

THIS ABRIDGED PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

If you have sold or transferred all your shares in Hong Leong Financial Group Berhad ("HLFG" or the "Company"), you should at once hand this Abridged Prospectus together with the Notice of Provisional Allotment ("NPA") and the Rights Subscription Form ("RSF") (collectively referred to as the "Documents") to the agent/ broker through whom you effected the sale or transfer for onward transmission to the purchaser or transferee. All enquiries concerning the Rights Issue (as defined herein) should be addressed to our Share Registrar, Hong Leong Share Registration Services Sdn Bhd at Level 5, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur.

The Documents are only despatched to our shareholders whose names appear in our Record of Depositors as at 5.00 p.m. on 6 November 2015 ("Entitlement Date") ("Entitled Shareholders") who have a registered address in Malaysia or who have provided our Share Registrar with an address in Malaysia for the despatch of the Documents by the Entitlement Date. The Documents are not intended to be (and will not be) issued, circulated or distributed, and the Rights Issue is not intended to be (and will not be) made or offered or deemed to be made or offered for purchase or subscription, in any country or jurisdiction other than Malaysia or to persons who are or may be subject to the laws of any country or jurisdiction other than the laws of Malaysia. No action has been or will be taken to ensure that the Rights Issue complies with the laws of any country or jurisdiction other than the laws of Malaysia. The Rights Issue to which the Documents relate is only available to the persons receiving the Documents within Malaysia. Accordingly, the Documents will not be despatched to the Entitled Shareholders who do not have a registered address in Malaysia or who have not provided our Share Registrar with an address in Malaysia for the despatch of the Documents by the Entitlement Date. Persons receiving the Documents (including without limitation, custodians, nominees and trustees), must not, in connection with the Rights Issue, distribute or send the Documents outside of Malaysia. It shall be the sole responsibility of the Entitled Shareholders who are or may be subject to the laws of country or jurisdiction other than Malaysia to consult their legal advisers and/ or other professional advisers as to whether the acceptance/ renunciation in any manner whatsoever of the Rights Issue would result in the contravention of any law of such country or jurisdiction. The Documents do not constitute an offer, solicitation or invitation to subscribe for the Rights Issue in any country or jurisdiction other than Malaysia or to any person to whom it would be unlawful to make such an offer, solicitation or invitation. Neither our Company, our directors, Hong Leong Investment Bank Berhad ("HLIB") nor any other advisers for the Rights Issue shall accept any responsibility or liability in the event that any acceptance or sale/ transfer of the provisional allotment of the Rights Shares (as defined herein) made by the Entitled Shareholders and/ or their renouncee(s) and/ or transferee(s) (if applicable) is or shall become illegal, unenforceable, voidable or void in any such country or jurisdiction.

A copy of this Abridged Prospectus has been registered with the Securities Commission Malaysia ("SC"). The registration of this Abridged Prospectus should not be taken to indicate that the SC recommends the Rights Issue or assumes responsibility for the correctness of any statement made or opinion or report expressed in this Abridged Prospectus. The SC has not, in any way, considered the merits of the securities being offered for investment. A copy of the Documents has also been lodged with the Registrar of Companies, who takes no responsibility for their contents.

Approval for the Rights Issue has been obtained from our shareholders at our extraordinary general meeting held on 29 September 2015. Approval has been obtained from Bursa Malaysia Securities Berhad ("Bursa Securities") via its letter dated 10 September 2015 for the listing of and quotation for the Rights Shares on the Main Market of Bursa Securities.

Approval from Bursa Securities for the listing of and quotation for the Rights Shares is in no way reflective of the merits of the Rights Issue. Neither Bursa Securities nor the SC takes any responsibility for the correctness of statements made or opinions expressed herein. The listing of and quotation for the Rights Shares will commence after, amongst others, receipt of confirmation from Bursa Malaysia Depository Sdn Bhd that all the Central Depository System accounts of the Entitled Shareholders and/ or their renouncee(s) and/ or transferee(s) (if applicable) have been duly credited with the Rights Shares allotted to them and notices of allotment have been despatched to them.

Our Board of Directors ("Board") has seen and approved the Documents. Our Board collectively and individually accepts full responsibility for the accuracy of the information given and confirms that, after having made all reasonable inquiries and to the best of our Board's knowledge and belief, there are no false or misleading statements or other facts which, if omitted, would make any statement in the Documents false or misleading.

HLIB, being the Principal Adviser for the Rights Issue, acknowledges that, based on all available information and to the best of its knowledge and belief, this Abridged Prospectus constitutes a full and true disclosure of all material facts concerning the Rights Issue.

FOR INFORMATION CONCERNING RISK FACTORS WHICH YOU SHOULD CONSIDER, PLEASE REFER TO THE "RISK FACTORS" AS SET OUT IN SECTION 6 OF THIS ABRIDGED PROSPECTUS.



(Incorporated in Malaysia under the Companies Act 1965)

RENOUNCEABLE RIGHTS ISSUE OF 94,749,101 NEW ORDINARY SHARES OF RM1.00 EACH IN HLFGB ("HLFG SHARES") ("RIGHTS SHARES") ON THE BASIS OF 9 RIGHTS SHARES FOR EVERY 100 EXISTING HLFGB SHARES HELD AS AT 5.00 P.M. ON 6 NOVEMBER 2015, AT AN ISSUE PRICE OF RM11.60 PER RIGHTS SHARE

Principal Adviser, Lead Arranger and Joint Global Coordinator



Hong Leong Investment Bank Berhad (10209-W)

(A Participating Organisation of Bursa Malaysia Securities Berhad)
(A Trading Participant of Bursa Malaysia Derivatives Berhad)

Joint Global Coordinator

Nomura Singapore Limited (197201440E)

Joint Global Coordinator and Joint Underwriter

Maybank Investment Bank Berhad (15938-H)

Joint Underwriters

**AmlInvestment Bank Berhad (23742-V)
CIMB Investment Bank Berhad (18417-M)**

IMPORTANT RELEVANT DATES AND TIME:

Entitlement Date : Friday, 6 November 2015 at 5.00 p.m.

Last date and time for:

Sale of provisional allotment of Rights Shares : Monday, 16 November 2015 at 5.00 p.m.

Transfer of provisional allotment of Rights Shares : Thursday, 19 November 2015 at 4.00 p.m.

Acceptance and payment : Tuesday, 24 November 2015 at 5.00 p.m.*

Excess application and payment : Tuesday, 24 November 2015 at 5.00 p.m.*

* or such later date and time as our Board may decide and announce not less than 2 Market Days (as defined in this Abridged Prospectus) before the stipulated date and time.

This Abridged Prospectus is dated 6 November 2015

THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE ON OUR PART AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS ABRIDGED PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS, AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS ABRIDGED PROSPECTUS.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE RIGHTS ISSUE AND ANY INVESTMENT IN OUR COMPANY. IN CONSIDERING THE INVESTMENT, IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

THE DISTRIBUTION OF THE DOCUMENTS (BEING THIS ABRIDGED PROSPECTUS, THE NPA AND THE RSF, COLLECTIVELY) IS SUBJECT TO MALAYSIAN LAWS. OUR COMPANY, OUR DIRECTORS, HLIB, AND/ OR ANY OTHER ADVISERS FOR THE RIGHTS ISSUE ARE NOT RESPONSIBLE FOR THE DISTRIBUTION OF THE DOCUMENTS OUTSIDE OF MALAYSIA. OUR COMPANY AND OUR ADVISERS HAVE NOT TAKEN ANY ACTION TO PERMIT AN OFFERING OF OUR SECURITIES BASED ON THE DOCUMENTS OR THE DISTRIBUTION OF THE DOCUMENTS OUTSIDE OF MALAYSIA. THE DOCUMENTS MAY NOT BE USED FOR AN OFFER TO SELL OR AN INVITATION TO BUY OUR SECURITIES IN ANY COUNTRY OR JURISDICTION OTHER THAN MALAYSIA. OUR COMPANY AND OUR PRINCIPAL ADVISER REQUIRE YOU TO INFORM YOURSELF OF AND TO OBSERVE SUCH RESTRICTIONS.

THE DOCUMENTS HAVE BEEN PREPARED AND PUBLISHED SOLELY FOR THE RIGHTS ISSUE UNDER THE LAWS OF MALAYSIA. OUR COMPANY AND OUR PRINCIPAL ADVISER HAVE NOT AUTHORISED ANYONE TO PROVIDE YOU WITH INFORMATION WHICH IS NOT CONTAINED IN THE DOCUMENTS.

YOU ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE AND MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THIS ABRIDGED PROSPECTUS ARE DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CAPITAL MARKETS AND SERVICES ACT 2007 ("CMSA").

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE RIGHTS ISSUE FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA, INCLUDING, *INTER-ALIA*, OUR DIRECTORS AND ADVISERS, ARE RESPONSIBLE.

ALL TERMS USED ARE AS DEFINED IN THE "DEFINITIONS" PAGE OF THIS ABRIDGED PROSPECTUS.

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Abridged Prospectus:

"Abridged Prospectus"	: This abridged prospectus dated 6 November 2015 issued by our Company in relation to the Rights Issue
"Act"	: Companies Act 1965
"BNM"	: Bank Negara Malaysia
"Board"	: Board of Directors
"Bursa Depository"	: Bursa Malaysia Depository Sdn Bhd
"Bursa Securities"	: Bursa Malaysia Securities Berhad
"CA Framework"	: Capital Adequacy Framework (Capital Components) issued by BNM
"CAR"	: Capital adequacy ratio
"CDS"	: Central Depository System, the system established and operated by Bursa Depository for the handling of securities deposited with Bursa Depository
"CDS Accounts"	: Securities accounts established by Bursa Depository for a depositor for the recording of deposits and dealings in such securities by the depositor
"CMSA"	: Capital Markets and Services Act 2007
"Directors"	: Shall have the same meaning given in Section 2(1) of the CMSA
"Documents"	: Abridged Prospectus, NPA and RSF, collectively
"EGM"	: Extraordinary general meeting
"Entitled Shareholders"	: Shareholders of our Company whose name(s) appear in our Company's Record of Depositors on the Entitlement Date and are entitled to the Rights Issue
"Entitlement Date"	: 6 November 2015 at 5.00 p.m., being the date and time on which the names of our Company's shareholders must appear in our Company's Record of Depositors in order to be entitled to the Rights Issue
"EPS"	: Earnings per share
"ESOS"	: Executive share option scheme
"ESOS 2006/2016"	: ESOS of our Company, which was established on 23 January 2006 and will expire on 22 January 2016
"ESS"	: Executive share scheme of our Company, which comprises an ESOS established on 12 March 2013 and an executive share grant scheme established on 28 February 2014, both of which will expire on 11 March 2023

DEFINITIONS (Cont'd)

"Excess Rights Shares"	:	Rights Shares which the Entitled Shareholders and/ or their renounee(s) and/ or transferee(s) (if applicable) are entitled to take up but are not taken up or not validly taken up by such persons
"Foreign Addressed Shareholders"	:	Entitled Shareholders who have not provided an address in Malaysia for the service of the Documents to be issued for purposes of the Rights Issue
"FSA"	:	Financial Services Act 2013
"FYE"	:	Financial year ended/ ending, as the case may be
"GASB"	:	Guoco Assets Sdn Bhd
"HKD"	:	Hong Kong Dollars, the lawful currency of the Hong Kong SAR
"HLA"	:	Hong Leong Assurance Berhad, a 70%-owned subsidiary of HLAH
"HLAH"	:	HLA Holdings Sdn Bhd, our wholly-owned subsidiary
"HLAH Group"	:	HLAH and its subsidiaries, collectively
"HLB"	:	Hong Leong Bank Berhad, our 63.59%-owned subsidiary
"HLB Group"	:	HLB and its subsidiaries, collectively
"HLB Rights Issue"	:	Renounceable rights issue of 287,809,184 new HLB Shares to be undertaken by HLB on the basis of 4 new HLB Shares for every 25 existing HLB Shares held as at 5.00 p.m. on an entitlement date to be determined and announced later, at an issue price of RM10.40 per new HLB Share, which was approved by HLB's shareholders on 29 September 2015
"HLB Shares"	:	Ordinary shares of RM1.00 each in HLB
"HLCB"	:	Hong Leong Capital Berhad, our 81.33%-owned subsidiary
"HLCB Group"	:	HLCB and its subsidiaries, collectively
"HLCM"	:	Hong Leong Company (Malaysia) Berhad
"HLE"	:	Hong Leong Equities Sdn Bhd, our wholly-owned subsidiary
"HLFG" or "Company"	:	Hong Leong Financial Group Berhad
"HLFG Group" or "Group"	:	Our Company and our subsidiaries, collectively
"HLFG Shares"	:	Ordinary shares of RM1.00 each in our Company
"HLIB" or "Principal Adviser" or "Lead Arranger" or "Joint Global Coordinator"	:	Hong Leong Investment Bank Berhad
"Hong Kong SAR"	:	Hong Kong Special Administrative Region of the People's Republic of China

