year with a better-than-market loan growth of 6.6% yoy. Hong Leong Assurance Berhad's ("HLA") reported net profit increased 5% yoy to RM221 million and we are pleased that its New Business Embedded Value showed a 15% yoy growth. Our investment banking and asset management businesses under Hong Leong Capital Berhad ("HLCB") reported a lower net profit of RM68 million (-5.1% yoy) against a slowdown in capital and equity market activities, although Hong Leong Asset Management Berhad ("HLAM") continued to show a strong profit growth, up 80% yoy.

The Group's key balance sheet and risk metrics remain strong. HLB's gross impaired loan ratio stayed healthy at 0.78% whilst its loan impairment coverage was at 118%. Inclusive of additional regulatory reserves, HLB's loan impairment coverage was at 197%. HLB's liquidity ratio and capital position remained strong with a loan/deposit ratio of 84.4% and a total capital ratio of 16.3% as at 30 June 2019.

HLFG's earnings per share increased to 167.8 sen in FY19, with a return on equity of 10.4%. Net assets per share rose 8% to RM16.78, from RM15.55 as at 30 June 2018.

Our Group consolidated capital position stayed robust, with a Common Equity Tier 1 ratio at 10.9% and a total capital ratio at 15.0%. In March and June 2019 respectively, we completed the issuances of Additional Tier-1 Capital Securities of RM400 million and Tier-2 Subordinated Notes of RM1.1 billion, in line with our capital plans.

In this financial year, the Board of Directors declared a second interim dividend of 29 sen. Together with the first interim dividend of 13 sen per share paid out on 27 December 2018, the total dividend for FY19 had increased from 40 sen last year to 42 sen per share, or a total dividend payment of RM480 million.

STRATEGIC OVERVIEW

The Group's philosophy continues to embody an entrepreneurial vision focused on building long-term sustainable value for all its stakeholders. This vision guides our operating businesses to remain relevant, to be trustworthy, progressive, competitive and sustainable in pursuit of growth and the creation of business value. We believe that the key to ensuring sustainability is the continued co-existence of entrepreneurialism together with professional business management, discipline and governance.

HLFG's earnings per share increased to

167.8sen

in FY19, with a return on equity of 10.4%.

The total dividend for FY19 had increased from 40 sen last year to 42 sen per share, or a total dividend payment of

RM480

Million

BANKING

HLB has a strong market presence in mortgages, deposits, cards and wealth management. The management team ensures that HLB maintains asset quality metrics that are amongst the best in the industry, where its liquidity ratios remain prudent and its capital position kept comfortably above regulatory requirements.

Going forward, we will continue to execute our business plans by advancing on multiple fronts to achieve long-term sustainable growth. In this period, we will also continue to exercise vigilance on both credit initiation parameters and the health of our existing loan books.

We also acknowledge that developing the right human resources is critical to our long-term efforts. We believe that our businesses are best served by having and developing the right talent for the right jobs, while at the same time balancing other key business metrics such as our cost income ratio.

The financial sector has been increasingly challenged by continued advances in technology; in particular, in the way that businesses and operations are conducted. We expect this trend to speed up even further. To this end, we have made digitalisation a core part of the bank's strategy and have been keeping abreast of new developments, re-investing our cost savings results into technology, as well as consciously positioning ourselves to benefit from this digital wave. We believe that we are on the right path and have also been refreshing the technology platforms through which we interact with our customers.

We remain committed to expand and grow our Islamic banking business with Hong Leong Islamic Bank Berhad ("HLISB") playing the leading role in coordinating efforts across the banking group. For the year, HLISB's gross Islamic financing assets grew by 14% to RM26.1 billion, comprising 19% of the wider Hong Leong Bank Group's total gross financing assets. HLISB will continue its efforts towards the development of Islamic banking business by strengthening digital capabilities, upholding Shariah standards and value based intermediation, and encouraging diversified and innovative product offerings.

Chairman's Statement

INSURANCE

Under HLA, our life insurance business has grown over the last decade. Our agency force team today at over 8,500 agents is triple the number compared 10 years ago, which was below 3,000 agents. In recent years, we have also focused on raising our agency force's productivity and governance standards. HLA is presently the largest domestic life insurer and ranks amongst the top 4 life insurers in the country by new business premiums with continued strong contributions from our agency force along with improving Bancassurance sales.

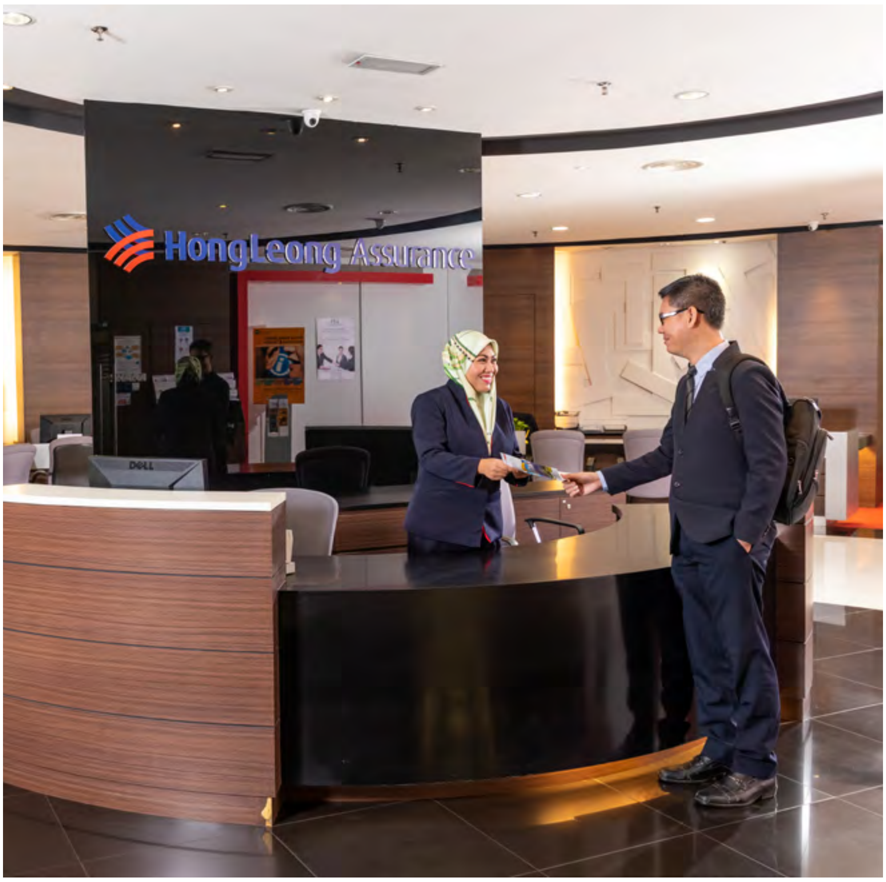
After establishing ourselves within the Ordinary Life segment and having built up a sizeable distribution capability, our focus has been on driving and improving the profitability levers of the company. This strategy is being executed via a greater focus on Non-Participating and Investment-Linked segment, which has yielded positive results in growing our New Business Embedded Value.

Going forward, our focus is to continue to grow the business embedded value on a sustainable basis. This would be achieved by driving continued improvements in our new business embedded value, coupled with judicious management of our existing in-force business, expenses and investment returns.

Like the banking sector, the impact and use of digitalisation and InsurTech advances in the insurance sector is also accelerating. Accordingly, HLA has continued its digital journey across multiple fronts. With an established data warehouse, we are continuing the use of analytics capabilities to data mine our growing customer base to enhance effectiveness in both cross-selling and up-selling activities. We are also utilising technology to enhance our customer service and experience. The HLA Customer 360 Portal allows our customers to have instant, seamless and convenient access to their policy information. We will continue to enhance all our distribution channels, in particular those relating to Bancassurance, by tapping on HLB's wide network of over 250 plus branches.

On 1 July 2018, we converted our composite Takaful license to a single Family Takaful license, to focus on our Life businesses across both conventional and Takaful. Hong Leong MSIG Takaful Berhad remains committed to grow and promote our Family Takaful insurance business. We believe the potential for Islamic insurance is significant and our plans are to build a sizeable and sustainable business in reaching out and serving our customers better.

Outside Malaysia, we have HL Assurance Pte Ltd ("HLAS") and Hong Leong Insurance (Asia) Limited ("HLIA"), which are niche general insurance companies operating in Singapore and Hong Kong. Both companies achieved commendable results in FY19. HLAS continues to register topline growth, with new business premiums at RM60.9 million for FY19, +52% yoy, whilst HLIA's total premium grew 25% to RM124.3 million in FY19. Both companies are focusing efforts on their online distribution channels, with HLAS's and HLIA's online distribution channels contributing over 13% and 21% respectively of their total premiums.



INVESTMENT BANKING

Our investment banking arm, Hong Leong Investment Bank Berhad ("HLIB") has made substantial progress since being awarded investment bank status in 2009. Over the years, we have achieved recognition in the Malaysian league tables as well as a share of notable deals in segments where we operate, especially in our niche of serving small and medium sized corporates. Within the stockbroking space, we have a steady medium sized brokerage which services both institutional and retail clients. Our asset management business under HLAM continues to show good progress and currently manages assets of over RM16 billion.

We will continue to nurture investment banking relationships by focusing on providing innovative business solutions, while our stockbroking outfit will continue to leverage on technology to better serve our customers.

RATINGS

HLB maintained its long-term financial institution rating of AAA which carries the highest ratings on our domestic rating scale. RAM Ratings Services Bhd ("RAM Ratings") maintained the bank's rating at AAA in recognition of its strong asset quality, sustained track record in funding and liquidity positions and other strong key metrics. Concurrently, RAM had also assigned an AA1/P1 Corporate Credit Ratings to HLFG. All the above long-term ratings were accorded a stable outlook. On the international ratings front, in January 2019, Moody's upgraded HLB's baseline credit assessment to a3, on par with the Malaysian sovereign rating.

RECOGNITION

I am pleased to report this year HLFG won the Best Managed Bank (Financial Group) in Malaysia at the Asian Banker Leadership Achievement Awards 2019. We also continued to receive a number of awards across all our operating businesses in recognition of our efforts in the industry.

HLB was awarded a number of digital awards recognizing its continuing efforts in its digital transformation journey. HLB was awarded the Best Innovation in Retail Banking Malaysia by The International Banker 2018 Asia & Australasia Awards. This was in recognition of our constant drive to improve products and services through state-of-the-art banking solutions. The bank also won the Most Innovative Recruitment Strategy (In-House) – Gold by the Malaysian Digital Association.

HLB's efforts to transform its customer experience as a digital bank was also recognized by Asiamoney when it gave HLB the Best Domestic Bank Award for Malaysia 2018. In winning the award, Asiamoney noted our customer centric approach which included several first-in-Malaysia innovations focused on improving overall customer experience.

In March 2019, HLB was recognized as the Best SME Bank in Malaysia by The Asian Banker at the International Excellence in Retail Financial Services Awards 2019. The award is in recognition of our achievements in the domestic retail and SME franchises.

HLB was also one of the winners in the Award for Highest Returns to Shareholders Over 3 Years awarded in The Edge - Billion Ringgit Club 2018 edition. The award is in recognition of the strong returns generated for our shareholders.

On the insurance front, HLA successfully bagged 2 awards in FY19. In recognition of its performance, HLA was awarded the prestigious Domestic Life Insurer of the Year at the Asian Banking and Finance Insurance Asia Awards 2018. It was awarded to HLA for rising above challenges and for its initiatives in the Malaysian domestic insurance market. During the same period, HLA was also named the Malaysia Best Life Insurance Company 2018 by World Finance Global Insurance and International Finance.

For Hong Leong Investment Bank Berhad ("HLIB"), our Debt Markets team continues to secure top position awards in the annual League awards by programme value and by number of issues for both conventional and Islamic issuance. The team has also successfully secured other awards, namely the Most Innovative Bond Deal in Southeast Asia 2018 in the 12th Annual Alpha Southeast Asia Deal & Solution Awards 2018.

HLIB's Equity Markets and the Asset Management team of HLAM have also successfully secured various awards during the financial year.

Chairman's Statement

The 3 awards won by HLIB's Equity Markets team are as follows:

- Best Small To Mid-Cap Corporate Finance House – 12^{th} Annual Best Financial Institutions Awards 2018 – Alpha Southeast Asia
- Best Domestic M&A Deal 2018 (Malaysia) – 12^{th} Annual Alpha Southeast Asia Deal & Solution Awards 2018 (As Principal Advisor)
- IFN Deals of the Year 2018 – Corporate Finance

HLAM received 4 Lipper fund awards in FY19, namely:

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

SUSTAINABILITY

Building a sustainable Group is about how, at the core of everything we do, we are guided by our principles to make the right decisions that will hold us in good stead today and in the future. We think about this in a variety of ways. First, it is important to maintain focus on operational excellence and efficiency. We have made continued progress towards this end whilst investing in new business initiatives and technologies.

Sustainability also includes having the right governance. We have a diverse and experienced Board of Directors that provides independent oversight. Our Board constantly looks for ways to further strengthen corporate governance standards and adopt international best practices to improve.

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

On this subject, we are pleased to report that in FY19, HLFG met the globally recognized standards for inclusion in the FTSE4Good Bursa Malaysia Index. The FTSE4Good Bursa Malaysia Index is designed to measure the performance of companies demonstrating good Environment, Social and Governance practices.

APPRECIATION

Last but not least, 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. I would like to mention our appreciation to Ms Lim Tau Kien, who retired from the Board on 8 April 2019, and welcome Ms Leong Ket Ti and Puan Raja Noorma binti Raja Othman, who joined the Board on 8 March 2019 and 10 May 2019 respectively. Ms Leong brings with her a wealth of experience and expertise in financial services and Puan Raja Noorma comes with a notable banking and capital markets background and overseas experience.

My sincere appreciation also goes out to our regulators, shareholders, customers and business partners.

QUEK LENG CHAN
Chairman
11 September 2019

Management Discussion **& Analysis**

We are pleased to present the Management Discussion and Analysis ("MD&A") for the financial year ended 30 June 2019 ("FY19"). In this report, we would like to provide a review of our Group's business operations and financial performance during FY19.

In summary, the Group recorded a net profit attributable to shareholders of RM1.92bn for the financial year ended 30 June 2019, contributed by business momentum from our commercial banking, insurance and asset management businesses. Our results were achieved with prudent operating metrics and we continue to make progress in strengthening our various business franchises towards the objective of achieving long-term sustainable growth.

HLFG GROUP PERFORMANCE HIGHLIGHTS

Hong Leong Financial Group Berhad ("HLFG") is an investment holding company and has three core businesses in the group:

- Commercial banking under Hong Leong Bank Berhad ("HLB").
- Insurance and Takaful, housed under our insurance holding company HLA Holdings Sdn Bhd ("HLAH"); and
- Investment banking and asset management, housed under Hong Leong Capital Berhad ("HLCB").

HLFG's net profit attributable to shareholders increased by 1% year-on-year ("yoy") to RM1.92bn in FY19. This is flat to last year mainly due to a lower total income of RM5.28bn as compared to RM5.35bn in FY18. The lower total income in FY19 was mainly attributed to Net Interest Margin ("NIM") pressures at our commercial banking business although HLB had registered a higher than industry average loan growth of 6.6% yoy. Correspondingly, our Return on Equity ("ROE") was 10.4%, a decrease from 11.1% in FY18. Company level borrowings increased slightly from RM1.39bn (30 June 2018) to RM1.45bn as at 30 June 2019. The Company had also issued RM400 million of Additional Tier 1 capital securities and RM1.1bn of Tier 2 Subordinated Notes on a back-to-back basis during the year whereby HLFG had subscribed to an equivalent amount of capital securities from our banking subsidiaries besides issuing its own capital securities to the market.

The capital issuances are in accordance with Bank Negara Malaysia's ("BNM") Capital Adequacy Framework and in line with our capital plans. We continue to manage our capital position to place us in a strong judicious position since the full implementation of the Basel III Capital Adequacy Framework for Financial Holding Companies beginning 2019.

HLFG's book value per share increased from RM15.55 as at 30 June 2018 to RM16.78 as at 30 June 2019. During the year, RAM Rating Services Berhad ("RAM") assigned AA1/P1 Corporate Credit Ratings (CCRs) to HLFG. Concurrently, RAM also maintained the long-term Financial Institution Ratings of HLB at AAA in recognition of its superior asset quality. All the above long-term ratings have a stable outlook. In January 2019, Moody's Investors Services Ltd upgraded HLB's baseline credit assessment ("BCA") to a3 from baa1 on the back of the Bank's improved asset quality and strong capital. The upgrade is also an affirmation of the Bank's strong funding and liquidity positions.

Dividend per share increased to 42 sen in FY19 from 40 sen in FY18. While we increased shareholders' return, we are also mindful of managing our capital position given the full implementation of the Basel III Capital Adequacy Framework for Financial Holding Companies in 2019.

Management Discussion & Analysis

COMMERCIAL BANKING FINANCIAL & OPERATIONAL REVIEW

HLB Financial Highlights

	FY19	FY18	Growth (%)
Profitability & Efficiency (RM million)			
Total Income	**4,726**	4,840	-2.4
Operating Profit	**2,634**	2,779	-5.2
Profit Before Tax ("PBT")	**3,186**	3,246	-1.9
Profit After Tax ("PAT")	**2,665**	2,638	1.0
Earnings Per Share (sen)	**130**	129	0.9
Net Interest Margin (%)	**1.96%**	2.10%	-0.14
Cost-to-Income Ratio (%)	**44.3%**	42.6%	1.7
Return on Assets (%)	**1.30%**	1.32%	-0.02
Return on Equity (%)	**10.8%**	11.3%	-0.5
Balance Sheet (RM million)			
Total Assets	**207,369**	202,891	2.2
Gross Loans, Advances and Financing	**137,566**	129,069	6.6
Customer Deposits	**163,070**	157,414	3.6
Asset Quality			
Gross Impaired Loan Ratio	**0.78%**	0.87%	-0.1
Loan Impairment Coverage Ratio	**118%**	89%	28.3
Loan Impairment Coverage Ratio (including Regulatory Reserve)	**197%**	155%	41.6
Liquidity and Capital Ratio			
Loan-to-Deposit Ratio	**84.4%**	82.0%	2.4
Common Equity Tier-1 Capital Ratio	**13.1%**	12.6%	0.5
Tier 1 Capital Ratio	**14.1%**	13.3%	0.8
Total Capital Ratio	**16.3%**	16.3%	-

HLB's regional financial services are provided via:

- A branch in Singapore;
- A branch in Hong Kong;
- 100%-owned commercial bank Hong Leong Bank Vietnam Limited;
- 100%-owned commercial bank Hong Leong Bank (Cambodia) PLC;
- 12%-owned consumer finance associate Sichuan Jincheng Consumer Finance Limited Company;
- 18% equity interest in the Bank of Chengdu Co., Ltd; and
- A representative office in Nanjing China.

HLB made RM2,665 million in net profit, sustaining its growth momentum in FY19. The performance was largely driven by robust loan growth alongside an improved asset quality although its NIM was impacted by margin and funding pressures, not helped by a 25 bps Overnight Policy Rate ("OPR") cut during the year. The result was also supported by a higher associate contribution from the Bank of Chengdu, where its profits grew 7.4% yoy to RM554 million, representing 17.4% of the Bank's pretax profit.

HLB's total income for FY19 was RM4,726 million, mainly upheld by higher Islamic Banking income, which increased 9% yoy. Contribution from net interest income and non-interest income were lower than previous year:

- Net interest income for FY19 moderated to RM3,392 million, on the back of elevated funding cost pressure during the year and a 25 bps OPR cut in May 2019. Consequently, NIM for the year fell to 1.96%.

- Non-interest income stood at RM1,334 million, with non-interest income ratio being recorded higher at 28.2%. This is attributed to higher foreign exchange profits and gains on the divestment of its joint venture.

Cost/Income ratio increased to 44.3% in FY19, but remained at the lower end of the industry range.

Core business performance indicators remained positive, with gross loans growing better than industry at 6.6% yoy to RM138bn as at 30 June 2019 together with continued stringent credit controls. Residential mortgages increased 9.9% yoy to RM67.4bn, while loans to small and medium enterprise ('SME") grew 5% yoy to RM21.5bn. An encouraging SME segment of Community SME Banking grew 40.1% yoy to RM5.2 bn. The Bank's total assets stood at a record RM207.4bn.

Customer deposits increased by 3.6% yoy to RM163bn as at 30 June 2019, achieved amidst an increasingly competitive environment for deposits. This translates to a Loan/Deposit ("L/D") ratio of 84.4% and a loan to fund ratio of 88.3%, which places HLB in a comfortable liquidity position.

Asset quality and provisioning remained sound, with a gross impaired loan ("GIL") ratio of 0.78% and loan impairment coverage at 118% as at 30 June 2019. Inclusive of additional regulatory reserves set aside, HLB's coverage ratio increased to 197% as at 30 June 2019.

HLB's capital position remained robust, especially after the issuance of Additional Tier 1 capital securities and Tier 2 Subordinated Notes during the year, with Common Equity Tier 1, Tier 1 and Total Capital Ratios at 13.1%, 14.1% and 16.3% respectively as at 30 June 2019.

HLB raised its total dividend from 48.0 sen per share last year to 50.0 sen per share in FY19, translating to better cash flows for HLFG. HLB's dividend payout ratio is at 38%.

Personal Financial Services ("PFS")

PFS remained the largest contributor to HLB, making up 53% and 33% of its revenue and pretax profit, respectively. For FY19, PFS retained its strong momentum, achieving good volume growth across most loan products while gaining market share in its key segments, namely mortgage, auto and unsecured loans. Asset quality remained solid and stable as reflected by a low GIL ratio of 0.63%. This was mainly achieved through lower impaired loans in the auto and unsecured segments as we took on board higher quality customers.

PFS recorded a yoy loan growth of 6.7% which outperformed the industry, predominantly led by a growth in mortgages and unsecured loans. Our mortgage business recorded a strong loan growth of 8.3% yoy against an industry growth of 6.5% despite the stagnant property market, supported by the Bank's balanced growth agenda with a focus on sustainable and quality loan origination. The Bank broadened its penetration into more affordable housing segments, which led to residential property loan growth increasing by about 10% for the year. Sales acceptance of properties valued between RM250,000 and RM500,000 recorded significant growth of 25% yoy.

In line with the focus to originate quality loans while deepening our market coverage, we continue to support home ownership programmes, with 63% of total approvals extended to customers who do not have a housing loan as per their Central Credit Reference Information System (CCRIS) data. The Bank's market share expanded as a result of these efforts. Moving forward, the business will continue to innovate to better serve customers, developers and property market intermediaries. In this context, collaborative efforts are underway with several PropTech and FinTech players to improve the property buying and financing process for consumers.

The auto financing business experienced an unprecedented year, as the automotive industry benefited from record sales with the removal of the GST in June 2018. However, given the one-off nature of this removal, we have not stood still and started to build strategic partnerships with key brands to better understand their dealers' needs and facilitate win-win opportunities. This allowed us to increase our loan disbursement by more than 30% yoy. Our service and turnaround time to customers continue to improve as we embark on improving our digital capabilities to simplify processes and customer experience.

The Bank's personal loans base grew 8% yoy on the back of stable impairments and a marked increase in sales activity from our digital channels. We continue to see our digital initiatives

Management Discussion & Analysis

as a differentiator in offering an easy and convenient way to apply for small personal loans, which has resulted in sales from digital channels more than doubling during the year. Loan applications from our online Connect channel was one of the main growth contributors.

Business & Corporate Banking ("BCB")

BCB performed strongly this FY19, registering revenues and pretax profit at RM1.2bn and RM828 million respectively. This represents a 25% and 26% contribution to the Bank's total income and pretax profit.

Building on last year's business performance, BCB loans grew a solid 6% yoy, outpacing the industry average, spurred by our focus on the commercial segment and strategic Community SME client segment, which grew a respective 11% and 40% yoy.

Our corporate Current Account balances are also in healthy shape, registering growth of 8% yoy, a larger increase compared to last year's performance and outperforming the industry's demand deposit growth rate.

Global Markets ("GM")

The Global Markets business is present in five countries – Malaysia, Singapore, Hong Kong, Vietnam and Cambodia – serving as a key product partner for the Bank's clients. The core products that allow us to offer comprehensive solutions to our clients include Foreign Exchange, Fixed Income, Derivatives and Structured Products. The GM business also offers shariah-compliant products and manages the Bank's excess liquidity and capital through investments in Fixed Income and Money Market instruments.

The Global Markets business performed admirably for the year with revenues and pretax profit at RM517 million and RM407 million respectively. This represents an 11.2% and 12.8% contribution to the Bank's total income and pretax profit, respectively, for FY19.

GM's focus for the year has been on improving our digital offerings especially in forex execution through e-channels. We have endeavoured to give our retail and corporate customers a seamless remittance experience through enhanced cash management and online remittance systems. GM is also working with FinTechs to transform our customer's remittance experience, in line with changing customer behaviour and preferences. Leveraging on the transformation of our branch locations and distribution network, we achieved strong momentum in branch and SME forex revenues, and increased deal activity from our Financial Institutions/Government-Linked Corporations segments.

Islamic Banking

In FY19, Hong Leong Islamic Bank Berhad ("HLISB") performed strongly with pretax profit increasing 16.5% over the previous year. ROE and ROA continued its upward trajectory to 14.0% and 1.02% respectively from 13.2% and 0.94% last year.

The growth in earnings was in tandem with the enlarged financing business supported by robust cost management and increase in operating efficiencies. Our operating expenses remained stable with the CIR at 29.9%, which is markedly lower than last year's 32.1%.

HLISB achieved some significant milestones in the digital transformation of its Islamic banking services and products. During the year, HLISB launched the Term Investment Account-i, a first-to-market investment product that can be fully subscribed online. HLISB also added a new e-channel for personal financing to be performed via In-Branch tablets at branches. The initiatives not only improved efficiency but also enhanced the flexibility and digital capability of the products offering. The digital offerings were expanded to include broader market segments as well such as Islamic wealth management and business banking.

HLISB continues to focus on financing growth in the SMEs segment. To achieve this objective, HLISB has been working closely with government agencies such as TERAJU, SME Corporation and Credit Guarantee Corporation Malaysia. As part of its strategic plan, HLISB continued its partnership with SME Corporation under the Shariah-compliant SME Financing Scheme (SSFS) to provide financing assistance to eligible SMEs involved in Shariah compliant business activities.

Management Discussion & Analysis

INSURANCE/TAKAFUL FINANCIAL & OPERATIONAL REVIEW

HLFG's 100%-owned subsidiary, HLA Holdings Sdn Bhd ("HLAH") is the insurance holding company of the Group. HLAH holds:

- 70% equity interest in life insurance company Hong Leong Assurance Berhad ("HLA");
- 30% equity interest in general insurance company MSIG Insurance (Malaysia) Bhd ("MSIG");
- 65% equity interest in Family Takaful operator Hong Leong MSIG Takaful Berhad ("HLMT");
- 100% equity interest in Hong Kong general insurance company Hong Leong Insurance (Asia) Limited ("HLIA"); and
- 100% equity interest in Singapore general insurance company HL Assurance Pte. Ltd. ("HLAS").

For FY19, HLAH recorded a net profit of RM275 million, lower by 3.3% yoy. Whilst HLA registered a higher 5% yoy net profit, the decrease in HLAH's results was due to a lower contribution from HLMT with pretax profit decreasing 36% yoy to RM10.4 million. Our full year share of MSIG's pretax profit also decreased by 10.3% yoy to RM57 million in FY19 mainly due to higher net claims and lower underwriting margins for the year arising from the follow on effects of fire and motor detariffication. The detariffication effects are expected to stabilize going forward.

Life Insurance

HLA, as a life insurer, is the largest operating business within our insurance division, comprising over 80% of total HLAH insurance pretax profits. HLA's net profit increased 5% to RM221 million in FY19, mainly due to better actuarial surplus distribution from its Par fund and higher investment surpluses. The results also reflect the continued execution of our strategy to enhance our agency and bancassurance distribution channels, as well as targeting to drive our New Business Embedded Value ("NBEV") through a more profitable product mix.

HLA's gross premiums remained at the RM3bn mark for the year, achieved amidst a tougher business environment as well as a greater focus on Non-Participating policies. HLA achieved new business regular premiums ("NBRP") of RM546 million in FY19. We continue to make good progress in growing our Non-Participating and Investment Link new business premiums at over 90% of new business premiums. This is important to our efforts to create higher NBEV for our life business. HLA's NBEV showed a 14.7% yoy growth in FY19.

After establishing ourselves within the Ordinary Life segment and having built up a sizeable distribution capability, our focus has been on driving and improving the profitability levers of the company. This strategy is being executed via a greater focus

Management Discussion & Analysis

on Non-Participating policies as well as concentrating on the Investment-Linked segment, which has yielded positive results. Within the Investment-Linked segment, we maintained our No. 4 position in 2018, by the same metric.

In terms of distribution, HLA continues to execute its Bancassurance Plan, which aims to leverage off the distribution network of its sister company, HLB's 250 over branches. Over the last 8 years, HLA has increased its Non-Agency (Bancassurance) market share of NBRP from 4.9% in 2010 to 9% in the first half of 2019.

HLA is presently the largest domestic insurer as well as the No. 4 insurer amongst all local and foreign life insurers in Malaysia, as measured by new business annualised regular premiums. HLA's management expense ratio was 6.3% in FY19, the lowest amongst the major domestic life insurers.

In recognition of its performance, HLA has been awarded the prestigious Domestic Life Insurer of the Year at the Asian Banking and Finance Insurance Asia Awards 2018. It was awarded to HLA for rising above challenges and for its initiatives in the Malaysian domestic insurance market. During the same period, HLA has also been accorded the Malaysia Best Life Insurance Company 2018 by International Finance.

Takaful

HLMT is the Takaful operating company in our Group. With effect from 1 July 2018, HLMT converted its composite license to a Family only Takaful license and ceased taking on new general Takaful business to focus on the Family Takaful business. During the financial year, HLMT's operator's fund recorded a topline growth of 3% yoy with a revenue contribution of RM63.4 million. However, its lower pretax profit of RM10.4 million versus last year was due to higher reinvestment in its operational and business capabilities for the future. HLMT remains focused on improving its performance through its agency and bancassurance channels whilst embedding value based intermediation initiatives in its plans.

Overseas General Insurance

We have two overseas general insurance companies in the Group, namely HLIA in Hong Kong and HLAS in Singapore. Both are niche general insurer operators which started in the personal lines segments using online channels and call centers. Their online channels new business premiums grew by 13% yoy and 55% yoy respectively for HLIA and HLAS during the year. HLIA's net profit grew by 5% yoy to RM13.7 million for FY19. HLAS started underwriting more commercial lines business during the last few years which carries a high initial reserving in its books. In FY19, HLAS recorded a loss of RM15.9 million due to high commercial lines reserving costs which are expected to reverse out subsequently upon normalization with actual claims experience.

Management Discussion & Analysis

INVESTMENT BANKING FINANCIAL & OPERATIONAL REVIEW

Hong Leong Capital Berhad ("HLCB") is an investment holding company of the investment banking, stockbroking and asset management business group under HLFG. HLCB's two key operating subsidiaries are 100%-owned Hong Leong Investment Bank Berhad ("HLIB") and 100%-owned Hong Leong Asset Management Berhad ("HLAM"). HLIB provides a full range of investment banking services encompassing debt capital markets, equity capital markets and Treasury & Markets, while stockbroking services are provided through branches and Hong Leong Hubs within Malaysia. HLAM provides asset management services.

HLCB faced a challenging year, with slower corporate activities in the face of weakened equity and capital markets. Net profit decreased 5% yoy from RM71 million in FY18 to RM68 million in FY19.

As part of the Group's commitment to provide a reasonable return to our shareholders, HLCB is recommending a final dividend of 22.0 sen per share for FY19 which is 15.8% higher than the dividend payout for the previous financial year.

Investment Banking ("IB")

The Investment Banking business achieved a revenue of RM65 million and a pretax profit of RM25 million in FY19. Treasury and Markets ("T&M") was the largest contributor to the IB Division, contributing 57% of total IB Division revenue, ahead of Equity Markets and Debt Markets, which contributed 20% and 18% of division revenue respectively. T&M ended the year on a higher note recording an increase in revenue of 24% in FY19 despite the challenging market condition brought about by the uncertainties over the global trade tension and Brexit.

The Equity Markets and Debt Markets divisions continue to operate under very challenging conditions, with significantly reduced capital raising activities throughout the financial year. However, the Equity Markets division managed to register a good growth in revenue of 134% yoy in FY19. The significant growth was largely attributable to higher underwriting and placement fee income from Initial Public Offerings ("IPOs") exercises completed during the financial year. Local demand for most of the recently completed IPOs as evidenced by the subscriptions from both institutional and retail investors, remained strong.

Stockbroking ("SB")

The stockbroking business of HLIB achieved a revenue of RM73 million and a pretax profit of RM23 million in FY19. Brokerage income accounted for 71% and 76% of total revenue earned by the stockbroking business in FY19 and FY18 respectively. The net brokerage income earned in FY19 is 20% lower than the previous financial year. Our drop in revenue was in line with the lower turnover recorded by Bursa Malaysia. More specifically, Bursa Malaysia's traded volume dropped 14.2% to RM552bn from RM643bn in FY18. Our share of the market was slightly lower than the previous financial year mainly due to higher foreign participation recorded in Bursa Malaysia, a business segment which HLIB has minimal presence.

Management Discussion & Analysis

Asset Management

HLAM continued to show a strong growth in profits, up 80% yoy. Our Asset Management business achieved this impressive growth on the back of a 46.2% yoy increase in revenue, attributable mainly to growth in our average assets under management ("AUM") and higher management fee margins for FY19. The average AUM grew by 15.9% to RM17.5 bn in FY2019. Amidst the subdued market conditions, our investors continued to favor money market funds, albeit we also recorded growth in AUM for our fixed income, equity and balanced funds and private mandates.

HLAM received four Lipper fund performance awards during the year, namely Hong Leong Dividend Fund (won 2 awards under Equity Malaysia Income – Malaysia Pension for 3 and 5 years), Hong Leong Penny Fund and Hong Leong Balanced Fund (Mixed Asset MYR Bal).

RISKS

The Group is exposed to credit, market, operational, liquidity, legal and compliance risks. We have processes and controls in place to ensure these risks are adequately managed. These risks and our controls are spelt out in the Statement on Corporate Governance, Risk Management and Internal Control of this annual report.

PROSPECTS

Looking ahead in the immediate term, we remain cautious on the Malaysian economy, amidst a challenging business environment and increased external uncertainties. In the long term, the economic fundamentals of the country remain solid and the prospects promising, given the prudent and supportive policies of the government. This will provide a conducive and sustainable operating environment for the financial services industry.

We will continue to pursue our plans to grow our core businesses of Commercial Banking, Islamic Financial Services, Insurance, Investment Banking, Stockbroking and Asset Management whilst taking appropriate steps to judiciously control our expenses and reinvest effectively, especially in the digital space.

Our key strategic objective remains the pursuit of long-term sustainable growth. We are committed to diligently execute our business and digital strategies to build sustainable value for our shareholders. We will continue to manage the businesses prudently, advancing on multiple fronts, creating incremental business value whilst laying the foundations for an increasingly digitalised business environment.

FURTHER INFORMATION

For further information on our subsidiaries, please refer to:

- HLB's FY19 MD&A in their FY19 annual report at www.hlb.com.my or www.bursamalaysia.com; and
- HLAH and HLA's financial statements at www.hla.com.my; and
- HLCB's FY19 MD&A in their FY19 annual report at www.hlcap.com.my or www.bursamalaysia.com.

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, government authorities, shareholders, customers and business partners as well as to the community we serve for their continued faith and confidence in Hong Leong Financial Group.

Sustainability **Statement**

Hong Leong Financial Group Berhad's ("HLFG") sustainability report for the financial year ended 30 June 2019 ("FY19") presents an overview of our sustainability approach and how we identify and integrate the economic, environmental, and social risks and opportunities ("sustainability matters") as part of our business activities and practices.

The sustainability report mainly covers the sustainability matters of our subsidiaries including our banking businesses under Hong Leong Bank Berhad ("HLB") and the investment banking businesses under Hong Leong Capital Berhad ("HLCB") in Malaysia. The sustainability matters identified at our subsidiaries are the material segments of our Group as the banking groups (HLB and HLCB) collectively contributes over 90% of HLFG Group's pretax profit. The report also includes selected initiatives undertaken at the Company level of HLFG for FY19.

This report has been reviewed and approved by HLFG's senior management and its Board of Directors. The integrated content across all our operating businesses has been prepared in accordance with the Global Reporting Initiative Standards Core option and Bursa Malaysia Sustainability Reporting Guide. It has been further guided by the Recommendations of the Task Force of Climate-related Disclosures and the United Nations Sustainable Development Goals.

Sustainability Statement

OUR SUSTAINABILITY APPROACH AND GROUP VALUES

Our sustainability approach is aligned with our corporate values and business vision. The Hong Leong Group was built on a strong heritage of value creation for our stakeholders and communities within which we operate. Over the decades, we have taken a progressive approach in integrating sustainability into our businesses to become stronger and more resilient. We are committed to growing our businesses responsibly, balancing environmental with economic considerations, as well as creating a positive impact for our stakeholders and contributing to our communities. This is reflected in our core values that serve as a compass in all that we do:

Honour

To conduct business with honour

Human Resource

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

Entrepreneurship

To pursue management vision and foster entrepreneurship

Innovation

To nurture and be committed to innovation

HOW OUR SUSTAINABILITY IS GOVERNED

HLFG's sustainability strategy is determined by our Board who provides oversight of our corporate sustainability performance. HLFG's Board is assisted by its Board Audit & Risk Management Committee. Senior Management, namely our President/CEO, oversees the implementation of our sustainability approach and ensures that key targets are being met with the support of the Group CFO.

HLFG's Board of Directors

Board Audit & Risk Management Committee

Senior Management

Sustainability Team

Sustainability Statement

For further information on sustainability matters on our subsidiaries which includes selected indicators, please refer to the sustainability reports of:
- *HLB at www.hlb.com.my or www.bursamalaysia.com*
- *HLCB at www.hlcap.com.my or www.bursamalaysia.com*

Quality

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

Progress

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

Unity

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

Social Responsibility

To create wealth for the betterment of society

HOW THE MATERIAL SUSTAINABILITY MATTERS ARE IDENTIFIED

1. Identifying Our Material Sustainability Matters

In order to present a report that is meaningful to our stakeholders, we conducted a materiality assessment to determine those issues that are important to HLFG as well as our stakeholders. The assessment comprised four steps:

Identification	Referencing the list of material sustainability matters identified by HLB and HLCB.
Prioritisation	The list of material sustainability matters were prioritised during a materiality assessment with the Sustainability Team and through review by senior management.
Validation	The material sustainability matters were then validated with the Group CFO and approved by the Board of Directors.
Review	This final step encompasses feedback from all our stakeholders. From the feedback, we will be able to further refine our sustainability approach so as to present even more meaningful reports in the future.

As part of our continuing sustainability process, we conducted a survey to get feedback on our approach to Materiality Assessment in HLFG's Sustainability Statement Report (SSR) in FY19. The response to this survey is crucial in providing the necessary information to help us in evaluating the effectiveness of our SSR and improving the methods and processes of our sustainability assessment.

Sustainability Statement

OUR STAKEHOLDERS

We have external and internal stakeholders, who are significant to our business, as shown in the following table:

INTERNAL STAKEHOLDERS

- Board of Directors
- Management
- Staff

EXTERNAL STAKEHOLDERS

- Regulators
- Investors/ Analysts
- Service providers/ Vendors
- Associations
- Media
- Customers

STAKEHOLDER MAPPING

Group	Sub-group	Focus Areas of Stakeholders Engagement
Employees/ Directors	Board of Directors and Management Staff (including contract staff) Interns	• Career development and performance management • Occupational safety and health • Ongoing internal communications • Employment terms and conditions
Regulatory Authorities	Bank Negara Malaysia Bursa Malaysia Securities Commission Malaysia Inland Revenue Board (LHDN)	• New regulations • Compliance matters
Investors/ Analysts	Private fund management companies (local and international) Statutory bodies which manage government funds Research houses Insurance companies Private investors	• Annual General Meeting • Ongoing communications with the investment community via briefings, small groups and 1-to-1 meetings
Media	Newspapers (printed and online) Broadcast media Social media	• Continuous and meaningful communications • Publicity management
Service providers/ Vendors	Consultancy/advisory firms Contractors Company suppliers	• To ensure fair treatment via a transparent tender/ bid process
Associations/ Community	Malaysian Accounting Standards Board (MASB) Malaysian Institute of Corporate Governance (MICG) Malaysia Investor Relations Association (MIRA)	• Industry stewardship • Development and impact of new rules • Reaching out to the community continuously
Customers	Retail consumers Corporate clients	• Protection of personal data • Products/services transparency • Useful products/services

Sustainability Statement

OUR MATERIALITY MATRIX

The prioritisation of our material sustainability matters is set out in the matrix below:

ECONOMIC

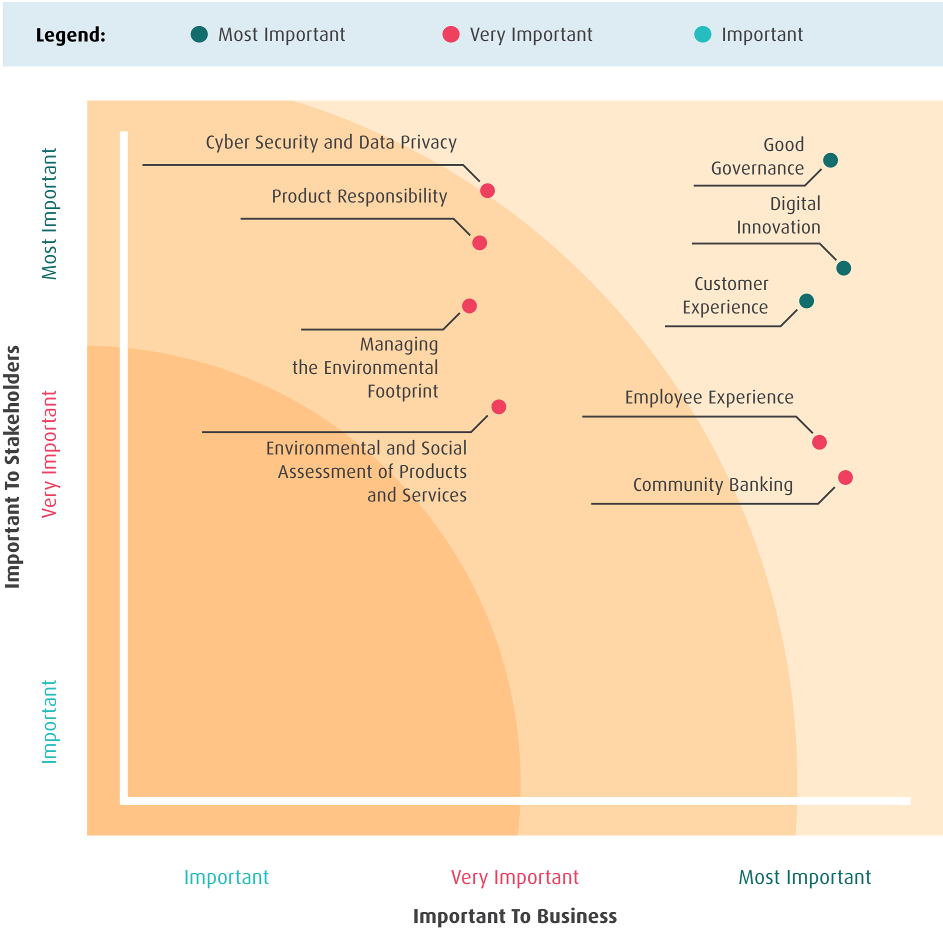
- Digital Innovation

ENVIRONMENTAL

- Managing the Environmental Footprint
- Environmental and Social Assessment of Products and Services

SOCIAL

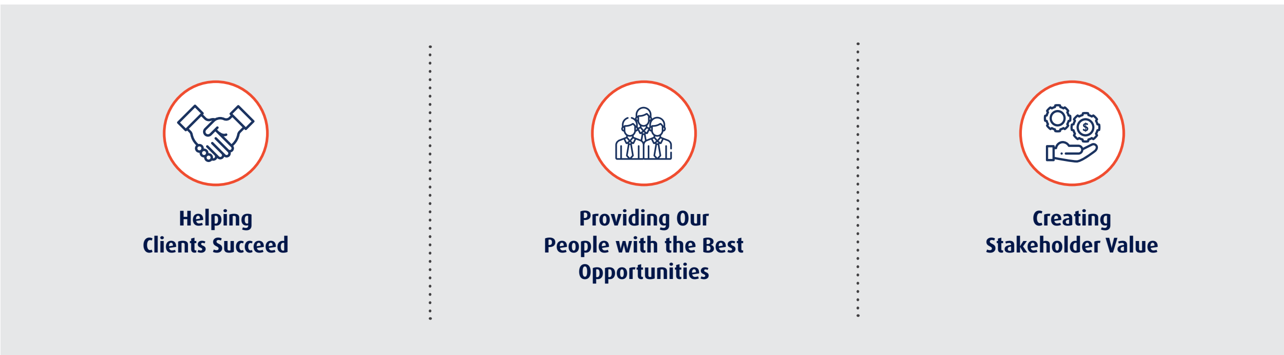
- Good Governance
- Cyber Security and Data Privacy
- Customer Experience
- Community Banking
- Product Responsibility
- Employee Experience



MATERIAL SUSTAINABILITY MATTERS

2. Material Sustainability Matters

The nine material issues identified are also aligned with the Hong Leong Group's mission:



MATERIAL SUSTAINABILITY MATTERS

2. Material Sustainability Matters (continued)

The nine material issues identified are as follows:

MATERIAL MATTERS	DEFINITION OF MATERIAL MATTERS
Helping Clients Succeed	
1. DIGITAL INNOVATION	• Innovation of our digital products and services by our subsidiaries is critical to increase accessibility and convenience.
2. CUSTOMER EXPERIENCE	• Efforts taken to enhance HLFG subsidiaries' products and services for customers, including improvement efforts taken to meet our customers' preferences and needs.
3. CYBER SECURITY AND DATA PRIVACY	• Initiatives taken to protect HLFG from unauthorised access or attacks that are aimed for exploitation of the information. • Efforts taken by HLFG to implement processes and measures that prevent, identify and address vulnerabilities and threats to personal and confidential data of our customers.
Providing Our People with the Best Opportunities	
4. EMPLOYEE EXPERIENCE	• Employee wellbeing, benefits, rewards and recognition based on their contribution to HLFG, which can influence HLFG's ability to attract and retain talent.
Creating Stakeholder Value	
5. GOOD GOVERNANCE	• HLFG's values, principles, standards and norms of behaviour, such as our code of conduct and codes of ethics that have been developed, approved and implemented. • Level of compliance to local regulations and other core operational regulations that help indicate the ability of management and HLFG's subsidiaries to ensure that operations conform to certain performance parameters.
6. COMMUNITY BANKING	• Local community engagement through development programmes based on the needs of the communities. • Economic wellbeing of employees as part of the community.
7. PRODUCT RESPONSIBILITY	• HLFG's efforts to ensure fair design and sale of HLFG's subsidiaries' products and services that directly affect stakeholders and customers.
8. MANAGING THE ENVIRONMENTAL FOOTPRINT	• HLFG's efforts to reduce usage of paper, including initiatives that involve employees and HLFG's subsidiaries' products and services. • Energy management to minimise environmental impact from HLFG's operations such as energy efficiency. • Efforts taken to reduce Greenhouse Gases (GHG) emissions from HLFG's activities. • Waste management that is in compliance with international and national standards. It includes actions taken to minimise waste throughout its operations.
9. ENVIRONMENTAL AND SOCIAL ASSESSMENT OF PRODUCTS AND SERVICES	• Consideration of environmental and social aspects during the assessment of HLFG's subsidiaries' products and services.

Sustainability Statement

MATERIAL SUSTAINABILITY MATTERS

HELPING CLIENTS SUCCEED

I. DIGITAL INNOVATION

Digital innovation is the application of new technologies, both in hardware and software, to existing business practices. It allows us to better serve our customers, as well as to reduce our and our customers' operating costs.

We also look at digitisation as an organised way of using technology tools on optimized processes with an objective of reducing manual intervention through automated activities that should yield higher productivity and customer satisfaction. Digitisation is the essential key to transform our traditional products deployment approach into a progressive, dynamic and sustainable customer oriented business.

Major initiatives from HLB:

- In FY19, we opened our second digital branch in Penang, based on the concept implemented at our flagship digital branch in Damansara City, Kuala Lumpur. We also continue to roll-out digital solutions to branches around Malaysia, such as our enhanced tablet-based teller solutions with biometric authentication capabilities and efficient application and servicing.

- Our investments in our 'Digital at the Core' business strategy have already paid dividends, with new digitisation initiatives introduced within the financial year yielding total cost savings of approximately RM55 million, equivalent to a cost reduction of 2.6% over total cost base.

- Several digital enhancements were executed to make transactions easier for customers, including the use of Robotics Process Automation ("RPA") to automate 23 card operations processes and the introduction of RPA to 3 cheque processing centres, with full implementation to be completed by October 2019. We also continue to implement Artificial Intelligence ("AI") for the automation of repetitive tasks in order to increase productivity and efficiency in operations.

- In total, 36 major digitally derived projects were delivered during the reporting period, with another 49 still under execution. Beyond our Malaysian operations, there were strong efforts to strengthen the Bank's digital footprint across our international offices and branches in Cambodia, Vietnam and Singapore.

- During the year, HLB ran two 24-hour hackathons for the public in October 2018 and April 2019 to identify potential talents and source digital solutions to real problems faced by the Bank. Each of these events saw more than 50 teams compete to develop digital prototypes for challenges posed by HLB based on real business scenarios, with Google and Rakuten coming onboard as partners for the April 2019 hackathon. The two events combined received a total of 461 participants and generated more than 90 innovative ideas in areas such as eWallets, digital onboarding, financial literacy and more.

MATERIAL SUSTAINABILITY MATTERS

HELPING CLIENTS SUCCEED

I. DIGITAL INNOVATION (continued)

Major initiatives from HLB: (continued)

- HLB is currently working with winning teams from both the public and employee hackathons to bring their ideas to life at our CX Lab and a number of high-potential individuals identified during the public hackathon have already been recruited into the bank.

Major initiatives/policies from HLCB:

- A new digital innovation effort which focuses on the Cash Plan Investment Platform is targeted to roll out by October 2019.
- The Stockbroking Retail Business division launched a new enhanced mobile application with modern interface and features, focusing on research visibility.
- The introduction of Direct Market Access ("DMA") trading, an electronic trading solution that allows for real-time execution of trade orders with lower cost by investors. DMA trading solution provides extremely fast order execution, and this enables investors to take advantage of very short-lived trading opportunities. DMA is targeted to be rolled out by end of 2019.

II. CUSTOMER EXPERIENCE

In the digital era where tech-savvy millennials make up the majority of our customer base, we are witnessing a shift in customer behaviour from conventional banking to demands for online banking. Digitisation trends in the banking and wider industries drive business development, which in turn drive continued higher customer expectations and satisfaction. Being digital at the core is not only about being mobile or having the latest technology but it is also about finding effective ideas to interact and engage with customers.

We recognise that in order to grow sustainably, we need to ensure our customers are satisfied, not only with our products and services but also the way in which these are delivered. Enhancing our customer experience with user-friendly, relevant products and services is important to maintaining a reputable financial services brand and standing in the market.

Sustainability Statement

MATERIAL SUSTAINABILITY MATTERS

HELPING CLIENTS SUCCEED

II. CUSTOMER EXPERIENCE (continued)

Major initiatives from HLB:

- Our digital branches are designed to improve efficiency and enhance customer experience. These branches leverage on new technology to depart from conventional methods of in-branch service delivery.

- With more than half of our customers presently utilising our digital banking services, both the number and value of digital transactions completed by our customers continue to rise. To date, all retail-based service functions can be completed via iPads, which are on track to be implemented across 140 branches by the end of 2019.

- Achieving success in the integration of banking services and digital technologies requires careful consideration of our customers' experience with the banking solutions that the Bank offers. As customers increasingly transition towards the use of our digital banking products and services, we will aim to ensure that these offerings are focused on delivering an optimal customer experience.

- In FY19, our HL Connect App Satisfaction score, measured by customers who had chosen 'Satisfied' or 'Very Satisfied' was an 84% satisfaction rate.

Major initiatives/policies from HLCB:

- We collaborate with key external parties, particularly government agencies, corporate bodies and rating agencies to provide value-added services for our clients. Some of the workshops and events held during the financial year are HLeBroking's entry & exit signals workshop, investment workshop, market talk 2019, portal training and Millennials Education First Workshop.

- Customers' feedback is crucial to help us improve our efforts. Surveys were conducted to collect feedback and reviews for every new initiative or product launched. We have received positive feedback from our clients, and this is supported by an increase of 26% new eBroking accounts opened in FY19.

MATERIAL SUSTAINABILITY MATTERS

HELPING CLIENTS SUCCEED

III. CYBER SECURITY AND DATA PRIVACY

Cyber security and customer data privacy continue to be a top priority for our Group. We cannot overstate enough the importance of protecting the customer data we hold nor understate the risks involved affecting reputation, loss of trust by customers/stakeholders, claims and regulatory actions amongst others. We have implemented and continue to upgrade and strengthen a multitude of measures to safeguard customer data and prevent security breaches in our organisation.

We deploy specialist knowledge and key technologies to detect and prevent a fraud incident or cyberattack, and if we catch an attack in progress then we can contain it. However, it's not just down to our team of developers, IT teams and our fraud management unit. We also need to ensure that our customers are aware of the risks and consequences of fraud. Security is a joint responsibility between the bank and the customer where customer education also plays an important preventive role.

Major initiatives from HLB:

- We invest heavily in our digital and technological systems for cyber security and are involved with national and international early warning systems for cyber security risks, including the Financial Services – Information Sharing and Analysis Centre and Recorded Future.

- We are conscious that customers and employees remain a major point of risk for data loss. Stakeholders are informed about the Bank's handling of confidential personal information entrusted to us by our customers, employees and business partners, via the Bank's Privacy Notice. The Privacy Notice, which is available in both English and Bahasa, serves to help these individuals understand how the Bank handles their personal information and what rights and protection they are entitled to as a data owner.

- By improving human awareness of cyber security measures and practices, we are able to strengthen the first line of defence against cyber-attacks and scams. We strive to fortify this human infrastructure by building a data security culture in which customers and employees have sufficient knowledge to protect themselves and the Bank from risk.

- HLB has established a Group Data Protection and Customer Secrecy Policy to govern the secure receipt, storage and protection of customers' private and sensitive information in compliance with the Personal Data Protection Act (2010) ("PDPA").

MATERIAL SUSTAINABILITY MATTERS

HELPING CLIENTS SUCCEED

III. CYBER SECURITY AND DATA PRIVACY (continued)

Major initiatives/policies from HLCB:

- Installations of antivirus software on workstations and devices to prevent uninvited threats from emails, external storage or through the network, implementation of file encryption protection on all files retrieved from workstations, and controls on the accessibility of data retrieved from workstations.
- Throughout the FY19, cyber security awareness programs are conducted internally within the group to address the rapid and ever-changing data security threat environment. The programs provide the education, monitoring and ongoing maintenance of security awareness.

PROVIDING OUR PEOPLE WITH THE BEST OPPORTUNITIES

IV. EMPLOYEE EXPERIENCE

Creating a positive employee experience helps us to attract and retain the best talent, which is essential in any services business.

Serving our communities is not only integral to running a business successfully but is also our responsibility and consensus to build a diverse and inclusive workplace that reflects the diversity of the communities in which we serve. The Group continues to support communities in meaningful ways that improve the company's culture, relationship and reputation.

In order to retain talent, we provide suitable career progression and we encourage employees to maintain a reasonable work-life balance. Employees are encouraged to develop their skill sets with the aid of training opportunities which the Company provides.

Major initiatives from HLB:

- Our Code of Conduct and Ethics guides the establishment of a safe and inclusive workplace, strictly prohibiting discrimination of any kind. As of December 2018, we had 7 full-time employees who identify as differently abled.
- We promote open and regular communication with our employees through a number of channels, including our newly launched HLB Workplace and Workchat platforms in FY19.

MATERIAL SUSTAINABILITY MATTERS

PROVIDING OUR PEOPLE WITH THE BEST OPPORTUNITIES

IV. EMPLOYEE EXPERIENCE (continued)

Major initiatives from HLB: (continued)

- In FY19, our employee engagement survey had a 91% response rate.

- At HLB, we are committed to nurturing a high performance culture. Our focus is on ensuring that we add value in our dealings with all stakeholders. A key example of this is the enrolment of our employees in design thinking workshops to upskill them.

- A key component of our competency-building strategy is SmartUp, a mobile and web-based micro learning app, which delivers fun, bite-sized learning content to our workforce on the go.

- We had two innovative recruitment channels: our 24-hour hackathon events and an Artificial Intelligence-enabled digital screening strategy. These build upon our existing Information Technology Executive Programme, Management Associates Programme, Graduate Trainee Programme, PROTÉGÉ Programme and Internship Programme for recruiting promising young talent.

Major initiatives/policies from HLCB:

- HLCB has introduced a HiPo ("High Potential") program as one of the initiatives under its talent management strategy. The program aims to build a strong succession pipeline of bright and skilled future leaders and maintain a high retention rate. Additionally, HLCB Talent Incubator Program (Management Trainee) program was introduced with the aim to propel passionate, engaged and aspirated young talents. Since the programme was implemented, 11 management trainees have been successfully trained to hold key positions in the Group.

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

Sustainability Statement

MATERIAL SUSTAINABILITY MATTERS

CREATING STAKEHOLDER VALUE

V. GOOD GOVERNANCE

Good governance is essential to ensure that the operations of the Group are managed in a manner where all stakeholders are treated fairly.

Major initiatives from HLB:

- At HLB, our experienced Board of Directors provides strong leadership and independent oversight in line with best practices for corporate governance. Along with our management team, the Board plays an important role in overseeing the implementation of the Bank's stringent principles and policies for responsible business conduct. These include policies and procedures related to whistleblowing, PDPA, anti-money laundering, anti-bribery and corruption and ethical conduct, among others. Policies are frequently reviewed and updated to ensure that we continue to meet best practice standards.

- The Code of Conduct and Ethics applies to all Bank employees, subsidiaries and affiliates of HLB's vendors and business partners. In order to ensure employees' adherence to the Code of Conduct and Ethics, new employees are provided with awareness training on its contents during the on-boarding programme. Effective 2020, the Board of Directors will provide annual attestation to the Code of Conduct and Ethics.

Major initiatives/policies from HLCB:

- Training is provided to employees on Compliance Policy, Anti-Money Laundering and Counter Financing of Terrorism ("AMLCFT") Policy, Material Information Policy, Whistleblowing Policy and Code of Conduct & Ethics. This includes updating the Standard Operating Policies and Procedures ("SOPP") to remain relevant to changes of the laws and regulations.

- We ensure there is adequate segregation of duties among the employees with proper check and balance so that the employees do not have any conflict of interest in performing their duties.

VI. COMMUNITY BANKING

As a financial services provider, the most significant way in which we can make a positive social impact is by the provision of quality service that helps our local communities better manage and enhance their financial well-being. To this end, we are conscious of having products that meet the needs of customers from all income brackets and to provide access to our banking services to less served segments of the community, as well as in supporting under-served entrepreneurs, particularly start-ups. We seek to engage and help local communities develop via programs that have been designed to meet their specific needs.

MATERIAL SUSTAINABILITY MATTERS

CREATING STAKEHOLDER VALUE

VI. COMMUNITY BANKING (continued)

Beyond access to our products and services, we feel it is our duty as a responsible corporate organisation to play a role in elevating the standard of living of the more marginalised pockets of community. This is achieved through various philanthropic and social outreach programmes supported by our Group philanthropic arm, Hong Leong Foundation. Through these initiatives, we also provide our employees an avenue to contribute in a meaningful way to the community.

Major initiatives from HLFG (company level):

- To support the financial sector giving back to the community, HLFG initiated an employee/company partnership amongst its financial group companies to support and sponsor staff entry teams into a local run organized by Bursa Malaysia as a charity fund raising event. This event aims to raise awareness and promote financial literacy and entrepreneurship whilst also raising funds to help improve the lives of underprivileged communities. Besides participating, HLFG staff also contributed a portion of the entry fees for this event as their own personal contribution. HLFG coordinated across its subsidiary group companies to ensure we collectively contributed in effort and numbers and sent in a total of 12 teams for this charity event.

Major initiatives from HLB:

- HLB is taking an active role towards supporting the growth of Malaysia's SME sector, by providing financial support to SMEs as well as enabling avenues and opportunities that addresses their non-financial needs. We deployed over 170 community banking managers at branches nationwide to serve the SME segment.

- To help SMEs secure loans for property purchases and refinancing, we offer a property-backed SME financing program, SMElite. The scheme, which is guaranteed by Credit Guarantee Corp Malaysia Bhd, provides loans of up to RM10 million, bundled with working capital requirements of up to a 150% margin of financing.

- In FY19, we partnered with iPay88, a leading payment gateway in ASEAN. Through iPay88, our customers can now develop specific merchant portals and benefit through direct-debit payments.

- We continue to support the Islamic SME sector through our Islamic banking arm. In FY19, we participated in Halal trade expos and summits throughout Malaysia, including serving as a forum panelist at the World Halal Conference. We also undertook a six-month Halal financing campaign to support the Halal Pharmaceutical and Food and Beverage industries.

MATERIAL SUSTAINABILITY MATTERS

CREATING STAKEHOLDER VALUE

VI. COMMUNITY BANKING (continued)

Major initiatives from HLB: (continued)

- In order to serve our community better, HLB JumpStart, our flagship CSR programme was launched in September 2018 to support social enterprises by empowering them with the knowledge, skills and tools needed to succeed. Under JumpStart, we partner with knowledge specialists in the fields of finance, branding and advertising, design and volunteerism to improve the ability of social enterprises to sustain their businesses. Following two successful collaborations, which are SURI and Green Hero in FY19, JumpStart has set its sights on a third social enterprise to partner with in FY20 in order to promote skill development and employment opportunity among underserved Malaysian youth.

- We continued to drive the Brown Bag 'Lunch & Learn' Series in FY19. These sessions focus on topics related to the Bank's sustainability themes, covering topics from wellness to social responsibility and Industry 4.0 technology. The attendance to all 11 Brown Bag 'Lunch & Learn' Series was 1,891 since the programme's introduction.

VII. PRODUCT RESPONSIBILITY

Product responsibility and fair banking are about the responsible development and marketing of financial products. This involves thorough evaluation of products before they are brought to market and proper communication to consumers of what these products entail. We educate the public and business enterprises about the products that are available in the market so they are aware of their options and are able to make informed choices in selecting products that will enhance their financial well-being.

Major initiatives from HLB:

- Any new product or product variant that HLB introduces has to be approved by HLB's Product and Evaluation Approval Committee ("PEAC") which is also applicable to its overseas subsidiaries (HLB subsidiaries and branches in Vietnam, Cambodia, Singapore and China) and HLISB. The committee evaluates and scrutinizes each product at length from various angles including giving attention to compliance requirements from various regulators prior making a final decision on the product.

MATERIAL SUSTAINABILITY MATTERS

CREATING STAKEHOLDER VALUE

VII. PRODUCT RESPONSIBILITY (continued)

Major initiatives/policies from HLCB:

- We emphasise on transparency when dealing with clients, agents or business partners. Our employees are prohibited from offering or receiving gifts or favours in any form that could compromise the decisions made by the employee or their corresponding party.

- We ensure the scope of work, pricing or fees, terms and conditions as well as any associated risks are laid out in written documents with mutual agreement between both parties. In addition, HLCB also conducts on-going assessments with regards to fair banking regulations issued by authorities as one of the proactive measures.

VIII. MANAGING THE ENVIRONMENTAL FOOTPRINT

We are concerned about environmental issues such as pollution and climate change which affects everyone's quality of life today and in the future. Although the financial services industry does not have a significant direct impact on the environment, we believe in playing our part to minimise as far as possible our environmental footprint by adopting a responsible approach in terms of resource use. We also seek to ensure that our employees are aware of the role every individual can play towards protecting and enhancing the environment. Our efforts to operate in an environmentally sustainable manner not only serve to protect our natural resources but also provide a channel through which our employees can work together for a common good, thus enhancing team spirit and a sense of pride in belonging to HLFG.

Our new head office, Menara Hong Leong ("MHL"), is a certified Green Building. The MHL building Management implemented a Green Building Guideline to promote awareness of energy conservation and to better control energy consumption of the building's operations. In order to minimize electricity consumption in MHL, several energy efficient technology have been installed such as (1) photocell sensors are installed in the building to activate lighting when ambient lighting levels are low; (2) motion sensors for lighting are installed to activate lighting only when room is being occupied; (3) digital electrical sub-meters are used to efficiently track electricity usage. (4) Carbon Dioxide ("CO2") levels are being monitored and controlled by introducing fresh air monitor system: when CO2 levels exceed 800ppm, the system is activated.

According to the World Resources Foundation, plastic does not biodegrade and it is estimated that the world uses 500 billion to 1 trillion plastic bags in a year. Plastic bags, which are made of polythene, cause pollution throughout its life – from manufacturing to disposal. As plastic bags have a huge negative impact on the environment, HLFG has initiated a "Zero Plastic Bags in the Office" position at the company level. All employees are encouraged to play a positive role in support of this sustainability initiative to reduce this toxic waste from our environment and adopt reusable carrier bags as an alternative.

MATERIAL SUSTAINABILITY MATTERS

CREATING STAKEHOLDER VALUE

VIII. MANAGING THE ENVIRONMENTAL FOOTPRINT (continued)

Major initiatives from HLFG (company level):

- HLFG Group annual reports are produced in compact disc ("CD") format. The annual reports for HLFG, HLB and HLCB are produced in CD format, except for a small number of copies to cater to shareholders who specifically request a printed hard copy. This saves the printing of several thousand copies of annual reports every year.

- We continue to recycle used papers/newspapers and old laptops in support of the recycling initiative. We have also donated old laptops to SOLS Tech, the partner of Hong Leong Foundation, which collect old and unused devices from the public in order to refurbish and restore the items before redistribution to various projects and deserving communities. Paper and recyclable plastic products consumed within our office premises are placed in recycling bins.

- To promote energy conservation and efficiency, our staffs are encouraged to conserve electricity wherever possible.

Major initiatives from HLB:

- At our two main corporate buildings, PJ City Tower and Menara Hong Leong, we track our electricity consumption with the goal of achieving a 5% reduction in electricity consumption in PJ City Tower by 2020 compared to 2017 baseline levels. We also track our water consumption in both buildings, as well as the fuel consumed by our company-owned vehicles.

- To manage environmental risks within our financing activities, we have established an Environmental Sustainability Risk set of policies in the BCB Credit Policy. These encompass risks posed to the physical environment as well as social risks related to people and communities.

- We have undertaken several measures to reduce paper use by customers and our internal bank operations. These include reducing the distribution of passbooks, fixed deposit certificates and cheques issued as well as promoting e-payment solutions. Internally, we continue to use 100% recycled paper for letterhead material and 100% FSC certified paper for our copier machines and computer forms.

MATERIAL SUSTAINABILITY MATTERS

CREATING STAKEHOLDER VALUE

VIII. MANAGING THE ENVIRONMENTAL FOOTPRINT (continued)

77%
reduction in accounts opened with passbook since July 2018

21%
reduction in cheques issued in 2019

Increased
64%
conversion from paper statements to e-statements as at June 2019

As at June FY19, we saved
41.7
metric tonnes of paper

Major initiatives/policies from HLCB:

- Our energy conservation initiative has reduced the organisation's total energy consumption in fuel and electricity usage. The total energy consumption has reduced by 12% from FY17 to FY19.

IX. ENVIRONMENTAL AND SOCIAL ASSESSMENT OF PRODUCTS AND SERVICES

We strive to ensure that all our Group products and services have a balanced impact on the environment and the societies we operate within. One of our major thrusts within this area is responsible lending.

Responsible lending is about ensuring we only support socially, financially and environmentally responsible business behaviour. It also means considering the social implications of our products and services and not financing individuals or organisations whose actions create negative impacts on society.

Sustainability Statement

MATERIAL SUSTAINABILITY MATTERS

CREATING STAKEHOLDER VALUE

IX. ENVIRONMENTAL AND SOCIAL ASSESSMENT OF PRODUCTS AND SERVICES (continued)

Major initiatives from HLB:

- HLB considers the protection and healthy growth of our nation and communities throughout all stages of our banking operations. This includes who we choose to lend to as well as how our operations in areas like procurement and marketing reflect a socially and environmentally responsible culture. Due diligence activities that we practice include site visits, environmental record assessments and third-party reviews of potentially harmful business proposals.

- Our Business and Corporate Banking Credit Policy ("BCB Credit Policy"), which governs the credit risk function of the Bank for corporate and commercial loans and financing, aims to build a healthy and cohesive credit culture.

- In line with the national agenda to accelerate the growth of Malaysia's green technology industry, HLB supports the country's Green Technology Financing scheme ("GTFS"). As at June 2019, we have approved close to RM85 million of financing under GTFS to support local companies' and entrepreneurs' green technology-based projects. Our financing has focused on projects involved in the production of green energy, including energy derived from Solar Photovoltaic, Biomass and Biogas sources. The Bank will continue to participate in GTFS and aims to develop its human capital for greater engagement with stakeholders to further grow this sector.

- To better support the renewable energy business community, HLB recruited a renewable energy industry specialist and developed an industry handbook for front-line staff engaging with prospective clients to propel the Bank's investments into climate-positive financing.

Major initiatives/policies from HLCB:

- HLCB is mindful of the impact of our stock recommendations, professional advices given to our clients as well as the screening of clients and businesses to minimise engagement that could potentially result in adverse environmental or social impacts.

- We have also engaged with Pertubuhan Pelindung Khazanah Alam in the recent Bursa Stratum Focus Series VIII on "Sarawak: Journey in Transformation" to create awareness about the nature, sound health, preservation and sustenance of the environment. Moreover, we are actively working on proposals to raise funds for several green and socially responsible projects.

Sustainability Statement

CONTENT INDEX

Sustainability Statement

CONTENT INDEX

Corporate **Information**

DIRECTORS

YBhg Tan Sri Quek Leng Chan *(Chairman)*

Mr Tan Kong Khoon *(President & Chief Executive Officer)*

Ms Lim Lean See

Mr Saw Kok Wei

Ms Leong Ket Ti

Puan Raja Noorma binti Raja Othman

COMPANY SECRETARY

Mr Jack Lee Tiong Jie
MAICSA 7060133

AUDITORS

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

REGISTRAR

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

REGISTERED OFFICE

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

WEBSITE

www.hlfg.com.my

Board of Directors' Profile

YBHG TAN SRI QUEK LENG CHAN

Position

Chairman/Non-Executive/Non-Independent

Nationality / Age / Gender

Malaysian / 76 / Male

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 Nomination 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"), a company 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 public companies. He is also the Chairman of the Council of Members of Hong Leong Bank Vietnam Limited ("HLBVN").

MR TAN KONG KHOON

Position

President & Chief Executive Officer/Non-Independent

Nationality / Age / Gender

Singaporean / 62 / Male

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

Mr Tan is the President & Chief Executive Officer of 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 DBS Bank Ltd ("DBS") from 1 December 2010 to 15 April 2013 where he led and managed strategy formulation and execution for consumer banking globally across the DBS Group.

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

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

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

Mr Tan is the Chairman of Hong Leong Capital Berhad ("HLCB") and a Director of HLB, both companies listed on the Main Market of Bursa Securities; and a Director of HLA and Hong Leong Investment Bank Berhad ("HLIB"), both public companies. He is also the Chairman of Hong Leong Bank (Cambodia) PLC and Chief Controller on the Board of Controllers of HLBVN.

Board of Directors' Profile

MS LIM LEAN SEE

Position

Non-Executive Director/Independent

Nationality / Age / Gender

Malaysian / 66 / Female

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 of 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 is the Chairman of the Board Audit & Risk Management Committee ("BARMC") and a member of the NC and RC of HLFG.

MR SAW KOK WEI

Position

Non-Executive Director/Independent

Nationality / Age / Gender

Singaporean / 56 / Male

Mr Saw Kok Wei holds a Bachelor of Science (Honours) Degree in Accounting and Finance from The University of Warwick, United Kingdom.

Mr Saw is currently the President, Business Units of Jurong Port Pte Ltd ("Jurong Port"), a leading international multi-purpose port operator headquartered in Singapore. Prior to his current appointment, Mr Saw was the Chief Financial Officer of Jurong Port from September 2013 to March 2019, and oversaw several functions including Finance, Admin, Enterprise Risk Management, Information Technology and Business Intelligence.

Mr Saw brings with him several years of commercial and financial experience across a number of industries in the UK, Singapore, Indonesia and China. After graduation, he started his career with Arthur Young in London as an auditor. Since then he has worked for Chase Manhattan, Inchcape Berhad, Nike South East Asia, and Merck Sharp & Dohme.

Before joining Jurong Port, Mr Saw was with Electrolux for ten years as Vice President, Finance & Administration, East Asia; General Manager for Indonesia; Chief Financial Officer for China; and Deputy Head of Strategy, Electrolux Asia Pacific.

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

Notes:

1. **Family Relationship with Director and/or Major Shareholder**
   None of the Directors has any family relationship with any other Director and/ or major shareholder of 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 2019.

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

Board of Directors' Profile

MS LEONG KET TI

Position

Non-Executive Director/Independent

Nationality / Age / Gender

Malaysian / 56 / Female

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

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

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

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

Ms Leong was appointed to the Board of HLFG on 8 March 2019 and is a member of BARMC of HLFG.

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

PUAN RAJA NOORMA BINTI RAJA OTHMAN

Position

Non-Executive Director/Independent

Nationality / Age / Gender

Malaysian / 60 / Female

Raja Noorma Othman holds a Bachelor of Business Administration degree from Ohio University, United States of America under a twinning programme with MARA Institute of Technology, and is a member of the Malaysian Institute of Accountants.

Raja Noorma has more than 30 years of experience in banking, asset management and the corporate sector. Prior to her retirement in December 2018, she was the Head of London Branch of CIMB Bank Berhad ("CIMB London") from 2015 to 2018. She was a Director of Group Asset Management ("GAM") in CIMB Investment Bank Berhad ("CIMB IB") from 2007 to 2015 overseeing the entire Asset Management businesses of CIMB Group. During her term as Head of CIMB London and Director of GAM in CIMB IB, she was also the Chief Executive Officer of CIMB-Mapletree Management Sdn Bhd, an adviser to a privately held real estate fund.

Prior to joining CIMB Group, she was the Vice-President of Investment Banking at JP Morgan, a position she held for over 5 years. She was attached to JP Morgan's offices in Hong Kong, Singapore and Malaysia as both industry and client coverage banker. At JP Morgan, she originated and executed several transactions involving corporate advisory, equity and debt capital markets, private equity, cross border mergers and acquisitions as well as initial public offerings. She also served Telekom Malaysia Berhad for 10 years where the last post she held was as Head of Corporate Finance.

Raja Noorma was appointed to the Board of HLFG on 10 May 2019. She is also a Director of HLIB, a public company.

Key Senior **Management**

MR CHEW SEONG AUN

Position

Group Chief Financial Officer of
Hong Leong Financial Group ("HLFG")

Nationality / Age / Gender

Malaysian / 55 / Male

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 its Chief Financial Officer ("CFO") and is presently the Group CFO of HLFG.

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 Chew is the Chairman of Hong Leong Asset Management Bhd, HLF Credit (Perak) Bhd and Promilia Berhad, all public companies.

MR DOMENIC FUDA

Position

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

Nationality / Age / Gender

Australian / 52 / Male

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 is a Chartered Banker of the Asian Institute of Chartered Bankers ("AICB").

Mr Domenic Fuda was appointed as the Group Managing Director/Chief Executive Officer of HLB on 5 February 2016. Mr Domenic Fuda is a member of the Executive Committee and Credit Supervisory Committee of HLB. He is also a Director of Hong Leong Islamic Bank Berhad ("HLISB") and Hong Leong Bank (Cambodia) PLC and a Council Member of Hong Leong Bank Vietnam Limited, all wholly-owned subsidiaries of HLB. He is also a Council Member of AICB and The Association of Banks in Malaysia.

Prior to HLB, 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

Position

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

Nationality / Age / Gender

Malaysian / 56 / Female

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

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

Ms Lee has more than 20 years of experience in the financial industry, specialising mainly in investment banking. Prior to joining HLIB, she was the Managing Director of a local investment bank where she was responsible for the overall development of the bank's investment business in Malaysia.

From 1999 to 2007, she was attached to a Singapore based regional bank and was tasked to spearhead their investment banking division in Malaysia and the ASEAN region.

MS LOH GUAT LAN

Position

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

Nationality / Age / Gender

Malaysian / 54 / Female

Ms Loh Guat Lan holds a Bachelor of Science in Human Development (major in Food Nutrition) 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 a Director of MSIG Insurance (Malaysia) Bhd and Hong Leong MSIG Takaful Berhad, 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 2019.

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 LEAN SEE
(Chairman, Independent Non-Executive Director)
(Redesignated as Chairman on 8 April 2019)

MR SAW KOK WEI
(Independent Non-Executive Director)

MS LEONG KET TI
(Independent Non-Executive Director)
(Appointed on 8 April 2019)

MS LIM TAU KIEN
(Independent Non-Executive Director)
(Retired on 8 April 2019)

SECRETARY

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

TERMS OF REFERENCE

The terms of reference of the BARMC are published on the Company's website at www.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 group chief financial officer, chief risk officer, chief internal auditor, chief compliance officer, 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.

The BARMC will also engage privately with the chief compliance officer, chief internal auditor and chief risk officer on a regular basis to provide the opportunity for the chief compliance officer, chief internal auditor and chief risk officer to discuss issues faced by compliance, internal audit and risk management functions.

Issues raised, discussions, deliberations, decisions and conclusions made at the BARMC meetings are recorded in the minutes of the BARMC meetings. A BARMC member who has, directly or indirectly, an interest in a material transaction or material arrangement shall not be present at the BARMC meeting where the material transaction or material arrangement is being deliberated by the BARMC.

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

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

ACTIVITIES

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

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

Member	Attendance
Ms Lim Lean See	4/4
Mr Saw Kok Wei	4/4
Ms Leong Ket Ti[(1)]	1/1
Ms Lim Tau Kien[(2)]	3/3

Notes:

(1) *Appointed on 8 April 2019*

(2) *Retired as Chairman on 8 April 2019.*

Board Audit & Risk Management Committee Report

HOW THE BARMC DISCHARGES ITS RESPONSIBILITIES

FINANCIAL REPORTING

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

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

The legal and regulatory environment was monitored and consideration given to changes in law, regulation, accounting policies and practices including the Auditor Reporting Standards – ISA 701 on key audit matters and the additional disclosure requirements under the amended Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

EXTERNAL AUDIT

The external auditors of the Group for the FYE 2019 is PricewaterhouseCoopers PLT ("PwC"). The BARMC discussed and reviewed with the external auditors, before the audit commenced for the financial year:-

(i) 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; and

(ii) the methodology and timetable of the Statement on Risk Management and Internal Control.

The BARMC reviewed the report and audit findings of the external auditors and considered management's responses to the external auditor's audit findings and investigations. The BARMC also had two (2) separate sessions with the external auditors without the presence of Executive Directors and management where matters discussed included 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 2019 amounted to RM4,303,805 of which RM910,775 was payable in respect of non-audit services. Non-audit services accounted for 21% of the total fees payable. The BARMC assessed the objectivity and independence of the external auditors prior to the appointment of the external auditors for ad-hoc non-audit services.

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

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

(b) level of engagement with BARMC;

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

(d) appropriateness of audit approach and the effectiveness of audit planning;

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

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

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

(h) risk of familiarity in respect of PwC's appointment as external auditors.

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

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

RELATED PARTY TRANSACTIONS

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

The Group had put in place the 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.

Board Audit & Risk Management Committee Report

RELATED PARTY TRANSACTIONS (continued)

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 the respective business units under the Group.

During the financial year, BARMC noted that the various internal audit departments in the Group had effectively carried out internal audits to their respective business entities, and reviewed the updates on the audits performed on the financial holding company, 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 had focused on the adequacy and integrity of internal control systems, business and compliance audits on the respective business units. The management's responses to internal audit's findings were also presented for the BARMC's consideration. The BARMC also reviewed at every BARMC meeting 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 internal audits in their audit reports were effectively resolved and that any outstanding audit findings be tracked for timely resolution.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The BARMC considered reports on risk management for the purpose of overseeing and reporting to the Board, on the proper functioning of Risk Management as part of its responsibilities to assess and manage risks and uncertainties that could inhibit the Group's ability to achieve its business objectives.

The Chief Risk Officer was invited to present to the BARMC the Risk Management Dashboard covering, among others, Credit Risk, Market Risk, Liquidity Risk, Operational Risk and IT Risk.

The BARMC has reviewed management's implementation of group-wide risk management initiatives.

The BARMC has 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 effectiveness of internal controls and risk management process.

COMPLIANCE

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

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

INTERNAL AUDIT FUNCTION

The various internal audit functions within the Group entities employ 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 2019, the following internal audits were carried out:

- Financial Holding Company: audits on finance, company secretarial and compliance departments.
- Banking: audits on branches, personal financial services, business corporate banking and global markets businesses, group operations and technology, group functions and other assignments as directed including investigations. Shariah audits were performed on Islamic banking business as well.
- Investment Banking: audits on operations, anti-money laundering/counter financing of terrorism framework, cyber risk management, investment banking, stockbroking, branches, fund management and unit trust operations, critical operations (as defined by respective regulators) and other assignments as required by regulatory bodies.
- Insurance: audits on operations, data privacy and protection, agency, product development, actuarial, investment, financial, information technology and system, branches, anti-money laundering/counter financing of terrorism, and other assignments as required by regulatory bodies.

The cost incurred for the various internal audit functions within the Group for the FYE 2019 was RM18.03 million.

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

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

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

~ Finance Committee on Corporate Governance

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

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

The Board also reviewed the manner in which the Bank Negara Malaysia's ("BNM") policy document on Corporate Governance ("BNM CG Policy") is applied in the Group, where applicable, as set out below.

A. ROLES AND RESPONSIBILITIES OF THE BOARD

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

In discharging its responsibilities, the Board has established functions which are reserved for the Board and those which are delegated to management. The key roles and responsibilities of the Board are set out in the Board Charter, which was reviewed periodically by the Board. The Board Charter is published on the Company's Website. The key roles and responsibilities of the Board broadly cover formulation of corporate policies and strategies; overseeing and evaluating the conduct of the Group's businesses; identifying principal risks and ensuring the implementation of appropriate systems to manage those risks; and reviewing and approving key matters such as financial results, investments and divestments, acquisitions and disposals, and major capital expenditure and such other responsibilities that are required as specified in the 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") who is 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 Nomination Committee ("NC") is delegated the authority to, inter alia, assess and review Board, Board Committees and CEO appointments and re-appointments and oversee management succession planning. Although the Board has granted such authority to Board Committees, the ultimate responsibility and the final decision rest with the Board. The chairmen of Board Committees report to the Board on matters dealt with at their respective Board Committee meetings. Minutes of Board Committee meetings are also tabled at Board meetings.

There is a clear division of responsibilities between the Chairman of the Board and the CEO. This division of responsibilities between the Chairman and the CEO ensures an appropriate balance of roles, responsibilities and accountability.

A. ROLES AND RESPONSIBILITIES OF THE BOARD (continued)

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

The CEO is responsible for formulating the vision and recommending policies and the 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. There are no relationships or circumstances that could interfere with or are likely to affect the exercise of INEDs' independent judgment or their ability to act in the best interest of the Company and its shareholders.

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

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

B. BOARD COMPOSITION

The Board currently comprises six (6) Directors. The six (6) Directors are made up of one (1) Executive Director and five (5) Non-Executive Directors, of whom four (4) are independent. The profiles of the members of the Board are set out in the Annual Report.

The Company is guided by BNM CG Policy 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 to commensurate with the complexity, size, scope and operations of the Company. Board members should have the ability to commit time and effort to carry out their duties and responsibilities effectively.

The Company has in place a Board Diversity Policy. The Board recognises the merits of Board diversity in adding value to collective skills, perspectives and strengths to the Board. The Board will consider appropriate targets in Board diversity including gender balance on the Board and will take the necessary measures to meet these targets from time to time as appropriate. The Board currently has six (6) Directors, of whom three (3) are women directors. The Board will continue to maintain women participation on the Board in line with the MCCG.

Based on the review of the Board composition in July 2019, the Board is of the view that the current size and composition of the Board are appropriate and effective for the control and direction of the Group's strategy and business. The composition of the Board also fairly reflects the investment of shareholders in the Company. The Board will continue to review and strengthen the composition of the Board from time to time to ensure alignment with the Group's strategic direction and to commensurate with the complexity, scope and operations of the Group's business.

Corporate Governance Overview, Risk Management & Internal Control Statement

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

(B) NC

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

- Mr Saw Kok Wei *(Chairman)*
  (Appointed as NC Chairman with effect from 8 April 2019)
- YBhg Tan Sri Quek Leng Chan
- Ms Lim Lean See

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

The Company has in place Fit and Proper ("F&P") Policy as a guide for the following process and procedure for assessment of (i) new appointments and re-appointments of Chairman, Directors and CEO, (ii) appointment of Board Committee members, and (iii) annual F&P assessment of Chairman, Directors and CEO, and the criteria and guidelines 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 for Board appointments, the NC will take into account, inter alia, the strategic and effective fit of the candidates for the Board, the overall desired composition and the mix of expertise and experience of the Board as a whole and having regard to the candidates' attributes, qualifications, management, leadership, business experience and their F&P Declarations in respect of their probity, competence, personal integrity, reputation, qualifications, skills, experience and financial integrity in line with the standards required under the relevant BNM Guidelines. The Company has taken steps to build and maintain a pool of potential Board candidates from internal and external introductions, recommendations and independent sources with director databases in its search for suitable Board candidates.

C. BOARD COMMITTEES (continued)

(B) NC (continued)

(i) New appointments (continued)

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

(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 • Relevant Credit Bureau Checks • Recommendation by the NC	▶	Deliberation by the Board and decision thereof

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

(iii) Board Committee Appointments

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

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

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

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

Corporate Governance Overview, Risk Management & Internal Control Statement

C. BOARD COMMITTEES (continued)

(B) NC (continued)

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

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

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

During the financial year ended 30 June 2019 ("FYE 2019"), three (3) NC meetings were held and the attendances of the NC members were as follows:

Member	Attendance
Mr Saw Kok Wei[(1)]	-
YBhg Tan Sri Quek Leng Chan	3/3
Ms Lim Lean See	3/3
Ms Lim Tau Kien[(2)]	3/3

[(1)] *Appointed as NC Chairman with effect from 8 April 2019. The NC meetings were held before his appointment.*

[(2)] *Retired as NC member with effect from 8 April 2019.*

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

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

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

C. BOARD COMMITTEES (continued)

(B) NC (continued)

- Reviewed the F&P Declarations by Directors and Company Secretary in line with the BNM policy document on F&P Criteria and was satisfied that the Directors and Company Secretary met the requirements as set out in BNM policy document on F&P Criteria;

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

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

- Reviewed the appointment of Company Secretary in accordance with the BNM CG Policy and recommended to the Board for consideration and approval;

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

- Reviewed the appointments of members of Board Committees in accordance with the F&P Policy, BNM CG Policy and MMLR and recommended to the Board for consideration and approval.

(C) REMUNERATION COMMITTEE ("RC")

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

- Mr Saw Kok Wei *(Chairman)*
  (Redesignated as RC Chairman with effect from 8 April 2019)
- YBhg Tan Sri Quek Leng Chan
- Ms Lim Lean See

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

During the FYE 2019, one (1) RC meeting was held and the attendances of the RC members were as follows:

Member	Attendance
Mr Saw Kok Wei	1/1
YBhg Tan Sri Quek Leng Chan	1/1
Ms Lim Lean See	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.

Corporate Governance Overview, Risk Management & Internal Control Statement

C. BOARD COMMITTEES (continued)

(C) REMUNERATION COMMITTEE ("RC") (continued)

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

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

The detailed remuneration of each Director during the FYE 2019 is as set out in Note 42 of the Audited Financial Statements in this Annual Report.

Remuneration

The remuneration strategy of Hong Leong Financial Group ("HLFG") supports and promotes a high performance culture to deliver HLFG's Vision to be an integrated financial services group that consistently meets its customers' needs. It also forms a key part of our Employer Value Proposition with the aim to drive the right behaviors, create a workforce of strong values, high integrity, clear sense of responsibility and high ethical standards.

The remuneration framework provides a balanced approach between fixed and variable components that is measured using a robust and rigorous performance management process which incorporates meritocracy in performance, HLFG values, and key behaviours in accordance to our Code of Conduct, risk and compliance management as part of the key performance indicators for remuneration decisions.

The remuneration framework also reinforces a strong internal governance on performance and remuneration of control functions, which are measured and assessed independently from business units/ functions they support to avoid any conflict of interests. The framework stipulates that for effective segregation, these staffs will be appraised principally based on achievement of their control objectives.

Remuneration Process

The remuneration process includes strict adherence to regulatory requirements and active oversight by the Board where the remuneration of the CEO, senior management officers and other material risk takers are reviewed and approved by the RC and Board annually. The Board maintains and regularly reviews a list of officers who fall within the definition of "other material risk takers".

Role of BARMC in remuneration matters

BARMC is tasked to review Management's implementation of the remuneration system on whether incentives provided by the remuneration system take into consideration risks, capital, liquidity and the likelihood and timing of earnings, without prejudice to the tasks of the RC.

C. BOARD COMMITTEES (continued)

(C) REMUNERATION COMMITTEE ("RC") (continued)

Deferred Compensation and Clawbacks

Variable bonus awards for CEO, senior management officers and other material risk takers in excess of a certain thresholds will be deferred over a period of time. The clawback mechanism is introduced to ensure excessive risk taking behaviour of staff is minimised and that the system does not induce excessive risk taking and sufficient control is in place to ensure sustainable business achievements in the long-term. Periodic reviews as well as post-implementation reporting to the BARMC are carried out to examine the effectiveness of the schemes in driving the right behaviours in achieving business goals and that there is are no adverse risk elements in the approved schemes. The clawbacks mechanism is triggered when there are non-compliances to regulations and policies and where Management deemed necessary due to achievements of performance targets that are not sustainable.

The remuneration of the CEO, Senior Management and other Material Risk Takers for FYE 2019 is shown in the table below:

CEO and Senior Managemnt	No. of officers received	Unrestricted (RM)	Deferred (RM)	Total amount of Outstanding deferred remuneration as at 30.6.2019 (RM)	Total amount of Outstanding deferred remuneration paid out (vested) in FYE2019 (RM)
Fixed Remuneration					
• Cash-based	4	5,251,860	-	-	-
• Shares and share-linked instruments	-	-	-	-	-
• Other	-	-	-	-	-
Variable Remuneration					
• Cash-based	4	10,440,000	-	-	-
• Shares and share-linked instruments*	2	-	39,598,000	39,598,000	-
• Other	-	-	-	-	-

Note:

* *The value of share is based on the valuation used for MFRS 2 Accounting.*

D. INDEPENDENCE

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

The tenure of all the Independent Directors on the Board of the Company does not exceed 9 years. The Independent Directors have declared their independence, and the 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.

D. INDEPENDENCE (continued)

The Company has in place a policy in relation to the tenure for Independent Directors of the Company ("Tenure Policy") under the F&P Policy of the Company. Pursuant to the Tenure Policy, an Independent Director who has served on the Board of the Company for a period of 9 years cumulatively shall submit a Letter of Intent to the NC informing of his intention to continue in office or to retire from the Board as an Independent Director, upon:

(a) the expiry of his term of office approved by BNM;
(b) the due date for his retirement by rotation pursuant to the Constitution of the Company.

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

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

E. COMMITMENT

The Directors are aware of their responsibilities and devote sufficient time to carry out such responsibilities. In line with the MMLR, Directors are required to comply with the restrictions on the number of directorships in public listed companies. Directors provide notifications to the Board for acceptance of any new Board appointments. This ensures that their commitment, resources and time are focused on the affairs 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 ad-hoc basis as and when necessary. Where appropriate, decisions are also taken by way of Directors' Circular Resolutions. Directors are required to attend at least 75% of Board meetings held in each financial year pursuant to the BNM CG Policy.

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

All Directors have access to the advice and services of a qualified and competent Company Secretary to facilitate the discharge of their duties effectively. The Company Secretary is qualified to act under Section 235 of the Companies Act 2016. The Company Secretary supports the effective functioning of the Board, provides advice and guidance to the Board on policies and procedures, relevant rules, regulations and laws in relation to corporate secretarial and governance functions and facilitates effective information flow amongst the Board, Board Committees and senior management. All Directors also have access to the advice and services of the internal auditors and in addition, to independent professional advice, where necessary, at the Company's expense, in consultation with the Chairman 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, directly or indirectly, an interest in a material transaction or material arrangement shall not be present at the Board meeting where the material transaction or material arrangement is being deliberated by the Board.

Corporate Governance Overview, Risk Management & Internal Control Statement

E. COMMITMENT (continued)

The Board met six (6) times for the FYE 2019 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	6/6
Ms Lim Lean See	6/6
Mr Saw Kok Wei	6/6
Ms Lim Tau Kien[(1)]	5/5
Ms Leong Ket Ti[(2)]	1/1
Puan Raja Noorma binti Raja Othman[(3)]	-

(1) *Retired as Director with effect from 8 April 2019*
(2) *Appointed as Director with effect from 8 March 2019*
(3) *Appointed as Director with effect from 10 May 2019. The Board meetings were held before her appointment.*

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

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

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

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

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

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

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

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

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

- AMLATFPUAA 2001 (Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001) – Managing Challenges in Risk Based Approach & Politically Exposed Person
- Bursa Malaysia – Sustainability Engagement Series for Directors/Chief Executive Officers 2018
- Briefing on Cyber Risk Awareness
- BNM – MyFintech Week 2019
- FIDE Forum – Blockchain in Financial Services Industry by IBM Experts
- FIDE Forum – IBM THINK Malaysia
- Directors' Duties & Powers – Recent Developments in the Law and How It Affects You
- AMLATFPUAA 2001: Risk, Challenges & Vulnerabilities Towards Risk Based Approach
- ICLIF – Understanding Fintech and Its Implications for Banks

Corporate Governance Overview, Risk Management & Internal Control Statement

E. COMMITMENT (continued)

- ICLIF – FIDE Elective Programme: Anti-Money Laundering/Counter Financing of Terrorism – Insurance & Takaful Sector
- ICLIF – Emerging Risks, the Future Board and Return on Compliance
- ICLIF – CG Watch: How Does Malaysia Rank?
- ICDM – The Board of Directors of the 21st Century: When Disruption Meets Tradition
- ICDM – 'Would A Business Judgement Rule Help Directors Sleep Better At Night?'
- ICDM – The Role of Audit Committees in Ensuring Organisational Integrity, Risk & Governance
- Mandatory Accreditation Programme for Directors of Public Listed Companies

F. ACCOUNTABILITY AND AUDIT

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

I FINANCIAL REPORTING

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

II RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

III RELATIONSHIP WITH AUDITORS

The appointment of external auditors is recommended by the BARMC, which determines the remuneration of the external auditors. The BARMC reviews the suitability and independence of the external auditors annually. In this regard, an annual assessment 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.

Corporate Governance Overview, Risk Management & Internal Control Statement

G. DISCLOSURE

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

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

H. SHAREHOLDERS

I DIALOGUE BETWEEN COMPANIES AND INVESTORS

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

Notices of general meetings and the accompanying explanatory notes are provided within the prescribed notice period on the Company 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. A summary of the key matters discussed at the AGM is published on the Company's Website.

The Board has identified Ms Lim Lean See, 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 Group Chief Financial Officer to direct queries and provide feedback to the Group.

Queries may be conveyed to the Group Chief Financial Officer at:

Tel No	: 03-2080 9888
Fax No	: 03-2080 9800
E-mail address	: cfo-hlfg@hongleong.com.my

II AGM

The AGM provides an opportunity for the shareholders to seek and clarify any issues and to have a better understanding of the Group's performance. Shareholders are encouraged to meet and communicate with the Board at the AGM and to vote on all resolutions. Senior management and the external auditors are also available to respond to shareholders' queries during the AGM. All Directors and the CEO attended the last AGM held on 30 October 2018.

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

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.

Corporate Governance Overview, Risk Management & Internal Control Statement

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

I THE RESPONSIBILITY OF THE BOARD (continued)

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 & CEO, Group Chief Financial Officer, and the Heads of Risk Management, Compliance and Internal Audit functions 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 2019 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.

III INTERNAL CONTROL REVIEW AND REGULATORY COMPLIANCE PROCEDURES

The Internal Audit function provides assurance regarding the adequacy and integrity of the system of internal controls. This function works with various internal audit functions within the Group to undertake periodic and systematic reviews of internal control systems and the review of compliance with the policies, reporting standards and control procedures of the Group.

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 respective audit committees within the Group and they are kept informed of the causes and the remedial measures taken.

Corporate Governance Overview, Risk Management & Internal Control Statement

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

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, operational risk, 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 Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Audit and Assurance Practice Guide ("AAPG") 3 issued by the Malaysian Institute of Accountants. AAPG 3 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 state of affairs of the Group and of the Company as at the end of the financial year and of its financial results and cash flows of the Group and of the Company for the financial year.

The Directors are satisfied that in preparing the financial statements of the Group and of the Company for the FYE 2019, the Group has used the appropriate accounting policies and applied them consistently. The Directors are also of the view that relevant approved accounting standards have been followed in the preparation of these financial statements.

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

Directors' Report

for the financial year ended 30 June 2019

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2019.

PRINCIPAL ACTIVITIES

The principal 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 family takaful business, investment banking, futures and stock broking and asset management business as disclosed in Note 14 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	1,919,359	590,207
- Non-controlling interests	994,902	-
	2,914,261	590,207

DIVIDENDS

The dividends on ordinary shares paid or declared by the Company since the previous financial year ended 30 June 2018 were as follows:

(a) A first interim single-tier dividend of 13 sen per share, amounting to RM149,047,131 in respect of the financial year ended 30 June 2019, was paid on 27 December 2018.

(b) A second interim single-tier dividend of 29 sen per share, amounting to RM331,039,753 in respect of the financial year ended 30 June 2019, was paid on 26 June 2019.

The Directors do not recommend the payment of any final dividend for the financial year ended 30 June 2019.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 57 to the financial statements.

SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR

Significant events subsequent to the financial year are disclosed in Note 58 to the financial statements.

Directors' Report
for the financial year ended 30 June 2019

CREDIT RATING

On 10 December 2018, RAM Rating Services Berhad has reaffirmed AA_1/P1 corporate credit ratings (CCRs) to Hong Leong Financial Group Berhad (the Company or the Group). All the long-term ratings have a stable outlook.

Details of the ratings are as follows:

	Rating Classification
Corporate Credit Ratings	AA_1/Stable/P1
Multi-Currency Senior Notes, Tier-2 Subordinated Notes and Additional Tier-1 Capital Securities Programme of up to RM25.0 billion*	
i. Senior Notes	AA_1/Stable
ii. Tier-2 Subordinated Notes	AA_2/Stable
iii. Additional Tier-1 Capital Securities	A_1/Stable
Commercial Papers Programme of up to RM3.0 billion*	P1
Commercial Papers Programme/Medium Term Notes of up to RM1.8 billion	AA_1/Stable/P1

*combined limit of RM25.0 billion

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.

CORPORATE GOVERNANCE

The corporate governance disclosures are set out in the Corporate Governance, Risk Management and Internal Control Statement.

DIRECTORS

The Directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

YBhg Tan Sri Quek Leng Chan	(Chairman, Non-Executive Non-Independent)
Mr Tan Kong Khoon	(President & Chief Executive Officer, Non-Independent)
Ms Lim Lean See	(Independent Non-Executive Director)
Mr Saw Kok Wei	(Independent Non-Executive Director)
Ms Leong Ket Ti (Appointed with effect from 8 March 2019)	(Independent Non-Executive Director)
Puan Raja Noorma Binti Raja Othman (Appointed with effect from 10 May 2019)	(Independent Non-Executive Director)
Ms Lim Tau Kien (Retired with effect from 8 April 2019)	(Independent Non-Executive Director)

The subsidiaries' Directors' names and their remuneration details are set out in the subsidiaries' statutory accounts and the said names and details are deemed incorporated herein by such reference and made a part hereof.

Details of subsidiaries are set out in Note 14 to the financial statements.