DEFINITIONS (Cont'd)

“Joint Global Coordinators”	:	HLIB, Maybank Investment Bank Berhad and Nomura Singapore Limited, collectively
“Joint Underwriters”	:	AmInvestment Bank Berhad, CIMB Investment Bank Berhad and Maybank Investment Bank Berhad, collectively
“LCR”	:	Liquidity coverage ratio
“LPD”	:	9 October 2015, being the latest practicable date prior to the printing of this Abridged Prospectus
“Management and Underwriting Agreement”	:	Management and underwriting agreement dated 23 October 2015, entered between our Company, the Joint Global Coordinators and the Joint Underwriters in relation to the Rights Issue
“Market Day”	:	Any day on which Bursa Securities is open for trading of securities
“NA”	:	Net assets attributable to owners of the parent
“NPA”	:	Notice of provisional allotment issued pursuant to the Rights Issue
“PBT”	:	Profit before taxation
“Price-Fixing Date”	:	23 October 2015, being the date on which the issue price of the Rights Shares was determined and announced by our Company
“Provisional Rights Shares”	:	Rights Shares provisionally allotted to the Entitled Shareholders
“Record of Depositors”	:	A record of depositors provided by Bursa Depository to our Company under Chapter 24.0 of the Rules of Bursa Depository
“Rights Issue”	:	Renounceable rights issue of 94,749,101 Rights Shares on the basis of 9 Rights Shares for every 100 existing HLFG Shares held on the Entitlement Date at an issue price of RM11.60 per Rights Share
“Rights Shares”	:	94,749,101 new HLFG Shares to be issued pursuant to the Rights Issue
“RM” and “sen”	:	Ringgit Malaysia and sen, respectively
“RMB”	:	Chinese Renmimbi, the lawful currency of the People’s Republic of China
“RSF”	:	Rights subscription form issued pursuant to the Rights Issue
“Rules of Bursa Depository”	:	Rules of Bursa Depository as issued pursuant to the SICDA
“SC”	:	Securities Commission Malaysia
“SGD”	:	Singapore Dollars, the lawful currency of the Republic of Singapore
“Share Registrar”	:	Hong Leong Share Registration Services Sdn Bhd
“SICDA”	:	Securities Industry (Central Depositories) Act 1991
“TERP”	:	Theoretical ex-rights price

DEFINITIONS (Cont'd)

"U.S."	:	United States of America
"Undertakings"	:	Irrevocable undertakings from our major shareholders, namely HLCM and GASB, to subscribe and/ or procure the subscription in full for their respective entitlements to the Rights Shares under the Rights Issue
"USD"	:	U.S. Dollars, the lawful currency of the U.S.
"VWAMP"	:	Volume-weighted average market price

All references to "**our Company**" in this Abridged Prospectus are to HLFM, references to "**our Group**" are to our Company and our subsidiaries, collectively, and references to "**we**", "**us**", "**our**" and "**ourselves**" are to our Company, and save where the context requires, shall include our subsidiaries.

All references to "**you**" in this Abridged Prospectus are references to the Entitled Shareholders. Words referring to the singular shall, where applicable, include the plural and vice versa, and words referring to the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include a corporation, unless otherwise specified.

Any reference in this Abridged Prospectus to any legislation is a reference to that legislation as for the time being amended or re-enacted.

Any reference to a time of a day in this Abridged Prospectus shall be a reference to Malaysian time, unless otherwise specified.

Any discrepancy in the tables included in this Abridged Prospectus between the amounts listed, actual figures and the totals thereof are due to rounding.

Certain statements in this Abridged Prospectus may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by our Board after due enquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Abridged Prospectus should not be regarded as a representation or warranty that our Company's plans and objectives will be achieved.

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CORPORATE DIRECTORY**BOARD OF DIRECTORS**

Name/ (Designation)	Address	Age	Profession	Nationality
YBhg Tan Sri Quek Leng Chan (Chairman; Non-Executive/ Non-Independent)	Level 28, 3 KiaPeng No. 3, Jalan Kia Peng 50450 Kuala Lumpur	72	Company Director	Malaysian
Mr Quek Kon Sean (Non-Executive Director/ Non- Independent)	Level 28, 3 KiaPeng No. 3, Jalan Kia Peng 50450 Kuala Lumpur	35	Company Director	Malaysian
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman (Non-Executive Director/ Non- Independent)	46, Taman Jesselton 10450 Penang	79	Company Director	Malaysian
Ms Lim Tau Kien (Non-Executive Director/ Independent)	9, Jalan Datuk Sulaiman 1 TTDI Hills Taman Tun Dr Ismail 60000 Kuala Lumpur	60	Company Director	Malaysian
Ms Lim Lean See (Non-Executive Director/ Independent)	15, Jalan SS2/73 47300 Petaling Jaya Selangor Darul Ehsan	62	Company Director	Malaysian
Mr Saw Kok Wei (Non-Executive Director/ Independent)	1102-10-2 Serai Saujana Condominium Persiaran Golf Saujana Resort Seksyen U2 40150 Shah Alam Selangor Darul Ehsan	52	Company Director	Malaysian

BOARD AUDIT AND RISK MANAGEMENT COMMITTEE

Name	Designation	Directorship
Ms Lim Tau Kien	Chairman	Independent Non-Executive Director
Mr Saw Kok Wei	Member	Independent Non-Executive Director
Ms Lim Lean See	Member	Independent Non-Executive Director

COMPANY SECRETARY : Christine Moh Suat Moi (MAICSA 7005095)
Level 8, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur

**REGISTERED/ HEAD/
MANAGEMENT OFFICE** : Level 8, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur
Tel. no.: 603-2164 8228
Fax no.: 603-2164 2503
Website: www.hlfq.com.my

CORPORATE DIRECTORY (Cont'd)

- AUDITORS/ REPORTING ACCOUNTANTS** : PricewaterhouseCoopers (AF 1146)
Chartered Accountants
Level 10, 1 Sentral
Jalan Rakyat
Kuala Lumpur Sentral
50470 Kuala Lumpur
Tel. no.: 603-2173 1188
Fax no.: 603-2173 1288
- SOLICITORS FOR THE RIGHTS ISSUE** : Adnan Sundra & Low
Level 11, Menara Olympia
No. 8, Jalan Raja Chulan
50200 Kuala Lumpur
Tel. no.: 603-2070 0466
Fax no.: 603-2078 3382
- PRINCIPAL BANKERS** : AmBank (M) Berhad
22nd Floor, Bangunan AmBank Group
No. 55, Jalan Raja Chulan
50200 Kuala Lumpur
Tel. no.: 603-2036 2633
Fax no.: 603-2078 2842
- Public Bank Berhad
Menara Public Bank
146 Jalan Ampang
50450 Kuala Lumpur
Tel. no.: 603-2176 6000
Fax no.: 603-2176 0623
- SHARE REGISTRAR** : Hong Leong Share Registration Services Sdn Bhd
Level 5, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur
Tel. no.: 603-2164 1818
Fax no.: 603-2164 3703
- PRINCIPAL ADVISER, LEAD ARRANGER AND JOINT GLOBAL COORDINATOR FOR THE RIGHTS ISSUE** : Hong Leong Investment Bank Berhad
Level 23, Menara HLA
No. 3, Jalan Kia Peng
50450 Kuala Lumpur
Tel. no.: 603-2168 1168
Fax no.: 603-2164 8880
- JOINT GLOBAL COORDINATORS FOR THE RIGHTS ISSUE** : Hong Leong Investment Bank Berhad
Level 23, Menara HLA
No. 3, Jalan Kia Peng
50450 Kuala Lumpur
Tel. no.: 603-2168 1168
Fax no.: 603-2164 8880
- Maybank Investment Bank Berhad
Level 8, Tower C, Dataran Maybank
No. 1, Jalan Maarof
59000 Kuala Lumpur
Tel. no.: 603-2297 8888
Fax no.: 603-2282 5136

CORPORATE DIRECTORY (Cont'd)

JOINT GLOBAL COORDINATORS FOR THE RIGHTS ISSUE (Cont'd) : Nomura Singapore Limited
10 Marina Boulevard
Marina Bay Financial Centre Tower 2, #36-01
Singapore 018983
Tel. no.: 65-6433 6288
Fax no.: 65-6304 6377

JOINT UNDERWRITERS FOR THE RIGHTS ISSUE : AmInvestment Bank Berhad
22nd Floor, Bangunan AmBank Group
55, Jalan Raja Chulan
50200 Kuala Lumpur
Tel. no.: 603-2036 2633
Fax no.: 603-2070 8596

CIMB Investment Bank Berhad
17th Floor, Menara CIMB
Jalan Stesen Sentral 2
Kuala Lumpur Sentral
50470 Kuala Lumpur
Tel. no.: 603-2261 8888
Fax no.: 603-2261 8889

Maybank Investment Bank Berhad
Level 8, Tower C, Dataran Maybank
No. 1, Jalan Maarof
59000 Kuala Lumpur
Tel. no.: 603-2297 8888
Fax no.: 603-2282 5136

STOCK EXCHANGE LISTED AND LISTING SOUGHT : Main Market of Bursa Securities

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HongLeong Financial Group Berhad (8024-W)

(Incorporated in Malaysia under the Companies Act 1965)

Registered Office:
Level 8, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur

6 November 2015

Board of Directors:

YBhg Tan Sri Quek Leng Chan (*Chairman; Non-Executive/ Non-Independent*)
Mr Quek Kon Sean (*Non-Executive Director/ Non-Independent*)
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman (*Non-Executive Director/ Non-Independent*)
Ms Lim Tau Kien (*Non-Executive Director/ Independent*)
Ms Lim Lean See (*Non-Executive Director/ Independent*)
Mr Saw Kok Wei (*Non-Executive Director/ Independent*)

To: The Entitled Shareholders

Dear Sir/ Madam,

RENOUNCEABLE RIGHTS ISSUE OF 94,749,101 RIGHTS SHARES ON THE BASIS OF 9 RIGHTS SHARES FOR EVERY 100 EXISTING HLFGB SHARES HELD ON THE ENTITLEMENT DATE, AT AN ISSUE PRICE OF RM11.60 PER RIGHTS SHARE

1. INTRODUCTION

On 12 August 2015, HLIB had, on behalf of our Company, announced that we proposed to undertake the Rights Issue. The increase in the issued and paid-up share capital of our Company pursuant to the Rights Issue has been approved by BNM via its letter dated 10 August 2015.

On 10 September 2015, HLIB had, on behalf of our Company, announced that Bursa Securities had, via its letter on the same date, granted its approval for the listing of and quotation for up to 150,000,000 Rights Shares on the Main Market of Bursa Securities. The approval granted by Bursa Securities is subject to amongst others, the following conditions:

Conditions imposed	Status of compliance
(i) HLFGB and HLIB must fully comply with the relevant provisions under the Main Market Listing Requirements of Bursa Securities pertaining to the implementation of the Rights Issue;	Noted.
(ii) HLFGB and HLIB to inform Bursa Securities and make an immediate announcement on the issue price, discount of the issue price, entitlement basis, number of Rights Shares to be issued and the gross proceeds to be raised once they have been decided;	Complied.
(iii) HLFGB and HLIB to inform Bursa Securities upon the completion of the Rights Issue;	To be complied.