Directors' Report
for the financial year ended 30 June 2019

DIRECTORS' INTERESTS

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

	Directors' 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**/nominal value in Ringgit Malaysia of Additional Tier 1 capital securities/perpetual subordinated sukuk wakalah***/nominal value in Ringgit Malaysia of Tier 2 subordinated notes/subordinated sukuk murabahah****				
	Nominal value per share RM (unless indicated)	As at 01.07.2018	Acquired	Sold	As at 30.06.2019
Interests of YBhg Tan Sri Quek Leng Chan in:					
Hong Leong Company (Malaysia) Berhad	(1)	390,000	-	-	390,000
Hong Leong Financial Group Berhad	(1)	5,438,664	-	-	5,438,664
Guoco Group Limited	USD0.50	1,056,325	-	-	1,056,325
GuocoLand Limited	(2)	13,333,333	-	-	13,333,333
GuocoLand (Malaysia) Berhad	(1)	19,506,780	-	-	19,506,780
GL Limited	USD0.20	735,000	-	-	735,000
The Rank Group Plc	GBP13 8/9 p	285,207	-	-	285,207
Interests of Tan Kong Khoon in:					
Hong Leong Financial Group Berhad		8,000,000 *	-	-	8,000,000 *

DIRECTORS' INTERESTS (continued)

	Directors' deemed interests Number of ordinary shares/preference shares/ordinary shares issued or to be issued or acquired arising from thte exercise of options*/conversion of redeemable convertible unsecured loan stocks**/nominal value in Ringgit Malaysia of Additional Tier 1 capital securities/perpetual subordinated sukuk wakalah***/nominal value in Ringgit Malaysia of Tier 2 subordinated notes/subordinated sukuk murabahah****				
	Nominal value per share RM (unless indicated)	As at 01.07.2018	Acquired	Sold	As at 30.06.2019
Interests of YBhg Tan Sri Quek Leng Chan in:					
Hong Leong Company (Malaysia) Berhad	(1)	7,651,455 (6)	-	-	7,651,455 (6)
Hong Leong Financial Group Berhad	(1)	896,158,726 (6)	-	(1,440,000) (6)	894,718,726 (6)
Hong Leong Capital Berhad	(1)	200,805,058	-	-	200,805,058
Hong Leong Bank Berhad	(1)	1,346,237,169	-	-	1,346,237,169
		400,000,000 ***	400,000,000 ***	-	800,000,000 ***
		500,000,000 ****	1,000,000,000 ****	-	1,500,000,000 ****
Hong Leong MSIG Takaful Berhad	(1)	65,000,000	65,000,000	-	130,000,000
Hong Leong Assurance Berhad	(1)	140,000,000	-	-	140,000,000
Hong Leong Islamic Bank Berhad		400,000,000 ***	-	-	400,000,000 ***
		-	400,000,000 ****	-	400,000,000 ****
Hong Leong Industries Berhad	(1)	242,700,470 (6)	17,000	(17,000)	242,700,470 (6)
Hong Leong Yamaha Motor Sdn Bhd	(1)	17,352,872	-	-	17,352,872
Guocera Tile Industries (Meru) Sdn Bhd	(1)	19,600,000	-	-	19,600,000
Century Touch Sdn Bhd (In members' voluntary liquidation)	(1)	6,545,001	-	(6,545,001) (8)	-
Varinet Sdn Bhd (In members' voluntary liquidation)	(1)	10,560,627	-	(10,560,627) (8)	-
Malaysian Pacific Industries Berhad	(1)	108,715,257	138,200	-	108,853,457
Carter Resources Sdn Bhd	(1)	5,640,607	-	-	5,640,607
Carsem (M) Sdn Bhd	(1)	84,000,000	-	-	84,000,000
	(1)	22,400 (7)	-	-	22,400 (7)
Hume Industries Berhad	(1)	350,231,658 (6)	-	-	350,231,658 (6)
		-	195,510,374 **(6)	-	195,510,374 **(6)
		100,000 *(6)	3,800,000	(70,000) *(6)(9)	3,830,000 *(6)
Guoco Group Limited	USD0.50	237,124,930	-	-	237,124,930
GuocoLand Limited	(2)	817,946,030 (6)	147,000 *(6)(10)	-	818,093,030 (6)
		385,000 *(6)	-	(147,000) *(6)(10)	238,000 *(6)
Southern Steel Berhad	(1)	292,169,709	-	-	292,169,709
	(1)	140,076,337 **	-	-	140,076,337 **
Southern Pipe Industry (Malaysia) Sdn Bhd	(1)	124,964,153	-	-	124,964,153

Directors' Report
for the financial year ended 30 June 2019

DIRECTORS' INTERESTS (continued)

	Directors' deemed interests Number of ordinary shares/preference shares/ordinary shares issued or to be issued or acquired arising from the exercise of options*/conversion of redeemable convertible unsecured loan stocks**/nominal value in Ringgit Malaysia of Additional Tier 1 capital securities/perpetual subordinated sukuk wakalah***/nominal value in Ringgit Malaysia of Tier 2 subordinated notes/subordinated sukuk murabahah****				
	Nominal value per share RM (unless indicated)	**As at 01.07.2018**	**Acquired**	**Sold**	**As at 30.06.2019**
Interests of YBhg Tan Sri Quek Leng Chan in: (continued)					
TPC Commercial Pte. Ltd.	(2)	189,600,000	-	-	189,600,000
TPC Hotel Pte. Ltd.	(2)	62,400,000	-	-	62,400,000
Wallich Residence Pte. Ltd.	(2)	24,000,000	-	-	24,000,000
GLL A Pte. Ltd.	(2)	10	-	-	10
GLL Chongqing 18 Steps Pte. Ltd. (formerly known as GLL Chengdu Pte Ltd)	(2)	149,597,307	-	-	149,597,307
Guoco Midtown Pte. Ltd. (formerly known as GLL Prosper Pte Ltd)	(2)	184,000,000	-	-	184,000,000
Midtown Bay Pte. Ltd. (formerly known as GLL Thrive Pte Ltd)	(2)	32,000,000	-	-	32,000,000
GGL Asset Management (Singapore) Pte Ltd	(2)	1,700,000	-	-	1,700,000
Hillcrest Hives Limited	-	-	700	-	700
Beijing Ming Hua Property Co., Ltd	(3)	150,000,000	-	(146,250,000) (11)	3,750,000
Shanghai Xinhaojia Property Development Co., Ltd	(3)	3,150,000,000	-	(2,835,000,000) (11)	315,000,000
Shanghai Xinhaozhong Holding Co., Ltd	(3)	490,000	-	-	490,000
JB Parade Sdn Bhd	(1)	28,000,000	-	-	28,000,000
	(1)	97,390,000 (7)	-	-	97,390,000 (7)
Lam Soon (Hong Kong) Limited	(5)	140,008,659	-	-	140,008,659
Guangzhou Lam Soon Food Products Limited	(4)	6,570,000	-	-	6,570,000
GuocoLand (Malaysia) Berhad	(1)	455,574,796	-	-	455,574,796

DIRECTORS' INTERESTS (continued)

	Directors' deemed interests Number of ordinary shares/preference shares/ordinary shares issued or to be issued or acquired arising from the exercise of options*/conversion of redeemable convertible unsecured loan stocks**/nominal value in Ringgit Malaysia of Additional Tier 1 capital securities/perpetual subordinated sukuk wakalah***/nominal value in Ringgit Malaysia of Tier 2 subordinated notes/subordinated sukuk murabahah****				
	Nominal value per share RM (unless indicated)	**As at 01.07.2018**	**Acquired**	**Sold**	**As at 30.06.2019**
Interests of YBhg Tan Sri Quek Leng Chan in: (continued)					
Guoman Hotel & Resort Holdings Sdn Bhd	(1)	277,000,000	-	-	277,000,000
GLM Emerald Industrial Park (Jasin)	(1)	34,408,000	-	-	34,408,000
Sdn Bhd	(1)	123,502,605 (7)	-	-	123,502,605 (7)
GL Limited	USD0.20	925,753,134	29,258,200 (6)	-	955,011,334 (6)
		100,000 *(6)	900,000 *(6)	(70,000) *(6)(9)	930,000 *(6)
The Rank Group Plc	GBP13 8/9 p	219,282,221	-	-	219,282,221

Notes:

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

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

(3) Capital contribution in RMB

(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 59(11)(c) of the Companies Act, 2016 in shares held by family member

(7) Redeemable Preference Shares/Cumulative Redeemable Preference Shares

(8) Dissolved during the financial year

(9) Share options lapsed

(10) Exercise of share options

(11) Share reduction

Directors' Report
for the financial year ended 30 June 2019

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 the benefits shown under Directors' Remuneration in Note 42 to the financial statements, included in the aggregate amount of remuneration received or due and receivable by the Directors as shown in the financial statements or as fixed salary of a full-time employee of the Company or of related corporations) by reason of a contract made by the Company or its related corporations with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest 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 during nor at the end of the financial year was the Company or any of its subsidiaries a party to any arrangements whose object was to enable the Directors 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 Scheme.

Executive Share Scheme ("ESS")

The ESS of up to ten percent (10%) of the total number of issued shares (excluding treasury shares) of the Company comprises the Executive Share Option Scheme ("ESOS") and the Executive Share Grant Scheme ("ESGS").

(a) ESOS

The ESOS 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.

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

(b) 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 total number of issued shares (excluding treasury shares) of the Company at any one time ("Aggregate Maximum Allocation").

Executive Share Scheme ("ESS") (continued)

There were no options granted under the ESS of the Company during the financial year ended 30 June 2019.

As at 30 June 2019, a total of 32,839,819 options had been granted under the ESS, out of which 2,880,000 options had been exercised, with 20,467,000 options remaining outstanding (adjusted following the completion of the Company's rights issue). The aggregate options granted to Directors and chief executives of the Group under the ESS amounted to 18,081,823, out of which 1,600,000 options had been exercised, with 13,400,000 options remain outstanding.

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

As at 30 June 2019, the actual percentage of total options granted to Directors and senior management of the Group under the ESS was 2.54% of the total number of issued shares (excluding treasury shares) of the Company.

A trust has been set up for the ESS 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 ESS holdings are recorded as "Treasury Shares for ESOS" in the shareholders' equity on the statements of financial position. The cost of operating the ESS is charged to the statements of income.

For further details on the ESS, refer to Note 56 on Equity compensation benefits.

SHARE CAPITAL

During the financial year, there was no issuance of new ordinary shares. As at 30 June 2019, the issued share capital of the Company is RM2,267,008,045 comprise of 1,147,516,890 ordinary shares.

STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(a) As at the end of the financial year

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

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

- to ensure that any current assets, which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

(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 2019

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 provision for doubtful debts and financing in the financial statements of the Group and the Company, inadequate to any substantial extent; or

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

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

(ii) In the opinion of the Directors:

- the results of the operations of the Group and of the Company for the financial year ended 30 June 2019 are unlikely 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 of any company in the Group 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 of 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.

ULTIMATE HOLDING COMPANY

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

SUBSIDIARIES

Details of subsidiaries are set out in Note 14 to the financial statements.

DIRECTORS' REMUNERATION

Details of Directors' remuneration and the total amount of indemnity given are set out in Note 42 to the financial statements.

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 39 to the financial statements.

AUDITORS

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

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

TAN KONG KHOON
Director

LIM LEAN SEE
Director

Kuala Lumpur
11 September 2019

Statements of Financial Position

as at 30 June 2019

		The Group		The Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Assets					
Cash and short-term funds	2	**8,613,481**	9,890,071	**84,496**	25,466
Deposits and placements with banks and other financial institutions	3	**10,062,870**	10,196,421	**3,360**	3,360
Securities purchased under resale agreements		**-**	35,126	**-**	-
Financial assets at fair value through profit or loss	4	**24,422,067**	-	**-**	-
Financial assets held-for-trading	5	**-**	10,536,881	**-**	-
Financial investments at fair value through other comprehensive income	6	**24,965,425**	-	**-**	-
Financial investments available-for-sale	7	**-**	37,732,539	**-**	-
Financial investments at amortised cost	8	**15,888,863**	-	**-**	-
Financial investments held-to-maturity	9	**-**	15,895,679	**-**	-
Derivative financial instruments	24	**570,185**	971,195	**-**	-
Loans, advances and financing	10	**137,057,616**	128,851,234	**-**	-
Clients' and brokers' balances	11	**482,445**	525,556	**-**	-
Other receivables	12	**1,332,662**	952,570	**3,455**	410
Amount due from subsidiary companies	52	**-**	-	**702**	4,137
Statutory deposits with Central Banks	13	**4,626,092**	4,364,982	**-**	-
Tax recoverable		**224**	367	**-**	-
Investment in subsidiary companies	14	**-**	-	**19,498,076**	17,996,078
Investment in associated companies	15	**5,280,376**	4,538,326	**-**	-
Investment in joint venture	16	**-**	179,426	**-**	-
Deferred tax assets	26	**-**	-	**135**	75
Property and equipment	17	**1,540,533**	1,573,829	**4,179**	5,332
Investment properties	18	**489,500**	494,164	**-**	-
Goodwill arising on consolidation	19	**2,410,644**	2,410,644	**-**	-
Intangible assets	20	**139,628**	168,541	**3**	1
Total assets		**237,882,611**	229,317,551	**19,594,406**	18,034,859

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

Statements of Financial Position

as at 30 June 2019

		The Group		The Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Liabilities					
Deposits from customers	21	**161,887,885**	156,882,912	**-**	-
Investment accounts of customers	22	**2,235**	-	**-**	-
Deposits and placements of banks and other financial institutions	23	**9,780,544**	9,296,395	**-**	-
Obligations on securities sold under repurchase agreements		**2,333,916**	3,931,523	**-**	-
Bills and acceptances payable		**393,022**	544,450	**-**	-
Derivative financial instruments	24	**732,443**	1,082,140	**135**	327
Clients' and brokers' balances		**282,521**	350,730	**-**	-
Payables and other liabilities	25	**13,234,447**	11,708,191	**33,918**	13,612
Recourse obligations on loans/financing sold to Cagamas Berhad		**253,591**	202,952	**-**	-
Provision for claims		**132,442**	150,478	**-**	-
Provision for taxation		**113,705**	244,162	**766**	1,972
Deferred tax liabilities	26	**230,248**	78,309	**-**	-
Borrowings	27	**1,398,277**	1,300,371	**1,453,881**	1,385,934
Subordinated obligations	28	**2,160,432**	2,800,447	**1,600,205**	499,599
Innovative Tier 1 capital securities	29	**464,273**	474,612	**-**	-
Multi-currency Additional Tier 1 capital securities	30	**806,376**	401,369	**805,236**	400,751
Insurance funds	31	**15,075,217**	13,188,787	**-**	-
Total liabilities		**209,281,574**	202,637,828	**3,894,141**	2,302,195
Equity attributable to owners of the parent					
Share capital	32	**2,267,008**	2,267,008	**2,267,008**	2,267,008
Reserves	33	**16,991,491**	15,560,124	**13,585,401**	13,465,659
Treasury shares for ESOS	34	**(161,909)**	(22,686)	**(152,144)**	(3)
		19,096,590	17,804,446	**15,700,265**	15,732,664
Non-controlling interests		**9,504,447**	8,875,277	**-**	-
Total equity		**28,601,037**	26,679,723	**15,700,265**	15,732,664
Total equity and liabilities		**237,882,611**	229,317,551	**19,594,406**	18,034,859
Commitments and contingencies	46	**174,185,694**	177,098,055	**100,000**	100,000

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

Statements of Income

for the financial year ended 30 June 2019

		The Group		The Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest income	35a	**6,638,000**	6,519,210	**53,062**	14,239
Interest income for financial assets at fair value through profit or loss	35b	**449,813**	-	**-**	-
Interest expense	36	**(4,113,247)**	(3,648,602)	**(105,162)**	(67,495)
Net interest income/(expense)		**2,974,566**	2,870,608	**(52,100)**	(53,256)
Income from Islamic banking business	37	**707,269**	646,064	**-**	-
		3,681,835	3,516,672	**(52,100)**	(53,256)
Non-interest income	38	**1,596,175**	1,834,319	**693,084**	850,286
		5,278,010	5,350,991	**640,984**	797,030
Overhead expenses	39	**(2,380,884)**	(2,295,031)	**(44,524)**	(35,809)
Operating profit before allowances		**2,897,126**	3,055,960	**596,460**	761,221
Allowance for impairment losses on loans, advances and financing and other losses	40	**(12,294)**	(77,383)	**-**	-
Writeback of/(allowance for) impairment losses on investments	41	**1,108**	287	**(2,146)**	-
		2,885,940	2,978,864	**594,314**	761,221
Share of results of associated companies	15	**619,700**	579,173	**-**	-
Share of results of joint venture		**-**	20,548	**-**	-
Profit before taxation		**3,505,640**	3,578,585	**594,314**	761,221
Taxation	43	**(591,379)**	(684,059)	**(4,107)**	(5,352)
Net profit for the financial year		**2,914,261**	2,894,526	**590,207**	755,869
Attributable to:					
Owners of the parent		**1,919,359**	1,907,442	**590,207**	755,869
Non-controlling interests		**994,902**	987,084	**-**	-
		2,914,261	2,894,526	**590,207**	755,869
Earnings per share attributable to equity holders of the Company (sen)					
- Basic	44	**167.8**	166.8	**51.5**	65.9

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 2019

		The Group		The Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Net profit for the financial year		**2,914,261**	2,894,526	**590,207**	755,869
Other comprehensive income/(loss):					
Items that will not be reclassified to profit or loss:					
Equity instruments at fair value through other comprehensive income					
- Net fair value changes		**11,796**	-	**-**	-
- Net gain on disposal		**105**	-	**-**	-
Items that may be reclassified subsequently to profit or loss:					
Currency translation differences		**(19,048)**	(336,308)	**-**	-
Share of other comprehensive income/(loss) of associated companies		**22,637**	(5,890)	**-**	-
Net fair value changes in cash flow hedge		**(4,531)**	2,398	**-**	-
Debt instruments at fair value through other comprehensive income					
- Net fair value changes		**334,298**	-	**-**	-
- Changes in expected credit losses		**(862)**	-	**-**	-
Net fair value changes in financial investment available-for-sale		**-**	(403,475)	**-**	-
Revaluation of property upon transfer to investment properties		**-**	78,896	**-**	-
Income tax relating to components of other comprehensive loss/income	59	**(73,550)**	183,278	**-**	-
Other comprehensive income/(loss) for the financial year, net of tax		**270,845**	(481,101)	**-**	-
Total comprehensive income for the financial year, net of tax		**3,185,106**	2,413,425	**590,207**	755,869
Attributable to:					
Owners of the parent		**2,103,805**	1,612,675	**590,207**	755,869
Non-controlling interests		**1,081,301**	800,750	**-**	-
		3,185,106	2,413,425	**590,207**	755,869

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 2019

The Group	Note	Share capital RM'000	Regulatory reserves* RM'000	Fair value reserve RM'000	Cash flow hedge reserve RM'000	Other reserves 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
		Attributable to owners of the parent											
As at 1 July 2018		2,267,008	755,010	109,284	544	213,314	50,254	521,299	13,910,419	(22,686)	17,804,446	8,875,277	26,679,723
Effect of adopting MFRS 9	61	-	6,391	(190,324)	-	-	-	-	(50,960)	-	(234,893)	(124,355)	(359,248)
As restated		2,267,008	761,401	(81,040)	544	213,314	50,254	521,299	13,859,459	(22,686)	17,569,553	8,750,922	26,320,475
Comprehensive income													
Net profit for the financial year		-	-	-	-	-	-	-	1,919,359	-	1,919,359	994,902	2,914,261
Currency translation differences		-	-	-	-	-	-	(10,340)	-	-	(10,340)	(8,708)	(19,048)
Share of other comprehensive income/(loss) of associated companies		-	-	18,366	-	-	-	-	(525)	-	17,841	4,796	22,637
Financial assets measured at fair value through other comprehensive income													
- Equity instruments													
- Net fair value changes		-	-	7,737	-	-	-	-	-	-	7,737	4,059	11,796
- Net gain on disposal		-	-	(33)	-	-	-	-	102	-	69	36	105
- Debt instruments													
- Net fair value changes		-	-	172,038	-	-	-	-	-	-	172,038	87,737	259,775
- Changes in expected credit losses		-	-	(565)	-	-	-	-	-	-	(565)	(297)	(862)
Net fair value changes in cash flow hedge		-	-	-	(2,334)	-	-	-	-	-	(2,334)	(1,224)	(3,558)
Total comprehensive income/(loss)		-	-	197,543	(2,334)	-	-	(10,340)	1,918,936	-	2,103,805	1,081,301	3,185,106

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 2019

		Attributable to owners of the parent											
The Group	**Note**	**Share capital RM'000**	**Regulatory reserves* RM'000**	**Fair value reserve RM'000**	**Cash flow hedge reserve RM'000**	**Other reserves 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**
Transaction with owners													
Transfer to regulatory reserve		-	108,522	-	-	-	-	-	(108,522)	-	-	-	-
Allocation of other reserves to non-controlling interests		-	-	-	-	-	-	-	(9,255)	-	(9,255)	9,255	-
Dividends paid:													
- first interim dividend for the financial year ended 30 June 2019	45	-	-	-	-	-	-	-	(149,047)	-	(149,047)	-	(149,047)
- second interim dividend for the financial year ended 30 June 2019	45	-	-	-	-	-	-	-	(331,040)	-	(331,040)	-	(331,040)
Non-controlling interests subscription of shares		-	-	-	-	-	-	-	-	-	-	35,000	35,000
Non-controlling interests share of dividend		-	-	-	-	-	-	-	-	-	-	(376,481)	(376,481)
Non-controlling interests share of subsidiary's treasury shares		-	-	-	-	-	-	-	-	-	-	4,450	4,450
Options charge arising from executive share scheme		-	-	-	-	-	41,129	-	-	-	41,129	-	41,129
Purchase of treasury shares	56	-	-	-	-	-	-	-	-	(152,141)	(152,141)	-	(152,141)
Exercise of executive share scheme		-	-	-	-	-	(5,254)	-	15,922	12,918	23,586	-	23,586
Total transaction with owners		-	108,522	-	-	-	35,875	-	(581,942)	(139,223)	(576,768)	(327,776)	(904,544)
As at 30 June 2019		2,267,008	869,923	116,503	(1,790)	213,314	86,129	510,959	15,196,453	(161,909)	19,096,590	9,504,447	28,601,037

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 2019

The Group	Note	Share capital RM'000	Regulatory reserves* RM'000	Fair value reserve RM'000	Cash flow hedge reserve RM'000	Other reserves 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
		← Attributable to owners of the parent →											
As at 1 July 2017		2,267,008	680,987	259,635	(703)	134,957	29,429	745,858	12,527,478	(35,712)	16,608,937	8,423,576	25,032,513
Comprehensive income													
Net profit for the financial year		-	-	-	-	-	-	-	1,907,442	-	1,907,442	987,084	2,894,526
Currency translation differences		-	-	-	-	-	-	(224,559)	-	-	(224,559)	(111,749)	(336,308)
Share of other comprehensive loss of associated companies		-	-	(5,610)	-	-	-	-	-	-	(5,610)	(280)	(5,890)
Net fair value changes in financial investments available-for-sale		-	-	(144,741)	-	-	-	-	-	-	(144,741)	(74,958)	(219,699)
Net fair value changes in cash flow hedge		-	-	-	1,247	-	-	-	-	-	1,247	653	1,900
Revaluation of property upon transfer to investment properties		-	-	-	-	80,156	-	-	-	-	80,156	-	80,156
Others		-	-	-	-	(1,260)	-	-	-	-	(1,260)	-	(1,260)
Total comprehensive (loss)/income		-	-	(150,351)	1,247	78,896	-	(224,559)	1,907,442	-	1,612,675	800,750	2,413,425
Transaction with owners													
Transfer to regulatory reserve		-	74,023	-	-	-	-	-	(74,023)	-	-	-	-
Allocation of other reserves to non-controlling interests		-	-	-	-	-	-	-	(5,497)	-	(5,497)	5,497	-
Dividends paid:													
- first interim dividend for the financial year ended 30 June 2018	45	-	-	-	-	-	-	-	(149,177)	-	(149,177)	-	(149,177)
- second interim dividend for the financial year ended 30 June 2018	45	-	-	-	-	-	-	-	(309,829)	-	(309,829)	-	(309,829)
Non-controlling interests share of dividend		-	-	-	-	-	-	-	-	-	-	(356,241)	(356,241)
Non-controlling interests share of subsidiary's treasury shares		-	-	-	-	-	-	-	-	-	-	1,695	1,695
Options charge arising from executive share scheme		-	-	-	-	-	23,861	-	-	-	23,861	-	23,861
Exercise of executive share scheme		-	-	-	-	-	(3,036)	-	13,486	13,026	23,476	-	23,476
Transfer to other reserve		-	-	-	-	(539)	-	-	539	-	-	-	-
Total transaction with owners		-	74,023	-	-	(539)	20,825	-	(524,501)	13,026	(417,166)	(349,049)	(766,215)
As at 30 June 2018		2,267,008	755,010	109,284	544	213,314	50,254	521,299	13,910,419	(22,686)	17,804,446	8,875,277	26,679,723

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 2019

The Company	Note	Non-distributable Share capital 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 2018		**2,267,008**	**254,991**	**4,169**	**(3)**	**13,206,499**	**15,732,664**
Effect of adopting MFRS 9	61	**-**	**-**	**-**	**-**	**(2,885)**	**(2,885)**
As restated		**2,267,008**	**254,991**	**4,169**	**(3)**	**13,203,614**	**15,729,779**
Net profit for the financial year		**-**	**-**	**-**	**-**	**590,207**	**590,207**
Dividends paid							
- first interim dividend for the financial year ended 30 June 2019	45	**-**	**-**	**-**	**-**	**(149,047)**	**(149,047)**
- second interim dividend for the financial year ended 30 June 2019	45	**-**	**-**	**-**	**-**	**(331,040)**	**(331,040)**
Options charge arising from executive share scheme		**-**	**-**	**12,507**	**-**	**-**	**12,507**
Purchase of treasury shares	56	**-**	**-**	**-**	**(152,141)**	**-**	**(152,141)**
As at 30 June 2019		**2,267,008**	**254,991**	**16,676**	**(152,144)**	**13,313,734**	**15,700,265**
As at 1 July 2017		2,267,008	254,991	-	(3)	12,909,636	15,431,632
Net profit for the financial year		-	-	-	-	755,869	755,869
Dividends paid							
- first interim dividend for the financial year ended 30 June 2018	45	-	-	-	-	(149,177)	(149,177)
- second interim dividend for the financial year ended 30 June 2018	45	-	-	-	-	(309,829)	(309,829)
Options charge arising from executive share scheme		-	-	4,169	-	-	4,169
As at 30 June 2018		2,267,008	254,991	4,169	(3)	13,206,499	15,732,664

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

Statements of Cash Flows

for the financial year ended 30 June 2019

	The Group	
	2019 RM'000	**2018 RM'000**
Cash flows from operating activities		
Profit before taxation	**3,505,640**	3,578,585
Adjustments for:		
Unearned premium reserves	**10,750**	10,236
Life fund - underwriting surplus	**2,220,910**	1,102,307
Depreciation of property and equipment	**139,467**	130,013
Amortisation of intangible assets	**59,854**	78,910
Amortisation of upfront fees arising from debt issuance	**-**	2,005
Intangible assets written off	**37**	21
Property and equipment written off	**8,844**	5,241
Net gain on sale of property and equipment	**(1,552)**	(2,492)
Loss on revaluation of investment properties	**6,594**	-
Net realised gain from sales of financial assets at fair value through profit or loss	**(126,024)**	-
Net realised gain from sales of financial assets held-for-trading	**-**	(19,671)
Net realised gain from sales of financial investments at fair value through other comprehensive income	**(168,261)**	-
Net realised gain from sales of financial investments available-for-sale	**-**	(217,616)
Net realised gain from redemption of financial investments at amortised cost	**(15,902)**	-
Net realised gain from redemption of financial investments held-to-maturity	**-**	(7)
Net realised loss arising from derivative financial instruments	**257,356**	20,712
Net unrealised gain on revaluation of financial assets at fair value through profit or loss and derivative financial instruments	**(84,542)**	-
Net unrealised gain on revaluation of financial assets held-for-trading and derivative financial instruments	**-**	(110,569)
Amortisation of fair value changes arising from terminated fair value hedges	**504**	800
Net gain on divestment of joint venture	**(90,106)**	-
Net loss on fair value changes arising from fair value hedges	**305**	152
Unrealised exchange loss/(gain)	**192**	(983)
Writeback of impairment losses on financial investments	**(1,108)**	(287)
Allowances for impairment losses on loans, advances and financing and other losses	**221,318**	308,511
Impaired loans and financing written off	**17,679**	19,719
Interest expense on borrowings	**51,556**	54,188
Interest expense on subordinated obligations	**142,104**	117,616
Interest expense on Innovative Tier 1 capital securities	**41,053**	38,205
Interest expense on Multi-currency Additional Tier 1 capital securities	**25,828**	13,002
Interest expense on recourse obligations on loans sold to Cagamas Berhad	**8,239**	7,602
Interest income from financial assets at fair value through profit or loss	**(449,813)**	-
Interest income from financial assets held-for-trading	**-**	(419,434)
Interest income from financial investments at fair value through other comprehensive income	**(872,786)**	-

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

Statements of Cash Flows

for the financial year ended 30 June 2019

	The Group	
	2019 RM'000	2018 RM'000
Cash flows from operating activities (continued)		
Interest income from financial investments available-for-sale	**-**	(787,842)
Interest income from financial investments at amortised cost	**(454,193)**	-
Interest income from financial investments held-to-maturity	**-**	(408,036)
Dividend income from financial assets at fair value through profit or loss and financial investments at fair value through other comprehensive income	**(94,436)**	-
Dividend income from financial assets held-for-trading and financial investments available-for-sale	**-**	(327,549)
Share option expenses	**41,129**	23,861
Surplus transferred from life insurance business	**(279,938)**	(247,364)
Share of results of associated companies	**(619,700)**	(579,173)
Share of results of joint venture	**-**	(20,548)
	(4,642)	(1,208,470)
Operating profit before working capital changes	**3,500,998**	2,370,115
Decrease/(increase) in operating assets		
Cash and short-term funds and deposits and placements with banks and other financial institutions with original maturity of more than three months	**(7,514,556)**	1,736,294
Securities purchased under resale agreements	**35,124**	300,877
Financial assets at fair value through profit or loss	**(2,781,757)**	-
Financial assets held-for-trading	**-**	(654,550)
Loans, advances and financing	**(8,771,042)**	(4,369,890)
Derivative financial instruments	**(271,273)**	-
Clients' and brokers' balances	**43,111**	(17,486)
Other receivables	**(259,772)**	143,272
Statutory deposits with Central Banks	**(261,110)**	(568,652)
Increase/(decrease) in operating liabilities		
Deposits from customers	**5,059,826**	2,594,940
Investment accounts of customers	**2,235**	-
Deposits and placements of banks and other financial institutions	**484,151**	1,561,970
Obligations on securities sold under repurchase agreements	**(1,597,607)**	952,795
Bills and acceptances payable	**(151,428)**	179,775
Payables and other liabilities	**1,576,400**	3,117,809
Provision for claims	**(18,036)**	2,711
Clients' and brokers' balances	**(68,209)**	78,992
	(14,493,943)	5,058,857
Cash (used in)/generated from operating activities	**(10,992,945)**	7,428,972

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

Statements of Cash Flows

for the financial year ended 30 June 2019

	The Group	
	2019 RM'000	2018 RM'000
Decrease/(increase) in operating assets (continued)		
Income tax paid	**(712,210)**	(754,459)
Interest received	**822**	866
	(711,388)	(753,593)
Net cash (used in)/generated from operating activities	**(11,704,333)**	6,675,379
Cash flows from investing activities		
Net sales of financial investments at fair value through other comprehensive income	**2,088,475**	-
Net purchases of financial investments available-for-sale	**-**	(2,850,988)
Net sales of financial investments at amortised cost	**442,671**	-
Net purchases of financial investments held-to-maturity	**-**	(1,318,487)
Interest received on financial investments at fair value through profit or loss and at amortised cost	**1,326,979**	-
Interest received on financial investments available-for-sale and financial investments held-to-maturity	**-**	1,522,158
Dividends received on financial assets at fair value through profit or loss and financial investments at fair value through other comprehensive income	**94,436**	-
Dividends received on financial assets held-for-trading and financial investments available-for-sale	**-**	327,549
Dividends received from associated companies and joint venture	**164,392**	104,674
Proceeds from divestment of joint venture	**60,606**	120,603
Net proceeds from disposal of property and equipment	**2,116**	5,898
Purchase of property and equipment	**(136,507)**	(148,285)
Purchase of intangible assets	**(16,029)**	(14,119)
Net cash generated from/(used in) investing activities	**4,027,139**	(2,250,997)
Cash flows from financing activities		
Interest paid on subordinated obligations	**(141,619)**	(117,448)
Interest paid on borrowings	**(48,650)**	(55,039)
Interest paid on Multi-currency Additional Tier 1 capital securities	**(20,821)**	(11,633)
Interest paid on Innovative Tier 1 capital securities	**(39,258)**	(37,587)
Interest expense on recourse obligations on loans sold to Cagamas Berhad	**(7,600)**	(7,576)
Drawdown/(repayment) of revolving credit	**220,000**	(245,000)
Proceeds from medium term notes and commercial papers	**220,000**	20,000
Repayment of medium term notes and commercial papers	**(520,000)**	-
Repayment of term loans	**(200,000)**	-
Purchase of treasury shares	**(152,141)**	-
Proceeds from senior notes	**375,000**	-

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

Statements of Cash Flows

for the financial year ended 30 June 2019

		The Group	
	Note	2019 RM'000	2018 RM'000
Cash flows from financing activities (continued)			
Repayment of Innovative Tier 1 capital securities		**(10,000)**	(36,800)
Proceeds from subordinated obligations		**1,100,000**	500,000
Repayment of subordinated obligations		**(1,740,500)**	(659,500)
Proceeds from Multi-currency Additional Tier 1 capital securities		**400,000**	400,000
Cash received from ESS exercised		**23,589**	-
Recourse obligations on loans sold to Cagamas Berhad		**50,000**	-
Non-controlling interests subscription of rights shares		**35,000**	-
Dividends paid to			
- owners of the parent		**(480,087)**	(459,006)
- non-controlling interest		**(376,481)**	(356,241)
Net cash used in financing activities		**(1,313,568)**	(1,065,830)
Net (decrease)/increase in cash and cash equivalents		**(8,990,762)**	3,358,552
Effects of exchange rate changes		**66,831**	(322,067)
Cash and cash equivalents at beginning of financial year		**15,684,888**	12,648,403
Cash and cash equivalents at end of financial year		**6,760,957**	15,684,888
Analysis of cash and cash equivalents			
Cash and short-term funds	2	**8,613,481**	9,890,071
Deposits and placements with banks and other financial institutions	3	**10,062,870**	10,196,421
		18,676,351	20,086,492
Less: deposits and placements with banks and other financial institutions with original maturity of more than three months		**(11,915,394)**	(4,401,604)
		6,760,957	15,684,888

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

Statements of Cash Flows

for the financial year ended 30 June 2019

	The Company	
	2019	**2018**
	RM'000	**RM'000**
Cash flows from operating activities		
Profit before taxation	**594,314**	761,221
Adjustments for:		
Depreciation of property and equipment	**1,124**	810
Amortisation of intangible assets	**1**	12
Amortisation of upfront fees arising from debt issuance	**-**	(1,775)
Loss/(gain) on disposal of property and equipment	**54**	(1)
Loss on disposal of securities held at fair value through profit and loss	**51**	-
Gain from distribution on liquidation of subsidiary	**(21)**	(190,156)
Net unrealised gain on revaluation of derivative financial instruments	**(192)**	(547)
Allowance for impairment loss on investment in debt instrument issued by a subsidiary company	**2,146**	-
Interest expense	**105,162**	67,495
Interest income	**(53,062)**	(14,239)
Dividend income from financial assets at fair value through profit or loss	**(1,287)**	-
Dividend income from subsidiary companies	**(681,419)**	(648,555)
Share option expenses	**12,507**	4,169
	(614,936)	(782,787)
Operating loss before working capital changes	**(20,622)**	(21,566)
Decrease in operating assets		
Other receivables	**338**	34,674
Deposits and placements with banks and other financial institutions with original maturity of more than three months	**-**	6,000
Increase in operating liabilities		
Payables and other liabilities	**19,959**	5,898
	20,297	46,572
Cash (used in)/generated from operating activities	**(325)**	25,006
Income tax paid	**(5,372)**	(1,733)
Interest received	**1,213**	1,327
	(4,159)	(406)
Net cash (used in)/generated from operating activities	**(4,484)**	24,600

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

Statements of Cash Flows

for the financial year ended 30 June 2019

	Note	The Company 2019 RM'000	2018 RM'000
Cash flows from investing activities			
Dividends received from other investments		**1,287**	-
Dividends received from subsidiary companies		**681,419**	648,555
Net proceeds from disposal of property and equipment		**1**	2
Purchase of property and equipment		**(26)**	(4,725)
Purchase of intangible assets		**(3)**	-
Proceeds from redemption of redeemable preference shares		**-**	3,900
Proceeds from liquidation		**21**	2,100
Investment in debt instrument issued by a subsidiary company			
- Multi-currency Additional Tier 1 capital securities		**(400,000)**	(400,000)
- Tier 2 subordinated notes		**(1,100,000)**	(500,000)
Interest received from investment in debt instrument issued by a subsidiary company			
- Multi-currency Additional Tier 1 capital securities		**20,520**	10,175
- Tier 2 subordinated notes		**24,300**	-
Net cash used in investing activities		**(772,481)**	(239,993)
Cash flows from financing activities			
Interest paid on borrowings		**(48,670)**	(54,476)
Interest paid on Multi-currency Additional Tier 1 capital securities		**(21,685)**	(11,600)
Interest paid on Tier 2 subordinated notes		**(26,422)**	(820)
Drawdown/(repayment) of revolving credit		**220,000**	(160,000)
Proceeds from medium term notes and commercial papers		**220,000**	20,000
Repayment of medium term notes and commercial papers		**(575,000)**	-
Repayment of term loans		**(200,000)**	-
Proceeds from Multi-currency Additional Tier 1 capital securities		**400,000**	400,000
Proceeds from Tier 2 subordinated notes		**1,100,000**	500,000
Proceeds from senior notes		**400,000**	-
Dividends paid to shareholders of the Company		**(480,087)**	(459,006)
Purchase of treasury shares		**(152,141)**	-
Net cash generated from financing activities		**835,995**	234,098
Net increase in cash and cash equivalents		**59,030**	18,705
Cash and cash equivalents at beginning of financial year		**25,526**	6,821
Cash and cash equivalents at end of financial year		**84,556**	25,526
Analysis of cash and cash equivalents			
Cash and short-term funds	2	**84,496**	25,466
Deposits and placements with banks and other financial institutions	3	**3,360**	3,360
		87,856	28,826
Less: deposits and placements with banks and other financial institutions with original maturity of more than three months		**(3,300)**	(3,300)
		84,556	25,526

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

Statements of Cash Flows

for the financial year ended 30 June 2019

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

The Group	Balance at the beginning of the financial year RM'000	Cash changes: Proceeds RM'000	Cash changes: Repayments RM'000	Cash changes: Interest paid RM'000	Non-cash changes: Accrued interest RM'000	Non-cash changes: Amortisation/ (accretion) RM'000	Non-cash changes: Other non-cash* RM'000	Balance at the end of the financial year RM'000
2019								
Recourse obligations on loans/financing sold to Cagamas Berhad	**202,952**	**50,000**	**-**	**(7,600)**	**8,239**	**-**	**-**	**253,591**
Borrowings	**1,300,371**	**815,000**	**(720,000)**	**(48,650)**	**51,468**	**88**	**-**	**1,398,277**
Subordinated obligations	**2,800,447**	**1,100,000**	**(1,740,500)**	**(141,619)**	**141,824**	**280**	**-**	**2,160,432**
Innovative Tier 1 capital securities	**474,612**	**-**	**(10,000)**	**(39,258)**	**39,116**	**1,937**	**(2,134)**	**464,273**
Multi-currency Additional Tier 1 capital securities	**401,369**	**400,000**	**-**	**(20,821)**	**25,786**	**42**	**-**	**806,376**
	5,179,751	**2,365,000**	**(2,470,500)**	**(257,948)**	**266,433**	**2,347**	**(2,134)**	**5,082,949**
2018								
Recourse obligations on loans sold to Cagamas Berhad	202,926	-	-	(7,576)	7,602	-	-	202,952
Borrowings	1,526,222	20,000	(245,000)	(55,039)	54,074	114	-	1,300,371
Subordinated obligations	2,959,779	500,000	(659,500)	(117,448)	117,044	572	-	2,800,447
Innovative Tier 1 capital securities	515,623	-	(36,800)	(37,587)	36,421	1,784	(4,829)	474,612
Multi-currency Additional Tier 1 capital securities	-	400,000	-	(11,633)	13,467	(465)	-	401,369
	5,204,550	920,000	(941,300)	(229,283)	228,608	2,005	(4,829)	5,179,751

* Other non-cash item comprises changes in fair value adjustments on completion of business combination accounting as disclosed in Note 29.

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

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

		Cash changes			Non-cash changes			
The Company	**Balance at the beginning of the financial year RM'000**	**Proceeds RM'000**	**Repayments RM'000**	**Interest paid RM'000**	**Accrued interest RM'000**	**Amortisation/ (accretion) RM'000**	**Other non-cash RM'000**	**Balance at the end of the financial year RM'000**
2019								
Borrowings	**1,385,934**	**840,000**	**(775,000)**	**(48,670)**	**51,488**	**129**	**-**	**1,453,881**
Subordinated obligations	**499,599**	**1,100,000**	**-**	**(26,422)**	**26,853**	**175**	**-**	**1,600,205**
Multi-currency Additional Tier 1 capital securities	**400,751**	**400,000**	**-**	**(21,685)**	**25,885**	**285**	**-**	**805,236**
	2,286,284	**2,340,000**	**(775,000)**	**(96,777)**	**104,226**	**589**	**-**	**3,859,322**
2018								
Borrowings	1,526,222	20,000	(160,000)	(54,476)	54,074	114	-	1,385,934
Subordinated obligations	-	500,000	-	(820)	1,225	(806)	-	499,599
Multi-currency Additional Tier 1 capital securities	-	400,000	-	(11,600)	13,434	(1,083)	-	400,751
	1,526,222	920,000	(160,000)	(66,896)	68,733	(1,775)	-	2,286,284

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 2019

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, 2016 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 at fair value through other comprehensive income and financial assets/financial liabilities at fair value through profit or loss (including derivative financial instruments and revaluation of investment properties).

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 financial year. It also requires Directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the 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 60.

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

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

- MFRS 9 "Financial Instruments"
- MFRS 15 "Revenue from Contracts with Customers"
- Amendments to MFRS 2 "Share-based Payment – Classification and Measurement of Share-based Payment Transactions"
- IC Interpretation 22 "Foreign Currency Transactions and Advance Consideration"
- Annual Improvements to MFRSs 2014 – 2016 Cycle: MFRS 128 "Investments in Associates and Joint Ventures"

The Group and the Company have adopted MFRS 9 and MFRS 15 for the first time in the 2019 financial statements, which resulted in changes in accounting policies.

Summary of Significant Accounting Policies

for the financial year ended 30 June 2019

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

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

The Group and the Company have applied MFRS 9 retrospectively with the date of initial application of 1 July 2018. In accordance with the transitional provisions provided in MFRS 9, comparative information for 2018 was not restated and continued to be reported under the previous accounting policies governed under MFRS 139. The cumulative effects of initially applying MFRS 9 were recognised as an adjustment to the opening balance of retained earnings as at 1 July 2018. The detailed impact of change in accounting policies arising from adoption of MFRS 9 are disclosed in Note 61 to the financial statements.

The Group and the Company have applied MFRS 15 with the date of initial application of 1 July 2018 by using the modified retrospective transition method. Under the modified retrospective transition method, the Group and the Company apply the new policy retrospectively only to contracts that are not completed contracts at the date of initial application. Accordingly, the 2018 comparative information was not restated and the cumulative effects of initial application of MFRS 15 were recognised as an adjustment to the opening balance of retained earnings as at 1 July 2018. The comparative information continued to be reported under the previous accounting policies governed under MFRS 118.

The adoption of MFRS 15 do not have material impact to the financial statements to the Group and the Company as most of the revenue of the Group and the Company are already recognised in accordance with the principles of MFRS 15. Accordingly, the cumulative effects of initial application of MFRS 15 were not recognised as an adjustment to the opening retained earnings as at 1 July 2018.

Other than MFRS 9, the adoption of other standards and amendments noted above did not have any material impact on the current period or any prior period and is not likely to affect future periods.

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

(i) Financial year beginning on/after 1 July 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 ("ROU") asset is depreciated in accordance with the principle in as set out in MFRS 116 "Property, Plant and Equipment" and the lease liability is accreted over time with interest expense recognised in statements of income.

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

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

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

(i) Financial year beginning on/after 1 July 2019 (continued)

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

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

  The Group and the Company will apply this standard from its mandatory adoption date of 1 July 2019. The Group and the Company intend to apply the modified retrospective approach and will not restate comparative amounts for the financial year prior to the first adoption. ROU assets for property leases will be measured on transition as if the new rules had always been applied. All other ROU assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

  As at the reporting date, the Group and the Company have non-cancellable operating lease commitments of RM23,002,000 and RM1,420,000 respectively as disclosed in Note 48 to the financial statements. Other than commitments, short-term leases and low value leases will both be recognised on a straight-line basis as expenses in the statements of income.

  For the remaining lease commitments, the Group and the Company expect to recognise ROU assets on 1 July 2019, lease liabilities discounted to its present value.

  The adoption is expected to increase ROU assets and increase financial liabilities with no significant effect on net assets or retained profits of the Group and the Company.

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

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

  IC Interpretation 23 will be applied retrospectively.

- Amendments to MFRS 128 "Long-term Interests in Associates and Joint Ventures" (effective from 1 January 2019) clarify that an entity should apply MFRS 9 "Financial Instruments" (including the impairment requirements) to long-term interests in an associate or joint venture, which are in substance form part of the entity's net investment, for which settlement is neither planned nor likely to occur in the foreseeable future.

  In addition, such long-term interest are subject to loss allocation and impairment requirements in MFRS 128.

  The amendments shall be applied retrospectively.

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

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

(i) Financial year beginning on/after 1 July 2019 (continued)

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

  The amendments will be applied retrospectively.

- Annual Improvements to MFRSs 2015 – 2017 Cycle:

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

  - Amendments to MFRS 11 "Joint Arrangements" (effective from 1 January 2019) clarify that when a party obtains joint control of a business that is a joint operation, the party should not remeasure its previously held interest in the joint operation.

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

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

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

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

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

(ii) Financial year beginning on/after 1 July 2021

- MFRS 17 Insurance contracts (effective from 1 January 2021) supercedes MFRS 4 "Insurance Contracts"

  MFRS 17 applies to insurance contracts issued, to all reinsurance contracts and to investment contracts with discretionary participating features if an entity also issues insurance contracts. For fixed-fee service contracts whose primary purpose is the provision of services, an entity has an accounting policy choice to account for them in accordance with either MFRS 17 or MFRS 15 "Revenue from Contracts with Customers". An entity is allowed to account financial guarantee contracts in accordance with MFRS 17 if the entity has asserted explicitly that it regarded them as insurance contracts. Insurance contracts, (other than reinsurance) where the entity is the policyholder are not within the scope of MFRS 17. Embedded derivatives and distinct investment and service components should be 'unbundled' and accounted for separately in accordance with the related MFRSs. Voluntary unbundling of other components is prohibited.

  MFRS 17 requires a current measurement model where estimates are re-measured at each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ("CSM") representing the unearned profit of the contract. An entity has a policy choice to recognise the impact of changes in discount rates and other assumptions that related to financial risks either in profit or loss or in other comprehensive income.

The adoption of the above new accounting standards, amendments to published standards and interpretations are not expected to give rise to any material financial impact to the Group and the Company.

(c) Changes in regulatory requirements

(i) Capital Adequacy Framework and Capital Adequacy Framework for Islamic Banks

The Capital Adequacy Framework and Capital Adequacy Framework for Islamic Banks in relation to Basel II – Risk-Weighted Assets and Capital Components were updated and reissued by Bank Negara Malaysia ("BNM") on 2 February 2018.

The updates focused mainly on the following changes:

- Revised definition of General Provision and Specific Provision arising from the implementation of MFRS 9 "Financial Instruments";
- Definition of General Provision and its recognition in Tier II capital;
- Alignment of terminologies used under MFRS 9 for the purpose of capital recognition and regulatory adjustments; and
- Clarification on the capital treatment of bargain purchase gains and right-of-use assets.

The updates above mainly address clarification on capital recognition and regulatory adjustment requirements arising from the implementation of MFRS 9.

Summary of Significant Accounting Policies

for the financial year ended 30 June 2019

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

(c) Changes in regulatory requirements (continued)

(ii) BNM's Revised Policy Documents on Financial Reporting and Financial Reporting for Islamic Banking Institutions.

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

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.

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.

Summary of Significant Accounting Policies

for the financial year ended 30 June 2019

B CONSOLIDATION (continued)

(i) Subsidiaries (continued)

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.

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

The Group has consolidated the investment funds that it controls in accordance with MFRS 10 "Consolidated Financial Statements". The third party interest of the funds is recorded as a financial liability in accordance with accounting policy Note F.

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

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

Summary of Significant Accounting Policies

for the financial year ended 30 June 2019

B CONSOLIDATION (continued)

(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 interests in joint venture is accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position. Under the equity method, the investment in a joint venture is initially recognised at cost, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the joint venture in profit or loss, and the Group's share of movements in other comprehensive income of the joint venture in other comprehensive income. Dividends received or receivable from a joint venture are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint venture, including any long-term interests that, in substance, form part of the Group's net investment in the joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. An impairment loss is recognised for the amount by which the carrying amount of the joint venture exceeds its recoverable amount. The Group presents the impairment loss to 'share of results of joint venture' in the statements of income.

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

If the ownership interest in a joint venture is reduced but joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

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

B CONSOLIDATION (continued)

(v) Associated companies

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment in an associate is initially recognised at cost, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the associate in profit or loss, and the Group's share of movements in other comprehensive income of the associate in other comprehensive income. Dividends received or receivable from an associate are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interests in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. The Group's investment in associates includes goodwill identified on acquisition.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. An impairment loss is recognised for the amount by which the carrying amount of the associate exceeds its recoverable amount. The Group presents the impairment loss adjacent to 'share of results of associated company' in the statements of income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

Dilution gains or losses arising in investments in associates are recognised in the statements of income.

(vi) Loss of significant influence or joint control

When the Group ceases to equity account its joint venture or associate because of a loss of 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 profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as a financial asset. In addition, any amount previously recognised in other comprehensive income in respect of the entity is 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.

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

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

B CONSOLIDATION (continued)

(vii) Investments in subsidiaries, joint venture and associated companies (continued)

If assets, including a subsidiary, joint venture or associate, are transferred by means of a dividend between entities under common control, the transferee recognises the dividend at the fair value of the investments or assets received. Dividends are to be recognised in statements of income.

Investment in debt instrument issued by subsidiary companies at amortised cost are measured in accordance with Note E.

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

Interest and financing income and expense for all interest/profit bearing financial instruments are recognised within interest income and interest expense and income from Islamic banking business in the statements of income using the effective interest/profit method. Interest/profit income from financial assets at fair value through profit or loss is disclosed as separate line item in statements of income.

The effective interest/profit method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest and financing income or interest/profit expense over the relevant period. The effective interest/profit rate is the rate that 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/profit rate, the Group and the Company take 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/profit rate, but not future credit losses.

Accounting policies applied from 1 July 2018

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

Accounting policies applied until 30 June 2018

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

D RECOGNITION OF FEES AND OTHER INCOME

(i) Loan arrangement fees and commissions are recognised as income when all conditions precedent are fulfilled. Services charges and other fee income are recognised as income when the services are rendered.

(ii) Commitment and guarantee 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 2019

D RECOGNITION OF FEES AND OTHER INCOME (continued)

(iii) Dividends are recognised when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence. Dividend income received from subsidiary companies, joint venture, associated companies, financial assets at fair value through profit or loss and financial investments at fair value through other comprehensive income (2018: financial investments available-for-sale) are recognised as non-interest income in statements of income.

From 1 July 2018 onward, dividends that clearly represents a recovery of part of the cost of an investment is recognised in other comprehensive income if it relates to an investment in equity instruments measured at fair value through other comprehensive income.

(iv) Net gain or loss from disposal of financial assets at fair value through profit or loss and debt investments at fair value through other comprehensive income (2018: financial investment available-for-sale) are recognised in statements of income upon disposal of the securities, as the difference between net disposal proceeds and the carrying amount of the securities.

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

(vi) Corporate advisory fees are recognised as income after fulfilling each of the performance obligation.

(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 Berhad ("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.

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

(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.

D RECOGNITION OF FEES AND OTHER INCOME (continued)

(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/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.

E FINANCIAL ASSETS

Accounting policies applied from 1 July 2018

(i) Classification

From 1 July 2018, the Group and the Company have applied MFRS 9 and classified its financial assets in the following measurement categories in accordance with MFRS 9 requirements:

- those to be measured subsequently at fair value (either through other comprehensive income (“OCI”) or through profit or loss), and
- those to be measured at amortised cost.

The Group and the Company reclassify debt investments when and only when its business model for managing those assets changes. The Group and the Company do not change the classification of the remaining financial assets held in the business model, but consider the circumstances leading to the model change when assessing newly originated or newly purchased financial assets going forward.

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

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

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

E FINANCIAL ASSETS (continued)

Accounting policies applied from 1 July 2018 (continued)

(ii) Recognition and derecognition

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

(iii) Measurement

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

Debt instruments

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

(a) Amortised cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not designated at fair value through profit or loss, are measured at amortised cost using the effective interest method. Interest/profit income from these financial assets is included in interest income and income from Islamic banking business using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in statements of income as presented in net realised gain or loss on financial instruments. Impairment losses are presented as separate line item (as per Note 40 and Note 41) in the statements of income.

(b) Fair value through other comprehensive income

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the financial assets' cash flows represent SPPI, and that are not designated at fair value through profit or loss, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest/profit income and foreign exchange gains and losses which are recognised in statements of income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to statements of income and recognised in net realised gain or loss on financial instruments. Interest/profit income from these financial assets is included in interest income and income from Islamic banking business using the effective interest rate method. Foreign exchange gains and losses are presented in other income (as per Note 38) and impairment losses are presented as separate line item in the statements of income.

(c) Fair value through profit or loss

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

E FINANCIAL ASSETS (continued)

Accounting policies applied from 1 July 2018 (continued)

(iii) Measurement (continued)

Equity instruments

The Group and the Company subsequently measure all equity investments at fair value through profit or loss, except where the management has elected, at initial recognition to irrevocably designate an equity instrument at fair value through other comprehensive income. Where the Group's and the Company's management have elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to statements of income following the derecognition of the investment. Cumulative gain or loss previously recognised in OCI is not subsequently reclassified to statements of income, but is to be transferred to retained profits. Dividends from such investments continue to be recognised in statements of income as other income when the Group's and the Company's right to receive payments is established.

Changes in the fair value of equity instruments designated as financial assets at fair value through profit or loss are recognised in net unrealised gain or loss on revaluation in the statements of income.

(iv) Reclassification policy

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

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

Accounting policies applied until 30 June 2018

(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. The classification depends on the purpose for which the financial assets are acquired. Management determines the classification 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.

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

E FINANCIAL ASSETS (continued)

Accounting policies applied until 30 June 2018 (continued)

(i) Classification (continued)

(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 intention 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.

(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 losses previously recognised in other comprehensive income are reclassified to 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.

Summary of Significant Accounting Policies

for the financial year ended 30 June 2019

E FINANCIAL ASSETS (continued)

(iii) Subsequent measurement (continued)

Interest from financial assets held at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity is calculated using the effective interest method and is recognised in the statements of income. Dividends from available-for-sale equity instruments are recognised in the statements of income 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.

F 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. Financial liabilities are de-recognised when extinguished.

(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.

Summary of Significant Accounting Policies

for the financial year ended 30 June 2019

F FINANCIAL LIABILITIES (continued)

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

The Group has also designated certain structured deposits at fair value through profit or loss as permitted under MFRS 9 "Financial Instruments" 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 using effective interest rate.

Financial liabilities that are derecognised when they have been redeemed or otherwise extinguished.

(iii) Borrowings measured at amortised cost

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost, any difference between initial recognised amount and the redemption value is recognised in 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.

Borrowings measured at amortised cost are Multi-currency Additional Tier 1 capital securities, Tier 2 subordinated notes and Innovative Tier 1 capital securities.

G PROPERTY AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment are initially stated at cost, net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the government. When the amount of GST incurred is not recoverable from the government, the GST is recognised as part of the cost of acquisition of the property, plant and equipment. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. With effect from 1 June 2018, GST is reduced from 6% to 0%.

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. 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.

Summary of Significant Accounting Policies

for the financial year ended 30 June 2019

G PROPERTY AND EQUIPMENT AND DEPRECIATION (continued)

Freehold land is not depreciated as it has an infinite life. Other property and equipment are depreciated on a straight-line method to allocate the cost or the revalued amounts, to their residual values over their 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 assets under construction 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.

If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of such a property at the date of transfer is treated in the same way as a revaluation under MFRS 116 "Property, Plant and Equipment". Any resulting increase in the carrying amount of the property is recognised in profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase credited directly to other comprehensive income in revaluation surplus reserve. Any resulting decrease in the carrying amount of the property is initially charged in other comprehensive income against any previously recognised revaluation surplus reserve, with any remaining decrease charged to statements of income.

H 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) 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.

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

H INTANGIBLE ASSETS (continued)

(ii) Goodwill (continued)

Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the CGU level. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(iii) 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

I 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.

(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.

Summary of Significant Accounting Policies

for the financial year ended 30 June 2019

J 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 assets 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.

K CURRENT AND DEFERRED INCOME TAXES

The tax expense for the period comprises current and deferred income 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, repectively. In this case, the tax is recognised in other comprehensive income or directly in equity, respectively. The liabilities in relation to tax penalties or its associated interest are included within the taxation liability on the statements of financial position and any associated change within the tax expense in the statements of income as under accrual of prior year tax.

Current income tax expense is determined according to the tax laws enacted or substantially enacted at the end of the reporting period 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, unused tax losses or unused tax credits can be utilised.

Deferred tax liability is recognised on temporary differences arising on investments in subsidiaries, associates and joint venture 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. Generally the Group is unable to control the reversal of the temporary difference for associates and joint venture. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference, a deferred tax liability is not recognised.

Summary of Significant Accounting Policies

for the financial year ended 30 June 2019

K CURRENT AND DEFERRED INCOME TAXES (continued)

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

Deferred income tax related to fair value 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.

L DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

The Group and the Company 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.

L DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (continued)

(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 to the statements of income.

(iii) 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.

M 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 or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to items that form part of the net investment in a foreign operation.

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

M CURRENCY TRANSLATIONS (continued)

(ii) Foreign currency transactions and balances (continued)

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 statements 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 assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in statements of income as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as financial assets at fair value through other comprehensive income (2018: financial investments available-for-sale) are included in the fair value reserve in other comprehensive income.

(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.

Summary of Significant Accounting Policies

for the financial year ended 30 June 2019

N 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 services 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 pay 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 to share options reserve within equity.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each 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 "Financial Instruments: Presentation", 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.

Summary of Significant Accounting Policies

for the financial year ended 30 June 2019

N EMPLOYEE BENEFITS (continued)

(iii) Share-based compensation (continued)

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 retained 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.

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

O IMPAIRMENT OF FINANCIAL ASSETS

Accounting policies applied from 1 July 2018

MFRS 9 introduces a new impairment model that requires the recognition of expected credit loss ("ECL"), replacing the incurred loss methodology model under MFRS 139, for all financial assets, except for financial assets classified or designated as fair value through profit or loss and equity securities classified under fair value through other comprehensive income, which are not subject to impairment assessment. Off-balance sheet items that are subject to ECL include undrawn loan commitments and financial guarantees.

The Group and the Company assess on a forward looking basis the ECL associated with its financial assets carried at amortised cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group and the Company assess whether the credit risk on an exposure has increased significantly on an individual or collective basis. The Group and the Company first assess whether objective evidence of impairment exists for financial assets which are individually significant. If the Group and the Company determine the objective evidence of impairment exists, i.e. credit-impaired for an individually assessed financial asset, a lifetime ECL will be recognised for impairment loss. Financial assets which are collectively assessed are grouped on the basis of similar credit risk characteristics.

Definition of default and credit-impaired financial assets

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

As part of the assessment of impairment of financial assets under ECL model, the default definition, which is largely align with regulatory reporting purposes, has been applied to three main components, which is a probability of default ("PD") model, a loss given default ("LGD") model and exposure at default ("EAD") model respectively.

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

There are two approaches of ECL adopted by the Group and the Company, which are general approach and simplified approach.

O IMPAIRMENT OF FINANCIAL ASSETS (continued)

(i) Financial assets accounted for at amortised cost, fair value through other comprehensive income and with the exposure arising from loan commitments and financial guarantee contracts - General Approach

ECL will be assessed using an approach which classified financial assets into three stages which reflects the change in credit quality of the financial assets since initial recognition:

(a) Stage 1: 12-months ECL - not credit impaired

Stage 1 includes financial assets which have not had a significant increase in credit risk since initial recognition or which have low credit risk at reporting date. 12-months ECL is recognised and interest income is calculated on the gross carrying amount of the financial assets.

(b) Stage 2: Lifetime ECL - not credit impaired

Stage 2 includes financial assets which have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but do not have objective evidence of impairment. Lifetime ECL is recognised and interest income is calculated on the gross carrying amount of the financial assets.

(c) Stage 3: Lifetime ECL - credit impaired

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. Lifetime ECL is recognised and interest income is calculated on the net carrying amount of the financial assets.

Significant increase in credit risk

At each reporting date, the Group and the Company assess whether there has been a significant increase in credit risk for exposures since initial recognition to determine whether the exposure is subject to 12-month ECL or lifetime ECL. This is performed by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. When determining whether the risk of default has increased significantly since initial recognition, the Group and the Company consider both quantitative and qualitative information and assessments based on the Group's and the Company's historical experience and credit risk assessments, including forward-looking information. A backstop of 30 days or 1 month past due from its contractual payment is applied and a financial asset will still be designated as having significant increase in credit risk regardless if it meets both the quantitative and qualitative assessments.

Measurement of ECL

ECL are measured using three main components, which include PD, LGD and EAD. These components are derived from internally developed statistical models and adjusted to reflect forward-looking information as set out below.

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

Summary of Significant Accounting Policies

for the financial year ended 30 June 2019

O IMPAIRMENT OF FINANCIAL ASSETS (continued)

(i) Financial assets accounted for at amortised cost, fair value through other comprehensive income and with the exposure arising from loan commitments and financial guarantee contracts - General Approach (continued)

Measurement of ECL (continued)

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

Forward looking information

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

The measurement of ECL incorporates a broad range of forward-looking information as economic inputs, such as but not limited to:

- Gross Domestic Product ("GDP")
- Unemployment Rate
- Consumer Price Index
- House Price Index

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

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

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

(ii) Clients' and brokers' balances and other assets - Simplified Approach

The Group and the Company apply simplified approach as permitted by MFRS 9, which requires an entity to recognise a loss allowance based on lifetime ECL at each reporting date. MFRS 9 allows the use of practical expedients when measuring ECL and states that a provision matrix is an example of such expedient for other receivables. An entity that applies a provision matrix may use historical loss experience on its other receivables, and adjust historical loss rates to reflect information about current conditions and reasonable and supportable forecasts of future economic conditions.

O IMPAIRMENT OF FINANCIAL ASSETS (continued)

Accounting policies applied until 30 June 2018

(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 statements of income. 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.

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

O IMPAIRMENT OF FINANCIAL ASSETS (continued)

Accounting policies applied until 30 June 2018 (continued)

(ii) Assets classified as available-for-sale

The Group and the Company assess at the end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, the Group uses criteria and measurement of impairment loss applicable for 'assets carried at amortised cost' above. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the profit or loss.

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

P 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.

Q OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and 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.

R FINANCIAL GUARANTEE CONTRACTS

Financial guarantee contracts are contracts that require the Group or the Company 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.

R FINANCIAL GUARANTEE CONTRACTS (continued)

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

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

Accounting policies applied from 1 July 2018

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

Accounting policies applied until 30 June 2018

Financial guarantee contracts are subsequently measured at the higher of the amount determined in accordance with MFRS 137 "Provisions, Contingent Liabilities and Contingent Assets" and the amount initially recognised less cumulative amortisation, where appropriate.

S FORECLOSED PROPERTIES

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

T BILLS AND ACCEPTANCES PAYABLE

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

U 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 by another party, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

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

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

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

V CASH AND CASH EQUIVALENTS

Cash and short-term funds in the statement of financial position comprise cash balances and deposits with financial institutions and money at call with a maturity of one month or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash and short-term funds and deposits and placements with financial institutions, with original maturity of 3 months or less.

W 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.

X 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 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.

Y 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.

(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

Distributions to holders of an equity instrument is recognised directly in equity. 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.

Y 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 costs, net of tax, is deducted from 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.

Z 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.

AA 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.

AB EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share is calculated by dividing:

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

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

AB EARNINGS PER SHARE (continued)

Diluted earnings per share

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

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

AC INVESTMENT PROPERTIES

Investment properties, comprising principally land and office buildings, are held for long term rental yields or for capital appreciation or both, and are not occupied by the Group.

Investment property is measured initially at its cost, including related transaction costs. Costs of the investment property are net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the government. When the amount of GST incurred is not recoverable from the government, the GST is recognised as part of the cost of acquisition of the investment property.

After initial recognition, investment property is carried 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.

The fair value of investment property reflects, among other things, rental income from current leases and other assumptions that market participants would make when pricing the property under current market conditions.

Subsequent expenditure is recognised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Changes in fair values are recognised in profit or loss. Investment properties are derecognised either when 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.

Where the Group disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in profit or loss as a net gain/loss from fair value adjustment on investment property.

Summary of Significant Accounting Policies

for the financial year ended 30 June 2019

AD 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) $1/365^{th}$ 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.

AE 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 2019

AE 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.

AF 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, non-participating annuity policies, the guaranteed benefits liabilities of participating life policies and participating annuity 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 discretionary participation features ("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

AF INSURANCE CONTRACT LIABILITIES (continued)

(ii) Unallocated surplus (continued)

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.

(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.

AG 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.

AH 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.

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

AH INSURANCE PRODUCT CLASSIFICATION (continued)

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.

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.

AI 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 shareholders' fund via a benevolent loan or Qardhul Hassan.

AJ 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.

AK 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.

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 2019

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 14 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 30, Menara Hong Leong, No. 6 Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur.

2 CASH AND SHORT-TERM FUNDS

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash and balances with banks and other financial institutions	**2,158,943**	2,516,788	**7**	6
Money at call and deposit placements maturing within one month	**6,455,047**	7,373,283	**84,489**	25,460
	8,613,990	9,890,071	**84,496**	25,466
Less: Expected credit losses	**(509)**	-	**-**	-
	8,613,481	9,890,071	**84,496**	25,466

Inclusive in cash and short-term funds of the Group are accounts held in trust for dealer's representative amounting to RM13,011,000 (2018: RM13,799,000).

3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Licensed banks	**10,063,122**	9,995,569	**3,360**	3,360
Other financial institutions	**-**	200,852	**-**	-
	10,063,122	10,196,421	**3,360**	3,360
Less: Expected credit losses	**(252)**	-	**-**	-
	10,062,870	10,196,421	**3,360**	3,360

The Company has placed a fixed deposit of RM3,300,000 (2018: RM3,300,000) with a bank for the RM200 million revolving credit facility and RM150 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 2019

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

	The Group	
	2019 RM'000	2018 RM'000
Money market instruments		
Government treasury bills	21,900	-
Malaysian Government securities	3,770,728	-
Malaysian Government investment certificates	1,957,141	-
Negotiable instruments of deposit	1,472,835	-
Khazanah bonds	136,726	-
Cagamas bonds	81,403	-
Other Government securities	5,382,979	-
	12,823,712	-
Quoted securities		
Shares in Malaysia	2,732,371	-
Shares outside Malaysia	297,944	-
Wholesale fund/unit trust investments	634,762	-
Foreign currency bonds in Malaysia	60,375	-
Foreign currency bonds outside Malaysia	108,167	-
Investment-linked funds	285	-
Loan stocks	1,178	-
	3,835,082	-
Unquoted securities		
Shares in Malaysia	326,621	-
Foreign currency bonds outside Malaysia	332,979	-
Corporate bonds and sukuk	7,072,807	-
Redeemable preference shares	30,866	-
	7,763,273	-
Total financial assets at fair value through profit or loss	24,422,067	-

5 FINANCIAL ASSETS HELD-FOR-TRADING

	The Group	
	2019 RM'000	2018 RM'000
Money market instruments		
Malaysian Government securities	-	2,591,793
Malaysian Government investment certificates	-	867,698
Bankers' acceptances and Islamic accepted bills	-	55,084
Negotiable instruments of deposit	-	3,983,804
Other Government securities	-	655,493
	-	8,153,872
Quoted securities		
Shares in Malaysia	-	612,759
Shares outside Malaysia	-	108,132
Unit trust investments	-	435,834
Foreign currency bonds in Malaysia	-	40,093
Foreign currency bonds outside Malaysia	-	68,847
	-	1,265,665
Unquoted securities		
Foreign currency bonds outside Malaysia	-	52,465
Corporate bonds and sukuk	-	1,064,879
	-	1,117,344
Total financial assets held-for-trading	-	10,536,881

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

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

	The Group	
	2019 RM'000	2018 RM'000
At fair value		
(a) Debt instruments	24,921,094	-
(b) Equity instruments	44,331	-
	24,965,425	-

(a) Debt instruments	2019 RM'000	2018 RM'000
Money market instruments		
Malaysia Government securities	1,656,380	-
Malaysia Government investment certificates	6,334,482	-
Negotiable instruments of deposit	1,197,900	-
Other Government securities	694,508	-
Khazanah bonds	272,685	-
Cagamas bonds	1,367,584	-
	11,523,539	-
Quoted securities		
Foreign currency bonds in Malaysia	1,776,207	-
Foreign currency bonds outside Malaysia	1,638,380	-
	3,414,587	-
Unquoted securities		
Malaysia Government sukuk	350,898	-
Corporate bonds and sukuk	7,995,442	-
Foreign currency bonds in Malaysia	973,343	-
Foreign currency bonds outside Malaysia	663,285	-
	9,982,968	-
	24,921,094	-

Included in the debt instruments at FVOCI are foreign currency bonds, which are pledged as collateral for obligations on securities sold under repurchase agreements for the Group of RM2,387,337,000.

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

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

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

The Group 2019	Note	Stage 1 12 months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
As at 1 July		-	-	-	-
Effect of adopting MFRS 9	61	2,633	-	16,569	19,202
As at 1 July, as restated		2,633	-	16,569	19,202
New financial assets originated or purchased		1,026	-	-	1,026
Financial assets derecognised		(1,451)	-	(166)	(1,617)
Changes due to change in credit risk		(377)	-	-	(377)
Exchange differences		41	-	147	188
As at 30 June		1,872	-	16,550	18,422

(b) Equity instruments

	The Group 2019 RM'000	The Group 2018 RM'000
Unquoted securities		
Shares in Malaysia	44,331	-

As at 1 July 2018, the Group designated certain investments shown in the following table as equity instruments under FVOCI. In 2018, these investments were classified as financial investments available-for-sale as disclosed in Note 7. The FVOCI designation was made because these investments are either held for socio-economic purposes or not for trading purposes.

The Group 2019	Fair value RM'000	Dividend income recognised during the financial year RM'000
Securities:		
RAM Holdings Berhad	7,444	203
Payments Network Malaysia Sdn Bhd	35,875	-
Others	1,012	-
	44,331	203

Notes to the Financial Statements

for the financial year ended 30 June 2019

7 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	The Group	
	2019 RM'000	2018 RM'000
Money market instruments		
Malaysia Government securities	-	1,357,655
Malaysia Government investment certificates	-	4,523,680
Other Government securities	-	4,268,647
Khazanah bonds	-	673,444
Cagamas bonds	-	1,490,348
	-	12,313,774
Quoted securities		
Shares in Malaysia	-	1,665,958
Shares outside Malaysia	-	122,625
Foreign currency bonds in Malaysia	-	2,996,117
Foreign currency bonds outside Malaysia	-	1,660,272
Investment-linked funds	-	300
Unit trust investments	-	558,205
	-	7,003,477
Unquoted securities		
Shares in Malaysia	-	469,905
Shares outside Malaysia	-	12,115
Malaysia Government sukuk	-	2,385,470
Corporate bonds and sukuk	-	13,650,762
Foreign currency bonds in Malaysia	-	1,048,287
Foreign currency bonds outside Malaysia	-	1,017,005
	-	18,583,544
	-	37,900,795
Allowance for impairment losses	-	(168,256)
Total financial investments available-for-sale	-	37,732,539

7 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	
	2019 RM'000	2018 RM'000
As at 1 July	168,256	168,980
Effect of adopting MFRS 9	(168,256)	-
As at 1 July, as restated	-	168,980
Allowance made during the financial year*	-	72,658
Amount written off	-	(72,615)
Exchange fluctuation	-	(767)
As at 30 June	-	168,256

As at 30 June 2018, 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 RM3,821,124,000.

* As at 30 June 2018, included allowance for impairment recognised in insurance fund of RM65,814,000.

8 FINANCIAL INVESTMENTS AT AMORTISED COST

	The Group	
	2019 RM'000	2018 RM'000
Money market instruments		
Government treasury bills	53,820	-
Malaysian Government securities	260,010	-
Malaysian Government investment certificates	9,200,311	-
Khazanah bonds	304,266	-
Other Government securities	326,179	-
	10,144,586	-
Quoted securities		
Foreign currency bonds in Malaysia	845,592	-
Foreign currency bonds outside Malaysia	151,587	-
	997,179	-
Unquoted securities		
Malaysia Government sukuk	2,657,094	-
Corporate bonds and sukuk	2,037,237	-
Foreign currency bonds outside Malaysia	53,810	-
	4,748,141	-
Less: Expected credit losses	(1,043)	-
Total financial investments at amortised cost	15,888,863	-

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

8 FINANCIAL INVESTMENTS AT AMORTISED COST (continued)

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

The Group 2019	Note	Stage 1 12 months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
As at 1 July		-	-	-	-
Effect of adopting MFRS 9	61	27	-	827	854
As at 1 July, as restated		27	-	827	854
New financial assets originated or purchased		189	-	-	189
As at 30 June		216	-	827	1,043

9 FINANCIAL INVESTMENTS HELD-TO-MATURITY

	The Group 2019 RM'000	The Group 2018 RM'000
Money market instruments		
Government treasury bills	-	52,950
Malaysian Government securities	-	1,574,180
Malaysian Government investment certificates	-	11,432,594
Other Government securities	-	383,739
	-	13,443,463
Unquoted securities		
Malaysia Government sukuk	-	1,548,339
Corporate bonds and sukuk	-	748,201
Foreign currency bonds outside Malaysia	-	124,810
Redeemable preference shares	-	30,866
	-	2,452,216
	-	15,895,679
Allowance for impairment losses	-	-
Total financial investments held-to-maturity	-	15,895,679

Notes to the Financial Statements

for the financial year ended 30 June 2019

9 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	
	2019 RM'000	2018 RM'000
As at 1 July	-	113,844
Amount written back in respect of recoveries	-	(6,454)
Amount written off	-	(107,390)
As at 30 June	-	-

10 LOANS, ADVANCES AND FINANCING

	The Group	
	2019 RM'000	2018 RM'000
Overdrafts	**3,863,555**	3,794,584
Term loans/financing		
- Housing and shop loans/financing	**76,495,886**	70,332,643
- Syndicated term loans/financing	**11,740,501**	9,953,665
- Hire purchase receivables	**17,634,182**	17,229,742
- Other term loans/financing	**8,192,827**	7,700,340
Credit/charge card receivables	**3,597,974**	3,899,183
Bills receivable	**1,061,015**	996,560
Trust receipts	**421,884**	328,628
Policy and premium loans	**544,109**	564,369
Claims on customers under acceptance credits	**8,029,521**	7,839,208
Revolving credits	**6,227,550**	6,627,619
Staff loans/financing	**138,804**	146,088
Other loans/financing	**371,329**	448,850
Gross loans, advances and financing	**138,319,137**	129,861,479
Fair value changes arising from fair value hedges	**3,473**	(2,540)
Unamortised fair value changes arising from terminated fair value hedges	-	(13)
Allowance for impaired loans, advances and financing		
- Expected credit losses	**(1,264,994)**	-
- Collective assessment allowance	-	(805,397)
- Individual assessment allowance	-	(202,295)
Total net loans, advances and financing	**137,057,616**	128,851,234

Included in loans, advances and financing are housing loans sold to Cagamas with recourse to the Group amounting to RM237,374,000 (2018: RM177,874,000).

Notes to the Financial Statements

for the financial year ended 30 June 2019

10 LOANS, ADVANCES AND FINANCING (continued)

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

	The Group	
	2019 RM'000	2018 RM'000
Maturing within:		
- one year	**26,983,273**	27,426,888
- over one year to three years	**5,920,568**	6,027,852
- over three years to five years	**9,612,277**	9,069,429
- over five years	**95,803,019**	87,337,310
Gross loans, advances and financing	**138,319,137**	129,861,479

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

	The Group	
	2019 RM'000	2018 RM'000
Domestic non-bank financial institutions other than stockbroking companies	**953,920**	597,185
Domestic business enterprises:		
- small medium enterprises	**21,504,631**	20,480,196
- others	**19,303,934**	16,489,255
Government and statutory bodies	**2,037**	19,374
Individuals	**94,057,634**	85,095,493
Other domestic entities	**418,282**	269,937
Foreign entities	**2,078,699**	6,910,039
Gross loans, advances and financing	**138,319,137**	129,861,479

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

	The Group	
	2019 RM'000	2018 RM'000
Fixed rate:		
- Housing and shop loans/financing	**1,641,152**	2,583,136
- Hire purchase receivables	**17,413,826**	16,916,260
- Credit card	**3,597,974**	3,899,183
- Other fixed rate loan/financing	**3,321,420**	3,342,464
Variable rate:		
- Base rate/base lending rate plus	**94,502,743**	86,079,824
- Cost plus	**17,225,281**	16,635,549
- Other variable rates	**616,741**	405,063
Gross loans, advances and financing	**138,319,137**	129,861,479

10 LOANS, ADVANCES AND FINANCING (continued)

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

	The Group	
	2019 RM'000	2018 RM'000
Purchase of securities	**1,010,286**	604,109
Purchase of transport vehicles	**17,489,214**	16,893,711
Residential property (housing)	**67,438,186**	61,370,803
Non-residential property	**16,369,237**	15,553,253
Purchase of fixed assets (excluding landed properties)	**988,287**	546,924
Personal use	**3,389,881**	3,248,454
Credit card	**3,597,974**	3,899,183
Construction	**2,006,223**	1,552,918
Mergers and acquisition	**312,445**	362,600
Working capital	**23,798,349**	23,857,255
Other purposes	**1,919,055**	1,972,269
Gross loans, advances and financing	**138,319,137**	129,861,479

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

	The Group	
	2019 RM'000	2018 RM'000
In Malaysia	**131,208,547**	123,335,851
Outside Malaysia		
- Singapore	**5,224,287**	5,097,771
- Vietnam	**616,741**	405,063
- Cambodia	**1,269,562**	1,022,794
Gross loans, advances and financing	**138,319,137**	129,861,479

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

10 LOANS, ADVANCES AND FINANCING (continued)

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

	The Group	
	2019 RM'000	2018 RM'000
Purchase of securities	**51**	1,256
Purchase of transport vehicles	**122,231**	134,141
Residential property (housing)	**376,570**	353,270
Non-residential property	**169,127**	170,961
Purchase of fixed assets (excluding landed properties)	**5,325**	3,465
Personal use	**44,470**	46,682
Credit card	**32,505**	39,562
Construction	**17,350**	3,530
Working capital	**305,350**	376,386
Other purposes	**5,030**	3,134
Gross impaired loans, advances and financing	**1,078,009**	1,132,387

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

	The Group	
	2019 RM'000	2018 RM'000
As at 1 July	**1,132,387**	1,215,017
Effect of adopting MFRS 9	**(11)**	-
As at 1 July, as restated	**1,132,376**	1,215,017
Classified as impaired during the financial year	**1,620,203**	1,663,481
Reclassified as non-impaired during the financial year	**(868,464)**	(889,043)
Amount written back in respect of recoveries	**(489,105)**	(392,039)
Amount written off	**(318,398)**	(460,834)
Exchange differences	**1,397**	(4,195)
As at 30 June	**1,078,009**	1,132,387
Gross impaired loans as a % of gross loans, advances and financing	**0.78%**	0.87%

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

	The Group	
	2019 RM'000	2018 RM'000
In Malaysia	**1,070,808**	1,119,695
Outside Malaysia		
- Singapore	**1,512**	1,394
- Vietnam	**1,621**	3,937
- Cambodia	**4,068**	7,361
Gross impaired loans, advances and financing	**1,078,009**	1,132,387

10 LOANS, ADVANCES AND FINANCING (continued)

(i) Movements in expected credit losses for loans, advances and financing are as follows:

The Group 2019	Note	Stage 1 12 months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
As at 1 July					1,007,692
Effect of adopting MFRS 9	61				360,630
As at 1 July, as restated		418,458	487,760	462,104	1,368,322
Changes in ECL due to transfer within stages		(101,284)	(144,222)	245,506	-
- Transfer to Stage 1		23,088	(22,843)	(245)	-
- Transfer to Stage 2		(124,380)	219,695	(95,315)	-
- Transfer to Stage 3		8	(341,074)	341,066	-
New financial assets originated		53,868	4,019	110	57,997
Financial assets derecognised		(34,800)	(42,683)	(29,024)	(106,507)
Changes due to change in credit risk		33,156	193,326	38,496	264,978
Modifications to contractual cash flows of financial assets		-	-	4,101	4,101
Amount written off		-	-	(282,501)	(282,501)
Exchange differences		457	126	1,578	2,161
Other movements		-	-	(43,557)	(43,557)
As at 30 June		369,855	498,326	396,813	1,264,994

(j) Movements in allowance for impairment on loans, advances and financing are as follows:

	The Group 2019 RM'000	The Group 2018 RM'000
Collective assessment allowance		
As at 1 July	805,397	830,407
Effect of adopting MFRS 9	(805,397)	-
As at 1 July, as restated	-	830,407
Allowance made during the financial year	-	300,218
Amount written off	-	(310,061)
Unwinding income	-	(14,475)
Exchange differences	-	(692)
As at 30 June	-	805,397

Notes to the Financial Statements

for the financial year ended 30 June 2019

10 LOANS, ADVANCES AND FINANCING (continued)

(j) Movements in allowance for impairment on loans, advances and financing are as follows: (continued)

	The Group	
	2019 RM'000	2018 RM'000
Individual assessment allowance		
As at 1 July	**202,295**	325,536
Effect of adopting MFRS 9	**(202,295)**	-
As at 1 July, as restated	**-**	325,536
Allowance made during the financial year	**-**	63,406
Amount written back in respect of recoveries	**-**	(55,505)
Amount written off	**-**	(119,266)
Unwinding income	**-**	(7,959)
Exchange differences	**-**	(3,917)
As at 30 June	**-**	202,295

(k) Movements in the gross carrying amount of loans, advances and financing that contributed to changes in the expected credit losses are as follows:

	Stage 1	Stage 2	Stage 3	
The Group 2019	**12 months ECL RM'000**	**Lifetime ECL not credit impaired RM'000**	**Lifetime ECL credit impaired RM'000**	**Total RM'000**
As at 1 July, as restated	**122,628,821**	**6,100,610**	**1,131,048**	**129,861,479**
Total transfer within stages	**(2,456,896)**	**1,834,466**	**622,430**	**-**
- Transfer to Stage 1	**1,949,760**	**(1,959,802)**	**10,042**	**-**
- Transfer to Stage 2	**(4,379,356)**	**5,314,381**	**(935,025)**	**-**
- Transfer to Stage 3	**(27,300)**	**(1,520,113)**	**1,547,413**	**-**
New financial assets originated	**17,571,122**	**34,016**	**1,446**	**17,606,584**
Financial assets derecognised	**(5,068,303)**	**(336,271)**	**(76,519)**	**(5,481,093)**
Changes due to change in credit risk	**(2,582,661)**	**(832,894)**	**(321,424)**	**(3,736,969)**
Amount written off	**-**	**-**	**(282,811)**	**(282,811)**
Exchange differences	**344,716**	**4,402**	**2,839**	**351,957**
As at 30 June	**130,436,799**	**6,804,329**	**1,078,009**	**138,319,137**

11 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	
	2019 RM'000	**2018 RM'000**
Performing accounts	**482,063**	523,107
Impaired accounts	**602**	2,828
	482,665	525,935
Less: allowances for bad and doubtful debts		
- Expected credit losses	**(220)**	-
- Individual assessment allowance	**-**	(351)
- Collective assessment allowance	**-**	(28)
	482,445	525,556

Movements of impaired accounts are as follows:

	The Group	
	2019 RM'000	**2018 RM'000**
As at 1 July	**2,828**	1,264
New financial assets originated	**10**	-
Financial assets derecognised	**(26)**	-
Impaired during the financial year	**167**	2,311
Allowance written back	**(2,367)**	(747)
Amount written off	**(10)**	-
As at 30 June	**602**	2,828

Movements in expected credit losses/allowance on clients' and brokers' balances are as follows:

The Group 2019	**Lifetime ECL not credit impaired RM'000**	**Lifetime ECL credit impaired RM'000**	**Collective assessment allowance RM'000**	**Individual assessment allowance RM'000**	**Total ECL RM'000**
As at 1 July	**-**	**-**	**28**	**351**	**379**
Effect of adopting MFRS 9	**28**	**351**	**(28)**	**(351)**	**-**
As at 1 July, as restated	**28**	**351**	**-**	**-**	**379**
New financial assets originated	**7**	**7**	**-**	**-**	**14**
Financial assets derecognised	**(29)**	**(10)**	**-**	**-**	**(39)**
Impaired during the financial year	**10**	**29**	**-**	**-**	**39**
Allowance written back	**(2)**	**(161)**	**-**	**-**	**(163)**
Amount written off	**(10)**	**-**	**-**	**-**	**(10)**
As at 30 June	**4**	**216**	**-**	**-**	**220**

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

11 CLIENTS' AND BROKERS' BALANCES (continued)

Movements in expected credit losses/allowance on clients' and brokers' balances are as follows: (continued)

	The Group	
	2019 RM'000	2018 RM'000
Individual assessment allowance		
As at 1 July	**351**	417
Effect of adopting MFRS 9	**(351)**	-
As at 1 July, as restated	**-**	417
Allowance made during the financial year	**-**	204
Allowance written	**-**	(270)
As at 30 June	**-**	351
Collective assessment allowance		
As at 1 July	**28**	28
Effect of adopting MFRS 9	**(28)**	-
As at 1 July, as restated	**-**	28
As at 30 June	**-**	28

12 OTHER RECEIVABLES

		The Group		The Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Foreclosed properties		**21,839**	46	**-**	-
Sundry debtors and other prepayments		**450,480**	293,418	**3,455**	410
Treasury related receivables		**242,617**	65,547	**-**	-
Cash collateral pledged for derivative transactions		**308,969**	314,855	**-**	-
Fee income receivables net of allowance for impairment losses of RM1,370,000 (2018: RM1,473,000)	(a)	**7,511**	2,842	**-**	-
Other receivables net of allowance for impairment losses of RM5,898,000 (2018: RM2,998,000)	(b)	**301,246**	275,862	**-**	-
		1,332,662	952,570	**3,455**	410

(a) Movements in expected credit losses/allowance for fee income receivables are as follows:

The Group 2019	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Individual assessment allowance RM'000	Total ECL RM'000
As at 1 July	**-**	**-**	**1,473**	**1,473**
Effect of adopting MFRS 9	**2**	**1,473**	**(1,473)**	**2**
As at 1 July, as restated	**2**	**1,473**	**-**	**1,475**
New financial assets originated	**4**	**50**	**-**	**54**
Financial assets derecognised	**(1)**	**(169)**	**-**	**(170)**
Impaired during the financial year	**-**	**11**	**-**	**11**
	5	**1,365**	**-**	**1,370**

12 OTHER RECEIVABLES (continued)

(a) Movements in expected credit losses/allowance for fee income receivables are as follows: (continued)

	The Group	
	2019 RM'000	2018 RM'000
Individual assessment allowance		
As at 1 July	**1,473**	1,015
Effect of adopting MFRS 9	**(1,473)**	-
As at 1 July, as restated	**-**	1,015
Allowance made during the financial year	**-**	816
Allowance written back	**-**	(358)
As at 30 June	**-**	1,473

(b) Movements in expected credit losses/allowance for other receivables are as follows:

The Group 2019	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Individual assessment allowance RM'000	Total ECL RM'000
As at 1 July	**-**	**-**	**2,998**	**2,998**
Effect of adopting MFRS 9	**498**	**10,027**	**(2,998)**	**7,527**
As at 1 July, as restated	**498**	**10,027**	**-**	**10,525**
New financial assets originated	**45**	**-**	**-**	**45**
Financial assets derecognised	**-**	**(1,429)**	**-**	**(1,429)**
Amount written off	**-**	**(3,243)**	**-**	**(3,243)**
As at 30 June	**543**	**5,355**	**-**	**5,898**

	The Group	
	2019 RM'000	2018 RM'000
Individual assessment allowance		
As at 1 July	**2,998**	3,650
Effect of adopting MFRS 9	**(2,998)**	-
As at 1 July, as restated	**-**	3,650
Allowance written back	**-**	(652)
As at 30 June	**-**	2,998

13 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 2019

14 INVESTMENT IN SUBSIDIARY COMPANIES

	Note	The Company 2019 RM'000	The Company 2018 RM'000
Investment in subsidiary companies, at cost			
Unquoted shares		**262,980**	262,980
Shares quoted in Malaysia		**16,843,880**	16,843,880
		17,106,860	17,106,860
Investment in debt instrument issued by a subsidiary company, at amortised cost			
Multi-currency Additional Tier 1 capital securities		**806,661**	401,799
Tier 2 subordinated notes		**1,602,566**	500,399
		19,516,087	18,009,058
Less: allowance for expected credit losses/impairment losses		**(18,011)**	(12,980)
		19,498,076	17,996,078
As at 1 July		**18,009,058**	16,922,703
Investment in subsidiary companies, at cost			
Distribution on liquidation of a subsidiary	57(f)	**-**	188,057
Redemption of redeemable preference shares	(i)	**-**	(3,900)
Investment in debt instrument issued by a subsidiary company, at amortised cost			
Multi-currency Additional Tier 1 capital securities	57(c)	**404,862**	401,799
Tier 2 subordinated notes	57(d)	**1,102,167**	500,399
As at 30 June		**19,516,087**	18,009,058

(i) The Company has redeemed 3,900 redeemable preference share ("RPS") of RM1.00 each and RM999.00 share premium in Hong Leong Equities Sdn Bhd in previous financial year.

(ii) Movements in the expected credit losses/allowance for investment in debt instrument are as follows:

	Note	The Company 2019 RM'000	The Company 2018 RM'000
As at 1 July		**12,980**	12,980
Effect of adopting MFRS 9	61	**2,885**	-
As at 1 July, as restated		**15,865**	12,980
Expected credit losses made during the financial year		**2,146**	-
As at 30 June		**18,011**	12,980

14 INVESTMENT IN SUBSIDIARY COMPANIES (continued)

(i) Information about principal subsidiaries:

The subsidiary companies of the Company are as follows:

Name of companies	Country of incorporation	Effective percentage of ownership 2019 %	Effective percentage of ownership 2018 %	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^Ω*	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	Family 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	Dissolved
(c) HLFG Assets Sdn Bhd	Malaysia	**100.00**	100.00	In member's voluntary liquidation
(d) Unincorporated trust for ESOS^Ω*	Malaysia	**-**	-	Special purpose vehicle for ESOS
(e) HLFG Principal Investments (L) Limited	Labuan	**100.00**	100.00	Investment holding
(f) 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	In members' voluntary liquidation
(ii) HLG Capital Markets Sdn Bhd	Malaysia	**83.22**	83.22	Investment holding
(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
- 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 2019

14 INVESTMENT IN SUBSIDIARY COMPANIES (continued)

(i) Information about principal subsidiaries: (continued)

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

Name of companies	Country of incorporation	Effective percentage of ownership 2019 %	2018 %	Principal activities
(iv) HLCB Assets Sdn Bhd	Malaysia	**83.22**	83.22	In members' voluntary liquidation
(v) Hong Leong Asset Management Bhd and its subsidiary company	Malaysia	**83.22**	83.22	Unit trust management, fund management and sale of unit trusts
- Hong Leong Fund Management Sdn Bhd	Malaysia	**83.22**	-	Dormant
(vi) Unincorporated trust for ESOS[Ω*]	Malaysia	**-**	-	Special purpose vehicle for ESOS purpose
(g) Hong Leong Bank Berhad and its subsidiary companies:	Malaysia	**65.59**	65.61	All aspects of commercial banking business and provision of related services
(i) Hong Leong Islamic Bank Berhad	Malaysia	**65.59**	65.61	Islamic banking business and related financial services
(ii) DC Tower Sdn Bhd	Malaysia	**65.59**	65.61	Property management
(iii) Hong Leong Bank Vietnam Limited[*+]	Vietnam	**65.59**	65.61	Commercial banking business
(iv) Hong Leong Bank (Cambodia) PLC[*+]	Cambodia	**65.59**	65.61	Commercial banking business
(v) HLF Credit (Perak) Bhd and its subsidiary companies:	Malaysia	**65.59**	65.61	Investment holding
- Gensource Sdn Bhd and its subsidiary company:	Malaysia	**65.59**	65.61	Investment holding
• Pelita Terang Sdn Bhd	Malaysia	**65.59**	65.61	Dormant
- WTB Corporation Sdn Bhd	Malaysia	**65.59**	65.61	In members' voluntary liquidation
- Chew Geok Lin Finance Sdn Bhd	Malaysia	**65.59**	65.61	In members' voluntary liquidation
- Hong Leong Leasing Sdn Bhd[*]	Malaysia	**65.59**	65.61	Dormant
- HL Leasing Sdn Bhd	Malaysia	**65.59**	65.61	Dormant
- HLB Realty Sdn Bhd	Malaysia	**65.59**	65.61	Property investment

14 INVESTMENT IN SUBSIDIARY COMPANIES (continued)

(i) Information about principal subsidiaries: (continued)

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

Name of companies	Country of incorporation	Effective percentage of ownership 2019 %	2018 %	Principal activities
(vi) HLB Nominees (Tempatan) Sdn Bhd	Malaysia	**65.59**	65.61	Agent and nominee for Malaysian clients
(vii) HLB Nominees (Asing) Sdn Bhd	Malaysia	**65.59**	65.61	Agent and nominee for foreign clients
(viii) HL Bank Nominees (Singapore) Pte Ltd*+	Singapore	**65.59**	65.61	Agent and nominee for clients
(ix) HLB Trade Services (Hong Kong) Limited*+	Hong Kong	**65.59**	65.61	Ceased operations
(x) HLB Principal Investments (L) Limited and its subsidiary company:	Malaysia	**65.59**	65.61	Investment holding
- Promino Sdn Bhd	Malaysia	**65.59**	65.61	Holding of motor vehicles for HLBB group's usage
(xi) Promilia Berhad	Malaysia	**65.59**	65.61	Holding of motor vehicles for HLBB group's usage
(xii) EB Nominees (Tempatan) Sendirian Berhad	Malaysia	**65.59**	65.61	Nominee services
(xiii) EB Nominees (Asing) Sendirian Berhad	Malaysia	**65.59**	65.61	In members' voluntary liquidation
(xiv) EB Realty Sendirian Berhad	Malaysia	**65.59**	65.61	Property investment
(xv) OBB Realty Sdn Bhd	Malaysia	**65.59**	65.61	Property investment
(xvi) Unincorporated trust for ESOSΩ*	Malaysia	**-**	-	Special purpose vehicle
(h) Balius Capital Sdn BhdΩ*	Malaysia	**-**	-	Special purpose vehicle
(i) Hong Leong Wholesale Bond FundΩ	Malaysia	**95.44**	96.56	Unit trust funds
(j) Hong Leong Money Market FundΩ	Malaysia	**56.45**	61.75	Unit trust funds
(k) Hong Leong Income FundΩ	Malaysia	**100.00**	-	Unit trust funds

* Not audited by PricewaterhouseCoopers PLT
\+ Audited by member firms of PricewaterhouseCoopers International
Ω Deemed subsidiary companies pursuant to MFRS 10 "Consolidated Financial Statements"

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

14 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	
	2019 %	2018 %	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Hong Leong Bank Berhad	**34.41**	34.39	**916,434**	907,057	**8,765,738**	8,216,548
Hong Leong Capital Berhad	**16.78**	16.78	**11,362**	11,968	**133,839**	128,545
Hong Leong Assurance Berhad	**30.00**	30.00	**66,315**	63,437	**537,140**	498,245
Individually immaterial subsidiaries with non-controlling interests			**791**	4,622	**67,730**	31,939
			994,902	987,084	**9,504,447**	8,875,277

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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Total assets	**20,442,918**	18,156,616	**207,369,415**	202,890,773	**4,581,194**	4,552,078
Total liabilities	**(18,652,890)**	(16,496,237)	**(181,895,028)**	(178,998,514)	**(3,783,587)**	(3,786,020)
Net assets	**1,790,028**	1,660,379	**25,474,387**	23,892,259	**797,607**	766,058
Equity attributable to owners of the Company	**(1,252,888)**	(1,162,134)	**(16,708,649)**	(15,675,711)	**(663,768)**	(637,513)
Non-controlling interests	**(537,140)**	(498,245)	**(8,765,738)**	(8,216,548)	**(133,839)**	(128,545)
Revenue	**289,521**	271,628	**6,682,061**	6,357,559	**163,467**	153,663
Profit before taxation	**285,654**	274,227	**3,186,020**	3,246,255	**76,732**	78,587
Taxation	**(64,604)**	(62,771)	**(521,513)**	(608,177)	**(9,020)**	(7,265)
Other comprehensive (loss)/income	**-**	(43,171)	**246,707**	(501,419)	**9,185**	(4,727)
Total comprehensive income	**221,050**	168,285	**2,911,214**	2,136,659	**76,897**	66,595

14 INVESTMENT IN SUBSIDIARY COMPANIES (continued)

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

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. (continued)

	Hong Leong Assurance Berhad		Hong Leong Bank Berhad		Hong Leong Capital Berhad	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Net cash used in investing activities	**(6,814)**	(6,464)	**3,873,546**	(4,355,921)	**302,898**	(102,708)
Net cash used in financing activities	**(122,500)**	(102,500)	**(2,114,415)**	(189,951)	**51,504**	(48,487)
Net cash generated from/(used in) operating activities	**217,510**	53,135	**(1,260,128)**	(1,768,489)	**38,608**	11,380
Net increase/(decrease) in cash and cash equivalents	**88,196**	(55,829)	**499,003**	(6,314,361)	**393,010**	(139,815)
Profit allocated to non-controlling interests of the Group	**66,315**	63,437	**916,434**	907,057	**11,362**	11,968
Dividends to non-controlling interests of the Group	**30,000**	24,000	**338,790**	324,550	**7,691**	7,691

15 INVESTMENT IN ASSOCIATED COMPANIES

	The Group	
	2019 RM'000	2018 RM'000
Quoted shares outside Malaysia, at cost	**938,311**	938,311
Unquoted shares in Malaysia, at cost	**618,666**	618,666
Unquoted shares outside Malaysia, at cost	**24,657**	-
Quoted unit trust investment in Malaysia	**258,460**	-
Cumulative share of results, net of dividend received	**2,987,933**	2,498,670
Cumulative share of changes in other comprehensive income	**17,894**	(4,743)
Exchange fluctuation reserve	**434,455**	487,422
	5,280,376	4,538,326

Notes to the Financial Statements

for the financial year ended 30 June 2019

15 INVESTMENT IN ASSOCIATED COMPANIES (continued)

(a) Information about associated companies

			The Group Percentage (%) of equity held	
Name of companies	Country of incorporation	Principal activities	2019 %	2018 %
Bank of Chengdu Co., Ltd	China	Commercial banking	**18**	18
Community CSR Sdn Bhd	Malaysia	Investment holding	**20**	20
Sichuan Jincheng Consumer Finance Limited Company ("JCCFC")	China	Consumer financing	**12**	-
MSIG Insurance (Malaysia) Bhd	Malaysia	Insurance	**30**	30
Hong Leong Penny Stock Fund	Malaysia	Unit trust	**39**	-
Hong Leong Dana Maa'rof Fund	Malaysia	Unit trust	**16**	-
Hong Leong Strategic Fund	Malaysia	Unit trust	**25**	-
Hong Leong Asia-pacific Dividend Fund	Malaysia	Unit trust	**56**	-

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 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 HLB.

On 31 January 2018, BOCD was officially listed on the Shanghai Stock Exchange after completing its initial public offering ("IPO") of 361 million shares and raised 2.53 billion yuan. Arising from the IPO, the Group's equity interest of the enlarged capital in BOCD is now reduced to 18% from 20% and a dilution loss of RM26.80 million is recognised in statements of income (refer to Note 38).

The market value of BOCD's shares held by the Group is RM3.46 billion (2018: RM3.47 billion) at RM5.32 (2018: RM5.34) per share as at 30 June 2019.

As at 30 June 2019, the market value of investment in BOCD was below the carrying amount. The Group has performed impairment assessment on the carrying amount of the investment in BOCD, which confirmed that no impairment is required as at 30 June 2019 as the recoverable amount as determined by a value-in-use ("VIU") calculation was higher than the carrying value. Management believes that any reasonable possible change to the key assumptions applied would not cause the carrying value to exceed its recoverable amount.