Conditions imposed (<i>cont'd</i>)	Status of compliance
(iv) HLFG and HLIB to furnish Bursa Securities with a certified true copy of the resolution passed by the shareholders approving the Rights Issue prior to the listing of and quotation for the Rights Shares;	Complied.
(v) HLFG to furnish Bursa Securities with a cheque drawn to the order of Bursa Securities for the additional listing fee and processing fee (in excess of the minimum fees paid) together with a copy of the details of the computation of the amount of fees payable, once the number of Rights Shares to be issued is determined; and	Complied.
(vi) HLFG to furnish Bursa Securities with a written confirmation of our compliance with the terms and conditions of Bursa Securities' approval once the Rights Issue is completed.	To be complied.

Subsequently, our shareholders had, at our EGM held on 29 September 2015, approved the Rights Issue. A certified true extract of the ordinary resolution approving the Rights Issue at the said EGM is attached as Appendix I of this Abridged Prospectus.

On 23 October 2015, HLIB had, on behalf of our Company, announced the following:

- (i) the issue price of the Rights Shares has been fixed at RM11.60 each and the entitlement basis has been fixed at 9 Rights Shares for every 100 existing HLFG Shares held by the Entitled Shareholders;
- (ii) our Company has entered into the Management and Underwriting Agreement with the Joint Global Coordinators and the Joint Underwriters; and
- (iii) the Entitlement Date for the Rights Issue has been fixed at 5.00 p.m. on 6 November 2015.

The official listing of and quotation for the Rights Shares to be issued will commence after, amongst others, receipt of confirmation from Bursa Depository that all the CDS Accounts of the Entitled Shareholders and/ or their renounee(s) and/ or transferee(s) (if applicable) have been duly credited with the Rights Shares allotted to them and notices of allotment have been despatched to them.

No person is authorised to give any information or to make any representation not contained in the Documents and if given or made, such information or representation must not be relied upon as having been authorised by our Company or HLIB in connection with the Rights Issue.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

2. DETAILS OF THE RIGHTS ISSUE

2.1 Introduction

In accordance with the terms of the Rights Issue as approved by the relevant authorities as well as our shareholders and subject to the terms of the Documents, our Company will provisionally allot 94,749,101 Rights Shares to the Entitled Shareholders, on the basis of 9 Rights Shares for every 100 existing HLFG Shares held on the Entitlement Date, at an issue price of RM11.60 per Rights Share.

The Rights Issue will raise gross proceeds of approximately RM1.1 billion.

Shareholders whose names appear in our Record of Depositors as at the Entitlement Date are entitled to participate in the Rights Issue. However, only the Entitled Shareholders who have an address in Malaysia as stated in our Record of Depositors will receive the Documents.

The Rights Issue is renounceable in full or in part. Accordingly, the Entitled Shareholders can subscribe for and/ or renounce and/ or transfer their entitlements to the Rights Shares in full or in part. Any Rights Shares which are not subscribed or validly subscribed by the Entitled Shareholders shall be made available for excess applications by the other Entitled Shareholders and/ or their renounee(s) and/ or transferee(s) (if applicable). It is the intention of our Board to allocate the Excess Rights Shares, if any, in the manner as set out in Section 10.4 of this Abridged Prospectus.

Any fractional entitlements arising under the Rights Issue will be disregarded and will be dealt with in such manner as our Board in its absolute discretion deems fit or expedient and in the best interest of our Company.

Any dealing in the Rights Shares, which are prescribed securities under the CDS, will be subject to the provision of the SICDA and the Rules of Bursa Depository. Accordingly, upon allotment and issuance by our Company, the Rights Shares will be credited directly into the respective CDS Accounts of the Entitled Shareholders and/ or their renounee(s) and/ or transferee(s) (if applicable) who have successfully subscribed for such Rights Shares. No physical certificate will be issued to the Entitled Shareholders and/ or their renounee(s) and/ or transferee(s) (if applicable).

As an Entitled Shareholder, you will find enclosed with this Abridged Prospectus a NPA setting out the number of Rights Shares for which you are entitled to subscribe for and a RSF which is to be used for the acceptance of the Provisional Rights Shares and for the application for Excess Rights Shares, should you wish to do so.

2.2 Basis of determining the issue price of the Rights Shares

The issue price of RM11.60 per Rights Share was determined by our Board after taking into consideration, amongst others, the following:

- (i) the issued and paid-up share capital of our Company as at the Entitlement Date;
- (ii) the prevailing market conditions; and
- (iii) the resultant TERP, calculated based on the 5-day VWAMP of RM14.82 per HLFG Share up to and including 22 October 2015, being the last Market Day immediately preceding the Price-Fixing Date.

The issue price of RM11.60 per Rights Share represents a discount of approximately RM2.95 or 20.3% to the TERP of HLFG Shares of RM14.55, calculated based on the 5-day VWAMP of RM14.82 per HLFG Share up to and including 22 October 2015, being the last Market Day immediately preceding the Price-Fixing Date.

2.3 Ranking of the Rights Shares

The Rights Shares will, upon allotment and issue, rank *pari passu* in all respects with the then existing HLFG Shares in issue, save and except that they will not be entitled to any dividends, rights, allotments and/ or other distributions, in respect of which the entitlement date is prior to the date of allotment of the Rights Shares.

3. SHAREHOLDERS' UNDERTAKINGS AND UNDERWRITING ARRANGEMENT

3.1 Shareholders' undertakings

The Rights Issue is undertaken on a full subscription basis.

In this respect, our Company had on 14 July 2015 procured the Undertakings from our major shareholders, namely HLCM and GASB, to subscribe and/ or procure the subscription in full for their respective entitlements to the Rights Shares, the allocation of which shall be in proportion to their respective shareholdings in our Company as at the Entitlement Date.

The shareholdings of HLCM and GASB in our Company as at the LPD and the number of their respective full entitlements to the Rights Shares are illustrated below:

Major shareholder	Shareholdings as at the LPD		Entitlements under the Rights Issue	
	No. of HLFG Shares held	%	No. of Rights Shares	(1)%
HLCM	546,773,354	51.9	49,209,601	51.9
GASB	267,079,946	25.4	24,037,195	25.4
Total	813,853,300	77.3	73,246,796	77.3

Note:

(1) Computed based on the total of 94,749,101 Rights Shares to be issued pursuant to the Rights Issue.

HLCM and GASB have confirmed, and HLIB has verified, that they have adequate and sufficient financial means and resources to subscribe in full for their respective entitlements to the Rights Shares pursuant to their respective Undertakings and to make payment in full upon such subscription.

The subscriptions by HLCM and GASB via their respective Undertakings are not expected to give rise to any implications under the Malaysian Code on Take-Overs and Mergers 2010 as the Rights Issue is being undertaken on a full subscription basis and the remaining Rights Shares have been fully underwritten by the Joint Underwriters.

3.2 Underwriting arrangement

On 23 October 2015, our Company had entered into the Management and Underwriting Agreement for the Joint Underwriters to underwrite the remaining 21,502,305 Rights Shares ("Underwritten Shares") for which no shareholders' undertakings had been obtained, representing approximately 22.7% of the Rights Shares, subject to the terms and conditions of the Management and Underwriting Agreement and in the following proportions:

Joint Underwriters	No. of Underwritten Shares	Value of the Underwritten Shares (RM)	Percentage of total Underwritten Shares (%)
AmlInvestment Bank Berhad	6,417,305	74,440,738	29.9
CIMB Investment Bank Berhad	4,310,000	49,996,000	20.0
Maybank Investment Bank Berhad	10,775,000	124,990,000	50.1
Total	21,502,305	249,426,738	100.0

The underwriting commission of the Joint Underwriters is 0.45% (“**Underwriting Commission**”) of the total value of the Underwritten Shares computed based on the issue price of RM11.60 per Rights Share. The Underwriting Commission and all relevant costs in relation to the underwriting arrangement will be borne by our Company.

4. UTILISATION OF PROCEEDS

Pursuant to the announcement made by HLIB on 12 August 2015, on behalf of HLB, in relation to the HLB Rights Issue to raise gross proceeds of approximately RM3.0 billion in order to facilitate the build-up of an adequate level of capital buffer to support HLB Group’s future business growth and in preparation for forthcoming regulatory capital requirements under the CA Framework, our Company and HLE, our wholly-owned subsidiary, have undertaken to subscribe and/ or procure the subscription in full for our respective entitlements under the HLB Rights Issue.

Based on the aggregate direct shareholdings of our Company and HLE of approximately 64.23% in HLB as at the LPD and the gross proceeds of approximately RM3.0 billion to be raised from the HLB Rights Issue, the capital outlay required by our Company and HLE to fully subscribe for our entitlements under the HLB Rights Issue is expected to be approximately RM1.9 billion.

Accordingly, the gross proceeds to be raised from the Rights Issue are proposed to be utilised in the following manner:

Proposed utilisation	Note	Amount (RM million)	Estimated timeframe for utilisation of proceeds from the date of listing of the Rights Shares
Part subscription of our Company’s entitlement under the HLB Rights Issue	(1)	1,096.6	Within 3 months
Defrayment of estimated expenses in relation to the Rights Issue	(2)	2.5	Within 1 month
Total		1,099.1	

Notes:

- (1) The gross proceeds, after defraying the expenses to be incurred in relation to the Rights Issue, will be utilised to partially fund the subscription of our Company’s entitlement under the HLB Rights Issue. The remaining balance of the capital outlay required for the full subscription of our Company and HLE’s entitlements under the HLB Rights Issue amounting to approximately RM825.8 million shall be financed via a combination of bank borrowings, commercial papers, medium term notes and/ or available cash.
- (2) The estimated expenses in relation to the Rights Issue of approximately RM2.5 million comprise professional fees, underwriting fees, fees payable to the relevant authorities and other miscellaneous expenses. Any surplus/ shortfall from the expenses incurred for the Rights Issue will be correspondingly contributed to/ funded from the portion allocated for the subscription of our Company’s entitlement under the HLB Rights Issue.

Pending the utilisation of the proceeds by our Company, the proceeds will be placed in interest-bearing deposit accounts or as investment in money markets as our Board may deem fit.

5. RATIONALE FOR THE RIGHTS ISSUE

The Rights Issue is undertaken as part of our Company's capital management strategy so as to strengthen our capital position and support the continuous business growth of our Group. The Rights Issue will also facilitate the build-up of an adequate level of capital buffer in preparation for the forthcoming regulatory capital requirements which will come into effect on 1 January 2019 for financial holding companies. Please refer to Section 6.1.4.3 of this Abridged Prospectus for further details on the requirements under the CA Framework issued by BNM on 28 November 2012 (as revised on 13 October 2015).

In addition to the above, the Rights Issue will allow our Company, as a major shareholder of HLB, to raise the necessary proceeds to partially fund the subscription of our entitlement under the HLB Rights Issue in a manner that avoids diluting the equity interests of our shareholders (assuming all shareholders fully subscribe for their respective entitlements under the Rights Issue).

Further, the Rights Issue will also provide the Entitled Shareholders with an opportunity to increase their equity participation in our Company on a pro-rata basis, which is at a discount to the prevailing market price of HLFG Shares.

Based on the above and after due consideration of the various options available to our Company, our Board is of the view that the Rights Issue is the most appropriate avenue of fund raising for our Company at this juncture.

6. RISK FACTORS

In addition to the other information contained herein, you should carefully consider the following key risk factors before subscribing for or investing in the Rights Issue.

6.1 Risks relating to our Group

6.1.1 Risks relating to our banking division under HLB

6.1.1.1 Credit risks

Credit risks arising from adverse changes in the credit quality and recoverability of loans, advances and amounts due from counterparties, are inherent in HLB Group's businesses. Such risks could arise from a deterioration in the credit quality of specific counterparties of HLB Group, from a general deterioration in local or global economic conditions, or from systemic risks within the financial systems. Although HLB Group believes that it has adopted a sound asset quality management system, there can be no assurance that the system will remain effective or adequate or that the amount of HLB Group's impaired or non-performing loans will not increase in the future. If the asset quality of HLB Group's loan portfolio deteriorates, HLB Group could be required to make additional provisions and write-offs for the impairment of its assets and other credit exposures.