15 INVESTMENT IN ASSOCIATED COMPANIES (continued)

(a) Information about associated companies (continued)

Nature of relationship (continued)

(i) Bank of Chengdu Co., Ltd (“BOCD”) (continued)

The VIU calculation uses discounted cash flows projections based on BOCD management’s best estimates of future earnings taking into account of past performance and BOCD’s expectation of market development. This calculation uses cashflows projections being the amount attributable to the shareholders based on the budget for the financial year ending 2020 with a further projection of 4 years, which was approved by BOCD management. Cashflows beyond the 5 year period are extrapolated using an estimated growth rate of 6.12% representing the forecasted Gross Domestic growth rate of the country.

The discount rate of 12.0% used in determining the recoverable amount is derived based on a capital asset pricing model calculation, using market data.

(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. In November 2014, HLB subscribed to additional 19,950 CCSR Right Issues of RM1 each.

(iii) Sichuan Jincheng Consumer Finance Limited Company (“JCCFC”)

Included in the investment in associated companies are the reclassification of the retained interest of 12% from investment in joint venture under the Group of RM68,782,000.

(iv) 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.

(v) Hong Leong Penny Stock Fund, Hong Leong Dana Maa’rof Fund, Hong Leong Strategic Fund and Hong Leong Asia-pacific Dividend Fund

Deemed associated companies pursuant to MFRS 128 “Investments in Associates and Joint Ventures ”.

CCSR and MSIM are non-listed companies and 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 2019

15 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	
	2019 RM'000	**2018 RM'000**
Total assets	**324,735,826**	292,049,818
Total liabilities	**(302,292,283)**	(271,754,702)
Net assets	**22,443,543**	20,295,116
Interest income	**11,914,756**	10,215,530
Interest expense	**(5,758,006)**	(4,969,863)
Non-interest income	**1,247,857**	1,619,781
Profit before taxation	**3,358,001**	3,084,753
Profit after taxation	**3,081,834**	2,690,594
Total comprehensive income	**3,159,322**	2,686,344
Dividends from the associated company	**123,013**	101,111
Shares of results of associated company (%)	**18%**	18%
Shares of results of associated company (RM'000)	**554,422**	516,111

(ii) MSIG Insurance (Malaysia) Bhd

	The Group	
	2019 RM'000	**2018 RM'000**
Total assets	**5,361,249**	5,279,897
Total liabilities	**(2,309,444)**	(2,322,448)
Net assets	**3,051,805**	2,957,449
Interest income	**46,168**	54,406
Non-interest income	**460,699**	447,605
Profit before taxation	**248,954**	259,018
Profit after taxation	**188,631**	210,208
Total comprehensive income	**217,619**	193,287
Dividends from the associated company	**36,979**	25,486
Shares of results of associated company (%)	**30%**	30%
Shares of results of associated company (RM'000)	**56,589**	63,062

15 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	
	2019 RM'000	**2018 RM'000**
Opening net assets as at 1 July	**20,295,116**	17,334,455
Effect arising from IPO*	**-**	1,579,992
Profit for the financial year	**3,081,834**	2,690,594
Other comprehensive loss for the financial year	**77,488**	(4,250)
Dividends	**(683,785)**	(562,040)
Exchange fluctuation reserve	**(327,110)**	(743,635)
Closing net assets as at 30 June	**22,443,543**	20,295,116
Interest in associated company (%)	**18%**	18%
Interest in associated company (RM'000)	**4,037,593**	3,651,091

* This includes issuance of additional new shares and dilution of goodwill arising from IPO.

(ii) MSIG Insurance (Malaysia) Bhd

	The Group	
	2019 RM'000	**2018 RM'000**
Opening net assets as at 1 July	**2,957,449**	2,849,113
Profit for the financial year	**188,631**	210,208
Other comprehensive income/(loss) for the financial year	**28,988**	(16,921)
Dividends	**(123,263)**	(84,951)
Closing net assets as at 30 June	**3,051,805**	2,957,449
Interest in associated company (%)	**30%**	30%
Interest in associated company (RM'000)	**915,541**	887,235

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 2019

16 INVESTMENT IN JOINT VENTURE

	The Group	
	2019 RM'000	2018 RM'000
Retained portion		
Unquoted shares outside Malaysia, at cost	-	24,657
Cumulative share of results, net of dividend received	-	26,342
Exchange fluctuation reserve	-	6,674
	-	57,673
Equity interest held for sale	-	121,753
	-	179,426

(a) Information about joint venture

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.

JV Co is a private company and there is no quoted market price available for its shares.

In March 2017, the Board of Directors of HLB has approved the divestment of 37% of the HLB's stake through non-subscription of the issuance of new share capital by JV Co and selling down the original share capital held by HLB to new strategic investors through an exercise to be conducted via Southwest United Equity Exchange. The sale was completed upon obtaining approval from CBRC vide its letter dated 3 September 2018. The net gain on divestment of joint venture of RM90,106,000 is recognised in statements of income.

Post completion of the divestment exercise, the retained interest of 12% under the Group of RM68,782,000 is derecognised from its investment in joint venture and classified as investment in associated companies.

(b) Summarised financial information of joint venture, which is accounted for using the equity method is as follows:

	The Group	
	2019 RM'000	2018 RM'000
Total assets	-	1,184,983
Total liabilities	-	(818,808)
Net assets	-	366,175

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

16 INVESTMENT IN JOINT VENTURE (continued)

(b) Summarised financial information of joint venture, which is accounted for using the equity method is as follows: (continued)

	The Group	
	2019 RM'000	2018 RM'000
Interest income	-	113,659
Interest expense	-	(29,369)
Non-interest income	-	22,197
Profit before taxation	-	56,148
Profit after taxation	-	41,935
Dividend from the joint venture	-	3,563

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

	The Group	
	2019 RM'000	2018 RM'000
Opening net assets as at 1 July	**366,175**	345,275
Reclassified to investment in associated companies	**(366,175)**	-
Profit for the financial year	-	41,935
Dividend	-	(7,271)
Exchange fluctuation reserve	-	(13,764)
Closing net assets as at 30 June	-	366,175

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 2019

17 PROPERTY AND EQUIPMENT

The Group 2019	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 2018		1,012,913	1,221,437	480,368	12,905	72,219	2,799,842
Exchange fluctuation		1,883	2,665	693	48	22	5,311
Reclassification/transfer		-	54,888	29,804	-	(84,893)	(201)
Reclassification to intangible assets	20	-	-	-	-	(18,301)	(18,301)
Additions		42	45,441	7,067	2,064	81,893	136,507
Disposals/write-off		(256)	(80,818)	(46,065)	(2,343)	(155)	(129,637)
As at 30 June 2019		1,014,582	1,243,613	471,867	12,674	50,785	2,793,521
Accumulated depreciation							
As at 1 July 2018		84,607	791,102	340,596	9,708	-	1,226,013
Exchange fluctuation		326	1,805	376	50	-	2,557
Reclassification/transfer		-	(69)	10	-	-	(59)
Disposals/write-off		(205)	(79,321)	(38,363)	(2,340)	-	(120,229)
Charge during the financial year		15,671	96,173	31,234	1,628	-	144,706
As at 30 June 2019		100,399	809,690	333,853	9,046	-	1,252,988
Net book value as at 30 June 2019		914,183	433,923	138,014	3,628	50,785	1,540,533

* Land and building consists of the following:

The Group 2019	Freehold land RM'000	Freehold building RM'000	Long-term leasehold land RM'000	Long-term leasehold building RM'000	Short-term leasehold land RM'000	Short-term leasehold building RM'000	Total RM'000
Cost							
As at 1 July 2018	138,646	590,715	44,163	235,463	1,693	2,233	1,012,913
Exchange fluctuation	-	-	-	1,883	-	-	1,883
Additions	-	-	-	-	5	37	42
Reclassification	267	(848)	(620)	1,185	(606)	622	-
Disposals	-	-	-	-	-	(256)	(256)
As at 30 June 2019	138,913	589,867	43,543	238,531	1,092	2,636	1,014,582
Accumulated depreciation							
As at 1 July 2018	-	31,201	5,163	45,718	1,414	1,111	84,607
Exchange fluctuation	-	-	-	326	-	-	326
Reclassification	-	(413)	(249)	1,244	(996)	414	-
Disposals	-	-	-	-	-	(205)	(205)
Charge during the financial year	-	10,378	484	4,677	17	115	15,671
As at 30 June 2019	-	41,166	5,398	51,965	435	1,435	100,399
Net book value as at 30 June 2019	138,913	548,701	38,145	186,566	657	1,201	914,183

Notes to the Financial Statements

for the financial year ended 30 June 2019

17 PROPERTY AND EQUIPMENT (continued)

The Group 2018	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	Property work-in-progress RM'000	Total RM'000
Cost								
As at 1 July 2017		796,741	1,150,634	453,272	12,968	126,121	599,591	3,139,327
Exchange fluctuation		(4,233)	(5,477)	(1,602)	(83)	(31)	-	(11,426)
Reclassification/transfer		599,591	85,628	40,692	-	(126,015)	(599,591)	305
Reclassification to investment properties	18	(380,040)	-	-	-	-	-	(380,040)
Reclassification to intangible assets	20	2,761	1,518	(2,760)	-	(8,696)	-	(7,177)
Additions		-	44,836	21,325	1,284	80,840	-	148,285
Disposals/write-off		(1,907)	(55,702)	(30,559)	(1,264)	-	-	(89,432)
As at 30 June 2018		1,012,913	1,221,437	480,368	12,905	72,219	-	2,799,842
Accumulated depreciation								
As at 1 July 2017		142,007	762,603	341,161	9,105	-	-	1,254,876
Exchange fluctuation		(639)	(3,522)	(823)	(77)	-	-	(5,061)
Reclassification to investment properties	18	(80,435)	-	-	-	-	-	(80,435)
Reclassification to intangible assets	20	-	(243)	-	-	-	-	(243)
Disposals/write-off		(562)	(53,022)	(26,067)	(1,134)	-	-	(80,785)
Charge during the financial year		24,236	85,286	26,325	1,814	-	-	137,661
As at 30 June 2018		84,607	791,102	340,596	9,708	-	-	1,226,013
Net book value as at 30 June 2018		928,306	430,335	139,772	3,197	72,219	-	1,573,829

Notes to the Financial Statements

for the financial year ended 30 June 2019

17 PROPERTY AND EQUIPMENT (continued)

* Land and building consists of the following:

The Group 2018	Note	Freehold land RM'000	Freehold building RM'000	Long-term leasehold land RM'000	Long-term leasehold building RM'000	Short-term leasehold land RM'000	Short-term leasehold building RM'000	Total RM'000
Cost								
As at 1 July 2017		165,344	343,612	44,163	239,696	1,693	2,233	796,741
Exchange fluctuation		-	-	-	(4,233)	-	-	(4,233)
Reclassification		70,500	529,091	-	-	-	-	599,591
Reclassification to investment properties	18	(97,682)	(282,358)	-	-	-	-	(380,040)
Reclassification to intangible assets	20	1,151	1,610	-	-	-	-	2,761
Disposals		(667)	(1,240)	-	-	-	-	(1,907)
As at 30 June 2018		138,646	590,715	44,163	235,463	1,693	2,233	1,012,913
Accumulated depreciation								
As at 1 July 2017		-	93,239	4,660	41,635	1,407	1,066	142,007
Exchange fluctuation		-	-	-	(639)	-	-	(639)
Reclassification to investment properties	18	-	(80,435)	-	-	-	-	(80,435)
Disposals		-	(562)	-	-	-	-	(562)
Charge during the financial year		-	18,959	503	4,722	7	45	24,236
As at 30 June 2018		-	31,201	5,163	45,718	1,414	1,111	84,607
Net book value as at 30 June 2018		138,646	559,514	39,000	189,745	279	1,122	928,306

17 PROPERTY AND EQUIPMENT (continued)

The Company	Office and computer equipment RM'000	Furniture, fittings and renovation RM'000	Motor vehicles RM'000	Total RM'000
2019				
Cost				
As at 1 July 2018	**1,323**	**5,639**	**2,466**	**9,428**
Additions	**19**	**-**	**7**	**26**
Disposals/write-off	**(339)**	**(1,230)**	**(5)**	**(1,574)**
As at 30 June 2019	**1,003**	**4,409**	**2,468**	**7,880**
Accumulated depreciation				
As at 1 July 2018	**754**	**1,562**	**1,780**	**4,096**
Disposals/write-off	**(339)**	**(1,175)**	**(5)**	**(1,519)**
Charge during the financial year	**206**	**434**	**484**	**1,124**
As at 30 June 2019	**621**	**821**	**2,259**	**3,701**
Net book value as at 30 June 2019	**382**	**3,588**	**209**	**4,179**
2018				
Cost				
As at 1 July 2017	727	1,512	2,466	4,705
Additions	596	4,129	-	4,725
Disposals	-	(2)	-	(2)
As at 30 June 2018	1,323	5,639	2,466	9,428
Accumulated depreciation				
As at 1 July 2017	669	1,337	1,281	3,287
Disposals	-	(1)	-	(1)
Charge during the financial year	85	226	499	810
As at 30 June 2018	754	1,562	1,780	4,096
Net book value as at 30 June 2018	569	4,077	686	5,332

Notes to the Financial Statements

for the financial year ended 30 June 2019

18 INVESTMENT PROPERTIES

	The Group	
	2019	2018
Fair value	RM'000	RM'000
As at 1 July	**494,164**	2,030
Fair value loss	**(4,664)**	(460)
Fair value of investment property at date of transfer	**-**	492,594
As at 30 June	**489,500**	494,164
The analysis of investment properties is as follows:		
Freehold land and building	**487,000**	492,094
Leasehold land and building	**2,500**	2,070

During the previous financial year, there was change in use from owner-occupied property to investment properties. The amount transferred from owner-occupied property was RM299,605,000 and the gain attributable to the Group was RM80,156,000 and insurance fund policy holders was RM112,833,000.

The fair value of the properties was estimated based on open market valuation by an independent professional valuer, Raine & Horne International Zaki + Partners Sdn Bhd. During the financial year the fair value loss attributable to the Group was RM6,594,000 and the fair value gain attributable to insurance fund policy holders was RM1,930,000.

Pursuant to MFRS 13 "Fair Value Measurement", the Group establishes a fair value hierarchy that categories into three levels of inputs to valuation techniques used to measure fair value.

	The Group	
	2019	2018
	RM'000	RM'000
Level 2	**2,500**	2,070
Level 3	**487,000**	492,094

Description of valuation techniques used and key inputs to valuation on investment properties measured at Level 3:

		The Group	
Valuation Technique	**Unobservable input**	2019	2018
Comparison and	Term yield	**6.00%**	6.00%
Investment method	Revisionary rate	**6.50% - 6.75%**	6.50% - 6.75%
	Discount rate	**6.50% - 6.75%**	6.50% - 6.75%
	Average rental per square feet	**RM4.45 - RM6.04**	RM4.45 - RM5.74
	Estimated value per square feet	**RM596 - RM829**	RM583 - RM813

18 INVESTMENT PROPERTIES (continued)

The investment properties generated rental income and incurred the following direct expenses:

	The Group	
	2019 RM'000	2018 RM'000
Rental income	**10,255**	17,532
Direct operating expenses	**10,721**	9,827

19 GOODWILL ARISING ON CONSOLIDATION

	The Group	
	2019 RM'000	2018 RM'000
As at 1 July/30 June	**2,410,644**	2,410,644
Goodwill has been allocated to the following cash-generating units ("CGUs"):		
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

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 2019, 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 2020, which is approved by the respective Board of Directors of Hong Leong Bank Berhad and Hong Leong Capital Berhad with a further projection of 2 years (2018: 2 years). Cash flows beyond the 3 years period are extrapolated using an estimated growth rate of 4.67% (2018: 4.68%) 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 9.14% (2018: 8.03%) and 10.68% (2018: 9.38%) respectively. The pre-tax discount rate reflects the specific risks relating to the CGUs.

Notes to the Financial Statements

for the financial year ended 30 June 2019

19 GOODWILL ARISING ON CONSOLIDATION (continued)

Impairment test for goodwill (continued)

(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% (2018: 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 corporate tax of 18% (2018: 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 capital is calculated at the Individual Target Capital Level.
(g) The cost of capital is the cost of holding the required capital at the Individual Target Capital Level 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 to the key assumptions applied 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 2019

20 INTANGIBLE ASSETS

The Group	Note	Core deposit RM'000	Customer relationship RM'000	Computer software RM'000	Total RM'000
2019					
Cost or valuation					
As at 1 July 2018		152,434	127,426	647,324	927,184
Additions		-	-	16,029	16,029
Disposals/write-off		-	-	(18,632)	(18,632)
Exchange fluctuation		-	-	956	956
Reclassification from property and equipment	17	-	-	18,301	18,301
As at 30 June 2019		152,434	127,426	663,978	943,838
Accumulated amortisation and impairment					
As at 1 July 2018		152,434	91,324	514,885	758,643
Amortisation during the financial year		-	12,743	50,788	63,531
Disposals/write-off		-	-	(18,594)	(18,594)
Exchange fluctuation		-	-	630	630
As at 30 June 2019		152,434	104,067	547,709	804,210
Net book value as at 30 June 2019		-	23,359	116,269	139,628
2018					
Cost or valuation					
As at 1 July 2017		152,434	127,426	640,817	920,677
Additions		-	-	14,119	14,119
Disposals/write-off		-	-	(11,807)	(11,807)
Exchange fluctuation		-	-	(2,982)	(2,982)
Reclassification from property and equipment	17	-	-	7,177	7,177
As at 30 June 2018		152,434	127,426	647,324	927,184
Accumulated amortisation and impairment					
As at 1 July 2017		134,286	78,581	477,222	690,089
Amortisation during the financial year		18,148	12,743	50,701	81,592
Disposals/write-off		-	-	(11,778)	(11,778)
Exchange fluctuation		-	-	(1,503)	(1,503)
Reclassification from property and equipment	17	-	-	243	243
As at 30 June 2018		152,434	91,324	514,885	758,643
Net book value as at 30 June 2018		-	36,102	132,439	168,541

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

20 INTANGIBLE ASSETS (continued)

The Company	Computer software 2019 RM'000	2018 RM'000
Cost		
As at 1 July	**843**	843
Additions	**3**	-
Disposals/write-off	**(496)**	-
As at 30 June	**350**	843
Accumulated amortisation		
As at 1 July	**842**	830
Amortisation during the financial year	**1**	12
Disposals/write-off	**(496)**	-
As at 30 June	**347**	842
Net book value as at 30 June	**3**	1

The customer relationship and core deposit arise from the acquisition of EON commercial banking business operations.

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 to 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 customer relationships is approximately 2 years (2018: 3 years).

21 DEPOSITS FROM CUSTOMERS

	The Group	
	2019 RM'000	2018 RM'000
At amortised cost		
Fixed deposits	**90,777,422**	88,068,740
Negotiable instruments of deposits	**9,823,072**	6,892,073
Short-term placements	**16,571,939**	16,624,892
	117,172,433	111,585,705
Demand deposits	**24,012,738**	23,586,919
Savings deposits	**17,706,562**	17,563,850
Others	**891,350**	979,288
	159,783,083	153,715,762
At fair value through profit or loss		
Structured deposits linked to interest rate derivatives	**2,159,671**	3,334,428
Fair value changes arising from designation at fair value through profit or loss*	**(54,869)**	(167,278)
	2,104,802	3,167,150
	161,887,885	156,882,912

* The Group has issued structured deposits which are linked to interest rate derivatives and designated them at fair value through profit or loss. This designation is permitted under MFRS 9 as it significantly reduces accounting mismatch. These instruments are managed by the Group on the basis of fair value and includes terms that have substantive derivative characteristics.

The fair value changes of the structured deposits which are linked to interest rate derivatives that are attributable to the changes in own credit risk are not significant.

(a) The maturity structure of fixed deposits, negotiable instruments of deposits and short-term placements are as follows:

	The Group	
	2019 RM'000	2018 RM'000
Due within:		
- six months	**93,925,096**	83,100,530
- six months to one year	**21,763,420**	26,160,206
- one year to five years	**1,440,321**	2,324,969
- more than five years	**43,596**	-
	117,172,433	111,585,705

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

21 DEPOSITS FROM CUSTOMERS (continued)

(b) The deposits are sourced from the following customers:

	The Group	
	2019 RM'000	2018 RM'000
Government and statutory bodies	**7,940,833**	4,818,613
Business enterprises	**65,288,256**	61,345,942
Individuals	**85,560,723**	88,185,501
Others	**3,098,073**	2,532,856
	161,887,885	156,882,912

22 INVESTMENT ACCOUNTS OF CUSTOMERS

	The Group	
	2019 RM'000	2018 RM'000
Unrestricted investment accounts	**2,235**	-

23 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group	
	2019 RM'000	2018 RM'000
Licensed banks	**7,379,378**	7,134,830
Licensed investment banks	**225,055**	309,597
Licensed Islamic banks	**140,000**	-
Central banks	**12,222**	-
Other financial institutions	**2,023,889**	1,851,968
	9,780,544	9,296,395

24 DERIVATIVE FINANCIAL INSTRUMENTS

	Note	The Group		The Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Derivatives at fair value through profit or loss					
- Interest rate swaps		**247,904**	217,466	**-**	-
- Cross currency swaps		**156,760**	257,817	**-**	-
- Foreign currency forwards		**125,999**	422,423	**-**	-
- Foreign currency options		**8,129**	15,972	**-**	-
- Foreign currency swaps		**8,731**	15,958	**-**	-
- Foreign currency spots		**-**	2	**-**	-
- Futures		**71**	1,002	**-**	-
- Futures options		**-**	587	**-**	-
- Equity options		**7,830**	13,895	**-**	-
- Total return swap		**1,008**	-	**-**	-
Derivatives designated as cash flow hedge					
- Interest rate swaps		**-**	1,094	**-**	-
Derivatives designated as fair value hedge					
- Interest rate swaps		**12,890**	24,393	**-**	-
- Foreign currency forwards		**863**	586	**-**	-
Total derivative financial instruments assets		**570,185**	971,195	**-**	-
Derivatives at fair value through profit or loss					
- Interest rate swaps		**(467,971)**	(312,803)	**(135)**	(327)
- Cross currency swaps		**(65,089)**	(295,894)	**-**	-
- Foreign currency forwards		**(110,057)**	(343,235)	**-**	-
- Foreign currency options		**(4,416)**	(12,834)	**-**	-
- Foreign currency swaps		**(4,228)**	(31,507)	**-**	-
- Equity options		**(7,814)**	(13,876)	**-**	-
- Futures		**(3,074)**	(4,919)	**-**	-
- Swaption		**(41,201)**	(49,135)	**-**	-
- Total return swap		**(1,008)**	-	**-**	-
Derivatives designated as cash flow hedge					
- Interest rate swaps	(a)	**(3,385)**	(423)	**-**	-
Derivatives designated as fair value hedge					
- Interest rate swaps	(b)	**(24,003)**	(15,846)	**-**	-
- Foreign currency forwards		**(197)**	(1,668)	**-**	-
Total derivative financial instruments liabilities		**(732,443)**	(1,082,140)	**(135)**	(327)

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

24 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 profit or loss when the forecast cash flows affect the profit or loss.

The cashflows of the hedging instruments and the hedged items are 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 2019					
Cash inflows (hedging instruments)	**1,380**	**3,062**	**4,399**	**5,854**	**24,384**
Cash outflows (hedged items)	**(1,369)**	**(2,778)**	**(4,110)**	**(5,349)**	**(22,630)**
Net cash inflows	**11**	**284**	**289**	**505**	**1,754**
As at 30 June 2018					
Cash inflows (hedging instruments)	1,380	2,770	4,239	8,382	34,814
Cash outflows (hedged items)	(1,376)	(2,524)	(3,990)	(7,879)	(32,374)
Net cash inflows	4	246	249	503	2,440

(b) Fair value hedge

The Group's fair value hedges principally consist of interest rate swaps and foreign currency forwards that are used to protect against changes in the fair value of financial assets due to movement in interest rates and foreign exchange rates. The Group had undertaken fair value hedges on interest rate risk of RM705,004,500 (2018: RM620,481,000) and foreign currency risk of RM322,157,777 (2018: RM185,949,000) on certain receivables using interest rate swaps and foreign currency forwards. The total fair value gain and loss of the said interest rate swaps amounted to loss of RM11,113,000 (2018: gain RM8,547,000) and of the said foreign currency forwards amounted to gain of RM666,000 (2018: loss RM1,082,000).

Included in the net non-interest income is the net gains and losses arising from fair value hedges that were effective during the financial year as follows:

	The Group	
	2019 RM'000	2018 RM'000
Gain on hedging instruments	**(7,167)**	37,161
Gain/(loss) on the hedged items attributable to the hedged risks	**5,282**	(31,000)
	(1,885)	6,161

25 PAYABLES AND OTHER LIABILITIES

		The Group		The Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Trade payables		3,062,424	2,731,351	-	-
Post employment benefits obligation					
- defined contribution plan		1,892	1,855	45	45
Loan advance payment		3,351,885	3,229,766	-	-
Treasury and cheque clearing		452,626	50,106	-	-
Treasury related payables		149,347	231,223	-	-
Sundry creditors and accruals		224,309	554,916	20,848	2,093
Provision for bonus and staff related expenses		222,387	226,546	13,025	11,474
Expected credit losses on financial guarantee contracts	(a)	7,928	-	-	-
Financial liabilities due to third party investors	(b)	4,816,377	3,859,209	-	-
Others		945,272	823,219	-	-
		13,234,447	11,708,191	33,918	13,612

(a) Movements in expected credit losses of financial guarantee contracts are as follows:

The Group 2019	Note	Stage 1 12 months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
As at 1 July					-
Effect of adopting MFRS 9	61				6,920
As at 1 July, as restated		2,065	4,855	-	6,920
Changes in ECL due to transfer within stages		(13)	(80)	93	-
- Transfer to Stage 1		23	(23)	-	-
- Transfer to Stage 2		(36)	36	-	-
- Transfer to Stage 3		-	(93)	93	-
New financial assets originated		142	2	-	144
Financial assets derecognised		(28)	(12)	-	(40)
Changes due to change in credit risk		220	642	(68)	794
Exchange differences		(6)	120	-	114
Other movements		-	-	(4)	(4)
As at 30 June		2,380	5,527	21	7,928

(b) Financial liabilities due to third party investors relate to the net asset value of units held by the third party investors of unit trust funds deemed as subsidiary company pursuant to MFRS 10 "Consolidated Financial Statements".

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

26 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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deferred tax (liabilities)/assets				
- to be recovered within 12 months	**134,009**	109,082	**135**	75
- to be recovered more than 12 months	**(364,257)**	(187,391)	**-**	-
	(230,248)	(78,309)	**135**	75

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deferred tax assets				
- Cash flow hedge reserve	**812**	-	**-**	-
- Financial investments available-for-sale	**-**	29,785	**-**	-
- Unutilised tax credit	**79,982**	82,527	**-**	-
- Provision for expenses	**60,878**	103,911	**-**	-
- Expected credit loss	**74,733**	-	**-**	-
- Other temporary differences	**2,607**	6,152	**135**	75
	219,012	222,375	**135**	75
Deferred tax liabilities				
- Cash flow hedge reserve	**-**	(161)	**-**	-
- Property and equipment	**(75,285)**	(82,980)	**-**	-
- Financial investments at fair value through other comprehensive income (FVOCI)	**(45,024)**	-	**-**	-
- Financial assets at fair value through profit or loss (FVTPL)/held-for-trading	**(80,327)**	(1,978)	**-**	-
- Intangible assets	**(5,606)**	(8,665)	**-**	-
- Unallocated surplus	**(236,785)**	(206,900)	**-**	-
- Other temporary differences	**(6,233)**	-	**-**	-
	(449,260)	(300,684)	**-**	-
Deferred tax (liabilities)/assets net	**(230,248)**	(78,309)	**135**	75

26 DEFERRED TAXATION (continued)

The movements in deferred tax assets and liabilities during the financial year are as follows:

The Group	Note	Property and equipment RM'000	Financial investments FVOCI/ available-for-sale RM'000	Financial assets FVTPL/ held-for-trading RM'000	Cash flow hedge reserve RM'000	Intangible assets RM'000	Unutilised tax credit RM'000	Expected credit losses RM'000	Provision for expenses RM'000	Unallocated surplus RM'000	Other temporary differences RM'000	Total RM'000
2019												
As at 1 July		**(82,980)**	**29,785**	**(1,978)**	**(161)**	**(8,665)**	**82,527**	**-**	**103,911**	**(206,900)**	**6,152**	**(78,309)**
Effect of adopting MFRS 9	61	**-**	**(286)**	**(21,175)**	**-**	**-**	**(173)**	**1,409**	**-**	**(3,153)**	**5,417**	**(17,961)**
As at 1 July, as restated		**(82,980)**	**29,499**	**(23,153)**	**(161)**	**(8,665)**	**82,354**	**1,409**	**103,911**	**(210,053)**	**(11,569)**	**(96,270)**
Credited/(charged) to statements of income	43	**7,755**	**-**	**188**	**-**	**3,059**	**(2,372)**	**73,324**	**(42,995)**	**(26,732)**	**(8,931)**	**3,296**
Charged to Insurance funds		**-**	**-**	**(57,362)**	**-**	**-**	**-**	**-**	**-**	**-**	**(6,264)**	**(63,626)**
(Charged)/credited to equity	59	**-**	**(74,523)**	**-**	**973**	**-**	**-**	**-**	**-**	**-**	**-**	**(73,550)**
Exchange difference		**(60)**	**-**	**-**	**-**	**-**	**-**	**-**	**(38)**	**-**	**-**	**(98)**
As at 30 June		**(75,285)**	**(45,024)**	**(80,327)**	**812**	**(5,606)**	**79,982**	**74,733**	**60,878**	**(236,785)**	**(3,626)**	**(230,248)**
2018												
As at 1 July		(97,759)	(183,432)	(10,492)	337	(16,079)	85,613	-	91,557	(175,696)	3,434	(302,517)
Credited/(charged) to statements of income	43	14,651	14,642	10	-	7,414	(3,086)	-	12,627	(31,204)	1,220	16,274
Credited to Insurance funds		-	14,799	8,504	-	-	-	-	-	-	1,498	24,801
Credited/(charged) to equity	59	-	183,776	-	(498)	-	-	-	-	-	-	183,278
Exchange difference		128	-	-	-	-	-	-	(273)	-	-	(145)
As at 30 June		(82,980)	29,785	(1,978)	(161)	(8,665)	82,527	-	103,911	(206,900)	6,152	(78,309)

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

26 DEFERRED TAXATION (continued)

The movements in deferred tax assets and liabilities during the financial year are as follows: (continued)

The Company	Note	Other temporary differences RM'000	Total RM'000
2019			
As at 1 July		**75**	**75**
Credited to statements of income	43	**60**	**60**
As at 30 June		**135**	**135**
2018			
As at 1 July		36	36
Credited to statements of income	43	39	39
As at 30 June		75	75

27 BORROWINGS

		The Group		The Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revolving credit	(a)	**430,501**	210,222	**430,501**	210,222
Commercial papers	(b)	**214,587**	169,610	**214,587**	169,610
Medium term notes	(b)	**222,950**	570,431	**253,368**	655,994
Term loans	(c)	**150,058**	350,108	**150,058**	350,108
Senior bonds	(d)	**380,181**	-	**405,367**	-
		1,398,277	1,300,371	**1,453,881**	1,385,934

(a) The revolving credit facilities are unsecured and repayable within 12 months.

(b) 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), three (3), six (6), nine (9) or twelve (12) months as the Company may select.

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 CP/MTNs are unsecured and the Company is required to maintain a debt to equity ratio for these facilities.

(c) The Company has an unsecured short-term loan facility of RM150.0 million maturing on 29 July 2019.

(d) On 6 September 2018, the Company issued RM400.0 million in aggregate principal amount of Senior Notes ("the Notes") out of its multi-currency perpetual notes programme. The Notes were issued for a period of three years.

28 SUBORDINATED OBLIGATIONS

		The Group		The Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
RM1.5 billion Tier 2 subordinated debt, at par	(a)	**-**	861,000	**-**	-
Add: Interest payable		**-**	964	**-**	-
		-	861,964	**-**	-
Less: Unamortised discounts		**-**	(91)	**-**	-
		-	861,873	**-**	-
RM500.0 million Tier 2 subordinated debt, at par	(b)	**500,000**	500,000	**-**	-
Add: Interest payable		**8,815**	8,815	**-**	-
		508,815	508,815	**-**	-
Less: Unamortised discounts		**(1,089)**	(1,266)	**-**	-
		507,726	507,549	**-**	-
RM400.0 million Tier 2 subordinated Sukuk Ijarah, at par	(c)	**-**	379,500	**-**	-
Add: Profit payable		**-**	646	**-**	-
		-	380,146	**-**	-
Less: Unamortised discounts		**-**	(54)	**-**	-
		-	380,092	**-**	-
RM500.0 million Tier 2 subordinated notes, at par	(d)	**-**	500,000	**-**	-
Add: Interest payable		**-**	395	**-**	-
		-	500,395	**-**	-
Less: Unamortised discounts		**-**	(89)	**-**	-
		-	500,306	**-**	-
RM50.0 million Tier 2 subordinated notes, at par	(e)	**50,000**	50,000	**-**	-
Add: Interest payable		**406**	399	**-**	-
		50,406	50,399	**-**	-
Less: Unamortised discounts		**(98)**	(109)	**-**	-
		50,308	50,290	**-**	-
RM500.0 million Tier 2 subordinated notes, at par	(f)	**1,600,000**	500,000	**1,600,000**	500,000
Add: Interest payable		**2,608**	405	**2,608**	405
		1,602,608	500,405	**1,602,608**	500,405
Less: Unamortised discounts		**(210)**	(68)	**(2,403)**	(806)
		1,602,398	500,337	**1,600,205**	499,599
		2,160,432	2,800,447	**1,600,205**	499,599

Notes to the Financial Statements

for the financial year ended 30 June 2019

28 SUBORDINATED OBLIGATIONS (continued)

(a) 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.

On 24 June 2019, HLB had fully redeemed the RM1.5 billion nominal value of this Sub Notes.

(b) 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 2013, the Securities Commission approved the application subject to certain operational terms and conditions being fulfilled.

On 7 February 2013, 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 4.50% per annum.

The Sub-Notes are unsecured liabilities and classified as Tier 2 capital under Risk-Based Capital Framework for Insurers.

(c) 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.

On 17 June 2019, HLISB had fully redeemed the RM400.0 million nominal value of Subordinated Sukuk Ijarah.

28 SUBORDINATED OBLIGATIONS (continued)

(d) 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 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, 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 HLB.

On 24 June 2019, HLB had fully redeemed the RM500.0 million nominal value of this Sub-Notes.

(e) 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.

(f) On 25 June 2018, the Company had issued RM500.0 million nominal value of Tier 2 subordinated notes ("Sub-Notes") out of its multi-currency perpetual notes programme. The Sub-Notes, which qualified as Tier 2 capital for the Company, carry a distribution rate of 4.93% per annum. The Sub-Notes has a tenure of 10 years non-callable 5 years. The proceeds from the issuance of Sub-Notes were used to subscribe for RM500.0 million Tier 2 subordinated notes issued by HLB, a subsidiary of the Company.

On 14 June 2019, the Company had issued RM1.1 billion nominal value of Tier 2 subordinated notes ("Sub-Notes") out of its multi-currency perpetual notes programme. The Sub-Notes, which qualified as Tier 2 capital for the Company, carry a distribution rate of 4.30% per annum. The Sub-Notes has a tenure of 10 years non-callable 5 years. The proceeds from the issuance of Sub-Notes were used to subscribe for RM1.0 billion and RM100.0 million Tier 2 subordinated notes issued by HLB and HLIB respectively, the subsidiary companies of the Company.

Notes to the Financial Statements

for the financial year ended 30 June 2019

29 INNOVATIVE TIER 1 CAPITAL SECURITIES

	The Group	
	2019	**2018**
	RM'000	**RM'000**
RM500.0 million Innovative Tier 1 capital securities, at par	**453,200**	463,200
Add: Interest payable	**11,463**	11,605
	464,663	474,805
Less: Unamortised discounts	**(502)**	(2,439)
Fair value adjustments on completion of business combination accounting	**112**	2,246
	464,273	474,612

On 10 September 2009, Promino Sdn Bhd, 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-1 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.

30 MULTI-CURRENCY ADDITIONAL TIER 1 CAPITAL SECURITIES

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
RM800.0 million Multi-currency Additional Tier 1 capital securities, at par	**800,000**	400,000	**800,000**	400,000
Add: Interest payable	**6,799**	1,834	**6,799**	1,834
	806,799	401,834	**806,799**	401,834
Less: Unamortised discounts	**(423)**	(465)	**(1,563)**	(1,083)
	806,376	401,369	**805,236**	400,751

30 MULTI-CURRENCY ADDITIONAL TIER 1 CAPITAL SECURITIES (continued)

On 30 November 2017, the Company issued RM400.0 million nominal value of Multi-currency Additional Tier 1 capital securities ("Capital Securities") out of its multi-currency perpetual notes programme. The Capital Securities, which qualify as Additional Tier 1 capital for the Company, carry a distribution rate of 5.23% per annum. The Capital Securities are perpetual with an Issuer's call option to redeem at the end of year 5. The proceeds from the issuance was used to subscribe for RM400.0 million Additional Tier 1 capital securities issued by HLB, a subsidiary of the Company.

Subsequently, on 29 March 2019, the Company issued a second tranche of RM400.0 million nominal value Capital Securities. The Capital Securities carry a distribution rate of 4.82% per annum, perpetual with an Issuer's call option to redeem at the end of year 5. The proceeds from the issuance was used to subscribe for RM400.0 million Additional Tier 1 capital securities issued by HLB.

31 INSURANCE FUNDS

	The Group	
	2019 RM'000	2018 RM'000
Unearned premium reserves	**74,418**	63,668
Life policyholders' fund	**12,382,015**	10,871,955
Fair value reserves - financial investments available-for-sale	**-**	143,741
Life investment-linked unitholders' fund	**2,618,784**	2,109,423
	15,075,217	13,188,787

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.

32 SHARE CAPITAL

	The Group and the Company			
	2019		2018	
	Number of ordinary shares '000	RM'000	Number of ordinary shares '000	RM'000
Issued and fully paid capital				
Ordinary shares with no par value	**1,147,517**	**2,267,008**	1,147,517	2,267,008

Notes to the Financial Statements

for the financial year ended 30 June 2019

33 RESERVES

		The Group		The Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Retained profits	(a)	**15,196,453**	13,910,419	**13,313,734**	13,206,499
Regulatory reserves	(b)	**869,923**	755,010	**-**	-
Share options reserve	(c)	**86,129**	50,254	**16,676**	4,169
Exchange fluctuation reserve	(d)	**510,959**	521,299	**-**	-
Other capital reserve	(e)	**213,314**	213,314	**254,991**	254,991
Fair value reserve	(f)	**116,503**	109,284	**-**	-
Cash flow hedge reserve	(g)	**(1,790)**	544	**-**	-
		16,991,491	15,560,124	**13,585,401**	13,465,659

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

(b) Regulatory reserves represent the Group's compliance with BNM's Revised Policy Documents on Financial Reporting and Financial Reporting for Islamic Banking Institutions with effect from 1 July 2018, whereby the domestic banking subsidiaries must maintain, inaggregate, loss allowance for non-credit impaired exposures and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.

Prior to 1 July 2018, the Group comply with BNM's Policy on Classification and Impairment Provisions for Loans/Financing, to maintain, inaggregate, the collective impairment allowances and regulatory reserves of no less than 1.2% of total outstanding loans/financing, net of individual impairment allowances.

During the financial year, an additional amount of RM108.5 million (2018: RM74.0 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 RM11.2 million (2018: RM11.2 million) in line with the requirements of the State Bank of Vietnam.

(c) 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 56 to the financial statements.

(d) Exchange differences arising from translation of the Group's banking foreign branches, subsidiaries, associated companies and joint venture are shown under exchange fluctuation reserve.

(e) The other capital reserve of the Group arose from the capitalisation of bonus issue, gain on disposal of subsidiary company and assets in certain subsidiary companies, other capital reserve arising from redemption of RPS from the subsidiaries and revaluation gain arising from change in use from owner-occupied properties to investment properties. 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.

33 RESERVES (continued)

(f) The fair value reserve is in respect of unrealised fair value gains and losses on financial investments at fair value through other comprehensive income and available-for-sale.

		The Group	
	Note	2019 RM'000	2018 RM'000
As at 1 July		**109,284**	259,635
Effect of adopting MFRS 9		**(190,324)**	-
As at 1 July, as restated		**(81,040)**	259,635
Net gain/(loss) from change in fair value		**470,539**	(222,082)
Changes in expected credit losses		**(862)**	-
Reclassification to net profits/retained profits on disposal and impairment		**(124,496)**	(181,393)
Deferred taxation	59	**(74,523)**	183,776
Share of fair value reserve of associated companies		**23,162**	(5,890)
Net change in fair value reserve		**293,820**	(225,589)
Attributable to non-controlling interests		**(96,277)**	75,238
As at 30 June		**116,503**	109,284

(g) 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.

34 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 statement of financial position. The number of shares held by the appointed trustee was 8,089,200 shares (2018: 500) at an average price of RM18.81 per share (2018: RM6.31). The total consideration paid, including transaction costs was RM152,144,115 (2018: RM3,156).

Pursuant to the insurance subsidiary company's ESOS, the insurance subsidiary company also held 1,083,900 (2018: 2,517,900) units of the Company's shares at an average price of RM9.01 (2018: RM9.01) per share with total consideration paid, including transaction costs of RM9,764,421 (2018: RM22,682,753), 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 56 to the financial statements.

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

35A INTEREST INCOME

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Loans, advances and financing	**4,841,206**	4,657,012	**-**	-
Money at call and deposit placements with financial institutions	**441,686**	216,379	**950**	1,404
Securities purchased under resale agreements	**952**	5,484	**-**	-
Financial assets held-for-trading	**-**	419,434	**-**	-
Financial investments at fair value through other comprehensive income	**872,786**	-	**-**	-
Financial investments available-for-sale	**-**	787,842	**-**	-
Financial investments at amortised cost	**454,193**	-		
Financial investments held-to-maturity	**-**	408,036	**-**	-
Others	**27,177**	25,023	**52,112**	12,835
	6,638,000	6,519,210	**53,062**	14,239
Of which:				
Accretion of discount less amortisation of premium	**237,117**	228,294	**-**	-
Interest income earned on impaired loans, advances and financing	**12,915**	52,766	**-**	-

35B INTEREST INCOME FOR FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Financial assets at fair value through profit or loss	**449,813**	-	**-**	-

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

36 INTEREST EXPENSE

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deposits and placements of banks and other financial institutions	**298,538**	197,861	**-**	-
Deposits from other customers	**3,108,656**	2,861,551	**-**	-
Short-term placements	**429,986**	344,662	**-**	-
Borrowings	**51,556**	54,188	**51,617**	54,188
Subordinated obligations	**142,104**	117,616	**27,028**	419
Recourse obligations on loans sold to Cagamas Berhad	**7,602**	7,602	**-**	-
Innovative Tier 1 capital securities	**41,053**	38,205	**-**	-
Multi-currency Additional Tier 1 capital securities	**25,828**	13,002	**26,170**	12,351
Others	**7,924**	13,915	**347**	537
	4,113,247	3,648,602	**105,162**	67,495

37 INCOME FROM ISLAMIC BANKING BUSINESS

	The Group	
	2019 RM'000	2018 RM'000
Income derived from investment of depositors' funds and others	**1,455,046**	1,279,994
Income derived from investment of shareholders' funds	**176,972**	137,744
Total distributable income	**1,632,018**	1,417,738
Income derived from investment of investment accounts	**12**	-
Income attributable to depositors	**(924,754)**	(771,674)
Income attributable to depositors on investment accounts	**(7)**	-
	707,269	646,064
Of which:		
Financing income earned on impaired financing and advances	**1,553**	11,941

Notes to the Financial Statements

for the financial year ended 30 June 2019

38 NON-INTEREST INCOME

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Insurance income	**318,878**	283,942	**-**	-
Brokerage income	**51,868**	65,854	**-**	-
Fee income				
Commissions	**148,490**	152,870	**-**	-
Service charges and fees	**51,723**	62,674	**-**	-
Guarantee fees	**15,488**	14,213	**-**	-
Credit card related fees	**239,129**	218,225	**-**	-
Corporate advisory fees	**6,499**	5,926	**-**	-
Commitment fees	**32,662**	33,086	**-**	-
Fee on loans, advances and financing	**37,193**	39,690	**-**	-
Placement fees	**5,852**	1,393	**-**	-
Arranger fees	**4,363**	3,139	**-**	-
Unit trust fee income	**50,199**	34,353	**-**	-
Other fee income	**119,102**	123,302	**10,212**	11,015
	710,700	688,871	**10,212**	11,015

38 NON-INTEREST INCOME (continued)

	Note	The Group 2019 RM'000	The Group 2018 RM'000	The Company 2019 RM'000	The Company 2018 RM'000
Net income from securities					
Net realised gain/(loss) from sale/redemption of financial assets:					
- financial assets at fair value through profit or loss		**126,024**	-	**(51)**	-
- financial assets held-for-trading		**-**	19,671	**-**	-
- financial investments at fair value through other comprehensive income		**168,261**	-	**-**	-
- financial investments available-for-sale		**-**	217,616	**-**	-
- financial investments at amortised cost		**15,902**	-	**-**	-
- financial investments held-to-maturity		**-**	7	**-**	-
- derivative financial instruments		**(257,356)**	(20,712)	**-**	-
Gross dividend income from:					
- financial assets at fair value through profit or loss		**94,233**	-	**1,287**	-
- financial assets held-for-trading		**-**	5,116	**-**	-
- financial investments at fair value through other comprehensive income		**203**	-	**-**	-
- financial investments available-for-sale		**-**	322,433	**-**	-
- subsidiary companies		**-**	-	**681,419**	648,555
Net unrealised gain/(loss) on revaluation of:					
- financial assets at fair value through profit or loss		**72,682**	-	**-**	-
- financial assets held-for-trading		**-**	(11,194)	**-**	-
- derivative financial instruments		**11,860**	121,763	**192**	547
- Investment properties		**(6,594)**	-	**-**	-
Amortisation of fair value changes arising from terminated fair value hedges		**(504)**	(800)	**-**	-
Net loss on fair value changes arising from fair value hedges		**(305)**	(152)	**-**	-
		224,406	653,748	**682,847**	649,102
Other income					
Foreign exchange gain		**169,372**	143,771	**-**	-
Rental income		**9,135**	8,688	**-**	-
Net gain/(loss) on disposal of property and equipment		**1,552**	2,492	**(54)**	1
Net gain on divestment of joint venture	16	**90,106**	-	**-**	-
Net loss on dilution of investment in an associated company	15	**-**	(26,800)	**-**	-
Gain on liquidation of a subsidiary	57(f)	**-**	-	**21**	190,156
Other non-operating income		**20,158**	13,753	**58**	12
		290,323	141,904	**25**	190,169
		1,596,175	1,834,319	**693,084**	850,286

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

39 OVERHEAD EXPENSES

		The Group		The Company	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
Personnel costs	(a)	**1,320,730**	1,254,976	**38,177**	29,577
Establishment costs	(b)	**552,337**	572,630	**2,272**	2,083
Marketing expenses	(c)	**213,718**	174,923	**-**	-
Administration and general expenses	(d)	**294,099**	292,502	**4,075**	4,149
		2,380,884	2,295,031	**44,524**	35,809

(a) Personnel costs comprise the following:

	The Group		The Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Salaries, bonus and allowances	**1,188,062**	1,138,790	**24,068**	23,991
Medical expenses	**32,373**	36,532	**139**	130
Training and convention expenses	**24,686**	26,416	**59**	25
Staff welfare	**11,286**	10,462	**608**	559
Other employees benefits	**64,323**	42,776	**13,303**	4,872
	1,320,730	1,254,976	**38,177**	29,577

(b) Establishment costs comprise the following:

	The Group		The Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Depreciation of property and equipment	**139,467**	130,013	**1,124**	810
Amortisation of intangible assets	**59,854**	78,910	**1**	12
Rental of premises	**66,991**	80,824	**937**	860
Information technology expenses	**182,351**	175,334	**141**	117
Security services	**28,807**	28,896	**-**	-
Electricity, water and sewerage	**26,240**	27,228	**47**	51
Hire of plant and machinery	**12,632**	12,695	**-**	6
Others	**35,995**	38,730	**22**	227
	552,337	572,630	**2,272**	2,083

39 OVERHEAD EXPENSES (continued)

(c) Marketing expenses comprise the following:

	The Group		The Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Advertisement and publicity	**35,434**	41,644	**-**	-
Credit card related fees	**128,651**	107,491	**-**	-
Others	**49,633**	25,788	**-**	-
	213,718	174,923	**-**	-

(d) Administration and general expenses comprise the following:

	The Group		The Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Teletransmission expenses	**20,485**	18,165	**35**	34
Stationery and printing expenses	**15,924**	16,583	**42**	27
Professional fees	**92,861**	87,236	**1,175**	1,014
Insurance fees	**42,102**	41,772	**-**	-
Stamp, postage and courier	**15,431**	15,411	**2**	3
Credit card fees	**43,056**	40,197	**-**	-
Travelling and transport expenses	**4,869**	4,662	**47**	110
Registration and license fees	**10,199**	10,200	**-**	-
Brokerage and commission	**8,425**	8,003	**-**	-
Others	**40,747**	50,273	**2,774**	2,961
	294,099	292,502	**4,075**	4,149

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

39 OVERHEAD EXPENSES (continued)

The above expenditure includes the following statutory disclosures:

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Directors' remuneration (Note 42)	**13,106**	12,314	**12,621**	11,665
Hire of equipment	**12,661**	12,667	**-**	6
Auditors' remuneration*:				
(i) PwC Malaysia firm				
- statutory audit	**3,393**	3,178	**140**	155
- regulatory related fees	**741**	1,049	**32**	32
- other services	**171**	892	**1**	32
- tax compliance	**134**	124	**-**	-
(ii) PwC overseas affiliated firms				
- statutory audit	**176**	572	**-**	-
- regulatory related fees	**213**	192	**-**	-
- tax compliance	**124**	159	**-**	-
Property and equipment written off	**8,844**	5,241	**-**	-
Intangible assets written off	**37**	21	**-**	-
Options charge arising from ESOS	**41,129**	23,861	**12,507**	4,169

* There was no indemnity given or insurance effected for the auditors of the Group and the Company during the financial year.

40 ALLOWANCE FOR IMPAIRMENT LOSSES ON LOANS, ADVANCES AND FINANCING AND OTHER LOSSES

	The Group	
	2019 RM'000	2018 RM'000
Allowance for impairment losses on loans, advances and financing		
- expected credit losses	**221,467**	-
- collective assessment allowance	**-**	300,218
- individual assessment allowance	**-**	7,901
Writeback of impairment losses on clients' and brokers' balances		
- expected credit losses	**(149)**	-
- individual assessment allowance	**-**	(66)
Allowance for impairment losses on fee income receivables		
- individual assessment allowance	**-**	458
Impaired loans and financing		
- written off	**17,679**	19,719
- recovered	**(226,703)**	(250,847)
	12,294	77,383

Notes to the Financial Statements

for the financial year ended 30 June 2019

41 (WRITEBACK OF)/ALLOWANCE FOR IMPAIRMENT LOSSES ON INVESTMENTS

	The Group	
	2019 RM'000	2018 RM'000
Expected credit losses on:		
- financial investments at FVOCI	**(968)**	-
- financial investments at amortised cost	**189**	-
- other receivables	**(302)**	-
- cash and short-term funds	**47**	-
- deposits and placements with banks and other financial institutions	**(74)**	-
Allowance for/(writeback of) impairment losses on:		
- financial investments available-for-sale	**-**	6,771
- financial investments held-to-maturity	**-**	(7,058)
	(1,108)	(287)

	The Company	
	2019 RM'000	2018 RM'000
Expected credit losses on investment in debt instruments issued by subsidiary	**2,146**	-

42 DIRECTORS' REMUNERATION

Forms of remuneration in aggregate for all Directors for the financial year are as follows:

2019	The Group: Salaries, allowances and other remunerations RM'000	The Group: Director fees RM'000	The Group: Estimated monetary value for benefits-in-kind RM'000	The Group: Total RM'000	The Company: Salaries, allowances and other remunerations RM'000	The Company: Director fees RM'000	The Company: Estimated monetary value for benefits-in-kind RM'000	The Company: Total RM'000
Executive Director								
Mr Tan Kong Khoon	12,018	-	29	12,047	12,018	-	29	12,047
Non-executive Directors								
YBhg Tan Sri Quek Leng Chan	-	-	35	35	-	-	35	35
Ms Lim Lean See	36	386	-	422	12	162	-	174
Mr Saw Kok Wei	11	156	-	167	11	156	-	167
Ms Lim Tau Kien (Retired with effect from 8 April 2019)	20	262	-	282	9	127	-	136
Ms Leong Ket Ti (Appointed with effect from 8 March 2019)	7	116	-	123	2	44	-	46
Puan Raja Noorma Binti Raja Othman (Appointed with effect from 10 May 2019)	-	30	-	30	-	16	-	16
	74*	950	35	1,059	34*	505	35	574
Total Directors' remuneration	12,092	950	64	13,106	12,052	505	64	12,621
Directors of subsidiaries	10,645	3,820	89	14,554				

* Directors' meeting allowances

42 DIRECTORS' REMUNERATION (continued)

Forms of remuneration in aggregate for all Directors for the financial year are as follows: (continued)

2018	The Group: Salaries, allowances and other remunerations RM'000	The Group: Director fees RM'000	The Group: Estimated monetary value for benefits-in-kind RM'000	The Group: Total RM'000	The Company: Salaries, allowances and other remunerations RM'000	The Company: Director fees RM'000	The Company: Estimated monetary value for benefits-in-kind RM'000	The Company: Total RM'000
Executive Director								
Mr Tan Kong Khoon	11,012	-	35	11,047	11,012	-	35	11,047
Non-executive Directors								
YBhg Tan Sri Quek Leng Chan	-	-	28	28	-	-	28	28
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman (Retired with effect from 31 January 2018)	20	262	-	282	5	65	-	70
Ms Lim Lean See	40	425	-	465	14	160	-	174
Mr Saw Kok Wei	12	155	-	167	12	155	-	167
Ms Lim Tau Kien	30	295	-	325	14	165	-	179
	102 *	1,137	28	1,267	45 *	545	28	618
Total Directors' remuneration	11,114	1,137	63	12,314	11,057	545	63	11,665
Directors of subsidiaries	8,693	3,682	1,152	13,527				

* Directors' meeting allowances

42 DIRECTORS' REMUNERATION (continued)

Forms of remuneration in aggregate for all Directors for the financial year are as follows: (continued)

Directors and Officers of the Group are covered under the Directors' & Officers' Liability Insurance in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors and Officers of the Group subject to the terms of the policy. The total amount of Directors' & Officers' Liability Insurance effected for the Directors & Officers of the Group was RM10 million (2018: RM10 million). The total amount of premium paid for the Directors' & Officers' Liability Insurance by the Group was RM67,688 (2018: RM67,688) and the apportioned amount of the said premium paid by the Company was RM3,382 (2018: RM3,382).

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.

The names of Directors of subsidiaries and their remuneration details are set out in the respective subsidiaries' statutory accounts and the said information is deemed incorporated herein by such reference and made a part hereof.

43 TAXATION

		The Group		The Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Income tax		**646,234**	698,720	**6,200**	5,411
Deferred taxation	26	**(3,296)**	(16,274)	**(60)**	(39)
(Over)/under accrual in prior years		**(51,559)**	1,613	**(2,033)**	(20)
Taxation		**591,379**	684,059	**4,107**	5,352

Notes to the Financial Statements

for the financial year ended 30 June 2019

43 TAXATION (continued)

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	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Profit before taxation	**3,505,640**	3,578,585	**594,314**	761,221
Tax calculated at a rate of 24% (2018: 24%)	**841,354**	858,860	**142,635**	182,693
Tax effects of:				
- Differences in tax rate of foreign inward and offshore insurance	**(47)**	(227)	**-**	-
- Income not subject to tax	**(149,566)**	(89,022)	**(163,887)**	(201,422)
- Share of net income of associated companies and joint venture	**(148,728)**	(143,933)	**-**	-
- Expenses not deductible for tax purposes	**106,384**	66,025	**27,392**	24,101
- (Over)/under accrual in prior years	**(51,559)**	1,613	**(2,033)**	(20)
- Utilisation of unused tax losses and unabsorbed capital allowance previously not recognised	**-**	(2)	**-**	-
- Recognisation of unutilised tax credit previously not recognised	**(8,306)**	(11,835)	**-**	-
- Origination of temporary differences previously not recognised	**1,847**	2,580	**-**	-
Taxation	**591,379**	684,059	**4,107**	5,352

	The Group	
	2019 RM'000	**2018 RM'000**
Tax losses		
Tax losses for which the related tax credit has not been recognised in the financial statements	**66,106**	62,924
Tax credit		
Tax credit which has not been recognised in the financial statements	**88,348**	96,654
Capital allowance		
Deductible temporary differences and unutilised capital allowances for which the related tax credit has not been recognised in the financial statements	**391**	391

Under the Malaysia Finance Act 2018 which was gazetted on 27 December 2018, The Group's unutilised tax losses with no expiry period will be imposed with a time limit of utilisation. Any accumulated unutilised tax losses brought forward from year of assessment 2019 can be carried forward for up to 7 consecutive years of assessment (i.e. from year of assessments 2019 to 2026).

44 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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Weighted average number of ordinary shares ('000)	**1,144,036**	1,143,824	**1,146,293**	1,147,516
Net profit attributable to owners of the parent	**1,919,359**	1,907,442	**590,207**	755,869
Basic earnings per share (sen)	**167.8**	166.8	**51.5**	65.9

Diluted earnings per share

The Group has no dilution in its earnings per ordinary share in the current and previous financial year as there are no dilutive potential ordinary shares.

45 DIVIDENDS

Dividends recognised as distribution to ordinary equity holders of the Company:

	The Group and The Company	
	2019 RM'000	2018 RM'000
First interim single-tier dividend of 13 sen per share (2018: 13 sen per share)	**149,047**	149,177
Second interim single-tier dividend of 29 sen per share (2018: 27 sen per share)	**331,040**	309,829
	480,087	459,006

Notes to the Financial Statements

for the financial year ended 30 June 2019

46 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	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Commitments and contingencies				
Direct credit substitutes*	**118,740**	109,341	**-**	-
Certain transaction related contingent items	**1,446,851**	1,286,782	**-**	-
Short-term self liquidating trade related contingencies	**674,511**	836,785	**-**	-
Obligations under underwriting agreement	**18,860**	-	**-**	-
Any commitments that are unconditionally cancellable at any time by the Group without prior notice:				
- less than one year	**750,103**	662,442	**-**	-
Irrevocable commitments to extend credit:				
- less than one year	**19,020,280**	16,074,689	**-**	-
- more than one year	**17,720,606**	14,301,856	**-**	-
Unutilised credit card lines	**7,276,500**	6,908,565	**-**	-
	47,026,451	40,180,460	**-**	-

46 COMMITMENTS AND CONTINGENCIES (continued)

(a) Group related commitments and contingencies (continued)

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Derivative financial instruments				
Foreign exchange related contracts^:				
- less than one year	**37,642,710**	45,991,115	**-**	-
- one year to less than five years	**3,995,994**	2,640,932	**-**	-
- five years and above	**301,327**	517,407	**-**	-
Interest rate related contracts^:				
- less than one year	**43,078,630**	29,754,327	**100,000**	-
- one year to less than five years	**37,887,050**	50,035,129	**-**	100,000
- five years and above	**3,415,389**	7,161,925	**-**	-
Equity related contracts^:				
- less than one year	**627,537**	306,258	**-**	-
- one year to less than five years	**127,853**	510,502	**-**	-
Credit related contracts:				
- five years and above	**82,753**	-	**-**	-
	127,159,243	136,917,595	**100,000**	100,000
	174,185,694	177,098,055	**100,000**	100,000

* Included in direct credit substitutes are the financial guarantee contracts of RM103,153,716 (2018: RM96,689,047), of which fair value at the time of issuance is nil.

^ These derivatives are revalued at gross position basis and the fair value have been reflected in Note 24 to the financial statements as derivative assets or derivative liabilities.

(b) Other commitments and contingencies - unsecured

Hong Leong Asset Management Bhd, a wholly owned subsidiary 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 (2018: RM1 million).

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

47 CAPITAL COMMITMENTS

The capital commitments are in respect of:
- property and equipment
- intangible assets

Capital expenditure approved by the Directors but not provided for in the financial statements are as follows:

	The Group	
	2019 RM'000	2018 RM'000
Authorised and contracted for	**164,469**	146,648
Authorised but not contracted for	**51,570**	31,747
	216,039	178,395

48 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		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Not more than one year	**18,365**	19,616	**1,095**	1,095
More than one year but less than five years	**3,339**	5,777	**325**	1,420
More than 5 years	**1,298**	1,562	**-**	-
	23,002	26,955	**1,420**	2,515

49 ULTIMATE HOLDING COMPANY

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

50 CAPITAL ADEQUACY

The capital adequacy ratios are computed in accordance with BNM's Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework (Basel II – Risk-weighted Assets) both reissued on 2 February 2018. The consolidated capital adequacy of the Group includes consolidation of all financial and non-financial subsidiary companies, except the insurance/takaful subsidiary companies which shall be deducted in the calculation of Common Equity Tier 1 ("CET 1") capital. The total risk-weighted assets ("RWA") of the Group are computed based on Standardised Approach for Credit Risk and Market Risk, and Basic Indicator Approach for Operational Risk.

The Capital Adequacy Framework (Capital Components) sets out the minimum capital adequacy ratios as well as requirements on Capital Conservation Buffer ("CCB") and Counter Cyclical Buffer ("CCyB"). The minimum capital adequacy requirements for CET 1 capital ratio, Tier 1 capital ratio and Total Capital ratio are 4.500%, 6.000% and 8.000% respectively. The Group is also required to maintain CCB of up to 2.500% of total RWA, which is phased in starting with 0.625% in year 2016, 1.250% in year 2017, 1.875% in year 2018 and 2.500% in year 2019. The CCyB which ranges from 0% up to 2.500% is determined as the weighted average of prevailing CCyB rates applied in the jurisdictions in which the Group has credit exposures. The minimum capital adequacy including CCB for CET 1 capital ratio, Tier 1 capital ratio and Total capital ratio for year 2019 are 7.000%, 8.500% and 10.500% respectively.

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

	Hong Leong Financial Group	Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	2019	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Before deducting proposed dividends							
CET 1 capital ratio	**10.903%**	**13.627%**	13.113%	**13.266%**	12.545%	**30.907%**	33.073%
Tier 1 capital ratio	**11.895%**	**14.585%**	13.797%	**14.074%**	12.997%	**30.907%**	33.073%
Total capital ratio	**14.968%**	**16.839%**	16.752%	**16.203%**	16.301%	**43.489%**	37.619%
After deducting proposed dividends							
CET 1 capital ratio	**10.903%**	**13.113%**	12.614%	**12.640%**	11.949%	**28.642%**	29.115%
Tier 1 capital ratio	**11.895%**	**14.072%**	13.298%	**13.448%**	12.401%	**28.642%**	29.115%
Total capital ratio	**14.968%**	**16.326%**	16.253%	**15.577%**	15.706%	**41.224%**	33.661%

Notes to the Financial Statements

for the financial year ended 30 June 2019

50 CAPITAL ADEQUACY (continued)

(b) The component of CET 1, Tier 1 and Tier 2 capital under the revised Capital Components Framework are as follows:

	Hong Leong Financial Group	Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	2019 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CET 1 capital							
Paid up share capital	**2,267,008**	**7,739,063**	7,739,063	**7,739,063**	7,739,063	**252,950**	252,950
Retained profit	**15,196,453**	**16,686,412**	15,184,533	**12,034,337**	11,212,525	**237,920**	250,085
Other reserves	**874,076**	**849,361**	868,134	**315,816**	298,837	**3,507**	(3,355)
Qualifying non-controlling interests	**5,398,860**	**-**	-	**-**	-	**-**	-
Less: Treasury shares	**(161,909)**	**(727,817)**	(732,267)	**(727,817)**	(732,267)	**-**	-
Less: Other intangible assets	**(128,331)**	**(125,225)**	(152,541)	**(110,895)**	(137,166)	**-**	-
Less: Goodwill	**(2,346,287)**	**(1,831,312)**	(1,831,312)	**(1,771,547)**	(1,771,547)	**(31,129)**	(31,672)
Less: Deferred tax assets	**-**	**(16,030)**	(53,067)	**-**	(47,908)	**(80,926)**	(87,582)
Less: Investment in subsidiary company/ associated company/ joint venture	**(6,661,118)**	**(4,106,375)**	(3,830,517)	**(2,726,932)**	(2,778,569)	**(200)**	(200)
Total CET 1 capital	**14,438,752**	**18,468,077**	17,192,026	**14,752,025**	13,782,968	**382,122**	380,226
Tier 1 capital							
Multi-currency Additional Tier 1 capital securities	**799,577**	**799,523**	399,393	**799,523**	399,393	**-**	-
Innovative Tier 1 capital securities	**-**	**499,498**	497,562	**499,498**	497,562	**-**	-
Qualifying non-controlling interests	**513,375**	**-**	-	**-**	-	**-**	-
Tier 1 capital before regulatory adjustments	**1,312,952**	**1,299,021**	896,955	**1,299,021**	896,955	**-**	-
Less: Investment in Additional Tier 1 perpetual surbordinated sukuk wakalah	**-**	**-**	-	**(400,000)**	(400,000)	**-**	-
Tier 1 capital after regulatory adjustments	**1,312,952**	**1,299,021**	896,955	**899,021**	496,955	**-**	-
Total Tier 1 capital	**15,751,704**	**19,767,098**	18,088,981	**15,651,046**	14,279,923	**382,122**	380,226

50 CAPITAL ADEQUACY (continued)

(b) The component of CET 1, Tier 1 and Tier 2 capital under the revised Capital Components Framework are as follows: (continued)

	Hong Leong Financial Group	Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	2019 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Tier 2 Capital							
Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves#	**1,560,449**	**1,554,893**	-	**1,267,205**	-	**5,556**	-
Collective assessment allowance^ and regulatory reserves#	**-**	**-**	1,375,082	**-**	1,130,670	**-**	2,266
Subordinated obligations	**1,599,790**	**1,499,970**	2,499,820	**1,499,970**	2,499,820	**150,000**	50,000
Qualifying non-controlling interests	**909,772**	**-**	-	**-**	-	**-**	-
Less: Investment in Tier 2 subordinated sukuk murabahah	**-**	**-**	-	**(400,000)**	-	**-**	-
Total Tier 2 capital	**4,070,011**	**3,054,863**	3,874,902	**2,367,175**	3,630,490	**155,556**	52,266
Total capital	**19,821,715**	**22,821,961**	21,963,883	**18,018,221**	17,910,413	**537,678**	432,492

Includes the qualifying regulatory reserves for non-impaired loans of Hong Leong Bank Group of RM847,070,000 (2018: RM741,694,000), Hong Leong Bank Berhad of RM695,197,000 (2018: RM637,098,000) and Hong Leong Investment Bank Berhad of RM Nil (2018: RM2,071,000) respectively.

^ Excludes collective assessment allowance attributable to loans, advances and financing classified as impaired but not individually assessed for impairment.

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

50 CAPITAL ADEQUACY (continued)

(c) The breakdown of RWA by each major risk category is as follows:

	Hong Leong Financial Group	Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	2019 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Credit risk*	**120,247,407**	**124,391,420**	118,853,998	**101,376,433**	98,504,099	**444,468**	407,598
Market risk	**3,244,202**	**2,558,573**	3,850,444	**2,595,185**	4,140,291	**519,266**	457,231
Operational risk	**8,936,235**	**8,577,308**	8,403,939	**7,233,933**	7,226,134	**272,622**	284,840
Total RWA	**132,427,844**	**135,527,301**	131,108,381	**111,205,551**	109,870,524	**1,236,356**	1,149,669

* In accordance with BNM Investment Account Policy, the credit RWA of Hong Leong Islamic Bank Berhad funded by Investment Account of RM1,294,000 is excluded from the calculation of capital adequacy ratio of the Group.

(d) The capital adequacy ratios of Hong Leong Bank Group's subsidiary company are as follows:

	Hong Leong Islamic Bank Berhad	
	2019	2018
Before deducting proposed dividends		
CET 1 capital ratio	**10.529%**	10.461%
Tier 1 capital ratio	**12.258%**	12.404%
Total capital ratio	**15.150%**	15.477%
After deducting proposed dividends		
CET 1 capital ratio	**10.529%**	10.461%
Tier 1 capital ratio	**12.258%**	12.404%
Total capital ratio	**15.150%**	15.477%

51 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 family takaful business
Other operations	-	Investment holding and provision of management services

Notes to the Financial Statements

for the financial year ended 30 June 2019

51 SEGMENTAL INFORMATION (continued)

Business segment reporting

Set out below is information of the Group by business segments:

The Group 2019	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 revenue	4,702,559	199,387	422,471	(46,407)	-	5,278,010
Inter-segment revenue	23,276	(511)	1,942	677,448	(702,155)	-
Segment revenue	4,725,835	198,876	424,413	631,041	(702,155)	5,278,010
Overhead expenses of which:	(2,091,576)	(122,352)	(151,740)	(36,808)	21,592	(2,380,884)
Depreciation of property and equipment	(132,296)	(3,392)	(2,656)	(1,123)	-	(139,467)
Amortisation of intangible assets	(54,189)	(2,761)	(2,903)	(1)	-	(59,854)
(Allowance for)/writeback of impairment losses on loans, advances and financing	(12,323)	29	-	-	-	(12,294)
Writeback of/(allowance for) impairment losses	973	179	(44)	-	-	1,108
Segment results	2,622,909	76,732	272,629	594,233	(680,563)	2,885,940
Share of results of associated companies	563,111	-	56,589	-	-	619,700
Profit before taxation	3,186,020	76,732	329,218	594,233	(680,563)	3,505,640
Taxation						(591,379)
Net profit for the financial year						2,914,261
Non-controlling interests						(994,902)
Profit attributable to owners of the parent						1,919,359
Other information						
Segment assets	207,353,385	4,498,638	22,623,114	19,594,441	(16,186,967)	237,882,611
Segment liabilities	181,878,998	3,701,031	19,463,500	3,895,671	342,374	209,281,574
Other significant segment items						
Capital expenditure	134,074	5,941	12,637	26	-	152,678

Note:
Total segment revenue comprises of net interest income, income from Islamic banking business and non-interest income.

51 SEGMENTAL INFORMATION (continued)

Business segment reporting (continued)

Set out below is information of the Group by business segments: (continued)

The Group 2018	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 revenue	4,828,978	191,845	393,475	(63,307)	-	5,350,991
Inter-segment revenue	10,587	3,912	5,711	1,026,175	(1,046,385)	-
Segment revenue	4,839,565	195,757	399,186	962,868	(1,046,385)	5,350,991
Overhead expenses of which:	(2,060,449)	(116,438)	(107,383)	(38,840)	28,079	(2,295,031)
Depreciation of property and equipment	(120,811)	(2,136)	(3,099)	(3,967)	-	(130,013)
Amortisation of intangible assets	(71,841)	(2,799)	(4,257)	(13)	-	(78,910)
Allowance for impairment losses on loans, advances and financing	(76,651)	(732)	-	-	-	(77,383)
Writeback of/(allowance for) impairment losses	7,131	-	(6,844)	-	-	287
Segment results	2,709,596	78,587	284,959	924,028	(1,018,306)	2,978,864
Share of results of associated companies	516,111	-	63,062	-	-	579,173
Share of results of joint venture	20,548	-	-	-	-	20,548
Profit before taxation	3,246,255	78,587	348,021	924,028	(1,018,306)	3,578,585
Taxation						(684,059)
Net profit for the financial year						2,894,526
Non-controlling interests						(987,084)
Profit attributable to owners of the parent						1,907,442
Other information						
Segment assets	202,837,706	4,463,753	19,970,891	18,035,015	(15,989,814)	229,317,551
Segment liabilities	178,945,447	3,697,695	17,132,404	2,303,823	558,459	202,637,828
Other significant segment items						
Capital expenditure	136,026	14,043	7,913	4,422	-	162,404

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 2019

51 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 venture 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
2019				
Malaysia	**4,959,130**	**223,099,369**	**195,739,628**	**131,941**
Overseas operations	**318,880**	**14,783,242**	**13,541,946**	**20,740**
	5,278,010	**237,882,611**	**209,281,574**	**152,681**
2018				
Malaysia	5,060,031	215,557,147	190,005,850	156,353
Overseas operations	290,960	13,760,404	12,631,978	6,051
	5,350,991	229,317,551	202,637,828	162,404

52 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Related parties and relationship

In addition to the related party disclosures mentioned elsewhere in the financial statements, other significant related parties transactions 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

52 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(a) Related parties and relationship (continued)

In addition to the related party disclosures mentioned elsewhere in the financial statements, other significant related parties transactions and their relationship with the Company are as follows: (continued)

Related parties	Relationship
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
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 ("GLM Group")	Subsidiary and associated companies of ultimate holding company
Subsidiary companies of the Company as disclosed in Note 14	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 2019

52 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(b) Related party transactions

Transactions with related parties are as follows:

	The Group			
2019	**Parent company RM'000**	**Associated companies RM'000**	**Other related companies RM'000**	**Key management personnel RM'000**
Income				
Interest on deposits	-	511	-	-
Interest on loans	-	-	6,696	2
Brokerage fee received	-	-	471	175
Insurance premium received	-	-	1,346	-
Others	-	-	2,679	26
	-	511	11,192	203
Expenditure				
Rental and maintenance	-	-	9,181	-
Interest on deposits	-	-	-	1,391
Interest paid on short-term placements	-	-	10,541	3,509
Interest paid on current account and fixed deposits	-	-	934	-
Management fees	-	-	39,012	-
Other miscellaneous expenses	-	-	13,052	-
	-	-	72,720	4,900
Amount due from:				
Current account	-	20,414	-	-
Loans	-	-	125,522	-
Redeemable preference shares	-	-	30,866	-
Insurance premium receivable	-	-	124	-
Credit card	-	-	-	191
Others	-	-	166	-
	-	20,414	156,678	191
Amount due to:				
Current account and fixed deposits	-	-	23,117	15,238
Short-term placements	-	-	515,461 *	317,839
Others	-	-	27,205	-
	-	-	565,783	333,077

* Transaction with subsidiary companies of ultimate holding company

52 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(b) Related party transactions (continued)

Transactions with related parties are as follows: (continued)

	The Group			
2018	**Parent company RM'000**	**Associated companies RM'000**	**Other related companies RM'000**	**Key management personnel RM'000**
Income				
Interest on deposits	-	311	-	-
Interest on loans	-	-	9,526	2
Brokerage fee received	-	-	119	245
Insurance premium received	-	-	1,453	-
Others	-	-	3,448	31
	-	311	14,546	278
Expenditure				
Rental and maintenance	-	-	9,182	-
Interest on deposits	-	-	-	3,486
Interest paid on short-term placements	-	-	8,730	1,591
Interest paid on current account and fixed deposits	-	-	1,614	-
Management fees	-	-	40,449	-
Other miscellaneous expenses	-	-	9,322	-
	-	-	69,297	5,077
Amount due from:				
Current account	-	20,373	-	-
Loans	-	-	158,920	-
Redeemable preference shares	-	-	30,866	-
Insurance premium receivable	-	-	157	-
Credit card	-	-	-	222
Others	-	-	94	-
	-	20,373	190,037	222
Amount due to:				
Current account and fixed deposits	-	-	20,532	110,789
Short-term placements	-	-	1,143,089 *	56,505
Others	-	36	225	-
	-	36	1,163,846	167,294

* Transaction with subsidiary companies of ultimate holding company

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

52 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(b) Related party transactions (continued)

Transactions with related parties are as follows: (continued)

	The Company			
2019	Parent company RM'000	Subsidiary companies RM'000	Other related companies RM'000	Key management personnel RM'000
Income				
Dividend income	-	681,419	-	-
Interest on deposits	-	129	-	-
Interest on loans	-	263	-	-
Management fees	-	10,212	-	-
	-	692,023	-	-
Expenditure				
Insurance	-	30	4	-
Interest on derivatives	-	310	-	-
Management fees	-	-	2,081	-
Rental and maintenance	-	937	-	-
Other miscellaneous expenses	-	94	120	-
	-	1,371	2,205	-
Amount due from:				
Money at call and deposit placements	-	1,489	-	-
Others	-	702	18	-
	-	2,191	18	-
Amount due to:				
Derivative liabilities	-	135	-	-
	-	135	-	-

52 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(b) Related party transactions (continued)

Transactions with related parties are as follows: (continued)

2018	The Company Parent company RM'000	Subsidiary companies RM'000	Other related companies RM'000	Key management personnel RM'000
Income				
Dividend income	-	648,555	-	-
Interest on deposits	-	640	-	-
Interest on loans	-	461	-	-
Management fees	-	11,015	-	-
	-	660,671	-	-
Expenditure				
Insurance	-	24	3	-
Interest on derivatives	-	501	-	-
Management fees	-	-	2,237	-
Rental and maintenance	-	864	-	-
Other miscellaneous expenses	-	94	90	-
	-	1,483	2,330	-
Amount due from:				
Money at call and deposit placements	-	260	-	-
Others	-	4,137	12	-
	-	4,397	12	-
Amount due to:				
Derivative liabilities	-	327	-	-
	-	327	-	-

The related party transactions of the Company are primarily transacted with related parties domiciled in Malaysia.

	The Group 2019 RM'000	2018 RM'000
The approved limit on loans, advances and financing for key management personnel	**2,602**	2,360

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

52 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(c) Key management personnel

Key management compensation

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Salaries and other short-term employee benefits	**15,523**	14,644	**15,038**	13,995
Executive share schemes expenses	**12,507**	4,169	**12,507**	4,169

Included in the above is the Directors' compensation which is disclosed in Note 42.

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 for loans made to key management personnel.

53 FINANCIAL INSTRUMENTS

(a) Financial 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.

53 FINANCIAL INSTRUMENTS (continued)

(a) Financial risk management objectives and policies (continued)

Commercial Banking (continued)

Integrated Risk Management ("IRM") (continued)

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.

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 arises as a result of customers or counterparties not being able to or willing to fulfil their financial and contractual obligations as and when they fall due. These obligations arise from lending, trade finance and other activities undertaken by the Group. 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 Credit Supervisory Committee ("CSC") and the BRMC, 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 CSC. 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 process to ensure that the new product complies with the appropriate policies and guidelines, prior to the introduction of the product.

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

53 FINANCIAL INSTRUMENTS (continued)

(a) Financial risk management objectives and policies (continued)

Commercial Banking (continued)

Credit Risk Management (continued)

The Banking Group's exposure to credit risk is mainly from its retail, 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.

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 is identified, measured and controlled through various types of limit. In addition, the Banking Group regularly review the interest rate outlook and develop strategies to protect the total net interest income from adverse changes in market interest rates. This applies to both interest rate risk exposures in the trading book and the banking book. In managing interest rate risk in the banking book, the Banking Group measures earnings at risk and economic value or capital at risk.

In addition, the Banking Group also conducts periodic stress testing of the respective portfolios and on an overall basis to ascertain market risk under abnormal market conditions.

53 FINANCIAL INSTRUMENTS (continued)

(a) Financial risk management objectives and policies (continued)

Commercial Banking (continued)

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.

Besides adhering to the Regulatory Liquidity Requirement, the Group has put in place a robust and comprehensive liquidity risk management framework consisting of risk appetite, policies, triggers and controls which are reviewed and concurred by the Group Asset-Liability Committee, endorsed by the BRMC and approved by the Board. The key elements of the framework cover proactive monitoring and management of cashflow, maintenance of high quality long-term and short-term marketable debt securities, diversification of funding base as well as maintenance of a liquidity compliance buffer to meet any unexpected cash outflows.

The Banking Group has 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 plan sets 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.

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.

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.

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.

53 FINANCIAL INSTRUMENTS (continued)

(a) Financial risk management objectives and policies (continued)

Investment Banking (continued)

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.

Insurance

Insurers have to comply with the Malaysian Insurance Act and Regulations, including guidelines on investments. The Board of Directors 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 policies rests with the Board of Directors 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 of Directors. 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. The Insurance Group's 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.

53 FINANCIAL INSTRUMENTS (continued)

(a) Financial risk management objectives and policies (continued)

Insurance (continued)

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 due to 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.

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.

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

53 FINANCIAL INSTRUMENTS (continued)

(a) Financial risk management objectives and policies (continued)

Insurance (continued)

Liquidity risk

Liquidity risk arises due to inability of the Insurance Group to meet its financial obligations as and when they fall due. The Insurance Group manages liquidity risk via short term cash flows projection to determine net cash flow required. In addition, the Insurance Group's investible funds are substantially placed in fixed and call deposits and other money market instruments. Should there be any abnormal and unexpected cash out flows required, the Insurance Group is still able to meet its obligation in short period via the liquidation of bond holdings.

(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 financial year end.

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
2019				
+100 basis points ('bps')	**(83,255)**	**(468,857)**	**(668)**	**-**
-100 bps	**102,234**	**488,041**	**463**	**-**
2018				
+100 bps	32,569	(512,251)	209	-
-100 bps	(20,713)	527,372	(221)	-

53 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 of the Group and the Company:

	The Group Net receivable/(payable) exposure	
	2019 RM'000	**2018 RM'000**
United States Dollar ("USD")	**381,266**	392,927
Euro ("EUR")	**5,933**	(88,262)
Great Britain Pound ("GBP")	**13,913**	(2,158)
Singapore Dollar ("SGD")	**79,655**	27,276
Chinese Yuan Renminbi ("CNY")	**5,234**	1,832
Hong Kong Dollar ("HKD")	**188,172**	109,594
Japanese Yen ("JPY")	**(51)**	23
Australian Dollar ("AUD")	**6,220**	8,862
Others	**85,519**	101,653
	765,861	551,747

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

53 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	
	2019	2018
	Increase/(decrease)	
	RM'000	RM'000
+ 1%		
United States Dollar ("USD")	**873**	1,088
Euro ("EUR")	**45**	(671)
Great Britain Pound ("GBP")	**104**	(17)
Singapore Dollar ("SGD")	**595**	190
Chinese Yuan Renminbi ("CNY")	**40**	13
Hong Kong Dollar ("HKD")	**237**	145
Australian Dollar ("AUD")	**(133)**	(87)
Others	**651**	773
	2,412	1,434
- 1%		
United States Dollar ("USD")	**(873)**	(1,088)
Euro ("EUR")	**(45)**	671
Great Britain Pound ("GBP")	**(104)**	17
Singapore Dollar ("SGD")	**(595)**	(190)
Chinese Yuan Renminbi ("CNY")	**(40)**	(13)
Hong Kong Dollar ("HKD")	**(237)**	(145)
Australian Dollar ("AUD")	**133**	87
Others	**(651)**	(773)
	(2,412)	(1,434)

53 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
2019		
+ 20% change in equity market price	**61,741**	**52,367**
- 20% change in equity market price	**(61,741)**	**(52,367)**
2018		
+ 20% change in equity market price	10,658	37,998
- 20% change in equity market price	(10,658)	(37,998)

53 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							
2019	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-interest/ profit rate sensitive RM'000	Trading book RM'000	Total RM'000
Financial assets								
Cash and short-term funds	4,769,160	-	2,457,614	-	-	1,386,707	-	8,613,481
Deposits and placements with banks and other financial institutions	13,901	2,424,886	7,564,233	50,000	-	9,850	-	10,062,870
Securities purchased under resale agreements	-	-	-	-	-	-	-	-
Financial assets at fair value through profit or loss	-	-	-	-	-	7,402,652	17,019,415	24,422,067
Financial investments at fair value through other comprehensive income	645,858	1,415,273	1,830,123	16,473,255	4,273,444	327,472	-	24,965,425
Financial investments at amortised cost	22,731	-	138,197	13,458,246	2,055,964	213,725	-	15,888,863
Derivative financial instruments								
- Trading derivatives	-	-	-	-	-	-	570,185	570,185
Loans, advances and financing								
- Performing	114,984,569	1,231,276	639,439	9,226,507	9,754,261	544,142	-	136,380,104
- Impaired^	110,775	6,761	11,435	79,807	468,734	-	-	677,512
Clients' and brokers' balances	-	-	-	-	-	482,445	-	482,445
Other receivables	14,532	-	-	-	-	1,248,317	-	1,262,849
Statutory deposits with Central Banks	-	-	-	-	209,674	4,416,418	-	4,626,092
Total financial assets	120,561,526	5,078,196	12,640,951	39,287,815	16,762,077	16,031,728	17,589,600	227,951,893

^ This represents outstanding impaired loans after deducting individual assessment impairment allowance and collective assessment impairment allowance.

53 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							
2019	**Up to 1 month RM'000**	**>1 - 3 months RM'000**	**>3 - 12 months RM'000**	**>1 - 5 years RM'000**	**Over 5 years RM'000**	**Non-interest/ profit rate sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Financial liabilities								
Deposits from customers	63,445,598	30,768,637	40,589,819	2,701,208	1,291,598	23,091,025	-	161,887,885
Investment accounts of customers	198	2,030	1	-	-	6	-	2,235
Deposits and placements of banks and other financial institutions	5,642,265	3,649,836	465,392	-	-	23,051	-	9,780,544
Obligations on securities sold under repurchase agreements	178,431	2,150,720	-	-	-	4,765	-	2,333,916
Bills and acceptance payable	46,703	128,278	35,094	-	-	182,947	-	393,022
Derivative financial instruments								
- Trading derivatives	-	-	-	-	-	-	724,354	724,354
- Hedging derivatives	-	-	388	4,307	3,394	-	-	8,089
Clients' and brokers' balances	-	-	-	-	-	282,521	-	282,521
Payables and other liabilities	25,050	499	14,821	-	-	12,905,291	-	12,945,661
Recourse obligations on loans sold to Cagamas Berhad	-	200,059	-	50,000	-	3,532	-	253,591
Provision for claims	-	-	-	-	-	132,442	-	132,442
Borrowings	695,000	100,000	194,396	400,000	-	8,881	-	1,398,277
Multi-currency Additional Tier 1 capital securities	-	-	-	794,481	-	11,895	-	806,376
Subordinated obligations	-	-	-	1,499,970	648,469	11,993	-	2,160,432
Innovative Tier 1 capital securities	-	451,616	-	-	-	12,657	-	464,273
Insurance funds	-	-	-	-	-	15,075,217	-	15,075,217
Total financial liabilities	70,033,245	37,451,675	41,299,911	5,449,966	1,943,461	51,746,223	724,354	208,648,835
Net interest sensitivity gap	50,528,281	(32,373,479)	(28,658,960)	33,837,849	14,818,616			
Financial guarantees	-	-	-	-	-	493,044		
Credit related commitments and contingencies	-	-	-	-	-	44,786,349		
Net interest sensitivity gap	-	-	-	-	-	45,279,393		

53 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 Restated							
	Non-trading book							
2018	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	7,430,192	-	-	-	-	2,459,879	-	9,890,071
Deposits and placements with banks and other financial institutions	-	3,112,970	7,077,304	-	-	6,147	-	10,196,421
Securities purchased under resale agreements	-	-	35,000	-	-	126	-	35,126
Financial assets held-for-trading	-	-	-	-	-	-	10,536,881	10,536,881
Financial investments available-for-sale	5,728,383	3,007,831	2,501,016	11,785,229	11,206,398	3,503,682	-	37,732,539
Financial investments held-to-maturity	-	221,869	1,959,094	12,404,744	1,082,049	227,923	-	15,895,679
Derivative financial instruments								
- Trading derivatives	-	-	-	-	-	-	969,226	969,226
- Hedging derivatives	-	-	-	1,286	683	-	-	1,969
Loans, advances and financing								
- Performing	106,847,493	1,040,811	631,803	9,037,354	9,978,160	563,625	-	128,099,246
- Impaired^	153,564	6,844	12,206	96,640	482,734	-	-	751,988
Clients' and brokers' balances	-	-	-	-	-	525,556	-	525,556
Other receivables	34,540	-	-	-	-	830,409	-	864,949
Statutory deposits with Central Banks	-	-	-	-	171,369	4,193,613	-	4,364,982
Total financial assets	120,194,172	7,390,325	12,216,423	33,325,253	22,921,393	12,310,960	11,506,107	219,864,633

^ This represents outstanding impaired loans after deducting individual assessment impairment allowance and collective assessment impairment allowance.

53 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
Restated

	Non-trading book							
2018	**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	60,937,737	25,875,416	42,341,013	4,048,868	1,409,132	22,270,746	-	156,882,912
Deposits and placements of banks and other financial institutions	6,027,660	2,906,838	335,415	-	-	26,482	-	9,296,395
Obligations on securities sold under repurchase agreements	851,598	3,068,376	-	-	-	11,549	-	3,931,523
Bills and acceptance payable	266,278	28,108	26,182	-	-	223,882	-	544,450
Derivative financial instruments								
- Trading derivatives	-	-	-	-	-	-	1,081,717	1,081,717
- Hedging derivatives	-	-	-	423	-	-	-	423
Clients' and brokers' balances	-	-	-	-	-	350,730	-	350,730
Payables and other liabilities	-	-	-	-	-	11,401,670	-	11,401,670
Recourse obligations on loans sold to Cagamas Berhad	-	-	-	200,057	-	2,895	-	202,952
Provision for claims	-	-	-	-	-	150,478	-	150,478
Borrowings	700,000	121,667	251,667	221,666	-	5,371	-	1,300,371
Multi-currency Additional Tier 1 capital securities	-	-	-	398,819	-	2,550	-	401,369
Subordinated obligations	-	-	1,740,266	500,000	548,964	11,217	-	2,800,447
Innovative Tier 1 capital securities	-	-	-	463,008	-	11,604	-	474,612
Insurance funds	-	-	-	-	-	13,188,787	-	13,188,787
Total financial liabilities	68,783,273	32,000,405	44,694,543	5,832,841	1,958,096	47,657,961	1,081,717	202,008,836
Net interest sensitivity gap	51,410,899	(24,610,080)	(32,478,120)	27,492,412	20,963,297			
Financial guarantees	-	-	-	-	-	-		
Credit related commitments and contingencies	-	-	-	-	-	617,389		
Treasury related commitments and contingencies (hedging)	-	-	-	-	-	37,952,465		
Net interest sensitivity gap	-	-	-	-	-	38,569,854		

53 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							
2019	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Financial assets								
Cash and short-term funds	84,496	-	-	-	-	-	-	84,496
Deposits and placements with banks and other financial institutions	-	3,360	-	-	-	-	-	3,360
Other receivables	-	-	-	-	-	2,328	-	2,328
Amount due from subsidiaries	-	-	-	-	-	702	-	702
Total financial assets	84,496	3,360	-	-	-	3,030	-	90,886
Financial liabilities								
Derivative financial instruments								
- Trading derivatives	-	-	-	-	-	-	135	135
Payables and other liabilities	19,715	-	12,727	-	-	857	-	33,299
Borrowings								
- Term loans	150,000	-	-	-	-	58	-	150,058
- Revolving credit	330,000	100,000	-	-	-	501	-	430,501
- Commercial papers	215,000	-	-	-	-	(413)	-	214,587
- Medium term notes	-	-	250,000	-	-	3,368	-	253,368
- Senior Bonds	-	-	-	400,000	-	5,367	-	405,367
Multi-currency Additional Tier 1 capital securities	-	-	-	800,000	-	5,236	-	805,236
Subordinated obligations	-	-	-	-	1,600,000	205	-	1,600,205
Total financial liabilities	714,715	100,000	262,727	1,200,000	1,600,000	15,179	135	3,892,756
Net interest sensitivity gap	(630,219)	(96,640)	(262,727)	(1,200,000)	(1,600,000)			

53 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							
2018	**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	25,466	-	-	-	-	-	-	25,466
Deposits and placements with banks and other financial institutions	-	3,360	-	-	-	-	-	3,360
Other receivables	-	-	-	-	-	316	-	316
Amount due from subsidiaries	-	-	-	-	-	4,137	-	4,137
Total financial assets	25,466	3,360	-	-	-	4,453	-	33,279
Financial liabilities								
Derivative financial instruments								
- Trading derivatives	-	-	-	-	-	-	327	327
Payables and other liabilities	-	-	-	-	-	13,006	-	13,006
Borrowings								
- Term loans	350,000	-	-	-	-	108	-	350,108
- Revolving credit	180,000	-	30,000	-	-	222	-	210,222
- Commercial papers	170,000	-	-	-	-	(390)	-	169,610
- Medium term notes	-	150,000	250,000	250,000	-	5,994	-	655,994
Multi-currency Additional Tier 1 capital securities	-	-	-	400,000	-	751	-	400,751
Subordinated obligations	-	-	-	-	500,000	(401)	-	499,599
Total financial liabilities	700,000	150,000	280,000	650,000	500,000	19,290	327	2,299,617
Net interest sensitivity gap	(674,534)	(146,640)	(280,000)	(650,000)	(500,000)			

53 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) based on the remaining contractual maturity:

	The Group							
2019	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	4,620,553	1,402,095	2,457,614	-	-	-	133,219	8,613,481
Deposits and placements with banks and other financial institutions	539,507	2,046,005	4,739,785	2,511,092	175,880	50,535	66	10,062,870
Securities purchased under resale agreements	-	-	-	-	-	-	-	-
Financial assets at fair value through profit or loss	33,277	503,767	803,549	167,962	492,435	17,403,280	5,017,797	24,422,067
Financial investments at fair value through other comprehensive income	179,409	471,922	1,422,794	616,459	1,268,922	20,961,588	44,331	24,965,425
Financial investments at amortised cost	23,965	512	957	35,585	125,500	15,702,344	-	15,888,863
Derivative financial instruments	43,577	34,221	46,806	52,900	48,563	344,118	-	570,185
Loans, advances and financing	12,486,637	5,596,972	5,337,559	1,859,481	1,203,750	110,553,217	-	137,057,616
Clients' and brokers' balances	247,532	-	-	-	234,913	-	-	482,445
Other receivables	825,081	9,580	6,235	7,516	87,513	29,462	367,275	1,332,662
Statutory deposits with Central Banks	-	-	-	-	-	-	4,626,092	4,626,092
Tax recoverable	-	-	-	-	171	-	53	224
Investment in associated companies	-	-	-	-	-	-	5,280,376	5,280,376
Investment in joint ventures	-	-	-	-	-	-	-	-
Property and equipment	-	-	-	-	-	-	1,540,533	1,540,533
Investment properties	-	-	-	-	-	-	489,500	489,500
Goodwill	-	-	-	-	-	-	2,410,644	2,410,644
Intangible assets	-	-	-	-	-	-	139,628	139,628
Total assets	18,999,538	10,065,074	14,835,299	5,250,995	3,637,647	165,044,544	20,049,514	237,882,611

53 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) based on the remaining contractual maturity: (continued)

	The Group							
2019	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	58,816,490	27,513,516	30,936,349	18,909,984	21,909,182	3,802,364	-	161,887,885
Investment accounts of customers	13	187	2,034	1	-	-	-	2,235
Deposits and placements of banks and other financial institutions	3,786,481	1,956,967	3,715,763	279,696	41,637	-	-	9,780,544
Obligations on securities sold under repurchase agreements	288,221	179,272	1,866,423	-	-	-	-	2,333,916
Bills and acceptances payable	244	46,459	128,278	35,082	11	-	182,948	393,022
Derivative financial instruments	26,504	28,354	50,583	34,396	58,963	533,643	-	732,443
Clients' and brokers' balances	282,521	-	-	-	-	-	-	282,521
Payables and other liabilities	4,608,462	4,809,490	31,294	3,534	3,689,873	442	91,352	13,234,447
Recourse obligations on loans sold to Cagamas Berhad	-	-	203,591	-	-	50,000	-	253,591
Provision for claims	-	-	-	-	132,442	-	-	132,442
Provision for taxation	-	-	-	-	17,075	-	96,630	113,705
Deferred tax liabilities	-	-	-	-	5,602	319,197	(94,551)	230,248
Borrowings	-	695,011	-	44,531	-	658,735	-	1,398,277
Multi-currency Additional Tier 1 capital securities	-	-	4,863	1,799	-	799,714	-	806,376
Subordinated obligations	-	-	8,815	2,370	-	2,149,247	-	2,160,432
Innovative Tier 1 capital securities	-	-	464,273	-	-	-	-	464,273
Insurance funds	-	7	16	45	3,869,524	11,205,625	-	15,075,217
Total liabilities	67,808,936	35,229,263	37,412,282	19,311,438	29,724,309	19,518,967	276,379	209,281,574
Total equity	-	-	-	-	-	-	28,601,037	28,601,037
Total liabilities and equity	67,808,936	35,229,263	37,412,282	19,311,438	29,724,309	19,518,967	28,877,416	237,882,611
Net liquidity gap	(48,809,398)	(25,164,189)	(22,576,983)	(14,060,443)	(26,086,662)	145,525,577		

53 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) based on the remaining contractual maturity: (continued)

	The Group							
2018	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	5,946,626	3,815,331	-	-	-	-	128,114	9,890,071
Deposits and placements with banks and other financial institutions	120,918	1,429,293	4,920,368	3,682,950	42,892	-	-	10,196,421
Securities purchased under resale agreements	-	-	-	35,126	-	-	-	35,126
Financial assets held-for-trading	707,733	601,228	1,933,495	323,235	201,663	5,612,802	1,156,725	10,536,881
Financial investments available-for-sale	4,609,029	1,119,715	3,012,313	481,800	1,977,802	23,396,711	3,135,169	37,732,539
Financial investments held-to-maturity	-	-	224,749	341,562	1,706,458	13,622,910	-	15,895,679
Derivative financial instruments	35,033	71,181	232,620	171,722	82,312	378,327	-	971,195
Loans, advances and financing	12,692,655	6,087,736	5,250,306	1,788,511	1,159,536	101,872,490	-	128,851,234
Clients' and brokers' balances	316,234	-	-	-	209,322	-	-	525,556
Other receivables	570,883	7,532	9,397	11,550	156,664	16,657	179,887	952,570
Statutory deposits with Central Banks	-	-	-	-	-	-	4,364,982	4,364,982
Tax recoverable	-	-	-	-	-	-	367	367
Investment in associated companies	-	-	-	-	-	-	4,538,326	4,538,326
Investment in joint ventures	-	-	-	-	-	-	179,426	179,426
Property and equipment	-	-	-	-	-	-	1,573,829	1,573,829
Investment properties	-	-	-	-	-	-	494,164	494,164
Goodwill	-	-	-	-	-	-	2,410,644	2,410,644
Intangible assets	-	-	-	-	-	-	168,541	168,541
Total assets	24,999,111	13,132,016	15,583,248	6,836,456	5,536,649	144,899,897	18,330,174	229,317,551

53 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) based on the remaining contractual maturity: (continued)

	The Group							
2018	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	58,511,507	24,826,996	25,456,739	16,275,729	26,304,184	5,507,757	-	156,882,912
Deposits and placements of banks and other financial institutions	4,858,616	1,190,215	2,911,787	255,415	80,362	-	-	9,296,395
Obligations on securities sold under repurchase agreements	1,594	851,194	3,078,735	-	-	-	-	3,931,523
Bills and acceptances payable	39,140	227,138	28,108	26,182	-	-	223,882	544,450
Derivative financial instruments	105,136	121,041	123,587	208,563	83,452	440,361	-	1,082,140
Clients' and brokers' balances	350,730	-	-	-	-	-	-	350,730
Payables and other liabilities	4,401,635	3,845,106	19,611	2,300	3,306,388	268	132,883	11,708,191
Recourse obligations on loans sold to Cagamas Berhad	-	-	-	-	-	202,952	-	202,952
Provision for claims	-	-	-	-	150,478	-	-	150,478
Provision for taxation	-	-	-	-	30,571	-	213,591	244,162
Deferred tax liabilities	-	-	-	-	-	78,309	-	78,309
Borrowings	-	699,921	153,607	221,886	-	224,957	-	1,300,371
Multi-currency Additional Tier 1 capital securities	-	-	-	-	-	401,369	-	401,369
Subordinated obligations	-	-	8,815	-	1,743,009	1,048,623	-	2,800,447
Innovative Tier 1 capital securities	-	-	-	-	-	474,612	-	474,612
Insurance funds*	-	1,251	1	3	2,754,085	10,289,706	-	13,045,046
Total liabilities	68,268,358	31,762,862	31,780,990	16,990,078	34,452,529	18,668,914	570,356	202,494,087
Total equity	-	-	-	-	-	-	26,679,723	26,679,723
Total liabilities and equity	68,268,358	31,762,862	31,780,990	16,990,078	34,452,529	18,668,914	27,250,079	229,173,810
Net liquidity gap	(43,269,247)	(18,630,846)	(16,197,742)	(10,153,622)	(28,915,880)	126,230,983		

* Excluding AFS Reserve

53 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) based on the remaining contractual maturity: (continued)