6.1.1.2 Impaired loans

Loans, advances and financing of HLB Group are classified as impaired ("**Impaired Loans**") when they fulfil any of the following criteria:

- (i) principal or interest/ profit or both are past due for 3 months or more;
- (ii) where a loan is in arrears for less than 3 months, the loan exhibits indications of significant credit weaknesses; or
- (iii) where an Impaired Loan has been rescheduled or restructured, the loan will continue to be classified as impaired until repayments based on the revised and/ or restructured terms have been observed continuously for a period of 6 months.

- (iii) where an Impaired Loan has been rescheduled or restructured, the loan will continue to be classified as impaired until repayments based on the revised and/ or restructured terms have been observed continuously for a period of 6 months.

HLB Group first assesses whether objective evidence of impairment exists (i) individually for loans which are individually significant, and (ii) collectively for loans which are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed loan, the loan is then included in a group of loans with similar credit risk characteristics and collectively assessed for impairment, where applicable. Loans that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in collective assessment for impairment.

Where there is objective evidence that an impairment loss has been incurred, loan impairment is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate of loans, advances and financing. The carrying amount of the loans, advances and financing is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss. Where appropriate, the estimated future cash flows of a collateralised loan reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not the foreclosure is probable.

Collective assessment of loans is performed via grouping of loans on the basis of similar credit risk characteristics. Future cash flows of each of these groups of loans are estimated on the basis of historical loss experience for such assets and discounted to present value. Collective assessment on impairment allowance is made on any shortfall in these discounted cash flows against the carrying value of the group of loans.

In addition, in February 2014, BNM issued a letter requiring banking institutions to maintain, in aggregate collective impairment provisions ("CIP") and regulatory reserves of no less than 1.2% of total outstanding loans/ financing (excluding loans/ financing with an explicit guarantee from the Government of Malaysia), net of individual impairment provisions. The new requirement shall be complied with by 31 December 2015. HLB Group has complied with the 1.2% CIP requirement as at 30 June 2015.

There is no assurance that the number and value of the Impaired Loans of HLB Group will not increase in the future. There is no assurance that the level of allowance for the Impaired Loans made by HLB Group will prove to be adequate, that HLB Group will not have to make additional allowances for possible loan losses in the future or that HLB Group would be able to realise adequate proceeds from collateral disposals to cover the amount of the Impaired Loans net of loan loss allowance.

6.1.1.3 Deterioration in collateral values

HLB Group's largest concentration of loans is property loans, where the total of residential and non-residential property loans made up more than half of HLB Group's total loans as at 30 June 2015. Consequently, a significant portion of HLB Group's loans are secured by collateral such as real estate, the value of which, in some cases, may decline due to deterioration in economic condition or general worsening of the current global market outlook.

This may result in a portion of HLB Group's loans exceeding the value of the underlying collateral. Any such deterioration in the value of the collateral securing HLB Group's loans or its inability to obtain additional collateral or inability to realise the value of existing collateral may require HLB Group to increase its loan loss provisions or necessitate write-offs.

6.1.1.4 Liquidity and short-term funding sources

Liquidity and funding risks could arise from HLB Group's inability to anticipate and provide for unforeseen decreases or changes in funding sources, which could have adverse consequences on HLB Group's ability to meet its obligations when they fall due. HLB Group's funding resources to support its loan and investment operations are characterised by short-term customer deposits comprising demand, savings, fixed deposits and short-term loans from financial institution.

Historically, HLB Group's deposits resources have contained a significant level of core deposits. However there can be no assurance that such stable deposit resources will continue. For instance, if significant deposits are withdrawn or not rolled over upon maturity, HLB Group's liquidity position could be adversely affected and it may need to borrow from alternative short or long-term sources at a higher cost to fund its operations. Also, there can be no guarantee that such funding will be available on commercially reasonable terms, or at all.

6.1.1.5 Market fluctuation risks

HLB Group's business is inherently subject to risks in financial markets and in the wider economy, including changes in, and increased volatility of, exchange rates, interest rates, inflation rates, credit spreads, commodity, equity, bond and property prices and the risk that its customers may act in a manner which is inconsistent with HLB Group's business, pricing and hedging assumptions. In particular, as a result of HLB Group's expansion into foreign markets, HLB Group may become increasingly exposed to changes in, and increased volatility of, foreign currency exchange rates.

Market movements may have an impact on HLB Group in a number of key areas. For example, changes in interest rate levels, yield curves and spreads affect the interest rate margin realised between lending and borrowing costs. Historically, there have been periods of high and volatile interbank lending margins over official rates, which have exacerbated these risks.

Although HLB Group believes that it has adopted sound market risk management practices and strategies, there can be no assurance that HLB Group's risk management systems will remain effective in mitigating risk exposures in all market environments or against all types of risks, including risks that are unidentified or unanticipated. Some methods of managing risks are based upon observed historical market behaviour. As a result, these methods may not predict future risk exposures, which could be significantly greater than the historical measures had indicated.

6.1.1.6 Interest rate risks

HLB Group's exposure to interest rate risk arises from its loan portfolio, holdings of securities, customer deposits and its interbank deposits and placements. When the market interest rates decline, HLB Group's net interest margin generally decreases due to the immediate re-pricing of its base lending rate or base rate-based loans compared with slower re-pricing of the interest paid on customers' deposits, in particular fixed/ time deposits which are only re-priced on maturity.

The net interest margin on certain of HLB Group's banking products, for example credit cards, may be compressed in a rising interest rate environment due to statutory caps on the interest rate that HLB Group may charge its customers, therefore potentially preventing HLB Group from passing on the full amount of the interest rate increase to its customers.

Net interest margin also faces significant pressure due to competition within the Malaysian banking sector where market participants compete aggressively on price in certain product sectors. Competitive pressures on fixed rates or product terms in existing loans and deposits sometimes restrict HLB Group's ability to change interest rates applying to customers in response to changes in official and wholesale market rates. Also, the actual effect on net interest income due to changes in interest rates will depend on (i) the degree and timing of changes in interest rates, (ii) the behaviour and contractual re-pricing dates of HLB Group's assets and liabilities and (iii) HLB Group's ability to respond to changes in its interest rates on loans and deposits. Although HLB Group believes that it has adopted sound interest rate risk management strategies, there is no assurance that such strategies will remain effective or adequate in the future.

6.1.2 Risks relating to our insurance division under HLAH

6.1.2.1 Market risk

HLAH Group's business is inherently subject to risks in financial markets and in the wider economy, including changes in and increased volatility of interest rates, inflation rates, credit spreads, equity, bond and property prices.

Market movements may have an impact on HLAH Group in a number of key areas. For example, changes in interest rate levels will affect actuarial reserves, wherein a prolonged low interest rate regime may hurt the profitability of the business. Further, any adverse price movements in the market may affect HLAH Group's investments in quoted securities. Exposure to such risks may have a material impact on HLAH Group's investment income.

Although investment policies, strategies and management practices have been adopted by HLAH Group to minimise the possibility and impact of such risks, there can be no assurance that HLAH Group's risk management systems will remain effective in mitigating risk exposure in all market environments or against all types of risks, including risks that are unidentified or unanticipated.

6.1.2.2 Underwriting risks

HLAH Group is subject to underwriting risks inherent in the insurance business. Underwriting risks involve the risk of incurring higher claims costs than expected due to the random nature of claims and their severity and frequency as well as changes in legal or economic conditions of insurance or reinsurance cover. These risks may result in HLAH Group receiving inadequate premium for the risks being underwritten, which may in turn lead to HLAH Group having insufficient funds to compensate claims made. As such, these underwriting risks may lead to uncertainty in the future earnings of HLAH Group.

However, HLAH Group will continuously monitor and manage underwriting risks by:

- (i) maintaining a measure of conservatism with respect to insurance premium rate levels;
- (ii) observing underwriting guidelines, which cover exclusions and cover limits; and
- (iii) transferring risks through reinsurance to limit the exposure to any one risk or life as well as protect the overall retained portfolio from a general deterioration in claims as well as catastrophic events.

6.1.2.3 Reliance on agency channel

While HLAH Group has a number of distribution channels, the agency channel is still the major contributor to new business premiums. Although agents are appointed under formal agency agreements, there is no assurance that the level of support from each agent will remain consistent over time. However, this uncertainty is mitigated by the long-standing business relationship, management efforts and agency friendly policies of HLAH Group that involve continuous upgrading of facilities for agents to do business with HLAH Group. In addition, HLAH Group is continuously growing its bancassurance channel, exploring alternative distribution channels and seeking to further expand the existing agency network to reduce over-dependence on any single group of agents.

6.1.2.4 Capital adequacy ratio requirement

Pursuant to the Risk-Based Capital Framework for Insurers issued by BNM, insurers in Malaysia are required to maintain a minimum CAR of 130.0%. HLA's CAR may deteriorate in the future if its earnings or financial condition deteriorates for any reason, including as a result of any deterioration in the value of invested assets. If HLA's CAR deteriorates, it may be required to raise additional Tier I or Tier II capital in order to remain in compliance with the applicable guidelines.

Pursuant to the Solvency II Directive issued by the European Commission, insurance companies in the European Union are required to adopt new risk management practices to define required capital and manage risk. Similar measures may be adopted by BNM in the future, which may have an impact on the return on equity and profitability of HLA as a result of increased compliance costs in relation to more stringent capital and reporting requirements.

6.1.3 Risks relating to our investment banking division under HLCB

6.1.3.1 Dependency on fee-based income

HLCB Group's revenue primarily comprises fee-based income derived from a variety of activities, including stockbroking, fund management, debt and equity fund raising and advisory services for corporate clients. HLCB Group's revenue is therefore impacted by market demand for these products and services, investment and risk appetite, the level of corporate activity and the overall level of economic and trade activity. Volatile market conditions may have an adverse impact on the volume of securities transacted on Bursa Securities, demand for fund management and investment products as well as the level of corporate activities. These factors may lead to a decline in the volume of transactions that HLCB Group executes for its clients and, therefore, the fee-based income received by HLCB Group, which may materially impact HLCB Group's business, financial condition, results of operations and prospects.

6.1.3.2 Reputational risk

As an investment banking group providing financial solutions in the areas of investment banking, securities trading and investment management services, the HLCB Group is dependent on its reputation to attract and retain both retail and corporate clients. However, the reputation of HLCB Group may be tarnished through circumstances including, amongst others, employee fraud or other misconduct, compliance failures, failure to appropriately address potential conflicts of interest, adverse litigation judgments or regulatory decisions or unfavourable outcomes of governmental inspections. Negative media coverage of HLCB Group, even if inaccurate or not applicable to HLCB Group, may also undermine clients' confidence.

As mitigation, HLCB Group has put in place risk management systems and controls to manage reputational risk. However, there is no assurance that the abovementioned events will not occur in the future. Any damage to the HLCB Group's reputation may lead to a loss of competitive advantage of HLCB Group's advisory business, which may have a material impact on the business, financial condition, results of operations and prospects of HLCB Group.

6.1.4 General risks applicable to our Group

6.1.4.1 Political and economic factors

Political and economic conditions and developments in Malaysia as well as abroad could have an impact on the financial performance of our Group. Adverse political and economic conditions or developments, such as an unstable political environment, severe fluctuation in interest and currency exchange rates, could create uncertainties and discourage a free flow of investment capital and affect international trade, ultimately resulting in adverse developments in national economic activity. This in turn may have a material impact on the business and financial performance of our Group as a financial services provider.

As a result of globalisation, economic or market instability in a single country or region is increasingly affecting other markets generally. A continuation of these situations could affect global economic conditions and world markets, which could in turn affect our Group's business and financial performance.