	The Company							
2019	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	84,496	-	-	-	-	-	-	84,496
Deposits and placements with banks and other financial institutions	-	-	3,360	-	-	-	-	3,360
Other receivables	-	-	16	17	2,917	505	-	3,455
Amount due from subsidiaries	-	-	-	-	-	-	702	702
Investment in subsidiary companies	-	-	-	4,862	4,366	-	19,488,848	19,498,076
Deferred tax assets	-	-	-	-	-	-	135	135
Property and equipment	-	-	-	-	-	-	4,179	4,179
Intangible assets	-	-	-	-	-	-	3	3
Total assets	84,496	-	3,376	4,879	7,283	505	19,493,867	19,594,406
Liabilities								
Derivative financial instruments	-	-	-	-	-	135	-	135
Payables and other liabilities	-	20,009	214	738	12,727	230	-	33,918
Provison for tax	-	-	-	-	-	-	766	766
Borrowings								
- Term loans	-	150,058	-	-	-	-	-	150,058
- Revolving credits	-	330,366	100,135	-	-	-	-	430,501
- Commercial papers	-	214,587	-	-	-	-	-	214,587
- Medium term notes	-	-	-	-	-	253,368	-	253,368
- Senior bonds	-	-	-	-	-	405,367	-	405,367
Multi-currency Additional Tier 1 capital securities	-	-	-	-	-	805,236	-	805,236
Subordinated obligations	-	-	-	-	-	1,600,205	-	1,600,205
Total liabilities	-	715,020	100,349	738	12,727	3,064,541	766	3,894,141
Total equity	-	-	-	-	-	-	15,700,265	15,700,265
Total liabilities and equity	-	715,020	100,349	738	12,727	3,064,541	15,701,031	19,594,406
Net liquidity gap	84,496	(715,020)	(96,973)	4,141	(5,444)	(3,064,036)		

53 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) based on the remaining contractual maturity: (continued)

	The Company							
2018	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	25,466	-	-	-	-	-	-	25,466
Deposits and placements with banks and other financial institutions	-	-	3,360	-	-	-	-	3,360
Other receivables	-	2	13	25	140	230	-	410
Amount due from subsidiaries	-	-	-	-	-	-	4,137	4,137
Investment in subsidiary companies	-	-	-	1,799	399	-	17,993,880	17,996,078
Deferred tax assets	-	-	-	-	-	-	75	75
Property and equipment	-	-	-	-	-	-	5,332	5,332
Intangible asset	-	-	-	-	-	-	1	1
Total assets	25,466	2	3,373	1,824	539	230	18,003,425	18,034,859
Liabilities								
Derivative financial instruments	-	-	-	-	-	327	-	327
Payables and other liabilities	-	295	1,295	747	11,214	61	-	13,612
Provison for tax	-	-	-	-	-	-	1,972	1,972
Borrowings								
- Term loans	-	350,108	-	-	-	-	-	350,108
- Revolving credits	-	180,203	30,019	-	-	-	-	210,222
- Commercial papers	-	169,610	-	-	-	-	-	169,610
- Medium term notes	-	-	151,921	250,782	-	253,291	-	655,994
Multi-currency Additional Tier 1 capital securities	-	-	-	-	-	400,751	-	400,751
Subordinated obligations	-	-	-	-	-	499,599	-	499,599
Total liabilities	-	700,216	183,235	251,529	11,214	1,154,029	1,972	2,302,195
Total equity	-	-	-	-	-	-	15,732,664	15,732,664
Total liabilities and equity	-	700,216	183,235	251,529	11,214	1,154,029	15,734,636	18,034,859
Net liquidity gap	25,466	(700,214)	(179,862)	(249,705)	(10,675)	(1,153,799)		

53 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					
2019	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	55,344,911	32,945,494	44,208,357	30,505,103	831,502	163,835,367
Investment account of customer	199	2,045	1	-	-	2,245
Deposits and placements of banks and other financial institutions	5,810,897	3,928,663	110,421	-	-	9,849,981
Obligations on securities sold under repurchase agreements	219,177	2,159,445	-	-	-	2,378,622
Bills and acceptances payable	225,460	106,380	20,490	-	-	352,330
Derivative financial instruments						
- Gross settled derivatives						
- Inflow	(6,328,705)	(4,838,603)	(6,725,854)	(2,384,604)	(1,631,205)	(21,908,971)
- Outflow	6,354,036	4,864,912	6,772,723	2,437,467	1,642,106	22,071,244
- Net settled derivatives	13,135	16,295	274,233	266,272	90,536	660,471
Clients' and brokers' balances	282,521	-	-	-	-	282,521
Payables and other liabilities	9,448,921	31,294	3,465,069	-	377	12,945,661
Recourse obligations on loans sold to Cagamas Berhad	-	204,911	1,050	54,213	-	260,174
Provision for claims	-	-	132,442	-	-	132,442
Borrowings	31,770	18,809	369,771	1,093,815	-	1,514,165
Multi-currency Additional Tier 1 capital securities	-	19,079	60,629	1,051,415	-	1,131,123
Subordinated obligations	-	3,499	139,167	2,020,839	694,894	2,858,399
Innovative Tier 1 capital securities	-	472,687	-	-	-	472,687
Insurance funds	7	16	3,910,848	3,661,711	18,886,415	26,458,997
Total financial liabilities	71,402,329	39,934,926	52,739,347	38,706,231	20,514,625	223,297,458

53 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					
2018	**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	56,237,567	27,509,126	45,627,792	28,162,572	1,584,809	159,121,866
Deposits and placements of banks and other financial institutions	7,292,319	4,178,719	229,564	-	-	11,700,602
Obligations on securities sold under repurchase agreements	791,773	3,205,351	-	-	-	3,997,124
Bills and acceptances payable	485,936	5,517	11,314	-	-	502,767
Derivative financial instruments						
- Gross settled derivatives						
- Inflow	(9,597,591)	(5,234,095)	(4,198,396)	(727,391)	(1,482,113)	(21,239,586)
- Outflow	9,782,683	5,342,571	4,463,480	793,892	1,501,885	21,884,511
- Net settled derivatives	20,465	26,864	114,314	275,028	123,150	559,821
Clients' and brokers' balances	350,730	-	-	-	-	350,730
Payables and other liabilities	4,458,571	3,860,828	3,082,060	-	211	11,401,670
Recourse obligations on loans sold to Cagamas Berhad	-	3,791	3,853	203,848	-	211,492
Provision for claims	-	-	150,478	-	-	150,478
Borrowings	7,313	135,821	453,766	659,493	180,264	1,436,657
Multi-currency Additional Tier 1 capital securities	-	-	41,440	544,750	-	586,190
Subordinated obligations	19,147	1,343	2,583,398	636,677	98,361	3,338,926
Innovative Tier 1 capital securities	-	20,568	20,568	520,682	-	561,818
Insurance funds*	1,492	609	2,777,563	2,902,387	20,564,444	26,246,495
Total financial liabilities	69,850,405	39,057,013	55,361,194	33,971,938	22,571,011	220,811,561

* Excluding AFS Reserve

53 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					
2019	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						
Payables and other liabilities	20,008	214	12,915	-	-	33,137
Derivative financial instruments						
- Net settled derivatives	-	78	-	-	-	78
Borrowings						
- Term loans	467	905	3,997	162,430	-	167,799
- Revolving credit	30,692	1,853	401,132	-	-	433,677
- Commercial papers	612	1,264	5,585	249,164	-	256,625
- Medium term notes	-	6,016	5,984	256,049	-	268,049
- Senior Notes	-	8,772	8,676	426,172	-	443,620
Multi-currency Additional Tier 1 capital securities	-	9,561	30,639	929,501	-	969,701
Subordinated obligations	-	-	72,018	1,863,477	-	1,935,494
Total financial liabilities	51,779	28,663	540,946	3,886,793	-	4,508,180

53 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					
2018	**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						
Payables and other liabilities	1,826	-	11,180	-	-	13,006
Derivative financial instruments						
- Net settled derivatives	-	78	232	78	-	388
Borrowings						
- Term loans	1,154	2,235	9,843	393,879	-	407,111
- Revolving credit	5,592	1,383	206,512	-	-	213,487
- Commercial papers	567	1,099	4,839	25,899	180,264	212,668
- Medium term notes	-	159,437	261,468	268,049	-	688,954
Multi-currency Additional Tier 1 capital securities	-	-	20,920	473,363	-	494,283
Subordinated obligations	-	-	24,650	598,735	-	623,385
Total financial liabilities	9,139	164,232	539,644	1,760,003	180,264	2,653,282

53 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		
2019	Less than 1 year RM'000	Over 1 year RM'000	Total RM'000
Direct credit substitutes	**68,590**	**50,150**	**118,740**
Any commitment that are unconditionally cancelled at anytime by the Group without prior notice	**750,103**	**-**	**750,103**
Short-term self liquidating trade related contingencies	**374,304**	**-**	**374,304**
Obligations under underwriting agreement	**18,860**	**-**	**18,860**
Irrevocable commitments to extend credit	**19,020,280**	**17,720,606**	**36,740,886**
Unutilised credit card lines	**7,276,500**	**-**	**7,276,500**
Total commitments and contingencies	**27,508,637**	**17,770,756**	**45,279,393**
2018			
Direct credit substitutes	58,374	50,967	109,341
Any commitment that are unconditionally cancelled at anytime by the Group without prior notice	662,442	-	662,442
Short-term self liquidating trade related contingencies	512,961	-	512,961
Irrevocable commitments to extend credit	16,074,689	14,301,856	30,376,545
Unutilised credit card lines	6,908,565	-	6,908,565
Total commitments and contingencies	24,217,031	14,352,823	38,569,854

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.

53 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 that are subject to impairment:

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Credit risk exposure relating to on-balance sheet assets:				
Short-term funds and placements with banks and other financial institutions (exclude cash in hand)	**17,116,533**	18,260,746	**87,856**	28,826
Securities purchased under resale agreement	**-**	35,126	**-**	-
Financial assets and investments portfolios (exclude shares and unit trust investments)				
- Financial investments at fair value through other comprehensive income	**24,921,094**	-	**-**	-
- Financial investments available-for-sale	**-**	35,071,347	**-**	-
- Financial investments at amortised cost	**15,888,863**	-	**-**	-
- Financial investments held-to-maturity	**-**	15,895,192	**-**	-
Loans, advances and financing	**137,057,616**	128,851,234	**-**	-
Clients' and brokers' balances	**482,445**	525,556	**-**	-
Other receivables	**1,248,317**	830,409	**2,328**	316
Amount due from subsidiaries	**-**	-	**702**	4,137
	196,714,868	199,469,610	**90,886**	33,279
Credit risk exposure relating to off-balance sheet assets:				
Commitments and contingencies	**45,279,393**	38,569,854	**-**	-
Total maximum credit risk exposure	**241,994,261**	238,039,464	**90,886**	33,279

Notes to the Financial Statements

for the financial year ended 30 June 2019

53 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(i) Maximum exposure to credit risk (continued)

The table below shows the credit exposure of the Group and the Company that are not subject to impairment:

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Financial assets at fair value through profit or loss	**20,430,084**	-	**-**	-
Financial assets held-for-trading	**-**	9,380,156	**-**	-
Derivative assets	**570,185**	971,195	**-**	-
	21,000,269	10,351,351	**-**	-

(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 outstanding balance for loans, advances and financing for which no allowances is recognised because of collateral as at 30 June 2019 amounted to RM185.1 million for the Group.

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 85.11% (2018: 86.08%). The financial effects of collateral held for the remaining financial assets are insignificant.

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for net loans, advances and financing that are credit impaired as at 30 June 2019 for the Group is 83.38% (2018: 86.08%).

53 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(iii) Credit exposure by stage

Financial assets of the Group and the Company are classified into three stages as below:

Stages	Description
Stage 1: 12 months ECL - not credit impaired	Stage 1 includes financial assets which have not had a significant increase in credit risk since initial recognition or which have low credit risk at reporting date. 12-months ECL is recognised and interest income is calculated on the gross carrying amount of the financial assets.
Stage 2: Lifetime ECL - not credit impaired	Stage 2 includes financial assets which have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but do not have objective evidence of impairment. Lifetime ECL is recognised and interest income is calculated on the gross carrying amount of the financial assets.
Stage 3: Lifetime ECL - not credit impaired	Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. Lifetime ECL is recognised and interest income is calculated on the net carrying amount of the financial assets.

For further details on the stages, refer to accounting policy Note O.

(iv) 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.

Credit quality description is summarised as follows:

Credit Quality	Description
Good	Obligors in this category exhibit strong capacity to meet financial commitments.
Adequate	Obligors in this category have a fairly acceptable capacity to meet financial commitments.
Marginal	Obligors in this category have uncertain capacity to meet financial commitments and is under closer monitoring.
No rating	Obligors which are currently not assigned with a credit ratings as it do not satisfy the criteria to be rated based on internal credit rating system.
Credit impaired	Exposures that have been assessed as credit-impaired.

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

53 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(iv) Credit Quality (continued)

The credit quality of financial instruments other than loans, advances and financing are determined based on the ratings of counterparties as defined equivalent rating of other international rating agencies as defined below.

Sovereign	Refer to financial asset issued by federal government or guarantee by federal government.
Investment grade	Refers to the credit quality of the financial asset that the issuer is able to meet payment obligation and exposure bondholder to low credit risk of default.
Non-investment grade	Refers to low credit quality of the financial asset that is highly expose to default risk.
Un-graded	Refers to financial assets which are currently not assigned with ratings due to unavailability of rating models.
Credit impaired	Refers to the asset that is being impaired.

The following table shows an analysis of the credit exposure by stages, together with the ECL allowance provision:

The Group **2019**	**Stage 1** **RM'000**	**Stage 2** **RM'000**	**Stage 3** **RM'000**	**Total** **RM'000**
Short-term funds and placements with banks and other financial institutions (exclude cash in hand):				
Sovereign	**2,543,328**	**-**	**-**	**2,543,328**
Investment grade	**4,745,322**	**-**	**-**	**4,745,322**
Non-Investment grade	**32,893**	**-**	**-**	**32,893**
Un-graded	**9,795,751**	**-**	**-**	**9,795,751**
Gross carrying amount	**17,117,294**	**-**	**-**	**17,117,294**
Expected credit losses	**(761)**	**-**	**-**	**(761)**
Net carrying amount	**17,116,533**	**-**	**-**	**17,116,533**

53 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(iv) Credit Quality (continued)

The following table shows an analysis of the credit exposure by stages, together with the ECL allowance provision: (continued)

The Group 2019	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Financial investments at fair value through other comprehensive income:				
Sovereign	13,788,154	-	-	13,788,154
Investment grade	10,189,949	-	-	10,189,949
Non-Investment grade	444,961	-	-	444,961
Un-graded	498,030	-	-	498,030
Gross carrying amount	24,921,094	-	-	24,921,094
Expected credit losses	(1,566)	-	-	(1,566)
Financial investments at amortised cost:				
Sovereign	14,166,941	-	-	14,166,941
Investment grade	1,055,324	-	-	1,055,324
Un-graded	666,814	-	-	666,814
Gross carrying amount	15,889,079	-	-	15,889,079
Expected credit losses	(216)	-	-	(216)
Net carrying amount	15,888,863	-	-	15,888,863
Loans, advances and financing:				
Good	115,609,052	11,860	-	115,620,912
Adequate	14,092,510	877,444	-	14,969,954
Marginal	4,394	5,626,041	-	5,630,435
Un-graded	730,843	288,984	-	1,019,827
Credit impaired	-	-	1,078,009	1,078,009
Gross carrying amount	130,436,799	6,804,329	1,078,009	138,319,137
Expected credit losses	(369,855)	(498,326)	(396,813)	(1,264,994)
Others*	3,473	-	-	3,473
Net carrying amount	130,070,417	6,306,003	681,196	137,057,616

* Included fair value changes arising from fair value hedges and unamortised fair value changes arising from terminated fair value hedges.

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

53 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(iv) Credit Quality (continued)

(a) Loans, advances and financing are summarised as follows:

	The Group 2018 RM'000
Neither past due nor impaired	121,207,512
Past due but not impaired	7,521,580
Individually impaired	1,132,387
Gross loans, advances and financing	129,861,479
Fair value changes arising from fair value hedges	(2,540)
Unamortised fair value changes arising from terminated fair value hedges	(13)
Less: Allowance for impaired loans, advances and financing:	
- individual assessment allowance	(202,295)
- collective assessment allowance	(805,397)
Net loans, advances and financing	128,851,234

(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 2018 RM'000
Hong Leong Bank Group	
Consumer loans/financing	
Risk Grade	
Good	87,563,208
Weakest	423,168
	87,986,376

53 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(iv) Credit Quality (continued)

(a) Loans, advances and financing are summarised as follows: (continued)

(i) Loans, advances and financing neither past due nor impaired (continued)

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: (continued)

		The Group 2018 RM'000
Corporates loans/financing		
Risk Grade	Credit Quality	
A	Exceptional	790,832
B+	Superior	3,419,183
B	Excellent	4,924,645
B-	Strong	6,504,184
C+	Good	6,385,261
C	Satisfactory	6,507,306
C-	Fair	2,941,250
D+	Adequate	502,313
D	Marginal	163,024
Un-graded		297,106
		32,435,104
Hong Leong Capital Group		
Risk Grade		
Good		13,481
Un-graded		208,182
		221,663
HLA Holdings Group		
Risk Grade		
Un-graded		564,369
The Group total neither past due nor impaired		121,207,512

Notes to the Financial Statements

for the financial year ended 30 June 2019

53 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(iv) 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
	2018
	RM'000
Past due less than 30 days	5,239,220
Past due 30 to less than 60 days	1,595,500
Past due 60 to less than 90 days	686,860
Past due but not impaired	7,521,580

(iii) Loans, advances and financing that are determined to be impaired are as follows:

	The Group
	2018
	RM'000
Gross amount of impaired loans	1,132,387
Less: Individual assessment impairment allowance	(202,295)
Less: Collective assessment impairment allowance	(171,338)
Total net amount of impaired loans	758,754

53 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(iv) Credit Quality (continued)

(b) Other financial assets (continued)

Analysis of other financial assets by rating agency designation (where applicable), based on Moody's ratings or its equivalent are as follows: (continued)

	The Group							
2018	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
Neither past due nor impaired								
AAA to AA3	2,649,431	-	4,697,435	13,609,976	823,209	-	103	307,035
A1 to A3	5,956,196	-	389,443	3,127,509	14,239	-	-	323,682
Baa1 to Baa3	279,441	-	16,018	476,258	22,622	-	-	67,816
P1 to P3	168,250	-	-	-	-	-	1,321	-
Non-rated	9,207,428	35,126	4,277,260	17,857,604	15,035,122	525,556	827,918	272,662
	18,260,746	35,126	9,380,156	35,071,347	15,895,192	525,556	829,342	971,195
Individually impaired	-	-	-	-	-	-	1,067	-
	18,260,746	35,126	9,380,156	35,071,347	15,895,192	525,556	830,409	971,195

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 2019

53 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(iv) Credit Quality (continued)

	The Company			
2018	**Short-term funds and deposits and placements with banks and other financial institutions* RM'000**	**Amount Other receivables RM'000**	**Derivative due from subsidiaries RM'000**	**Derivative financial instruments RM'000**
Neither past due nor impaired				
AAA to AA3	28,826	-	-	-
Non-rated	-	316	4,137	-
	28,826	316	4,137	-
Individually impaired	-	-	-	-
	28,826	316	4,137	-

(v) Collateral and other credit enhancements obtained

	The Group	
	2019 RM'000	**2018 RM'000**
Properties	**256,534**	211,505

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.

53 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(vi) Credit risk exposure analysed by industry in respect of the Group's financial assets are set out below:

	The Group												
2019	Short-term funds and placements with banks and other financial institutions RM'000	Financial Securities purchased under resale agreements RM'000	Financial assets at fair value through profit or loss RM'000	Financial investments at fair value through other comprehensive income RM'000	Financial investments at amortised cost 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
Agriculture	-	-	15,717	117,121	-	2,537,496	-	241	-	2,670,575	-	1,066,678	5,499
Mining and quarrying	-	-	-	85,623	-	109,767	-	-	-	195,390	-	168,890	15,408
Manufacturing	-	-	31,229	-	-	9,995,994	-	449	-	10,027,672	-	7,466,545	151,983
Electricity, gas and water	-	-	1,125,421	2,282,043	816,281	223,037	-	550	-	4,447,332	-	535,354	2,967
Construction	-	-	425,531	356,299	4,988	3,002,638	-	1,179	-	3,790,635	1,000	2,762,359	16,832
Wholesale and retail	-	-	-	41,996	-	11,275,506	-	-	-	11,317,502	-	6,047,757	185,041
Transport, storage and communications	-	-	271,367	569,809	-	3,699,673	-	64	-	4,540,913	-	920,009	6,514
Finance, insurance, real estate and business services	17,092,216	-	11,939,967	11,155,204	2,114,337	10,141,388	234,913	1,189,336	570,320	54,437,681	-	4,089,637	92,263
Government and government agencies	24,317	-	6,620,852	10,302,754	12,953,257	-	-	7,505	-	29,908,686	-	-	8,641
Education, health and others	-	-	-	-	-	1,667,048	-	-	-	1,667,048	-	463,471	4,295
Household	-	-	-	-	-	92,943,939	-	-	-	92,943,939	-	20,356,649	2,601
Purchase of securities	-	-	-	-	-	188,086	247,532	-	-	435,618	750,103	-	-
Others	-	-	-	10,245	-	1,273,044	-	48,993	-	1,332,282	18,860	140,037	-
	17,116,533	-	20,430,084	24,921,094	15,888,863	137,057,616	482,445	1,248,317	570,320	217,715,272	769,963	44,017,386	492,044

53 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(vi) Credit risk exposure analysed by industry in respect of the Group's financial assets are set out below: (continued)

	The Group												
2018	Short-term funds and placements with banks and other financial institutions RM'000	Financial Securities purchased under resale agreements RM'000	Financial assets at fair value through profit or loss RM'000	Financial investments at fair value through other comprehensive income RM'000	Financial investments at amortised cost 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
Agriculture	-	-	-	99,232	-	2,665,114	-	-	-	2,764,346	-	952,054	1,009
Mining and quarrying	-	-	-	40,280	-	147,534	-	-	-	187,814	-	187,379	188
Manufacturing	-	-	-	-	-	9,586,845	-	1,003	-	9,587,848	-	6,318,050	238,560
Electricity, gas and water	-	-	99,523	2,917,693	60,949	201,063	-	277	-	3,279,505	-	192,924	46
Construction	-	35,126	65,484	419,791	-	2,742,754	-	88	-	3,263,243	1,000	1,941,674	13,680
Wholesale and retail	-	-	-	39,359	-	10,581,176	-	-	-	10,620,535	-	5,101,312	258,714
Transport, storage and communications	-	-	74,065	472,007	-	3,332,904	-	17	-	3,878,993	-	496,715	5,528
Finance, insurance, real estate and business services	17,536,075	-	4,477,343	17,365,519	319,953	9,531,963	209,322	776,471	971,195	51,187,841	4,914	3,582,847	94,993
Government and government agencies	724,671	-	3,665,357	10,728,252	15,079,749	-	-	6,891	-	30,204,920	-	-	206
Education, health and others	-	-	-	-	-	1,728,563	-	33	-	1,728,596	-	210,314	-
Household	-	-	-	-	-	86,942,754	-	-	-	86,942,754	-	18,169,084	3,465
Purchase of securities	-	-	-	-	-	208,042	316,234	-	-	524,276	662,442	-	-
Others	-	-	998,384	2,989,214	434,541	1,182,522	-	45,629	-	5,650,290	-	132,756	-
	18,260,746	35,126	9,380,156	35,071,347	15,895,192	128,851,234	525,556	830,409	971,195	209,820,961	668,356	37,285,109	616,389

53 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(vi) Credit risk exposure analysed by industry in respect of the Company's financial assets are set out below:

	The Company				
2019	**Short-term funds and placements with banks and other financial institutions RM'000**	**Amount Other receivables RM'000**	**Derivative due from subsidiaries RM'000**	**Total financial instruments RM'000**	**credit risk exposures RM'000**
Finance, insurance, real estate and business services	**87,856**	**2,328**	**702**	**-**	**90,887**
2018					
Finance, insurance, real estate and business services	28,826	316	4,137	-	33,279

(vii) Write-off policy

The Group write off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

A write-off constitutes a derecognition event. The Group may apply enforcement activities to financial assets written off. Recoveries resulting from the Group's enforcement activities will be written back as bad debts recovered in the income statements.

The contractual amount outstanding on loans, advances and financing and securities portfolio that were written off during the financial year ended and are still subject to enforcement activities was RM263.2 million for the Group.

(viii) Modification of contractual cash flows

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

Notes to the Financial Statements

for the financial year ended 30 June 2019

53 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(viii) Modification of contractual cash flows (continued)

ECL for modified financial assets that have not been derecognised and are not considered to be credit-impaired will be recognised on a 12-month basis, or a lifetime basis, if there is a significant increase in credit risk. These assets are assessed to determine whether there has been a significant increase in credit risk subsequent to the modification.

Although loans and financing may be modified for non-credit reasons, a significant increase in credit risk may occur. The Group may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from stage 3 or stage 2 to stage 1. This is only the case for assets which have been monitored for consecutive six months observation period or more.

(ix) Sensitivity analysis

The Group have performed ECL sensitivity assessment on loans, advances and financing based on the changes in key macroeconomic variables, such as consumer price index, private consumption, house price index, unemployment rates and banking system credit 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 ECL of the Group.

The table below outlines the effect of ECL on the changes in key variables used while other variables remain constant:

(a) Retail

	Changes
Consumer price index	+/-50 bps
Private consumption	+/-50 bps
House price index	+/-150 bps
Unemployment rate	+/-100 bps

	The Group 2019 RM'000
Total effect of ECL on the positive changes in key variables	(1,802)
Total effect of ECL on the negative changes in key variables	2,120

(b) Non-retail

	Changes
Banking system credit	+/-100 bps

	The Group 2019 RM'000
Total effect of ECL on the positive changes in key variables	(2,688)
Total effect of ECL on the negative changes in key variables	2,577

54 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.

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.

Notes to the Financial Statements

for the financial year ended 30 June 2019

54 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:

The Group 2019	Fair Value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Recurring fair value measurements				
Financial assets				
Financial assets at fair value through profit or loss				
- Money market instruments	-	12,823,712	-	12,823,712
- Quoted securities	3,835,082	-	-	3,835,082
- Unquoted securities	-	7,436,652	326,621	7,763,273
Financial investments at fair value through other comprehensive income				
- Money market instruments	-	11,523,539	-	11,523,539
- Quoted securities	3,414,587	-	-	3,414,587
- Unquoted securities	-	9,982,968	44,331	10,027,299
Derivative financial instruments	32	562,341	7,812	570,185
	7,249,701	42,329,212	378,764	49,957,677
Financial liabilities				
Derivative financial instruments	2,940	721,691	7,812	732,443
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	2,104,802	-	2,104,802
	2,940	2,826,493	7,812	2,837,245

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 (2018: RM Nil).

54 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 2018	Fair Value 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	-	8,153,872	-	8,153,872
- Quoted securities	1,265,665	-	-	1,265,665
- Unquoted securities	-	1,117,344	-	1,117,344
Financial investments available-for-sale				
- Money market instruments	-	12,313,774	-	12,313,774
- Quoted securities	6,847,336	-	-	6,847,336
- Unquoted securities	-	18,101,525	469,904	18,571,429
Derivative financial instruments	1,221	956,098	13,876	971,195
	8,114,222	40,642,613	483,780	49,240,615
Financial liabilities				
Derivative financial instruments	4,913	1,063,351	13,876	1,082,140
Financial liabilities designated at fair value				
- Structured deposits linked to interest rate derivatives	-	3,167,150	-	3,167,150
	4,913	4,230,501	13,876	4,249,290

The Company	Fair Value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2019				
Recurring fair value measurements				
Financial liabilities				
Derivative financial instruments	**-**	**135**	**-**	**135**
2018				
Recurring fair value measurements				
Financial liabilities				
Derivative financial instruments	-	327	-	327

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 (2018: RM Nii).

Notes to the Financial Statements

for the financial year ended 30 June 2019

54 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:

	Financial Assets				Financial Liability
The Group 2019	**Financial assets at fair value through profit or loss RM'000**	**Financial investments at fair value through other comprehensive income RM'000**	**Financial investments available-for-sale RM'000**	**Derivative financial instruments RM'000**	**Derivative financial instruments RM'000**
As at 1 July	-	-	469,904	13,876	13,876
Effect of adopting MFRS 9	309,740	33,477	(469,904)	-	-
As at 1 July, as restated	309,740	33,477	-	13,876	13,876
Fair value changes recognised in statements of income	16,896	-	-	(12,653)	(12,653)
Net fair value changes recognised in other comprehensive income	(15)	10,854	-	-	-
Purchases	-	-	-	(1,810)	(1,810)
Settlements	-	-	-	8,399	8,399
As at 30 June	326,621	44,331	-	7,812	7,812
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2019	16,896	-	-	(12,653)	(12,653)
Total (loss)/gain recognised in other comprehensive income relating to assets held on 30 June 2019	(15)	10,854	-	-	-

54 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)

	Financial Assets		Financial Liability
The Group 2018	**Financial investments available-for-sale RM'000**	**Derivative financial instruments RM'000**	**Derivative financial instruments RM'000**
As at 1 July	457,152	8,568	8,568
Fair value changes recognised in statements of income	-	4,672	4,672
Net fair value changes recognised in other comprehensive income	162,113	-	-
Purchases	-	6,672	6,672
Disposal	(149,361)	-	-
Settlements	-	(6,036)	(6,036)
As at 30 June	469,904	13,876	13,876
Fair value changes recognised in statements of income relating to assets/liability held on 30 June 2018	-	4,672	4,672
Total gain recognised in other comprehensive income relating to assets held on 30 June 2018	162,113	-	-

During the financial year ended 30 June 2018, the Group transferred certain financial instruments (mainly shares outside Malaysia) from Level 3 to Level 2 of the fair value hierarchy. The reason for the transfer was due to upliftment of conversion restriction whereby certain shares are now convertible to Class A shares which are currently listed on the New York Stock Exchange. Thus, these shares can now be reliably measured based on observable inputs under Level 2.

Notes to the Financial Statements

for the financial year ended 30 June 2019

54 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)

2019 Description	The Group 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 at fair value through other comprehensive income						
Unquoted shares	44,331	-	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value
Derivative financial instruments						
Equity derivatives	7,812	(7,812)	Monte Carlo Simulation	Equity volatility	+1% to +8%	Higher volatility, would generally result in higher fair valuation for long volatility positions and vice versa
			Monte Carlo Simulation	Equity/FX Correlation between underlyers	-19% to +18%	An increase in correlation, would generally result in a higher fair value measurement and vice versa

54 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					
2018 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	469,904	-	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value
Derivative financial instruments						
Equity derivatives	13,876	(13,876)	Monte Carlo Simulation	Equity volatility	+1% to +8%	Higher volatility, would generally result in higher fair valuation for long volatility positions and vice versa
			Monte Carlo Simulation	Equity/FX Correlation between underlyers	-19% to +18%	An increase in correlation, would generally result in a higher fair value measurement and vice versa

Notes to the Financial Statements

for the financial year ended 30 June 2019

54 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(a) Determination of fair value and fair value hierarchy (continued)

Sensitivity analysis for level 3

			The Group	
			Effect of reasonable possible alternative assumptions to: Profit or loss	
			Favourable/Unfavourable changes	
2019	**Type of unobservable input**	**Sensitivity of significant unobservable input**	**Financial assets**	**Financial liabilities**
Derivative financial instruments				
- Equity derivatives	Equity volatility	**+10%**	**1,172**	**(1,172)**
		-10%	**(1,023)**	**1,023**
	Equity/FX	**+10%**	**(50)**	**50**
	Correlation	**-10%**	**(84)**	**84**
	Total*		**15**	**(15)**
2018				
Derivative financial instruments				
- Equity derivatives	Equity volatility	+10%	1,084	(1,084)
		-10%	(1,113)	1,113
	Equity/FX	+10%	40	(40)
	Correlation	-10%	(14)	14
	Total*		(3)	3

* No or insignificant impact to the Group. All equity link derivatives with unobservable inputs are hedged back-to-back with external parties.

54 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 2019 RM'000	Fair value 2019 RM'000	Carrying amount 2018 RM'000	Fair value 2018 RM'000
Financial assets				
Financial investments at amortised cost				
- Money market instruments	**10,144,586**	**10,160,670**	-	-
- Quoted securities	**997,179**	**987,230**	-	-
- Unquoted securities	**4,748,141**	**4,784,667**	-	-
Financial investments held-to-maturity				
- Money market instruments	**-**	**-**	13,443,463	13,313,894
- Unquoted securities	**-**	**-**	2,452,216	2,437,337
Loans, advances and financing	**137,057,616**	**137,065,637**	128,851,234	128,965,549
	152,947,522	**152,998,204**	144,746,913	144,716,780
Financial liabilities				
Deposits from customers	**159,783,083**	**160,183,634**	153,715,762	154,122,474
Recourse obligations on loans sold to Cagamas Berhad	**253,591**	**253,940**	202,952	201,829
Borrowings	**1,398,277**	**1,397,806**	1,300,371	1,297,261
Subordinated obligations	**2,160,432**	**2,178,070**	2,800,447	2,789,004
Multi-currency Additional Tier 1 capital securities	**806,376**	**845,200**	401,369	416,752
Innovative Tier 1 capital securities	**464,273**	**516,016**	474,612	495,925
	164,866,032	**165,374,665**	158,895,513	159,323,245

	The Company			
	Carrying amount 2019 RM'000	Fair value 2019 RM'000	Carrying amount 2018 RM'000	Fair value 2018 RM'000
Financial liabilities				
Borrowings	**1,453,881**	**1,453,410**	1,385,934	1,382,824
Subordinated obligations	**1,600,205**	**1,621,854**	499,599	502,163
Multi-currency Additional Tier 1 capital securities	**805,236**	**829,629**	400,751	411,323
	3,859,322	**3,904,892**	2,286,284	2,296,310

Notes to the Financial Statements

for the financial year ended 30 June 2019

54 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 but for which fair value is disclosed:

		Fair value			
The Group 2019	**Carrying amount RM'000**	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Financial assets					
Financial investments at amortised cost					
- Money market instruments	10,144,586	-	10,160,670	-	10,160,670
- Quoted securities	997,179	-	987,230	-	987,230
- Unquoted securities	4,748,141	-	4,784,667	-	4,784,667
Loans, advances and financing	137,057,616	-	137,065,637	-	137,065,637
	152,947,522	-	152,998,204	-	152,998,204
Financial liabilities					
Deposits from customers	159,783,083	-	160,183,634	-	160,183,634
Recourse obligations on loans sold to Cagamas Berhad	253,591	-	253,940	-	253,940
Borrowings	1,398,277	-	1,397,806	-	1,397,806
Subordinated obligations	2,160,432	-	2,178,070	-	2,178,070
Multi-currency Additional Tier 1 capital securities	806,376	-	845,200	-	845,200
Innovative Tier 1 capital securities	464,273	-	516,016	-	516,016
	164,866,032	-	165,374,665	-	165,374,665

54 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 but for which fair value is disclosed: (continued)

The Group 2018	Carrying amount RM'000	Fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets					
Financial investments held-to-maturity					
- Money market instruments	13,443,463	-	13,313,894	-	13,313,894
- Unquoted securities	2,452,216	-	2,436,851	486	2,437,337
Loans, advances and financing	128,851,234	-	128,965,549	-	128,965,549
	144,746,913	-	144,716,294	486	144,716,780
Financial liabilities					
Deposits from customers	153,715,762	-	154,122,474	-	154,122,474
Recourse obligations on loans sold to Cagamas Berhad	202,952	-	201,829	-	201,829
Borrowings	1,300,371	-	1,297,261	-	1,297,261
Subordinated obligations	2,800,447	-	2,789,004	-	2,789,004
Multi-currency Additional Tier 1 capital securities	401,369	-	416,752	-	416,752
Innovative Tier 1 capital securities	474,612	-	495,925	-	495,925
	158,895,513	-	159,323,245	-	159,323,245

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

54 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 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
2019					
Financial liabilities					
Borrowings	**1,453,881**	**-**	**1,453,410**	**-**	**1,453,410**
Subordinated obligations	**1,600,205**	**-**	**1,621,854**	**-**	**1,621,854**
Multi-currency Additional Tier 1 capital securities	**805,236**	**-**	**829,629**	**-**	**829,629**
	3,859,322	**-**	**3,904,892**	**-**	**3,904,892**
2018					
Financial liabilities					
Borrowings	1,385,934	-	1,382,824	-	1,382,824
Subordinated obligations	499,599	-	502,163	-	502,163
Multi-currency Additional Tier 1 capital securities	400,751	-	411,323	-	411,323
	2,286,284	-	2,296,310	-	2,296,310

(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.

FVTPL, FVOCI and financial investments at amortised cost

The estimated fair value is generally based on quoted and observable market prices. Where there is no ready market in certain securities, the Group and the Company establishes the fair value by using valuation techniques.

54 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(c) Fair value methodologies and assumptions (continued)

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.

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.

Recourse obligations on loans sold to Cagamas Berhad

For amounts due to Cagamas Berhad with maturities of less than one year, the carrying amounts are a reasonable estimate of their fair values. For amounts due to Cagamas Berhad with maturities of more than one year, fair value is estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturity.

Subordinated obligations, senior bonds and capital securities

The fair value of subordinated obligations, senior bonds 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

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between initial recognised amount and the redemption amount is recognised in profit or loss 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.

54 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(c) Fair value methodologies and assumptions (continued)

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.

55 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:

				Related amount not set off in the statements of financial position		
The Group 2019	**Gross amount recognised in the statements of financial position RM'000**	**Gross amount offset in the statements 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	727,368	(244,923)	482,445	-	-	482,445
Derivative financial instruments	570,185	-	570,185	(347,252)	(126,955)	95,978
Total	1,297,553	(244,923)	1,052,630	(347,252)	(126,955)	578,423
Financial liabilities						
Clients' and brokers' balances	431,247	(148,726)	282,521	-	-	282,521
Derivative financial instruments	732,443	-	732,443	(347,252)	(255,850)	129,341
Obligations on securities sold under resale agreements	2,333,916	-	2,333,916	(2,333,916)	-	-
Payables and other liabilities	13,330,644	(96,197)	13,234,447	-	-	13,234,447
Total	16,828,250	(244,923)	16,583,327	(2,681,168)	(255,850)	13,646,309

55 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)

				Related amount not set off in the statements of financial position		
The Group 2018	**Gross amount recognised in the statements of financial position RM'000**	**Gross amount offset in the statements 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	867,693	(342,137)	525,556	-	-	525,556
Derivative financial instruments	983,616	(12,421)	971,195	(400,579)	(170,682)	399,934
Securities purchased under resale agreements	541,951	(506,825)	35,126	-	-	35,126
Total	2,393,260	(861,383)	1,531,877	(400,579)	(170,682)	960,616
Financial liabilities						
Clients' and brokers' balances	597,886	(247,156)	350,730	-	-	350,730
Derivative financial instruments	1,094,561	(12,421)	1,082,140	(400,579)	(193,173)	488,388
Obligations on securities sold under resale agreements	4,438,348	(506,825)	3,931,523	(3,931,523)	-	-
Payables and other liabilities	11,803,172	(94,981)	11,708,191	-	-	11,708,191
Total	17,933,967	(861,383)	17,072,584	(4,332,102)	(193,173)	12,547,309

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

56 EQUITY COMPENSATION BENEFITS

Executive Share Scheme

The Group established and implemented the following Executive Share Schemes.

Executive Share Scheme ("ESS") established using the shares of the Company - The Company and its subsidiary company Hong Leong Assurance Berhad

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

(i) ESOS

The ESOS 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.

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

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.

56 EQUITY COMPENSATION BENEFITS (continued)

Executive Share Scheme (continued)

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 total number of issued shares (excluding treasury shares) of the Company at any one time.

4. The option price for the options to be granted under the ESOS 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.

5. The options granted to an option holder under the ESOS 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 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.

Notes to the Financial Statements

for the financial year ended 30 June 2019

56 EQUITY COMPENSATION BENEFITS (continued)

Executive Share Scheme (continued)

A trust has been set up for the ESS and it is administered by an appointed trustee. This trustee will be entitled from time to time to accept financial assistance from the Group upon such terms and conditions as the Group 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 cost of the ordinary shares held by the Trustee are as follows:

	The Group			
	2019		2018	
	Number of trust shares held unit'000	Cost RM'000	Number of trust shares held unit'000	Cost RM'000
As at 1 July	**2,518**	**22,686**	3,964	35,713
Purchase of treasury shares	**8,088**	**152,141**	-	-
Exercise of share option	**(1,434)**	**(12,918)**	(1,446)	(13,027)
As at 30 June	**9,172**	**161,909**	2,518	22,686

	The Company			
	2019		2018	
	Number of trust shares held unit'000	Cost RM'000	Number of trust shares held unit'000	Cost RM'000
As at 1 July	**1**	**3**	1	3
Purchase of treasury shares	**8,088**	**152,141**	-	-
As at 30 June	**8,089**	**152,144**	1	3

56 EQUITY COMPENSATION BENEFITS (continued)

Executive Share Scheme (continued)

(i) ESOS

The options granted under the scheme are as follows:

	The Group					
Grant date	As at 1-Jul	Option granted	Exercised	Ceased/ Forfeited	Outstanding as at 30-Jun	Exercisable as at 30-Jun
2019						
02-Apr-15	**2,169,000**	**-**	**(1,434,000)**	**(18,000)**	**717,000**	**-**
15-Dec-17	**19,750,000**	**-**	**-**	**-**	**19,750,000**	**-**
	21,919,000	**-**	**(1,434,000)**	**(18,000)**	**20,467,000**	**-**
2018						
02-Apr-15	10,570,183	-	(1,446,000)	(6,955,183)	2,169,000	-
15-Dec-17	-	20,450,000	-	(700,000)	19,750,000	-
	10,570,183	20,450,000	(1,446,000)	(7,655,183)	21,919,000	-

	The Company					
Grant date	As at 1-Jul	Option granted	Exercised	Ceased/ Forfeited	Outstanding as at 30-Jun	Exercisable as at 30-Jun
2019						
15-Dec-17	**10,000,000**	**-**	**-**	**-**	**10,000,000**	**-**
2018						
15-Dec-17	-	10,000,000	-	-	10,000,000	-

Adjustments on exercise price due to Rights Issue

The fair value of share options granted was estimated using the Black-scholes model, taking into account the terms and conditions upon which the options are granted and is inclusive of incremental fair value arising from adjusted exercise price. The expected volatility reflects the assumption that the historical volatility was indicative of future trends, which may not necessarily be the actual outcome.

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

56 EQUITY COMPENSATION BENEFITS (continued)

Executive Share Scheme (continued)

(i) ESOS (continued)

The value of share options and the key inputs for share options valuation were as follows:

	Options 2018		Options 2015	
	2019	**2018**	**2019**	**2018**
Fair value of share options (RM)	**1.51 - 3.20**	2.16 - 3.90	**2.38**	2.30 - 2.90
Share price at valuation date (RM)	**18.54**	18.00	**18.54**	18.00
Adjusted exercise price (RM)	**-**	-	**16.61**	16.61
Original exercise price (RM)	**17.12**	17.12	**16.88**	16.88
Expected volatility (%)	**16.29**	21.37	**16.29**	21.37
Weighted average dividend yield (%)	**2.27**	2.25	**2.27**	2.25
Weighted average risk free rate (%)	**3.10**	3.35	**3.10**	3.35

The vesting period of the options granted on 2 April 2015 is 5.20 years from grant date. The weighted average remaining option life as at 30 June 2019 is 0.96 years.

The vesting period of the options granted on 15 December 2017 range from 1.40 to 5.40 years from grant date. The weighted average remaining option life as at 30 June 2019 is 2.37 years.

Executive Share Scheme ("ESS") established using the shares of subsidiary of the Company - Hong Leong Bank Berhad ("HLB")

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

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 HLB in the annual general meeting held on 29 October 2013 and 25 October 2012. The Board of HLB, 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 HLB which are still subsisting shall not exceed 10% of the issued and paid-up ordinary share capital (excluding treasury shares) of HLB at any one time.

4. The exercise of the options under the ESOS or the vesting of shares under the ESGS may, at the absolute discretion of the HLB's 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.

56 EQUITY COMPENSATION BENEFITS (continued)

Executive Share Scheme (continued)

(i) ESOS (continued)

The ESOS which was approved by the shareholders of HLB on 25 October 2012, was established on 12 March 2013 and would be in force for a period of ten (10) years.

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

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

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

1. The option price for the options to be granted under the ESOS 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 HLB 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 HLB.

2. The options granted to an option holder under the ESOS is exercisable by the option holder during his employment or directorship with the HLB 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 HLB's Board under the Bye-Laws of the ESS.

   During the financial year ended 30 June 2019, Nil (2018:Nil) share options have been granted under the ESOS with 20,325,861 (2018: 29,624,263) options remain outstanding. The Board of HLB has approved 837,504 share options under the ESOS scheme on 29 January 2019 to be vested between year 2019 to 2021. These share options were previously granted on 2 April 2015.

Notes to the Financial Statements

for the financial year ended 30 June 2019

56 EQUITY COMPENSATION BENEFITS (continued)

Executive Share Scheme (continued)

(i) ESOS (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:

	2019		2018	
	Before Rights Issue	After Rights Issue	Before Rights Issue	After Rights Issue
Fair value of share options (RM)	**1.22 - 1.48**	**1.40 - 1.64**	1.42 - 1.67	1.62 - 1.85
Share price at grant date/modified grant date (RM)	**14.30**	**13.56**	14.30	13.56
Exercise price (RM)	**14.24**	**13.77**	14.24	13.77
Weighted average option life at grant date/modified grant date (Years)	**5.12**	**4.46**	4.55	3.89
Expected volatility (%)	**11.74**	**12.21**	11.74	12.21
Weighted average dividend yield (%)	**3.20**	**3.33**	3.29	3.37
Weighted average risk free rate (%)	**3.82**	**4.03**	3.77	4.01

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 3.83 to 5.83 years from grant date. The weighted average remaining option life as at 30 June 2019 is 0.88 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:

56 EQUITY COMPENSATION BENEFITS (continued)

Executive Share Scheme (continued)

(i) ESOS (continued)

	2019 After Rights Issue	2018 After Rights Issue
Fair value of share options (RM)	**0.95 - 1.22**	1.19 - 1.48
Share price at grant date/modified grant date (RM)	**13.56**	13.56
Exercise price (RM)	**13.77**	13.77
Weighted average option life at grant date (Years)	**4.46**	3.89
Expected volatility (%)	**12.21**	12.21
Weighted average dividend yield (%)	**3.33**	3.37
Weighted average risk free rate (%)	**4.03**	4.01

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 to 3.16 to 5.17 years from grant date. The weighted average remaining option life as at 30 June 2019 is 0.88 years.

Share options at an exercise price of RM16.46 (22,750,000 share options) and RM14.24 (37,550,000 share options).

The estimated fair value of each share option granted is between RM3.15 and RM4.45 per share. This was calculated using the Black-Scholes model. The model inputs were the share price at grant date of RM18.72, weighted average option life at grant date of 3.6 years, exercise price of RM16.46, expected volatility of 17.94%, weighted average expected dividend yield of 2.15% and a weighted average risk free interest rate of 3.84%.

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 1.25 to 5.25 years from grant date.

(ii) ESGS

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

On 10 September 2013, HLB announced that Bursa Malaysia Securities Berhad had resolved to approve in principle the listing of new ordinary shares of HLB to be issued pursuant to the ESGS.

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

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 HLB Group and subject to any other terms and conditions as may be determined by the HLB's Board.

During the financial year ended 30 June 2019, a total of 342,495 ordinary shares were vested and transferred pursuant to the HLB's ESGS with 568,060 ordinary shares remaining outstanding.

Notes to the Financial Statements

for the financial year ended 30 June 2019

57 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) In March 2017, the Board of Directors has approved the divestment of 37% of HLB's stake through non-subscription of the issuance of new share capital by JV Co and selling down the original share capital held by HLB to new strategic investors through an exercise via Southwest United Equity Exchange. The sale was completed upon obtaining approval from CBRC vide its letter dated 3 September 2018.

Post completion of the divestment exercise, the retained interest of 12% under the Group of RM68,782,000 is derecognised from its investment in joint venture and classified as investment in associated companies.

(b) Pursuant to Section 247(3) of the Companies Act 2016, the Companies Commission of Malaysia had granted its approval for HLBCAM, a wholly-owned subsidiary of HLB incorporated in the Kingdom of Cambodia, to have a different financial year end from its holding company. The financial year end of HLBCAM is 31 December as required under the Prakas on Annual Audit of Financial Statement of Banks and Financial Institutions issued by the National Bank of Cambodia.

(c) On 29 March 2019, the Company issued second tranche of RM400.0 million nominal value of Additional Tier 1 capital securities ("Capital Securities") out of its multi-currency perpetual notes programme. The Capital Securities, which qualify as Additional Tier 1 capital for the Company, carry a distribution rate of 4.82% per annum. The Capital Securities are perpetual with an Issuer's call option to redeem at the end of year 5. The proceeds from the issuance was used to subscribe for RM400.0 million Additional Tier 1 capital securities issued by Hong Leong Bank Berhad, a subsidiary of the Company.

(d) On 14 June 2019, the Company issued RM1.1 billion nominal value of Tier 2 subordinated notes ("Sub-Notes") out of its multi-currency perpetual notes programme. The Sub-Notes, which qualify as Tier 2 capital for the Company, carry a distribution rate of 4.30% per annum. The Sub-Notes has a tenure of 10 years non-callable 5 years. The proceeds from the issuance of Sub-Notes were used to subscribe for RM1.0 billion Tier 2 subordinated notes issued by Hong Leong Bank Berhad, a subsidiary of the Company, and RM100.0 million Tier 2 subordinated notes issued by Hong Leong Investment Bank Berhad, an indirect subsidiary of the Company.

(e) Hong Leong MSIG Takaful Berhad ("HLMT") has ceased to be a composite licensed takaful operator effective 1 July 2018. In accordance with the legislative requirements under Islamic Financial Services Act (IFSA) 2013 Section 16(1), a licensed Takaful Operator can no longer operate under composite license. A licensed Takaful Operator must only carry a single license on either a Family Takaful business or General takaful Business. A composite licensed Takaful Operator is expected the conversion exercise and operate under single license latest by 1 July 2018, as stated in BNM's Conversion to Single Takaful Business Guideline issued on 15 February 2016. As part of its internal streamlining exercise, HLMT has completed the transfer of general business to existing Takaful operator by 31 May 2019.

(f) On 27 November 2018, the Group announced that it had placed its wholly-owned subsidiaries, Hong Leong Equities Sdn Bhd ("HLE") and HLFG Assets Sdn Bhd ("HLFGA"), under member's voluntary winding-up pursuant to Section 439(1)(b) of the Companies Act, 2016. Upon liquidation of HLE, there was a gain on liquidation amounted to RM190.2 million reported for previous financial year whereby RM188.1 million is arising from distribution in shares and RM2.1 million is arising from distribution in cash. During the financial year, there was distribution in cash of RM21,000. HLE was dissolved during the financial year.

58 SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR

There are no material subsequent events after the financial year that require disclosure or adjustments to the financial statements except for the following:

On 10 September 2019, HLB had fully redeemed the RM500.0 million 8.25% Innovative Tier 1 Capital Securities due 9 September 2039 callable on 10 September 2019.