6.1.4.2 Operational risks

Operational risks and losses can result from fraud or error by employees, improper documentation of transactions, failure to obtain proper internal authorisation, non-compliance with regulatory requirements and conduct of business rules, failure of internal systems, equipment and external systems (such as those of the our Group's counterparties or vendors) as well as the occurrence of natural disasters. Although our Group has implemented risk controls and loss mitigation strategies and sufficient resources are devoted to developing efficient procedures, there can be no assurance that such measures will be effective.

Any fraud, negligence, system failure, calamity or failure in security measures could have a material adverse effect on our Group's business, financial condition and results of operations. In addition, our Group's reputation could be adversely affected by frauds committed by employees, customers or other third parties.

In addition, our Group seeks to protect our computer systems and network infrastructure from physical break-ins as well as security breaches and other disruptive problems caused by our Group's increased use of the internet. Computer break-ins and power disruptions could affect the integrity of information stored in, and transmitted through, these computer systems and network infrastructure. Although our Group employs security systems, such as firewalls and password encryption designed to minimise the risk of security breaches, there can be no assurance that these security measures will be adequate or effective.

6.1.4.3 Capital and liquidity requirements

Our Company, HLB Group and HLIB, being a financial holding company, licensed bank and licensed investment bank respectively, are subject to the capital adequacy guidelines issued by BNM and failure to maintain our capital ratios may result in administrative actions or sanctions against us which may impact our Group's ability to fulfil its obligations to our stakeholders.

In accordance with the CA Framework, financial institutions are to, at all times in the periods specified under CA Framework (other than financial holding companies which have to comply with the CA Framework beginning 1 January 2019), maintain at entity and consolidated levels the following minimum CAR requirements:

- (i) a Common Equity Tier 1 ("CET 1") capital ratio of at least 3.5% in 2013, 4.0% in 2014 and 4.5% from 1 January 2015 onwards;
- (ii) a Tier 1 capital ratio of at least 4.5% in 2013, 5.5% in 2014 and 6.0% from 1 January 2015 onwards; and
- (iii) a Total capital ratio of at least 8.0% from 1 January 2013 onwards.

In addition to complying with the minimum CAR requirements, financial institutions are to, at all times in the periods specified under the CA Framework, maintain at both the entity and consolidated levels, a capital conservation buffer above the minimum CAR requirements. The capital conservation buffer will begin at 0.625% in 2016, increasing by an additional 0.625% in each subsequent year, to reach 2.5% in 2019. BNM may also specify an additional buffer requirement for a financial institution, having regard to the specific risk profile of the financial institution.

The table below summarises the above requirements:

1 January (all in %)	2013	2014	2015	2016	2017	2018	2019
Minimum CET 1 capital ratio	3.500	4.000	4.500	4.500	4.500	4.500	4.500
Capital conservation buffer	-	-	-	0.625	1.250	1.875	2.500
Minimum CET 1 capital plus conservation buffer	3.500	4.000	4.500	5.125	5.750	6.375	7.000
Minimum Tier 1 capital ratio	4.500	5.500	6.000	6.000	6.000	6.000	6.000
Minimum Tier 1 capital plus conservation buffer	4.500	5.500	6.000	6.625	7.250	7.875	8.500
Minimum Total capital ratio	8.000	8.000	8.000	8.000	8.000	8.000	8.000
Minimum Total capital plus conservation buffer	8.000	8.000	8.000	8.625	9.250	9.875	10.500

Furthermore, financial institutions are to, at all times in the periods specified under the CA Framework, maintain, at both entity and consolidated levels, a countercyclical capital buffer ("CCyB") ranging from 0% up to 2.5% above the minimum CET 1 capital ratio, minimum Tier 1 capital ratio and minimum Total capital ratio.

The CCyB is determined as the weighted average of the prevailing CCyB rates applied in the jurisdictions in which a financial institution has credit exposures. A financial institution shall calculate its CCyB based on the prevailing CCyB rate at the date from which the rate applies, as announced by the relevant national authority.

Where the prevailing CCyB rate applied in a jurisdiction outside Malaysia is more than 2.5%, the CCyB rate for that jurisdiction is capped at 2.5% for the purpose of calculating the financial institution's CCyB, unless specified otherwise by BNM. If the national authority in a jurisdiction outside Malaysia has yet to announce the CCyB rate, the rate applicable for that jurisdiction is deemed to be 0%.

For exposures in Malaysia, BNM will communicate any decision on the CCyB rate by up to 12 months before the date from which the rate applies. Any decision to reduce the CCyB rate shall take effect immediately.

The CA Framework also provides for the gradual phasing out of the regulatory capital recognition of outstanding non-CET 1 and Tier 2 capital instruments that no longer meet, in full, the requirements set out in the CA Framework. Fixing the base at the nominal amount of such instruments outstanding (such base being the outstanding amount as at 1 January 2013) that is eligible to be included in the relevant tiers of capital under the previous iterations of CA Framework, their recognition is capped at 90.0% with effect from 1 January 2013, with this cap being reduced by 10 percentage points in each subsequent year, eventually resulting in such instruments being fully derecognised by 1 January 2022.

HLB Group and HLIB are also subject to the liquidity guidelines issued by BNM. BNM had on 31 March 2015 issued its Liquidity Coverage Ratio framework as per Basel III requirements, which calls on banking institutions to maintain sufficient stock of high quality liquid assets ("HQLA") to buffer an acute liquidity stress scenario over a 30-day period.

The formula for the LCR is as follows:

$$\text{LCR} = \frac{\text{Stock of HQLA}}{\text{Total net cash outflow over the next 30 calendar days}}$$

Under the guideline, banking institutions are required to report and comply with the minimum LCR levels specified below separately, for its net cash outflows denominated in (i) RM and (ii) RM and all other currencies on an aggregated basis, at both the entity and consolidated level:

With effect from	1 June 2015	1 January 2016	1 January 2017	1 January 2018	1 January 2019
Minimum LCR	60%	70%	80%	90%	100%

If the regulatory capital and/ or liquidity requirements applied to our Group continue to increase in the future, our Group's return on equity and profitability could be adversely affected. Any failure by our Group to satisfy such increased regulatory capital and/ or liquidity requirements within the applicable timeline could result in administrative actions or sanctions, which in turn may have a material adverse effect on our Group's business, financial condition and results of operations.

6.1.4.4 Rapid technology change

Our Group's ability to compete with other competitors will depend, in part, on our ability to respond to technological advances and industry standards and practices in a cost-effective and timely manner. Failure to keep pace with technological advances or to maintain an appropriate level of investment in information technology may affect our Group's competitiveness, business, financial condition and results of operations.

While our Group has dedicated resources to implementing advances in information technology systems to improve the accessibility of our services, there can be no assurance that our Group will be able to effectively implement these new technologies or adapt our transaction-processing systems to customers' requirements or industry standards, which may, in turn, have a material effect on our business and financial condition.

6.1.4.5 Dependency on key personnel

Our Group relies, to a significant extent, on our Directors and senior management to provide business direction and long-term strategy for our Group. In addition, our Group's success depends on the ability and experience of our senior management and other key employees. Competition for qualified personnel in the industries which our Group operates is intense and we may not be able to successfully attract new senior management personnel or retain our existing senior management personnel.

The loss of Directors, senior management or key employees, our Group's inability to attract new qualified employees or adequately trained employees, or the delay in hiring key employees, could adversely affect our ability to operate our business or to compete effectively. This in turn could affect our Group's business, financial condition and results of operations. Although plans such as training and development programmes have been implemented to ensure continuity of senior management and other key employees within our Group, there can be no assurance that such measures will be sufficient to fully mitigate any impact arising from the loss of any of our Directors, senior management or key employees.

6.1.4.6 Dependency on dividends from our subsidiaries

Our Company is a holding company and conducts substantially all of our operations through our subsidiaries. Accordingly, dividends and other distributions received from our subsidiaries are our principal source of income. Consequently, the amount of these dividends and distributions are an important factor in our ability to pay dividends on our Shares, to the extent declared by our Board. The ability of our subsidiaries to pay dividends or make other distributions to us is subject to the availability of distributable reserves, applicable legal restrictions contained in their loan agreements and to these companies' having sufficient funds that are not needed to fund their operations, other obligations or business plans.

In addition, changes in the Malaysia Financial Reporting Standards ("MFRS"), if any, may affect the ability of our subsidiaries and consequently, us to declare and pay dividends. At this juncture, there are no applicable MFRS that will affect the ability of the subsidiaries to declare and pay dividend. However, should there be amendments on the MFRS or new MFRS to be issued in the future which will have an impact on the profit of our subsidiaries, these may affect the ability of the subsidiaries to declare and pay dividend due to lower profits and dividend payable under single-tier system.

6.2 Risks relating to the main industries in which our Group operates

6.2.1 Regulatory environment

Under the FSA, BNM is given powers to regulate the Malaysian banking industry. This includes the authority to limit the interest/ profit rates charged by financial institutions on certain types of loans and advances, establish limits on financing to certain sectors of the economy and prescribe measures requiring maintenance of certain level of reserves and minimum capital adequacy requirements. BNM also has broad investigative and enforcement powers. Any changes in regulatory measures imposed such as changes in the statutory reserve requirements, changes in the overnight policy rates, credit restrictions or capital adequacy requirements as well as changes in regulations, policies or guidelines which are not predictable may have an adverse impact on the business, financial condition, results of operations and prospects of banking institutions generally, including HLB Group.

Similarly, the insurance industry in Malaysia is governed by the FSA. The FSA empowers BNM to specify matters pursuant to the provisions of the FSA. For example, BNM has the ability to limit commission payable to the distribution channels and restrict investment allocation of certain assets segments. These regulations and requirements may limit HLA's activities and continued compliance may entail compliance costs. Also, contravention of regulations, policies or guidelines of BNM (or any other regulatory agencies) carries with it financial and reputational risks that could materially and adversely affect HLA's business, financial condition, results of operations and prospects.

Further, under the CMSA, the SC has the authority to regulate matters relating to the activities, markets and intermediaries in the capital markets. HLIB, being a registered person under Section 76 of the CMSA, falls under the purview of the SC and is required to strictly adhere to the provisions of the CMSA. Continued compliance with the relevant regulations and guidelines may entail compliance costs. Any contravention of such regulations and guidelines may materially and adversely affect HLIB's business, financial condition, results of operations and prospects.

There is no assurance that any future changes to present laws, regulations, guidelines or any introduction of new regulations or guidelines by relevant authorities will not have a material impact on the industries which our Group operates in. Any such changes may further materially affect the business, financial condition, results of operations and prospects of our Group.

6.2.2 Deposits in Malaysia

BNM is not required to act as lender of last resort to meet liquidity needs in the banking system generally or for specific institutions, although it has, in the past and on a case-by-case basis, provided assistance to individual banks with an isolated liquidity crisis. However, there can be no assurance that BNM will provide such assistance in the future. On 1 September 2005, BNM introduced a deposit insurance system ("**Deposit Insurance System**") which is administered by Perbadanan Insurans Deposit Malaysia ("**PIDM**"), an independent statutory body. All licensed commercial banks, including subsidiaries of foreign banks operating in Malaysia, and Islamic banks are member institutions of the PIDM.

Under the Deposit Insurance System, eligible deposits are insured up to a prescribed limit of RM250,000 (inclusive of principal and interest/ profit payable) per depositor per member institution. There is also separate coverage of up to RM250,000 per depositor per member institution for Islamic deposits (i.e. those accepted under Shariah principles), accounts held under joint ownership, trust accounts and accounts in the name of sole proprietorships and partnerships.

Notwithstanding the aforesaid, the fact that deposits exceeding the prescribed limit are not insured and could lead to or exacerbate liquidity problem, which, if severe, could have an adverse effect on HLB Group's business, financial condition, results of operations or prospects, or on the Malaysian financial markets generally.

6.2.3 Competition

The Financial Sector Masterplan, which was introduced by BNM since 1 March 2001, has transformed the financial sector to become more deregulated and market oriented, culminating in greater liberalisation, international integration and increased competition in the financial sector.