59 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
2019			
Financial investments at fair value through other comprehensive income - net fair value gain/(loss)	**345,337**	**(74,523)**	**270,814**
Cash flow hedge - net fair value (loss)/gain	**(4,531)**	**973**	**(3,558)**
2018			
Financial investments available-for-sale - net fair value (loss)/gain	(403,475)	183,776	(219,699)
Cash flow hedge - net fair value gain/(loss)	2,398	(498)	1,900

60 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 ECL

The measurement of the ECL for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour.

MFRS9 introduces the use of macro economic factors which include, but is not limited to, unemployment, interest rates, gross domestic product, private consumption, inflation and commercial property prices, and requires an evaluation of both the current and forecast direction of the economic cycle. Incorporating forward looking information increases the level of judgement as to how changes in these macroeconomic factors will affect ECL. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

Notes to the Financial Statements

for the financial year ended 30 June 2019

60 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (continued)

(a) Allowance for impairment losses on loans, advances and financing (continued)

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

(i) Determining criteria for significant increase in credit risk;
(ii) Choosing appropriate models and assumptions for the measurement of ECL;
(iiii) Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
(iv) Establishing groups of similar financial assets for the purposes of measuring ECL.

The sensitivity effect on the macroeconomic factor is further disclosed in Note 53(d) to the financial statements.

(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.

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.

61 CHANGE IN ACCOUNTING POLICIES

The Group and the Company have adopted MFRS 9 with a date of transition of 1 July 2018, which resulted in changes in accounting policies and adjustments to the amount previously recognised in the financial statements. The Group and the Company did not early adopt any of MFRS 9 in previous periods.

As permitted by the transitional provisions of MFRS 9, the Group and the Company elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities were recognised in the opening retained earnings and other reserves of the current period.

The adoption of MFRS 9 has resulted in changes in accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. MFRS 9 also significantly amends other standards dealing with financial instruments such as MFRS 7 "Financial Instruments: Disclosures".

61 CHANGE IN ACCOUNTING POLICIES (continued)

(i) The following table analyses the impact of transition on the Statements of Financial Position of the Group and the Company from MFRS 139 to MFRS 9 as at 1 July 2018:

Impact of adopting MFRS 9 as at 1 July 2018	The Group RM'000
Cash and short-term funds	
Closing balance under MFRS 139 as at 30 June 2018	9,890,071
- recognition of expected credit losses under MFRS 9	(463)
Opening balance under MFRS 9 as at 1 July 2018	9,889,608
Deposits and placements with banks and other financial institutions	
Closing balance under MFRS 139 as at 30 June 2018	10,196,421
- recognition of expected credit losses under MFRS 9	(303)
Opening balance under MFRS 9 as at 1 July 2018	10,196,118
Securities purchased under resale agreements	
Closing balance under MFRS 139 as at 30 June 2018	35,126
- recognition of expected credit losses under MFRS 9	(2)
Opening balance under MFRS 9 as at 1 July 2018	35,124
Financial assets at fair value through profit or loss	
Closing balance under MFRS 139 as at 30 June 2018	-
- reclassification from financial assets held-for-trading	7,982,521
- reclassification from financial investments available-for-sale	12,731,301
- reclassification from financial investments held-to-maturity	641,941
- remeasurement of fair value of financial instrument	(143,555)
- unrealised gain on reclassification from financial investments available-for-sale to financial assets at fair value through profit or loss	26,020
- reversal of loss reclassification from financial investments available-for-sale to financial investments at fair value through profit or loss	355
Opening balance under MFRS 9 as at 1 July 2018	21,238,583
Financial assets held-for-trading	
Closing balance under MFRS 139 as at 30 June 2018	10,536,881
- reclassification to financial assets at fair value through profit or loss	(7,982,521)
- reclassification to financial investments at fair value through other comprehensive income	(2,554,360)
Opening balance under MFRS 9 as at 1 July 2018	-

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

61 CHANGE IN ACCOUNTING POLICIES (continued)

(i) The following table analyses the impact of transition on the Statements of Financial Position of the Group and the Company from MFRS 139 to MFRS 9 as at 1 July 2018: (continued)

Impact of adopting MFRS 9 as at 1 July 2018	The Group RM'000
Financial investments at fair value through other comprehensive income	
Closing balance under MFRS 139 as at 30 June 2018	-
- reclassification from financial investments available-for-sale	20,807,950
- reclassification from financial assets held-for-trading	2,554,360
- reclassification from financial investments held-to-maturity	3,169,316
- reversal of unrealised loss on financial investments at fair value through other comprehensive income	15,822
- unrealised gain on financial investments at fair value through other comprehensive income reclassified from financial investments held-for-maturity	13,028
- recognition of expected credit losses under MFRS 9	(19,202)
Opening balance under MFRS 9 as at 1 July 2018	26,541,274
Financial investments available-for-sale	
Closing balance under MFRS 139 as at 30 June 2018	37,732,539
- reclassification to financial investments at fair value through other comprehensive income	(20,807,950)
- reclassification to financial investments at amortised cost	(4,193,288)
- reclassification to financial assets at fair value through profit or loss	(12,731,301)
Opening balance under MFRS 9 as at 1 July 2018	-
Financial investments at amortised cost	
Closing balance under MFRS 139 as at 30 June 2018	-
- reclassification from financial investments held-to-maturity	12,084,422
- reclassification from financial investments available-for-sale	4,193,288
- remeasurement of debt instruments at amortised cost previously held at financial investments available-for-sale	38,776
- recognition of expected credit losses under MFRS 9	(854)
Opening balance under MFRS 9 as at 1 July 2018	16,315,632
Financial investments held-to-maturity	
Closing balance under MFRS 139 as at 30 June 2018	15,895,679
- reclassification to financial assets at fair value through profit or loss	(641,941)
- reclassification to financial investments at fair value through other comprehensive income	(3,169,316)
- reclassification to financial investments at amortised cost	(12,084,422)
Opening balance under MFRS 9 as at 1 July 2018	-
Loans, advances and financing	
Closing balance under MFRS 139 as at 30 June 2018	128,851,234
- recognition of expected credit losses under MFRS 9	(360,630)
- remeasurement of loans, advances and financing	28,955
Opening balance under MFRS 9 as at 1 July 2018	128,519,559

61 CHANGE IN ACCOUNTING POLICIES (continued)

(i) The following table analyses the impact of transition on the Statements of Financial Position of the Group and the Company from MFRS 139 to MFRS 9 as at 1 July 2018: (continued)

Impact of adopting MFRS 9 as at 1 July 2018	The Group RM'000
Other receivables	
Closing balance under MFRS 139 as at 30 June 2018	952,570
- recognition of expected credit losses under MFRS 9	(7,529)
Opening balance under MFRS 9 as at 1 July 2018	945,041
Payables and other liabilities	
Closing balance under MFRS 139 as at 30 June 2018	11,708,191
- recognition of expected credit losses under MFRS 9	6,920
Opening balance under MFRS 9 as at 1 July 2018	11,715,111
Provision for taxation	
Closing balance under MFRS 139 as at 30 June 2018	244,162
- in respect of tax impact arising from adoption MFRS 9	(80,534)
Opening balance under MFRS 9 as at 1 July 2018	163,628
Deferred tax liabilities	
Closing balance under MFRS 139 as at 30 June 2018	78,309
- in respect of unrealised gain/loss on financial investments at fair value through other comprehensive income reserves	14,080
- remeasurement of fair value of financial instrument	5,292
- recognition of expected credit losses under MFRS 9	(1,409)
- other classification and measurement	(2)
Opening balance under MFRS 9 as at 1 July 2018	96,270
Insurance funds	
Closing balance under MFRS 139 as at 30 June 2018	13,188,787
- unrealised gain on reclassification from financial assets at fair value through profit or loss	9,167
- recognition of expected credit losses under MFRS 9	(3,233)
- deferred tax on unrealised gain on reclassification from financial assets at fair value through profit or loss	(615)
Opening balance under MFRS 9 as at 1 July 2018	13,194,106
Capital reserves	
Closing balance under MFRS 139 as at 30 June 2018	1,540,421
- transfer from retained profits	6,391
Opening balance under MFRS 9 as at 1 July 2018	1,546,812

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

61 CHANGE IN ACCOUNTING POLICIES (continued)

(i) The following table analyses the impact of transition on the Statements of Financial Position of the Group and the Company from MFRS 139 to MFRS 9 as at 1 July 2018: (continued)

Impact of adopting MFRS 9 as at 1 July 2018	The Group RM'000
Retained profits	
Closing balance under MFRS 139 as at 30 June 2018	13,910,419
- classification and measurement movement due to MFRS 9	146,922
- recognition of expected credit losses under MFRS 9	(197,882)
Opening balance under MFRS 9 as at 1 July 2018	13,859,459
Fair value reserve	
Closing balance under MFRS 139 as at 30 June 2018	109,284
- classification and measurement movement due to MFRS 9	(178,208)
- recognition of expected credit losses under MFRS 9	(12,116)
Opening balance under MFRS 9 as at 1 July 2018	(81,040)
Non-controlling interests	
Closing balance under MFRS 139 as at 30 June 2018	8,875,277
- classification and measurement movement due to MFRS 9	(24,187)
- recognition of expected credit losses under MFRS 9	(100,168)
Opening balance under MFRS 9 as at 1 July 2018	8,750,922

61 CHANGE IN ACCOUNTING POLICIES (continued)

(i) The following table analyses the impact of transition on the Statements of Financial Position of the Group and the Company from MFRS 139 to MFRS 9 as at 1 July 2018: (continued)

The Group	MFRS 139 measurement category	MFRS 9 measurement category	MFRS 139 carrying amount 30 June 2018 RM'000	Classification and measurement RM'000	Expected credit losses RM'000	MFRS 9 amount 1 July 2018 RM'000
Assets						
Cash and short-term funds	Loans and receivables	Amortised cost	9,890,071	-	(463)	9,889,608
Deposits and placements with banks and other financial institutions	Loans and receivables	Amortised cost	10,196,421	-	(303)	10,196,118
Securities purchased under resale agreements	Loans and receivables	Amortised cost	35,126	-	(2)	35,124
Financial assets at fair value through profit or loss	NA	FVTPL	-	21,238,583	-	21,238,583
Financial assets held-for-trading	HFT	NA	10,536,881	(10,536,881)	-	-
Financial investments at fair value through other comprehensive income	NA	FVOCI	-	26,560,476	(19,202)	26,541,274
Financial investments available-for-sale	AFS	NA	37,732,539	(37,732,539)	-	-
Financial investments at amortised cost	NA	Amortised cost	-	16,316,486	(854)	16,315,632
Financial investments held-to-maturity	HTM	NA	15,895,679	(15,895,679)	-	-
Derivative financial instruments	FVTPL	FVTPL	971,195	-	-	971,195
Loans, advances and financing	Loans and receivables	Amortised cost	128,851,234	28,955	(360,630)	128,519,559
Clients' and brokers' balances	Loans and receivables	Amortised cost	525,556	-	-	525,556
Other receivables	Loans and receivables	Amortised cost	952,570	-	(7,529)	945,041
Statutory deposits with Central Banks	Loans and receivables	Amortised cost	4,364,982	-	-	4,364,982
Tax recoverable	NA	NA	367	-	-	367
Investment in associated companies	NA	NA	4,538,326	-	-	4,538,326

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

61 CHANGE IN ACCOUNTING POLICIES (continued)

(i) The following table analyses the impact of transition on the Statements of Financial Position of the Group and the Company from MFRS 139 to MFRS 9 as at 1 July 2018: (continued)

The Group	MFRS 139 measurement category	MFRS 9 measurement category	MFRS 139 carrying amount 30 June 2018 RM'000	Classification and measurement RM'000	Expected credit losses RM'000	MFRS 9 carrying amount 1 July 2018 RM'000
Assets (continued)						
Investment in joint venture	NA	NA	179,426	-	-	179,426
Property and equipment	NA	NA	1,573,829	-	-	1,573,829
Investment properties	NA	NA	494,164	-	-	494,164
Goodwill	NA	NA	2,410,644	-	-	2,410,644
Intangible assets	NA	NA	168,541	-	-	168,541
Total Assets			229,317,551	(20,599)	(388,983)	228,907,969
Liabilites						
Deposits from customers	Amortised cost	Amortised cost	156,882,912	-	-	156,882,912
Deposits and placements of banks and other financial institutions	Amortised cost	Amortised cost	9,296,395	-	-	9,296,395
Obligations on securities sold under repurchase agreements	Amortised cost	Amortised cost	3,931,523	-	-	3,931,523
Bills and acceptances payable	Amortised cost	Amortised cost	544,450	-	-	544,450
Derivative financial instruments	FVTPL	FVTPL	1,082,140	-	-	1,082,140
Clients' and brokers' balances	Loans and receivables	Amortised cost	350,730	-	-	350,730
Payables and other liabilities	NA	NA	11,708,191	-	6,920	11,715,111
Recourse obligations on loans sold to Cagamas Berhad	Amortised cost	Amortised cost	202,952	-	-	202,952
Provision for claims	NA	NA	150,478	-	-	150,478
Provision for taxation	NA	NA	244,162	6,953	(87,487)	163,628
Deferred tax liabilities	NA	NA	78,309	19,370	(1,409)	96,270
Borrowings	Amortised cost	Amortised cost	1,300,371	-	-	1,300,371
Subordinated obligations	Amortised cost	Amortised cost	2,800,447	-	-	2,800,447

61 CHANGE IN ACCOUNTING POLICIES (continued)

(i) The following table analyses the impact of transition on the Statements of Financial Position of the Group and the Company from MFRS 139 to MFRS 9 as at 1 July 2018: (continued)

The Group	MFRS 139 measurement category	MFRS 9 measurement category	MFRS 139 carrying amount 30 June 2018 RM'000	Classification and measurement RM'000	Expected credit losses RM'000	MFRS 9 carrying amount 1 July 2018 RM'000
Innovative Tier 1 capital securities	Amortised cost	Amortised cost	474,612	-	-	474,612
Multi-currency Additional Tier 1 capital securities	Amortised cost	Amortised cost	401,369	-	-	401,369
Insurance funds	NA	NA	13,188,787	8,552	(3,233)	13,194,106
Total Liabilites			202,637,828	34,875	(85,209)	202,587,494
Equity						
Share capital	NA	NA	2,267,008	-	-	2,267,008
Capital reserves	NA	NA	1,540,421	-	6,391	1,546,812
Retained profits	NA	NA	13,910,419	146,922	(197,882)	13,859,459
Fair value reserve	NA	NA	109,284	(178,208)	(12,116)	(81,040)
Treasury shares for ESOS	NA	NA	(22,686)	-	-	(22,686)
Total Shareholders' Equity			17,804,446	(31,286)	(203,607)	17,569,553
Non-controlling interests	NA	NA	8,875,277	(24,187)	(100,168)	8,750,922
Total Equity			26,679,723	(55,473)	(303,775)	26,320,475
Total Liabilities and Equity			229,317,551	(20,598)	(388,984)	228,907,969

The Company	MFRS 139 balance as at 30 June 2018 RM'000	Remeasurement RM'000	MFRS 9 balance as at 1 July 2018 RM'000
Assets			
Investment in subsidiary companies	17,996,078	(2,885)	17,993,193
Equity			
Retained profits	13,206,499	(2,885)	13,203,614

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

61 CHANGE IN ACCOUNTING POLICIES (continued)

(ii) The following table is a reconciliation of the impairment allowance from the closing balance as at 30 June 2018 in accordance with MFRS 139 to the opening balance as at 1 July 2018 in accordance with MFRS 9:

The Group	MFRS 139 balance as at 30 June 2018 RM'000	Remeasurement RM'000	MFRS 9 balance as at 1 July 2018 RM'000
Cash and short-term funds	-	463	463
Deposits and placements with banks and other financial institutions	-	303	303
Securities purchased under resale agreements	-	2	2
Financial investments at fair value through other comprehensive income	-	19,202	19,202
Financial investments at amortised cost	-	854	854
Loans, advances and financing	1,007,692	360,630	1,368,322
Other receivables	-	7,529	7,529
Payables and other liabilities	-	6,920	6,920
Insurance funds	-	(3,233)	(3,233)
	1,007,692	392,670	1,400,362
The Company			
Investment in subsidiary companies	-	2,885	2,885

(iii) Presentation of interest for derivatives and other financial instruments measured at FVTPL:

MFRS 9 introduced a consequential amendment to paragraph 82(a) of MFRS 1 "Presentation of Financial Statements", which is effective for accounting periods beginning on or after 1 January 2018. Under this amendment, interest/profit revenue calculated using the effective interest/profit method should be separately presented as a component of revenue on the face of the income statement.

The effective interest/profit method does not apply to derivatives and other instruments measured at FVTPL. The interest/profit arising on such instruments should not be included in the line item of 'interest/profit income' (except for gains and losses arising from related hedging instruments that are accounted for as hedges under MFRS 9).

Accordingly, the Group has changed the classification of interest/profit income for financial assets measured at FVTPL and derivative instruments from 'Interest income' to 'Interest income for financial assets at FVTPL' as reflected in Note 35b.

62 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were authorised for issue by the Board of Directors of the Company in accordance with a resolution of the Directors on 11 September 2019.

Statement by Directors

Pursuant to Section 251(2) of the Companies Act, 2016

We, Tan Kong Khoon and Lim Lean See, being two of the Directors of Hong Leong Financial Group Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 84 to 294 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2019 and financial performance of the Group and the Company for the year then ended 30 June 2019, in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

On behalf of the Board.

TAN KONG KHOON
Director

LIM LEAN SEE
Director

Kuala Lumpur
11 September 2019

Statutory Declaration

Pursuant to Section 251(1) of the Companies Act, 2016

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 84 to 294 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)
11 September 2019)

CHEW SEONG AUN
MIA No. 10114

Before me,

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 AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Hong Leong Financial Group Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 30 June 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 30 June 2019 of the Group and of the Company, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 84 to 294.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and the Company. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of loans, advances and financing Refer to Note O of the summary of significant accounting policies, and Notes 10 and 40 to the financial statements. The Group and the Company have adopted MFRS 9 'Financial Instruments' with a date of transition 1 July 2018. MFRS 9 introduces an expected credit losses ("ECL") impairment model for financial assets measured at amortised cost and debt instruments measured at fair value through other comprehensive income. The measurement of ECL requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. We focused on this area due to the significant size of the carrying value of loans, advances and financing, which represented 57.62% of total assets for the Group. In addition, impairment is a highly subjective area as the Group exercised significant judgement on the following areas:	We tested the design and operating effectiveness of the controls over impairment of loans, advances and financing. These controls covered: • Identification of loans, advances and financing displayed indicators of impairment or loans, advances and financing that have experienced significant increase in credit risk; • Governance over the impairment processes, including model development, model approval and model validation; • Data used to determine the allowances for credit losses including the completeness and accuracy of the key inputs and assumptions into respective ECL models; and • Review and approval of the ECL calculation Individual assessment Where the loans, advances and financing are individually assessed, we performed the following procedures: • Examined a sample of loans, advances and financing focused on loans, advances and financing identified by the management as having lower credit quality, rescheduled and restructured, and borrowers with exposures in oil and gas, oil palm plantations, and property development industry and formed our own judgement as to whether there was a significant increase in credit risk or any objective evidence of impairment; and • Where objective evidence of impairment was identified and impairment loss was individually calculated, we examined both the quantum and timing of future cash flows used by the management in the impairment loss calculation, challenged the assumptions and compared estimates to external evidence where available. Calculations of the discounted cash flows were also re-performed.

Independent Auditors' Report

to the members of Hong Leong Financial Group Berhad
Company No: 8024-W (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Key audit matter	How our audit addressed the key audit matter
Identification of Stage 2 and Stage 3 loans, advances and financing • Assessment of objective evidence of impairment of loans, advances and financing based on obligatory and judgmental triggers for stage 3 loans, advances and financing; and • Identification of loans, advances and financing that have experienced a significant increase in credit risk for stage 2 loans, advances and financing. Individual assessment • Estimates on the amount and timing of future cash flows based on realisation of collateral. Collective assessment • Choosing the appropriate collective assessment models used to calculate ECL. The models are inherently complex and judgement is applied in determining the appropriate construct of model; • Assumptions used in the ECL models such as expected future cash flows, forward-looking macroeconomic factors and datasets to be used as inputs to the models.	Collective assessment To determine the appropriateness of the MFRS 9 collective assessment ECL models implemented by the management, we have performed the following procedures: • Assessed the methodologies inherent within the collective assessment ECL models applied against the requirements of MFRS 9, including the basis used by the management to determine the key assumptions used in respective ECL models; • Assessed and tested the significant modelling assumptions, including the basis or judgment used for management's overlays; • Assessed and considered reasonableness of forward-looking forecasts assumptions; and • Tested the accuracy of data inputs used in ECL models and checked the calculation of ECL amount, on a sample basis. Based on the procedures performed, the outcome of our independent testing results were not significantly different to the management's assessment on impairment of loans, advances and financing.

There are no key audit matters to report for the Company.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises:

- Five year group financial highlights;
- Simplified group statements of financial position;
- Group quarterly financial performance;
- Segmental information;
- Hong Leong Financial Group share price;
- Chairman's Statement;
- Management Discussion and Analysis;
- Sustainability Statement;
- Board Audit and Risk Management Committee Report;
- Corporate Governance Overview, Risk Management and Internal Control Statement; and
- Directors' Report;

Other information does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Independent Auditors' Report

to the members of Hong Leong Financial Group Berhad
Company No: 8024-W (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

(d) Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Auditors' responsibilities for the audit of the financial statements (continued)

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 14 to the financial statements.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF1146
Chartered Accountants

NG YEE LING
03032/01/2021 J
Chartered Accountant

Kuala Lumpur
11 September 2019

Notice Of
Annual General Meeting

NOTICE IS HEREBY GIVEN that the Fiftieth Annual General Meeting ("AGM") of Hong Leong Financial Group Berhad ("Company") will be held at the Auditorium, Ground Floor, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur on Thursday, 31 October 2019 at 2.30 p.m. in order:

1. To lay before the meeting the audited financial statements together with the reports of the Directors and Auditors thereon for the financial year ended 30 June 2019.

2. To approve the payment of Directors' Fees of RM539,014 for the financial year ended 30 June 2019 to be divided amongst the Directors in such manner as the Directors may determine and Directors' Other Benefits of up to an amount of RM210,000 from the 50th AGM to the 51st AGM of the Company. **(Resolution 1)**

3. To re-elect the following Directors pursuant to the Company's Constitution:-

   (a) Mr Saw Kok Wei **(Resolution 2)**

   (b) Ms Leong Ket Ti **(Resolution 3)**

   (c) Puan Raja Noorma binti Raja Othman **(Resolution 4)**

4. To re-appoint PricewaterhouseCoopers PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 5)**

SPECIAL BUSINESS

As special business, to consider and, if thought fit, pass the following motions as resolutions:-

5. **Ordinary Resolution**
   Authority to Directors to Allot Shares

   "**THAT** subject to the Companies Act 2016, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Company's Constitution and approval of the relevant governmental regulatory authorities, if required, the Directors be and are hereby empowered pursuant to Sections 75 and 76 of the Companies Act 2016 to allot shares in the Company, grant rights to subscribe for shares in the Company, convert any security into shares in the Company, or allot shares under an agreement or option or offer 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 and allotted, to be subscribed under any rights granted, to be issued from conversion of any security, or to be issued and allotted under an agreement or option or offer, pursuant to this resolution does not exceed 10% of the total number of issued shares (excluding treasury shares) 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 allotted on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." **(Resolution 6)**

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), Part A of the Company's Circular to Shareholders dated 2 October 2019 ("the Circular") with HLCM and persons connected with HLCM ("Hong Leong Group"), as set out in Appendix II of the Circular provided that such transactions are undertaken in the ordinary course of business, on arm's length basis and on commercial terms which are not more favourable to Hong Leong Group than those generally available to and/or from the public and are not, in the Company's opinion, detrimental to the minority shareholders;

AND THAT such approval shall continue to be in force until:-

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or

(b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or

(c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution." **(Resolution 7)**

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), Part A of the Company's Circular to Shareholders dated 2 October 2019 with Tower REIT provided that such transactions are undertaken in the ordinary course of business, on arm's length basis and on commercial terms which are not more favourable to Tower REIT than those generally available to and/or from the public and are not, in the Company's opinion, detrimental to the minority shareholders;

AND THAT such approval shall continue to be in force until:-

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or

(b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or

(c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution." **(Resolution 8)**

8. **Special Resolution**
Proposed Adoption of New Constitution

"**THAT** the proposed Constitution as set out in Appendix IV of the Circular to Shareholders dated 2 October 2019, be approved and adopted as the new Constitution of the Company in substitution for and to the exclusion of the existing Constitution thereof;

Notice Of Annual General Meeting

AND THAT the Board of Directors be and is hereby authorised to assent to any modification, variation and/or amendment as may be required by any relevant authorities and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing." **(Resolution 9)**

9. To consider any other business of which due notice shall have been given.

By Order of the Board

JACK LEE TIONG JIE
(MAICSA 7060133)
Company Secretary

Kuala Lumpur
2 October 2019

NOTES:-

1. For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 22 October 2019 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.

2. Save for a member who is an exempt authorised nominee, a member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote in his stead. A proxy may but need not be a member of the Company. A member who is an authorised nominee may appoint not more than two (2) proxies in respect of each securities account it holds. A member who is an exempt authorised nominee for multiple beneficial owners in one securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.

3. Where two (2) or more proxies are appointed, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which the appointments shall be invalid.

4. The Form of Proxy must be deposited at the Registered Office of the Company at Level 30, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur not less than 48 hours before the time and date of the meeting or adjourned meeting.

5. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in this Notice will be put to a vote by way of a poll.

Notice Of Annual General Meeting

EXPLANATORY NOTES

1. **Resolution 1 on Directors' Fees and Directors' Other Benefits**

    - Director Fees of RM539,014 are inclusive of Board Committee Fees of RM150,000 and Meeting Allowances of RM34,000.
    - Directors' Other Benefits refer to Directors' & Officers' Liability Insurance coverage based on premium paid/payable, and Directors' training benefits of up to RM120,000 as well as Chairman's car benefits of up to RM90,000.

2. **Resolution 6 on Authority to Directors to Allot Shares**

    The proposed Ordinary Resolution, if passed, will renew the general mandate given to the Directors of the Company to issue ordinary shares of the Company from time to time and expand the mandate to grant rights to subscribe for shares in the Company, convert any security into shares in the Company, or allot shares under an agreement or option or offer, provided that the aggregate number of shares allotted, to be subscribed under any rights granted, to be issued from conversion of any security, or to be allotted under any agreement or option or offer, pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company for the time being ("Renewed General Mandate"). In computing the aforesaid 10% limit, shares issued or agreed to be issued or subscribed pursuant to the approval of shareholders in a general meeting where precise terms and conditions are approved shall not be counted. The Renewed General Mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

    As at the date of this Notice, no new shares in the Company were issued and allotted pursuant to the general mandate given to the Directors at the last AGM held on 30 October 2018 and which will lapse at the conclusion of the Fiftieth AGM. The Renewed General 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 issuance and allotment of new shares, grant of rights to subscribe for shares, conversion of any security into shares, or allotment of shares under an agreement or option or offer, and to avoid delay and cost in convening general meetings to approve the same.

3. **Resolutions 7 and 8 on Recurrent Related Party Transactions of A Revenue or Trading Nature**

    The proposed Ordinary Resolutions, if passed, will empower the Company and its subsidiaries (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").

4. **Resolution 9 on Proposed Adoption of New Constitution**

    The proposed Special Resolution, if passed, will bring the Company's Constitution in line with the provisions of the Companies Act 2016 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad as well as to enhance administrative efficiency ("Proposed Adoption of New Constitution").

    The proposed new Constitution of the Company is set out in Appendix IV of the Circular to Shareholders dated 2 October 2019 which is dispatched together with the Company's 2019 Annual Report.

Detailed information on the Proposed Shareholders' Mandate and the Proposed Adoption of New Constitution is set out in the Circular to Shareholders dated 2 October 2019 which is dispatched together with the Company's 2019 Annual Report.

Statement Accompanying
Notice of Annual General Meeting

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

- **Details of individuals who are standing for election as Directors**

  No individual is seeking election as a Director at the forthcoming Fiftieth 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 Sections 75 and 76 of the Companies Act 2016 are set out in Explanatory Note 2 of the Notice of Fiftieth Annual General Meeting.

Other Information

1. MATERIAL CONTRACTS

There are no material contracts (not being contracts entered into in the ordinary course of business) which had been entered into by the Company and its subsidiaries involving the interest of Directors, chief executives and major shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year pursuant to Item 21, Part A, Appendix 9C of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2019

Total number of issued shares:	1,147,516,890
Class of shares:	Ordinary shares
Voting rights:	1 vote for each share held

Distribution Schedule of Shareholders as at 30 August 2019

Size of Holdings	No. of Shareholders	%	No. of Shares	%
Less than 100	306	7.92	7,012	0.00
100 – 1,000	819	21.19	487,675	0.04
1,001 – 10,000	1,628	42.12	6,186,508	0.54
10,001 – 100,000	834	21.58	26,437,131	2.30
100,001 – less than 5% of issued shares	276	7.14	227,298,468	19.81
5% and above of issued shares	2	0.05	887,100,096	77.31
	3,865	100.00	1,147,516,890	100.00

List of Thirty Largest Shareholders as at 30 August 2019

	Name of Shareholders	No. of Shares	%
1.	Hong Leong Company (Malaysia) Berhad	595,982,955	51.94
2.	Guoco Group Limited	291,117,141	25.37
3.	Kumpulan Wang Persaraan (Diperbadankan)	16,177,800	1.41
4.	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	14,073,510	1.23
5.	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (Nomura)	11,846,400	1.03
6.	RHB Trustees Berhad - Exempt AN for Hong Leong Financial Group Berhad (HLFG-ESS)	9,500,500	0.83
7.	Soft Portfolio Sdn. Bhd.	6,602,130	0.58
8.	Tan Sri Dato' Seri Khalid Ahmad Bin Sulaiman	5,544,000	0.48
9.	Citigroup Nominees (Asing) Sdn Bhd - Exempt AN for Citibank New York (Norges Bank 14)	5,529,641	0.48
10.	Tan Sri Quek Leng Chan	5,438,664	0.47
11.	Citigroup Nominees (Tempatan) Sdn Bhd - Exempt AN for AIA Bhd.	4,973,935	0.43
12.	Chua Holdings Sdn Bhd	4,967,949	0.43

Other Information

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2019 (continued)

List of Thirty Largest Shareholders as at 30 August 2019 (continued)

Name of Shareholders	No. of Shares	%
13. Cartaban Nominees (Asing) Sdn Bhd - Exempt AN for State Street Bank & Trust Company (West Clt OD67)	4,652,700	0.41
14. Hong Bee Hardware Company, Sdn. Berhad	4,530,506	0.40
15. Citigroup Nominee (Asing) Sdn Bhd - Exempt AN for Bank of Singapore Limited (Foreign)	4,154,995	0.36
16. Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (Affin-Hwg)	4,117,599	0.36
17. HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for Vanguard Emerging Markets Stock Index Fund	4,065,241	0.35
18. HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for Vanguard Total International Stock Index Fund	3,722,732	0.33
19. Citigroup Nominees (Asing) Sdn Bhd - Exempt AN for Citibank New York (Norges Bank 1)	3,253,636	0.28
20. Pertubuhan Keselamatan Sosial	3,116,700	0.27
21. CIMB Group Nominees (Tempatan) Sdn Bhd - CIMB Commerce Trustee Berhad – Kenanga Growth Fund	3,033,600	0.26
22. Citigroup Nominees (Asing) Sdn Bhd - CBNY for Dimensional Emerging Markets Value Fund	2,927,034	0.26
23. Cartaban Nominees (Tempatan) Sdn Bhd - PAMB for Prulink Equity Fund	2,617,650	0.23
24. Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (CIMB PRIN)	2,500,000	0.22
25. Citigroup Nominees (Tempatan) Sdn Bhd - Valuecap Sdn Bhd	2,448,700	0.21
26. Cartaban Nominees (Asing) Sdn Bhd - GIC Private Limited for Government Of Singapore (C)	2,420,836	0.21
27. Kheng Lim Holdings Sdn Bhd	2,269,492	0.20
28. HSBC Nominees (Tempatan) Sdn Bhd - HSBC (M) Trustee Bhd for Affin Hwang Select Opportunity Fund (3969)	2,075,300	0.18
29. Choong Yee How	2,000,000	0.17
30. AmanahRaya Trustees Berhad - Amanah Saham Malaysia	1,773,300	0.16
	1,027,434,646	89.54

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2019 (continued)

Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 30 August 2019 are as follows:-

Shareholders	Direct No. of shares	%	Indirect 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	893,706,226	77.88[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]
Guoco Group Limited	291,117,141	25.37	-	-
GuoLine Overseas 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 Group Limited

3. DIRECTORS' INTERESTS AS AT 30 AUGUST 2019

Subsequent to the financial year end, there is no change, as at 30 August 2019, to the Directors' interests in the ordinary shares, preference shares and/or options over ordinary shares or convertible bonds of the Company and/or its related corporations (other than wholly-owned subsidiaries), appearing in the Directors' Report on pages 76 to 79 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 except for the change set out below:

Indirect Interest	Number of shares	%
YBhg Tan Sri Quek Leng Chan in:		
GL Limited	956,108,034	69.89

Other Information

LIST OF PROPERTIES HELD AS AT 30 JUNE 2019

	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	85	7,430	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	20	2,049	26/06/1997
3	No. 42, Jalan Pending 93450 Kuching Sarawak	Leasehold- 859 years (31/12/2779)	Branch premises	4,425	37	1,516	27/12/1983
4	No. 133, 135 & 137 Jalan Kampong Nyabor 96000 Sibu Sarawak	Freehold	Branch premises	4,871	27	2,865	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	28	1,116	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	1,399	27/12/1994
8	No. 26, Lorong Rahim Kajai 14 Taman Tun Dr Ismail 60000 Kuala Lumpur	Freehold	Branch premises	3,750	33	493	30/12/1986
9	No. 120-122, Jalan Mersing 86000 Kluang Johor Darul Takzim	Leasehold - 99 years (22/8/2063)	Branch premises	3,355	53	468	31/05/1990
10	No. 100, Jalan Gurney 72100 Bahau Negeri Sembilan Darul Khusus	Freehold	Branch premises	5,107	33	2,051	25/06/1992
11	No. 12, 14 & 16, Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Takzim	Freehold	Branch premises	4,174	28	3,475	25/06/1992
12	No. 63 & 65, Jalan SS 23/15 47400 Petaling Jaya Selangor Darul Ehsan	Freehold	Vacant	4,760	24	3,146	28/04/1997

Other Information

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM 000)	Date of acquisition
13	No. 24, Medan Taming 2 Taman Taming Jaya 43300 Balakong Selangor Darul Ehsan	Freehold	Branch premises	3,037	23	959	28/04/1997
14	No. 1, Jalan Takal 15/21 Seksyen 15 40000 Shah Alam Selangor Darul Ehsan	Leasehold - 99 years (29/6/2086)	Branch premises	2,625	32	1,116	26/06/1997
15	Lots 3594 & 3595 Jalan Baru Pak Sabah 23000 Dungun Terengganu Darul Iman	Leasehold - 84 years (2/2/2079)	Branch premises	3,199	25	190	26/06/1997
16	Lot 3073 & 3074, Jalan Abang Galau, 97000 Bintulu, Sarawak	Leasehold- 60 years (12/2/2056)	Branch premises	2,582	22	958	26/06/1997
17	Lot 34, Putra Industrial Park 47000 Sungai Buloh Selangor Darul Ehsan	Freehold	Warehouse	96,219	23	2,588	26/01/1995
18	No. 1540, Jalan Sultan Badlishah 05000 Alor Setar Kedah Darul Aman	Leasehold - 60 years (19/7/2030)	Vacant	10,619	44	24	30/06/1977
19	No. 9A & 9B, Jalan Kampong Baru 08000 Sungai Petani Kedah Darul Aman	Freehold	Branch premises	9,320	26	751	01/01/1994
20	No. 45, Jalan Burma 10500 Pulau Pinang	Freehold	Vacant	14,277	41	1,811	24/11/1978
21	No. 33A-C, Lintang Angsana Bandar Baru Air Hitam 11500 Pulau Pinang	Leasehold - 83 years (8/4/2082)	Vacant	4,394	24	342	26/12/1995
22	No. 55-57, Jalan Yang Kalsom 30250 Ipoh Perak Darul Ridzuan	Freehold	Vacant	11,720	40	947	01/10/1984
23	No. 27, Jalan Dewangsa 31000 Batu Gajah Perak Darul Ridzuan	Leasehold - 79 years (26/2/2078)	Branch premises	4,694	24	239	24/11/1995
24	No. 75, Jalan Sultan Idris Shah 30000 Ipoh Perak Darul Ridzuan	Freehold	Branch premises	1,900	22	595	15/06/1998

Other Information

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM 000)	Date of acquisition
25	No. 80 & 82, Jalan Othman 1/14 46000 Petaling Jaya Selangor Darul Ehsan	Leasehold - 90 years (15/6/2089)	Branch premises	9,062	29	846	01/06/1994
26	No. 19, Jalan 54, Desa Jaya 52100 Kepong Selangor Darul Ehsan	Leasehold - 99 years (8/3/2081)	Branch premises	5,859	37	316	29/11/1985
27	No. 55, Jalan Pasar 55100 Kuala Lumpur	Freehold	Vacant	4,313	39	294	01/04/1980
28	Lot 111, Jalan Mega Mendung Kompleks Bandar Off Jalan Klang Lama 58200 Kuala Lumpur	Leasehold - 99 years (11/10/2076)	Vacant	4,978	39	394	31/07/1988
29	No. 161, Jalan Imbi 55100 Kuala Lumpur	Freehold	Vacant	2,454	23	2,678	14/02/1996
30	No. 8A-C, Jalan Station 80000 Johor Bahru Johor Darul Takzim	Freehold	Vacant	12,854	26	338	22/10/1977
31	No. 109, Main Road 83700 Yong Peng Johor Darul Takzim	Freehold	Branch premises	2,740	31	201	01/09/1988
32	No. 1, Bentong Heights 28700 Bentong Pahang Darul Makmur	Freehold	Branch premises	5,432	51	31	30/06/1977
33	No. 36, Main Road Tanah Rata 39000 Cameron Highland Pahang Darul Makmur	Leasehold - 99 years (24/11/2039)	Branch premises	1,728	79	89	30/08/1982
34	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	20	1,160	18/12/1999
35	No. 2828-G-02 & 2828-1-02 Jalan Bagan Luar 12000 Butterworth Pulau Pinang	Freehold	Vacant	12,173	20	2,207	18/12/1999
36	Plot No 20, Jalan Bidor Raya 35500 Bidor Perak Darul Ridzuan	Freehold	Branch premises	3,243	20	454	23/11/1999

Other Information

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM 000)	Date of acquisition
37	No. 1, Persiaran Greentown 2 Greentown Business Centre 30450 Ipoh Perak Darul Ridzuan	Leasehold - 99 years (21/11/2094)	Branch premises	7,870	19	1,481	23/11/1999
38	Lots 39 & 40 Kompleks Munshi Abdullah 75100 Melaka	Leasehold - 99 years (24/2/2084)	Branch premises	5,988	20	1,106	31/05/1991
39	No. 1 & 2 Jalan Raya, 09800 Serdang Kedah Darul Aman	Freehold	Branch premises	5,840	18	348	20/09/2000
40	No. 133 & 135, Jalan Gopeng 31900 Kampar Perak Darul Ridzuan	Freehold	Branch premises	4,700	18	322	13/12/2000
41	No. 65-67, Jalan Tun HS Lee 50000 Kuala Lumpur	Freehold	Vacant	2,223	23	4,695	14/10/1996
42	No. 64, Jalan Tun Mustapha 87007 Labuan	Leasehold 999 years (28/12/2881)	Branch premises	1,370	28	393	30/05/1991
43	No. 159, Jalan Imbi 55100 Kuala Lumpur	Freehold	Vacant	1,688	14	2,539	25/11/2005
44	No. 163, Jalan Imbi 55100 Kuala Lumpur	Freehold	Vacant	1,688	14	2,616	25/10/2005
45	No. 114 & 116, Jalan Cerdas Taman Connaught 56000 Kuala Lumpur	Leasehold - 99 years (16/10/2078)	Branch premises	12,200	13	3,523	07/06/2006
46	Lot A08-A09, Jalan SS 6/5A Dataran Glomac Pusat Bandar Kelana Jaya 47301 Petaling Jaya	Freehold	Branch premises	9,800	13	2,576	06/07/2006
47	No. 2 Jalan Puteri 2/4, Bandar Puteri, Puchong 47100 Selangor Darul Ehsan	Freehold	Branch premises	11,850	12	4,996	28/06/2007
48	Tower A, PJ City Development 46100 Petaling Jaya, Selangor	Leasehold - 99 years (14/08/2094)	Branch premises	194,489	11	72,676	21/07/2008

Other Information

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM 000)	Date of acquisition
49	OUG No.2, Lorong 2/137C, Off Jalan Kelang Lama, 58200 Kuala Lumpur	Leasehold - 99 years (year 2088)	Branch Premises	17,300	9	4,760	01/04/2011
50	KEP Lot No 77C & 77D, Lot No.58529 Jalan Kepong, 52100 Kuala Lumpur	Leasehold - 99 years (7/01/2101)	Branch Premises	30,613	9	8,249	01/05/2011
51	No. 122, Kapit By-Pass 96807 Kapit, Sarawak	Leasehold - 60 years (29/4/2045)	Branch Premises	1,200	26	186	30/04/1985
52	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	32	108	24/05/1983
53	No. 9, Jalan Cheng Lock 50000 Kuala Lumpur Wilayah Persekutuan	Freehold	Vacant	2,199	46	270	18/09/1972
54	No. 3, Jalan Bandar Satu Pusat Bandar Puchong 47100 Puchong Selangor Darul Ehsan	Freehold	Branch Premises	4,687	24	1,723	04/03/1997
55	No. 32 & 34, Jalan 21/19 Sea Park 46300 Petaling Jaya Selangor Darul Ehsan	Freehold	Vacant	3,080	56	2,112	19/08/1997
56	No. 1, Jalan Goh Hock Huat 41400 Klang Selangor Darul Ehsan	Freehold	Vacant	2,776	36	1,448	07/09/1998
57	No. 26 & 27, Jalan Kenari 1 Bandar Puchong Jaya 47100 Puchong Selangor Darul Ehsan	Freehold	Branch Premises	3,600	23	1,369	22/01/1999
58	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	15	3,313	02/12/2005

Other Information

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM 000)	Date of acquisition
59	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 (07/06/2087)	2 units apartment	2,088	23	182	21/04/1994
60	No. S-3, Kompleks Negeri Jalan Dr. Krishnan 70000 Seremban Negeri Sembilan Darul Khusus	Leasehold - 99 years (30/01/2078)	Vacant	1,680	35	240	29/06/1981
61	No. 105 & 107, Jalan Melaka Raya 24 Taman Melaka Raya 75000 Melaka	Leasehold - 99 years (20/3/2094)	Vacant	3,132	23	479	17/04/1998
62	No. 67 & 69, Jalan Merdeka 75000 Taman Merdeka Raya Melaka	Leasehold - 99 years (07/07/2093)	Branch Premises	3,080	24	633	15/08/1999
63	No. 21 & 23, Jalan Indah 15/1 Bukit Indah, 81200 Johor Bahru Johor Darul Takzim	Freehold	Vacant	5,090	17	1,341	27/05/2002
64	No. 35, 37 & 39 Jalan Johor Satu Taman Desa Cemerlang 81800 Ulu Tiram Johor Darul Takzim	Freehold	Branch Premises	13,965	16	1,918	02/12/2003
65	No. 21, Jalan Permas 10/1 Bandar Baru Permas Jaya 81750 Masai Johor Darul Takzim	Freehold	Branch Premises	2,624	22	952	04/05/1999
66	No. B-278 & B-280, Jalan Beserah 25300 Kuantan Pahang Darul Makmur	Freehold	Branch Premises	3,208	18	1,360	08/04/1999
67	No. 31, 33, 35 & 37 Jalan Usahaniaga 1 Taman Niagajaya 14000 Bukit Mertajam Seberang Perai Tengah, Penang	Freehold	Branch Premises	15,844	16	1,126	07/10/2003
68	Lot 171, Jalan Council 95000 Bandar Sri Aman Sarawak	Leasehold 60 years (20/06/2050)	Branch Premises	1,740	23	133	21/06/1990

Other Information

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM 000)	Date of acquisition
69	Lot No. 2013, Jalan Pisang Barat 93150 Kuching Sarawak	Leasehold - 99 years (31/12/2038)	Storage	1,390	26	-	23/09/1992
70	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	24	1,641	02/04/1997
71	No. 177, Limbok Hill 70000 Seremban, Negeri Sembilan Darul Khusus	Freehold	Single-storey Detached house	6,730	46	10	16/08/1972
72	No. 11, Jalan Emas 2 Taman Emas Cheras 43200 Cheras, Selangor	Freehold	Vacant	5,804	26	-	25/05/1993
73	No. 53 & 55, Jalan Sultan Ismail 50250 Kuala Lumpur	Freehold	Branch Premises	9,600	22	17,477	01/06/2015
74	No. 9, Jalan Kundang, Taman Bukit Pasir 83000 Batu Pahat Johor Darul Takzim	Freehold	Vacant	7,060	37	2,609	01/06/2015
75	No. 300, Jalan Jelutong 11600 Pulau Pinang	Freehold	Branch Premises	16,652	17	13,717	23/06/2015
76	Lot 1, Block 35, Fajar Commercial Complex Jalan Lembaga 91000 Tawau, Sabah	Leasehold - 998 years (31/12/2895)	Branch Premises	13,880	47	4,829	17/08/2015
77	Menara Hong Leong No. 6, Jalan Damanlela Bukit Damansara 50490 Kuala Lumpur	Freehold	Head Office/ Branch	668,331	4	578,427	07/03/2015
78	Lot 942, Jalan Parry 98000 Miri Sarawak	Leasehold - 60 Years (06/04/2057)	Branch premises	5,496	22	797	31/01/1997
79	Lot 1, 2 & 3, Block 18, Bandar Indah, Mile 4, North Road, Bandar Indah Sandakan, Sabah	Freehold	Branch premises	6,760	19	2,500	08/11/2001
80	No 3 Persiaran Greentown 4 Greentown Business Centre 30450 Ipoh	Leasehold - 99 Years (21/11/2094)	Branch premises	8,846	24	437	04/12/1995

Other Information

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM 000)	Date of acquisition
81	Bangunan HLA 7 Jalan Yayasan 86000 Kluang	Leasehold - 99 Years (23/03/2084)	Branch premises	6,019	30	374	30/12/1989
82	Wisma Hong Leong 18 Jalan Perak 50450 Kuala Lumpur	Freehold	Office premises	333,594	18	262,000	13/11/2001
83	Unit 2.1.2, 1A Stonor Condominium Off Jalan Conlay 50450 Kuala Lumpur	Leasehold - 99 Years (17/07/2083)	Condominium	1,904	26	484	30/06/1993
84	Unit 1.1.5, 1A Stonor Condominium Off Jalan Conlay 50450 Kuala Lumpur	Leasehold - 99 Years (17/07/2083)	Condominium	1,815	26	462	30/06/1993
85	14-23 Darul Aman Jalan Tun Ismail 25000 Kuantan Pahang	Freehold	Branch premises	5,610	26	458	21/02/1993
86	No 1 Persiaran Greentown 4 Pusat Perdagangan Greentown 30450 Ipoh Perak	Leasehold - 99 Years (21/11/2094)	Branch premises	5,246	24	460	04/12/1995
87	Block B, PJ City Jalan 219 Seksyen 51A 46100 Petaling Jaya Selangor	Leasehold - 99 Years (12/12/2107)	Office premises	202,194	11	59,928	29/04/2008
88	31 & 32 Jalan Kundang Taman Bukit Pasir 46100 Petaling Jaya Selangor	Freehold	Branch premises	8,932	27	1,443	31/12/2013
89	Menara Raja Laut No. 288 Jalan Raja Laut 50350 Kuala Lumpur Wilayah Persekutuan	Freehold	Office premises	839,574	26	225,000	06/04/2015
90	No 2682 Jalan Aston 14000 Bukit Mertajam Pulau Pinang	Freehold	Branch premises	10,160	1	2,718	14/03/2018

Other Information

	Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM 000)	Date of acquisition
91	51-53, Persiaran Greenhill 30450 Ipoh, Perak	Freehold & leasehold - 999 years	Branch premises	4,793	25	1,771	31/12/1993
92	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	24	51,428	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 Fiftieth Annual General Meeting of the Company to be held at the Auditorium, Ground Floor, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur on Thursday, 31 October 2019 at 2.30 p.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 Directors' Fees and Directors' Other Benefits		
2.	To re-elect Mr Saw Kok Wei as a Director		
3.	To re-elect Ms Leong Ket Ti as a Director		
4.	To re-elect Puan Raja Noorma binti Raja Othman as a Director		
5.	To re-appoint PricewaterhouseCoopers PLT as Auditors of the Company and to authorise the Directors to fix their remuneration		
	SPECIAL BUSINESS		
6.	To approve the ordinary resolution on Authority to Directors to Allot Shares		
7.	To approve the ordinary resolution on the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Hong Leong Company (Malaysia) Berhad ("HLCM") and persons connected with HLCM		
8.	To approve the ordinary resolution on the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Tower Real Estate Investment Trust		
9.	To approve the special resolution on Proposed Adoption of New Constitution		

Dated this____________day of____________2019

____________________ ____________________

Number of shares held Signature(s) of Member

Notes:-

1. *For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 22 October 2019 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.*
2. *If you wish to appoint other person(s) to be your proxy, insert the name(s) and address(es) of the person(s) desired in the space so provided.*
3. *If there is no indication as to how you wish your vote(s) to be cast, the proxy will vote or abstain from voting at his/her discretion.*
4. *A proxy may but need not be a member of the Company.*
5. *Save for a member who is an exempt authorised nominee, a member shall not be entitled to appoint more than two (2) proxies to attend, participate, speak and vote at the same meeting. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may 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 30, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur not less than 48 hours before the time and date of the meeting or adjourned meeting.*
9. *In the event two (2) or more proxies are appointed, please fill in the ensuing section:*

Name of Proxies	***% of shareholdings to be represented***

10. *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the notice will be put to a vote by way of a poll.*

Fold this flap for sealing

Then fold here

AFFIX STAMP

The Company Secretary

HONG LEONG FINANCIAL GROUP BERHAD
(Company No. 8024-W)

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

1st fold here

Hong Leong Financial Group Berhad (8024-W)

Level 30, Menara Hong Leong
6, Jalan Damanlela, Bukit Damansara
50490 Kuala Lumpur
Tel : 03-2080 9888
Fax : 03-2080 9800

www.hlfg.com.my