In addition, the Competition Act 2010 ("**Competition Act**"), which took effect on 1 January 2012, was introduced to promote economic development by promoting and protecting the process of competition in order to maximise consumer welfare through the prohibition of anti-competitive practices. The Competition Act applies to all commercial activities undertaken within Malaysia and those outside Malaysia which have effects on competition in the Malaysian market, which include commercial activities in the financial sector. The scope of the Competition Act includes prohibitions of anti-competitive agreements and the abuse of dominant position.

There can be no assurance that our Group will be able to maintain or increase our present market share in the future or that increased competition will not materially and adversely affect the business, financial condition and results of operations or prospects of our Group.

6.3 Risks relating to the Rights Issue

6.3.1 Market risks

The price of HLFG Shares as traded on Bursa Securities may fluctuate, like all other listed securities. A variety of factors could cause the price of HLFG Shares to fluctuate, including trades of substantial amounts of HLFG Shares in the open market, announcements of developments relating to our Group's business, fluctuations in our Group's operating results, and announcements of new services or products or service enhancements by our Group or competitors of our Group.

In addition to the fundamentals of our Group, the future price performance of HLFG Shares will also depend upon various external factors such as general economic, political and industry conditions, the performance of regional and world bourses as well as sentiments and liquidity in the local stock market.

There is no assurance that HLFG Shares will be traded at or above the issue price of the Rights Shares and/ or the TERP after the listing of and quotation for the Rights Shares on the Main Market of Bursa Securities.

6.3.2 Delay in or abortion of the Rights Issue

There is a risk that the Rights Issue may be delayed or aborted due to, *inter alia*, the occurrence of the following events:

- (i) *force majeure* events which include, amongst others, flood, storm and epidemic, which are beyond the control of our Company, arising prior to the implementation of the Rights Issue; or
- (ii) the Joint Underwriters exercising their rights under the Management and Underwriting Agreement to terminate their commitments and discharge themselves from their obligations for any reason whatsoever.

In the event of a failure in the implementation of the Rights Issue, all monies received in respect of all applications for the Rights Shares will be refunded in full without interest. Pursuant to Section 243 of the CMSA, if any such money received from the Entitled Shareholders are not repaid within 14 days after our Company becomes liable to pay, our Company will repay such money with interest at the rate of 10.0% per annum or such other rate as may be prescribed by the SC in accordance with Section 243(2) of the CMSA.

Whilst our Company will exercise our best endeavour to ensure the successful implementation of the Rights Issue, there can be no assurance that the abovementioned events will not occur, resulting in a delay or abortion of the Rights Issue.

6.3.3 Potential dilution

Entitled Shareholders who do not or are not able to accept the Provisional Rights Shares will have their proportionate ownership and voting interests in our Company reduced and the percentage of their shareholdings in our Company will also be reduced accordingly.

6.4 Forward-looking statements

This Abridged Prospectus contains forward-looking statements. All statements other than statements of historical facts included in this Abridged Prospectus, including, without limitation, those regarding our financial position, business strategies, prospects, plans and objectives of our Company for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks uncertainties and other factors which may cause our actual results, performance or achievements expressed or implied by such forward-looking statements.

Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such forward-looking statements reflect our current views with respect to the future events and are not a guarantee of future performance. Forward-looking statements can be identified by the use of forward-looking terminology such as the words "may", "will", "would", "could", "believe", "expect", "anticipate", "intend", "estimate", "aim", "plan", "foresee", "forecast", "project" or similar expressions and include all statements that are not historical facts. Such forward-looking statements include, without limitation, statements relating to:

- (i) our future overall business development, operations and financial performance, including earnings, cash flows and liquidity;
- (ii) potential growth opportunities;
- (iii) our business strategies, trends, competitive position and effect of competition;
- (iv) plans, objective and strategies of our Company for future operations;
- (v) the general industry environment; and
- (vi) the regulatory environment and the effects of future regulations.

Our actual results may differ materially from information contained in such forward-looking statements as a result of a number of factors including, without limitation:

- (i) the general economic conditions in the markets in which we operate; and
- (ii) our ability to compete with other financial institutions in a highly competitive industry.

7. INDUSTRY OVERVIEW AND PROSPECTS

7.1 The Malaysian economy

The Malaysian economy grew by 5.3% in the first half of 2015, driven by resilient domestic demand. Private sector expenditure contributed 5.3 percentage points to growth. Private investment and consumption remained robust growing by 7.5% and 7.6%, respectively. On the supply side, growth was mainly driven by the services and manufacturing sectors contributing 3 and 1.1 percentage points, respectively.

On the external front, Malaysia continues to be impacted by slower global growth and regional trade. Hence, the trade performance remained subdued during the first eight months of 2015 with exports and imports contracting by 1.4% and 2%, respectively (January to August 2014: 9.5%; 6.1 %). Although weighed down by weak commodity prices, the steady demand for electrical and electronic products saw exports of manufactured goods registering positive growth during the period.

The Malaysian economy is expected to remain steady in 2016, with real GDP growth between 4% and 5% led by domestic demand. Private sector expenditure will remain the main driver of growth with private consumption and investment expected to grow by 6.4% and 6.7%, respectively. Meanwhile, Government expenditure is forecast to expand, albeit at a moderate pace, in line with efforts to strengthen the fiscal position. On the supply side, growth is expected to be broad-based, with all the sectors registering positive growth. Malaysia's external position is forecast to remain positive supported by better prospects for global growth and trade.

The economy will continue to operate under conditions of full employment with the unemployment rate remaining below 4%. Despite a weak ringgit, inflation is expected to remain benign attributed to low oil prices and the waning impact of the Goods and Services Tax. For 2016, inflation is expected to range between 2% and 3%. The Government remains committed to fiscal consolidation. The fiscal deficit is expected to further decline to 3.1% of gross domestic product in 2016 (2015: 3.2%) while the Federal Government debt level will remain manageable within the prudent limit of 55% of gross domestic product.

(Source: Economic Report 2015/2016, Ministry of Finance)

7.2 The financial sector in Malaysia

Amid a more challenging environment, including moderate global growth, declining commodity prices and weakening ringgit, the Malaysian financial system remains strong.

The banking system remained well-capitalised. As at end-August 2015, the CET 1 capital ratio, tier 1 capital ratio and total capital ratio were well above the minimum regulatory levels at 12.1%, 12.7% and 14.8%, respectively (end-2014: 12.8%; 13.6%; 15.5%). More than 80% of the banks' total capital consists of high quality capital in the form of retained earnings, paid-up capital and reserves. Total capital buffers in excess of minimum regulatory requirement were sustained at above RM98 billion (end-August 2014: RM97 billion). Similarly, liquidity in the banking system remained ample. As at end-August 2015, the banks' surplus liquidity placed with BNM, remained in excess of RM110 billion.

In the first eight months of 2015, the banking system recorded a slightly lower pre-tax profit of RM19.7 billion (January to August 2014: RM21.7 billion). The banking system continued to record steady profit, despite competitive pressures especially in the retail financing market. Profitability was also supported by revenue from other fee-based activities, such as investment banking and payment-related services, which recorded steady growth. All banks are in compliance with the strengthened LCR requirement, which is being phased in from 1 June 2015. Loan quality in the banking system improved further with the level of net impaired loans at 1.2% of net loans as at end-August 2015 (end-August 2014: 1.3%).

The insurance industry remained resilient with strong capitalisation and improved profitability in the first eight months of 2015. The CAR, which measures the adequacy of the capital available in the insurance and shareholders' funds of the insurer to support the total capital required, held steady at 239.1% (end-June 2014: 250.4%). Similarly, total capital buffers in excess of the minimum requirement improved further to RM28.5 billion.

The life insurance sector registered lower excess of income over outgo by RM4.4 billion during the first eight months of 2015 (January to August 2014: RM9 billion), with a net capital loss of RM2.6 billion as a result of equity mark-to-market valuation. The new business premiums for life insurers grew further by 4.2% to RM6.0 billion (January to August 2014: 8.4%; RM5.7 billion). This was largely supported by growth of non-participating life policies. However, life insurance claims rose by 15.4% to RM13.3 billion during the first eight months of 2015 (January to August 2014: 12.1%; RM11.5 billion). The market penetration rate of life insurance stood at 40.8% as at end-August 2015 (end-2014: 41%).

The operating profit for the general insurance sector remained stable totalling RM1.4 billion (January to August 2014: RM1.6 billion). The gross direct premiums also increased, albeit at a lower rate of 2.9% to RM11.9 billion (January to August 2014: 5.1%; RM11.6 billion) on account of an increase in the motor and fire businesses. The motor business continued to account for a dominant share at 46% of total gross direct premiums. In addition, the claims ratio declined slightly to 56.7% (January to August 2014: 57.2%), with broad-based improvements across all classes of business.

Gross funds raised in the capital market decreased by 9.8% to RM119.9 billion from January to August 2015 (January to August 2014: 21.2%; RM132.9 billion). This was due to lower fund raising activity in the private sector with gross funds raised declining by 26.1% to RM50.2 billion (January to August 2014: 41.9%; RM68 billion). However, gross funds raised by the public sector increased at a faster pace of 7.3% to RM69.7 billion (January to August 2014: 5%; RM64.9 billion).

Funds raised in the equity market declined by 38.5% to RM9.8 billion (January - August 2014: 87.9%; RM15.9 billion), as the number of initial public offerings ("IPOs") decreased during the period. As at end-August 2015, there were eight new listings of IPOs (end-2014: 14 IPOs) with two notable IPOs listed in the energy and construction sectors. The lower funds raised in the equity market were on account of companies holding back IPOs mainly due to cautious market sentiment.

While downside risks remain, the Malaysian economy is expected to be on a steady growth path driven by resilient domestic demand. In this regard, monetary policy in 2016 will remain supportive of economic growth amid the benign inflation outlook. The sound banking system and the well-developed capital market will be able to absorb volatile capital flows and ensure financial intermediation in an orderly and efficient manner. In addition, the financial system is expected to have ample liquidity to support economic activities. Leveraging its role as the lead issuer in sukuk and pioneer in innovative products, Malaysia remains well placed to make further strides in Islamic finance.

(Source: Economic Report 2015/2016, Ministry of Finance)

7.3 Prospects of our Group

The principal activities of our Company are those of investment holding and provision of services to our subsidiaries to enhance group value. Our Group 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 our significant subsidiaries consist of commercial banking, Islamic banking, insurance and takaful, investment banking, futures and stockbroking and asset management.

Given the proceeds to be raised from the Rights Issue and HLB Rights Issue, our Group's capital position is expected to be strengthened, thereby allowing our Group to comply with forthcoming regulatory capital requirements. Notwithstanding the subdued global economic environment and strong competitive challenges expected for the current financial year, our Group will continue to leverage on our fundamentals and tap on available opportunities in order to enhance our competitive position with a view to grow and increase our market share in our core businesses of commercial banking, Islamic financial services, insurance, investment banking and asset management.

8. EFFECTS OF THE RIGHTS ISSUE

8.1 Issued and paid-up share capital

The pro forma effects of the Rights Issue on the issued and paid-up share capital of our Company are as follows:

	Par value (RM)	No. of HLFG Shares ('000)	Share capital (RM '000)
Existing as at the LPD	1.00	1,052,768	1,052,768
To be issued pursuant to the Rights Issue	1.00	94,749	94,749
Enlarged issued and paid up share capital	1.00	1,147,517	1,147,517

8.2 NA and gearing

The pro forma effects of the Rights Issue, based on the audited consolidated NA of our Company as at 30 June 2015 and assuming the Rights Issue has been completed on 30 June 2015, are set out below:

	Audited as at 30 June 2015 (RM '000)	(I) Adjustments for completed transactions ⁽¹⁾ (RM '000)	(II) After (I) and the Rights Issue ⁽²⁾ (RM '000)
Share capital	1,052,768	1,052,768	1,147,517
Share premium	117,229	117,229	1,119,070
Treasury shares for ESOS	(12,698)	(21,788)	⁽³⁾ (24,825)
Other reserves	4,136,935	4,136,935	4,136,935
Retained profits	7,816,792	7,816,792	7,816,792
NA	13,111,026	13,101,936	14,195,489
Non-controlling interests	6,353,277	6,353,277	7,356,678
Total equity	19,464,303	19,455,213	21,552,167
No. of HLFG Shares in circulation ⁽⁴⁾ ('000)	1,050,486	1,049,859	1,144,347
NA per HLFG Share (RM)	12.48	12.48	12.40
Total borrowings ⁽⁵⁾ (RM '000)	10,199,229	10,199,229	⁽⁶⁾ 11,025,044
Gearing ⁽⁷⁾ (times)	0.52	0.52	0.51

Notes:

- (1) After adjusting for the purchase of 626,800 HLFG Shares from the open market from 1 July 2015 up to and including the LPD, which are to be held in trusts established for the purpose of the ESOS, for a total purchase consideration of approximately RM9.1 million.
- (2) After adjusting for the following:
 - (i) estimated expenses of RM2.5 million in relation to the Rights Issue; and
 - (ii) utilisation of the net proceeds arising from the Rights Issue for the subscription of our entitlement under the HLB Rights Issue and assuming the HLB Rights Issue is fully subscribed.
- (3) The HLFG Shares held in trusts established for the purpose of the ESOS, which are classified as treasury shares for ESOS, are entitled to the subscription of Rights Shares amounting to approximately RM3.0 million, which is a non-cash transaction for our Group.
- (4) Excluding the HLFG Shares classified as treasury shares for ESOS.
- (5) Comprises borrowings (excluding deposits), subordinated obligations, non-innovative Tier 1 stapled securities and innovative Tier 1 capital securities.
- (6) Assuming the remaining portion of the capital outlay required for the full subscription of our Company's and HLE's entitlements under the HLB Rights Issue of approximately RM825.8 million is financed via borrowings.
- (7) Computed as total borrowings divided by total equity (including non-controlling interests).

8.3 Earnings and EPS

The effects of the Rights Issue on the consolidated earnings of our Company for the FYE 30 June 2016 will depend on the level of returns to be generated from the utilisation of the proceeds to be raised from the Rights Issue.

Assuming that the consolidated earnings of our Company remains unchanged, the consolidated EPS of our Company will be diluted as a result of the increase in the number of HLFG Shares in issue following the allotment and issue of the Rights Shares.

9. WORKING CAPITAL, BORROWINGS, MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

9.1 Working capital

Our Board is of the opinion that after taking into account the funds to be generated from our Group's operations and the proceeds to be raised from the Rights Issue, our Group will have sufficient working capital for a period of 12 months from the date of this Abridged Prospectus to meet its present working capital requirements.

9.2 Borrowings

As at the LPD, our Group's total borrowings, all of which are interest-bearing and any interest accruing thereof (excluding deposits from customers as well as the deposits and placements of banks and other financial institutions) are as follows:

	<u>RM '000</u>
Maturing/ Callable within 1 year or less:	
Term loans	60,150
Revolving credit	60,422
Commercial papers	349,564
Senior bonds	1,238,572
Subordinated obligations ⁽¹⁾	1,525,486
Non-innovative Tier 1 stapled securities ⁽¹⁾	1,430,904
Maturing/ Callable after 1 year:	
Medium term notes	756,373
Innovative Tier 1 capital securities	518,716
Senior bonds	1,257,638
Subordinated obligations	2,985,097
Total	<u>10,182,922</u>

Note:

(1) Based on first call date falling within the next 1 year, subject to BNM approval.

Included in the above borrowings are USD denominated senior and unsecured bonds amounting to USD604 million (inclusive of accrued interest and unamortised discount) or approximately RM2,496 million as at the LPD.

There has not been any default on payments of either interest and/ or principal sums by our Group in respect of any borrowings throughout the FYE 30 June 2015 and the subsequent financial period up to the LPD.

9.3 Material commitments and contingent liabilities

As at the LPD, the material commitments and contingent liabilities incurred or known to be incurred by our Group are as disclosed below:

(i)	Commitments and contingencies in the normal course of business of our Group:	RM '000
	Direct credit substitutes	214,862
	Certain transaction related contingent items	1,591,801
	Short-term self liquidating trade related contingencies	774,858
	Irrevocable commitments to extend credit	36,453,774
	Any commitments that are unconditionally cancellable at any time by our Group without prior notice	668,148
	Foreign exchange related contracts	39,115,502
	Interest rate related contracts	76,506,152
	Equity related contracts	623,275
	Commodity related contracts	5,779
	Unutilised credit card lines	7,551,229
	Obligations under an on-going underwriting agreement	33,196
	Others	4,089
	Total	163,542,665

	Commitments and contingencies in the normal course of business of our Company:	RM '000
	Interest rate related contracts	450,000

- (ii) Hong Leong Asset Management Bhd, a wholly owned subsidiary company of HLCB, is the Manager of Hong Leong Consumer Products Sector Fund ("Funds"). HLCB provided a guarantee to Deutsche Trustee Malaysia Berhad, the trustee of the Funds, that if the funds fall below the minimum fund size of RM1 million, HLCB would invest cash, equivalent to the shortfall, into the relevant fund.

The size of the funds was above the minimum of RM1 million as at the LPD.

(iii)	Capital commitments⁽¹⁾:	RM '000
	Approved and contracted for	265,894
	Approved but not contracted for	44,006
	Total	309,900

Note:

- (1) The capital commitments are mainly in relation to the purchase of property, equipment and intangible assets by our Group as well as the purchase of DC Tower Sdn Bhd by HLB which was announced on 3 July 2015.

The material commitments are expected to be funded through internally-generated funds and/or bank borrowings.

Save as those disclosed above, our Board, after having made all reasonable enquiries, is not aware of any other material commitments and contingent liabilities which may, upon being enforceable, have a material impact on the financial position or business of our Group.

10. INSTRUCTIONS FOR ACCEPTANCE, PAYMENT, SALE OR TRANSFER AND EXCESS APPLICATION

FULL INSTRUCTIONS FOR THE ACCEPTANCE OF AND PAYMENT FOR THE PROVISIONAL RIGHTS SHARES AND THE PROCEDURES TO BE FOLLOWED SHOULD YOU WISH TO SELL OR TRANSFER ALL OR PART OF YOUR PROVISIONAL RIGHTS SHARES ARE SET OUT IN THIS ABRIDGED PROSPECTUS AND THE ACCOMPANYING RSF.

YOU AND/ OR YOUR RENOUNCEE(S) AND/ OR TRANSFEREE(S) (IF APPLICABLE) ARE ADVISED TO CAREFULLY READ AND UNDERSTAND THE CONTENTS OF THIS ABRIDGED PROSPECTUS, THE ACCOMPANYING RSF AND THE NOTES AND INSTRUCTIONS CONTAINED THEREIN. IN ACCORDANCE WITH THE REQUIREMENTS OF THE CMSA, THE RSF MUST NOT BE CIRCULATED UNLESS ACCOMPANIED BY THIS ABRIDGED PROSPECTUS.

10.1 General

The Provisional Rights Shares are prescribed securities pursuant to Section 14(5) of the SICDA and therefore, all dealings in the Provisional Rights Shares will be by book entries through CDS Accounts and will be governed by the SICDA and the Rules of Bursa Depository. As an Entitled Shareholder, you and/ or your renounee(s) and/ or transferee(s) (if applicable) are required to have valid and subsisting CDS Accounts when making applications to subscribe for the Rights Shares.

If you are an Entitled Shareholder, your CDS Account will be duly credited with the number of Provisional Rights Shares which you are entitled to subscribe for under the terms of the Rights Issue. You will find enclosed with this Abridged Prospectus the NPA notifying you of the crediting of such number of Provisional Rights Shares into your CDS Account and the RSF to enable you to subscribe for such Provisional Rights Shares, as well as to apply for Excess Rights Shares if you choose to do so.

The Provisional Rights Shares are renounceable in full or in part and as such, you may fully or partially renounce your Provisional Rights Shares.

10.2 Procedures for acceptance and payment

Acceptances of and payments for the Provisional Rights Shares must be made on the RSF enclosed with this Abridged Prospectus and completed in accordance with the notes and instructions contained in the RSF. Acceptances which do not strictly conform to the terms or the notes and instructions contained in this Abridged Prospectus or the RSF or which are illegible may be rejected at the absolute discretion of our Board.

If you wish to accept all or part of your Provisional Rights Shares, please complete Parts I(a) and II of the RSF in accordance with the notes and instructions contained in the RSF. Each completed and signed RSF with the relevant payment must be despatched by ORDINARY POST or DELIVERED BY HAND (at your own risk) to our Share Registrar at the following address:

Hong Leong Share Registration Services Sdn Bhd

Level 5, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur
Tel. no.: 603-2164 1818
Fax no.: 603-2164 3703

to be received by our Share Registrar before 5.00 p.m. on Tuesday, 24 November 2015, being the last date and time for acceptance and payment (or such later date and time as our Board may decide and announce not less than 2 Market Days before the stipulated date and time).

If you lose, misplace or for any reason require another copy of the RSF, you and/ or your renounee(s) and/ or transferee(s) (if applicable) may obtain additional copies from any Malaysian stockbroking companies, our Share Registrar, our Registered Office or Bursa Securities' website at <http://www.bursamalaysia.com>.

You must use 1 RSF for the acceptance of the Provisional Rights Shares standing to the credit of 1 CDS Account. Separate RSFs must be used for the acceptance of the Provisional Rights Shares standing to the credit of different CDS Accounts. The Rights Shares that you have subscribed for will be credited into the respective CDS Accounts where the Provisional Rights Shares are credited.

A reply envelope is enclosed with this Abridged Prospectus. To facilitate the processing of the RSFs by our Share Registrar, you are advised to use 1 reply envelope for each completed RSF.

Each completed RSF must be accompanied by remittance in RM for the full and exact amount payable in respect of the Provisional Rights Shares accepted, in the form of banker's draft(s), cashier's order(s), money order(s) or postal order(s) drawn on a bank or post office in Malaysia and should be made payable to "**HLFG RIGHTS SHARES ACCOUNT**", crossed "**ACCOUNT PAYEE ONLY**" and **endorsed on the reverse side with your name in block letters, your contact number and your CDS Account number.**

The remittance must be made for the exact amount payable for the Rights Shares accepted. Any acceptance accompanied by excess or insufficient remittances or remittances in the manner other than stated in this Abridged Prospectus may be rejected at the absolute discretion of our Board. Details of the remittance must be filled in the appropriate boxes provided in the RSF.

NO ACKNOWLEDGEMENT WILL BE ISSUED FOR RECEIPT OF THE RSF OR SUBSCRIPTION MONIES IN RESPECT OF THE RIGHTS SHARES. HOWEVER, IF YOUR SUBSCRIPTION IS SUCCESSFUL, A NOTICE OF ALLOTMENT WILL BE DESPATCHED TO YOU BY ORDINARY POST AT THE ADDRESS SHOWN IN BURSA DEPOSITORY'S RECORD AT YOUR OWN RISK WITHIN 8 MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS SHARES OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED BY BURSA SECURITIES.

YOU SHOULD NOTE THAT ALL RSF AND REMITTANCES SO LODGED WITH OUR SHARE REGISTRAR SHALL BE IRREVOCABLE AND CANNOT SUBSEQUENTLY BE WITHDRAWN.

PROOF OF TIME OF POSTAGE SHALL NOT CONSTITUTE PROOF OF TIME OF RECEIPT BY OUR SHARE REGISTRAR OR OUR COMPANY. YOUR APPLICATION SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT. OUR BOARD RESERVES THE RIGHT NOT TO ACCEPT ANY APPLICATION OR TO ACCEPT IN PART ONLY WITHOUT ASSIGNING ANY REASON THEREOF.

WHERE AN APPLICATION IS NOT ACCEPTED OR ACCEPTED IN PART ONLY, THE FULL AMOUNT OR THE BALANCE OF THE SUBSCRIPTION MONIES, AS THE CASE MAY BE, WILL BE REFUNDED WITHOUT INTEREST AND SHALL BE DESPATCHED TO YOU BY ORDINARY POST TO THE ADDRESS SHOWN IN BURSA DEPOSITORY'S RECORD AT YOUR OWN RISK WITHIN 15 MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS SHARES.

If the acceptance of and payment for the Provisional Rights Shares are not received (whether in full or in part) by our Share Registrar by 5.00 p.m. on Tuesday, 24 November 2015 (or such later date and time as our Board may decide and announce not less than 2 Market Days before the stipulated date and time), your and/ or your renounee(s)' and/ or transferee(s)' (if applicable) Provisional Rights Shares will be deemed to have been declined and will be cancelled.

Such Rights Shares not taken up will be allotted to the applicants applying for the Excess Rights Shares and, subsequently, to the Joint Underwriters if the Rights Shares are not fully subscribed for in the manner as set out in Section 10.4 of this Abridged Prospectus.

10.3 Procedures for sale or transfer of the Provisional Rights Shares

The Provisional Rights Shares are renounceable. If you wish to sell or transfer all or part of your Provisional Rights Shares to 1 or more persons, you may do so through your stockbroker for the period up to the last date and time for the sale or transfer of Provisional Rights Shares (in accordance with the Rules of Bursa Depository) without first having to request for a split of the Provisional Rights Shares standing to the credit of your CDS Account(s). To sell or transfer all or part of your Provisional Rights Shares, you may sell such entitlement in the open market or transfer such Provisional Rights Shares to such person(s) as may be allowed under the Rules of Bursa Depository.

In selling or transferring all or part of your Provisional Rights Shares, you need not deliver any document (including the RSF) to your stockbroker. **YOU ARE HOWEVER ADVISED TO READ AND ADHERE TO THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED IN THE RSF AS WELL AS ENSURE THAT THERE ARE SUFFICIENT PROVISIONAL RIGHTS SHARES STANDING TO THE CREDIT OF YOUR CDS ACCOUNT(S) BEFORE SUCH SALE OR TRANSFER.**

Renounee(s) and/ or transferee(s) (if applicable) of the Provisional Rights Shares may obtain a copy of this Abridged Prospectus and the RSF from their stockbrokers, our Share Registrar, our Registered Office or Bursa Securities' website at <http://www.bursamalaysia.com>.

If you have sold or transferred only part of your Provisional Rights Shares, you may still accept the balance of your Provisional Rights Shares by using the procedures described in Section 10.2 of this Abridged Prospectus.

10.4 Procedures for application for Excess Rights Shares

If you are an Entitled Shareholder, you and/ or your renounee(s) and/ or transferee(s) (if applicable) may apply for Excess Rights Shares in addition to your Provisional Rights Shares.

It is the intention of our Board to allot the Excess Rights Shares, if any, in a fair and equitable manner to the Entitled Shareholders and/ or their renounee(s) and/ or transferee(s) (if applicable) who have applied for the Excess Rights Shares in the following priority:

- (i) firstly, to minimise the incidence of odd lots;
- (ii) secondly, for allocation to Entitled Shareholders who have applied for Excess Rights Shares, on a pro-rata basis and in board lots, computed based on their respective shareholdings in our Company as at the Entitlement Date;
- (iii) thirdly, for allocation to Entitled Shareholders who have applied for Excess Rights Shares, on a pro-rata basis and in board lots, computed based on the quantum of their respective Excess Rights Shares application; and
- (iv) lastly, for allocation to renounee(s) and/ or transferee(s) (if applicable) who have applied for Excess Rights Shares, on a pro-rata basis and in board lots, computed based on the quantum of their respective Excess Rights Shares application.

In the event of an under subscription by the Entitled Shareholders and/ or their renounee(s) and/ or transferee(s) (if applicable), even after all Excess Rights Shares applications have been taken into consideration, the remaining unsubscribed Rights Shares will be subscribed by the Joint Underwriters as set out in Section 3.2 of this Abridged Prospectus.

Nevertheless, our Board reserves the right to allot any Excess Rights Shares applied for in such manner as it deems fit or expedient and in the best interest of our Company, subject always to such allocation being made on a fair and equitable basis and that the intention of our Board set out in (i) to (iv) above is achieved. Our Board also reserves the right not to accept any application for Excess Rights Shares, in full or in part, without assigning any reason thereof.

Applications and payments for Excess Rights Shares must be made on the RSF enclosed with this Abridged Prospectus and completed in accordance with the notes and instructions contained in the RSF. Applications which do not strictly conform to the terms or the notes and instructions contained in this Abridged Prospectus or the RSF or which are illegible may be rejected at the absolute discretion of our Board.

If you wish to apply for Excess Rights Shares in addition to your Provisional Rights Shares, please complete Part I(b) of the RSF (in addition to Parts I(a) and II) in accordance with the notes and instructions contained in the RSF. Each application for Excess Rights Shares, together with a **separate remittance** for the full and exact amount payable in respect of the Excess Rights Shares applied for, must be despatched by ORDINARY POST or DELIVERED BY HAND (at your own risk) to be received by our Share Registrar before 5.00 p.m. on Tuesday, 24 November 2015, being the last date and time for excess application and payment (or such later date and time as our Board may decide and announce not less than 2 Market Days before the stipulated date and time).

SHOULD YOU APPLY FOR EXCESS RIGHTS SHARES IN ADDITION TO YOUR PROVISIONAL RIGHTS SHARES, YOU SHOULD ALWAYS OBSERVE ALL APPLICABLE SHAREHOLDING PROVISIONS UNDER THE FSA.

Payment for the Excess Rights Shares applied for should be made in the same manner as described in Section 10.2 of this Abridged Prospectus, except that the banker's draft(s), cashier's order(s), money order(s) or postal order(s) drawn on a bank or post office in Malaysia should be made payable to "**HLFG EXCESS RIGHTS SHARES ACCOUNT**", crossed "**ACCOUNT PAYEE ONLY**" and **endorsed on the reverse side with your name in block letters, your contact number and your CDS Account number.**

Any application accompanied by excess or insufficient remittances or remittances in the manner other than stated in this Abridged Prospectus may be rejected at the absolute discretion of our Board.

NO ACKNOWLEDGEMENT WILL BE ISSUED FOR RECEIPT OF THE RSF OR APPLICATION MONIES IN RESPECT OF THE EXCESS RIGHTS SHARES. HOWEVER, IF YOUR APPLICATION IS SUCCESSFUL, A NOTICE OF ALLOTMENT WILL BE DESPATCHED TO YOU BY ORDINARY POST AT THE ADDRESS SHOWN IN BURSA DEPOSITORY'S RECORD AT YOUR OWN RISK WITHIN 8 MARKET DAYS FROM THE LAST DATE FOR APPLICATION AND PAYMENT FOR THE EXCESS RIGHTS SHARES OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED BY BURSA SECURITIES.

YOU SHOULD NOTE THAT ALL RSF AND REMITTANCES SO LODGED WITH OUR SHARE REGISTRAR SHALL BE IRREVOCABLE AND CANNOT SUBSEQUENTLY BE WITHDRAWN.

PROOF OF TIME OF POSTAGE SHALL NOT CONSTITUTE PROOF OF TIME OF RECEIPT BY OUR SHARE REGISTRAR OR OUR COMPANY. YOUR APPLICATION SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT. OUR BOARD RESERVES THE RIGHT NOT TO ACCEPT ANY APPLICATION OR TO ACCEPT IN PART ONLY WITHOUT ASSIGNING ANY REASON THEREOF.

IN RESPECT OF UNSUCCESSFUL OR PARTIALLY SUCCESSFUL APPLICATIONS FOR EXCESS RIGHTS SHARES, THE FULL AMOUNT OR THE SURPLUS MONIES (AS THE CASE MAY BE) WILL BE REFUNDED WITHOUT INTEREST AND SHALL BE DESPATCHED TO YOU BY ORDINARY POST TO THE ADDRESS SHOWN IN BURSA DEPOSITORY'S RECORD AT YOUR OWN RISK WITHIN 15 MARKET DAYS FROM THE LAST DATE FOR APPLICATION AND PAYMENT FOR THE EXCESS RIGHTS SHARES.

10.5 Procedures to be followed by renounees and transferees

Renounees or transferees who wish to accept the Provisional Rights Shares or to apply for Excess Rights Shares must obtain a copy of this Abridged Prospectus and the RSF from their stockbrokers, our Share Registrar, our Registered Office or Bursa Securities' website at <http://www.bursamalaysia.com>.

The procedures for the acceptance of and payment for the Provisional Rights Shares and the application and payment for Excess Rights Shares by renounees and transferees are the same as those applicable to the Entitled Shareholders as described in Sections 10.2 and 10.4 respectively of this Abridged Prospectus.

RENOONEES AND TRANSFEREES ARE ADVISED TO CAREFULLY READ AND UNDERSTAND THE CONTENTS OF THIS ABRIDGED PROSPECTUS, THE ACCOMPANYING RSF AND THE NOTES AND INSTRUCTIONS CONTAINED THEREIN.

10.6 Form of issuance

Bursa Securities has prescribed the securities of our Company listed on the Main Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, all dealings in respect of the Rights Shares are subject to the SICDA and the Rules of Bursa Depository. You must have a valid and subsisting CDS Account in order to subscribe for the Rights Shares.

Failure to comply with the specific instructions for applications or inaccuracy in the CDS Account number may result in your application being rejected.

No physical share certificates will be issued. Instead, the Rights Shares will be credited directly into your CDS Account(s).

Any person who intends to subscribe for the Rights Shares as a renounee and/ or transferee by purchasing and/ or transferring the Provisional Rights Shares from an Entitled Shareholder will have his Rights Shares credited directly as prescribed securities into his CDS Account(s).

10.7 Laws of foreign jurisdictions

The Documents are not and will not be made to comply with the laws of any country or jurisdiction other than Malaysia, and have not and will not be registered under any applicable securities legislation of any country or jurisdiction other than Malaysia.

The Documents are not intended to be (and will not be) issued, circulated or distributed, and the Rights Issue will not be made or offered or deemed to be made or offered for purchase or subscription, in any country or jurisdiction other than Malaysia or to persons who are or may be subject to the laws of any country or jurisdiction other than the laws of Malaysia. The Rights Issue to which the Documents relate is only available to the persons receiving the Documents within Malaysia.

Accordingly, the Documents will only be sent to the Entitled Shareholders who have a registered address in Malaysia or who have provided our Share Registrar with an address in Malaysia for the despatch of the Documents by the Entitlement Date. Persons receiving the Documents (including without limitation, custodians, nominees and trustees), must not, in connection with the Rights Issue, distribute or send the Documents outside of Malaysia. Foreign Addressed Shareholders who wish to provide Malaysian addresses should inform our Share Registrar by the Entitlement Date. Alternatively, such Foreign Addressed Shareholders may collect the Documents from our Share Registrar who shall be entitled to request for such evidence as they deem necessary to satisfy themselves as to the identity and authority of the person collecting the Documents.

Foreign Addressed Shareholders will be responsible for payment of any issue, transfer or any other taxes or other requisite payments due in such foreign country or jurisdiction and our Company shall be entitled to be fully indemnified and held harmless by such foreign applicants for any issue, transfer or any other taxes or duties as such person may be required to pay. Such applicants should also consult their professional advisers as to whether they require any governmental, exchange control or other consents or need to comply with any other applicable legal requirements to enable them to exercise their rights in respect of the Rights Issue.

Our Company will not make or be bound to make any enquiry as to whether the Entitled Shareholders have a registered address in Malaysia other than as stated in the Record of Depositors on the Entitlement Date and will not accept or be deemed to accept any liability whether or not any enquiry or investigation is made in connection therewith. Our Company will assume that the Rights Issue and the acceptance by the Entitled Shareholders thereof would not be in breach of the laws of any country or jurisdiction. Our Company will further assume that the Entitled Shareholders have accepted the Rights Issue in Malaysia and will at all applicable times be subject to the laws of Malaysia.

The Entitled Shareholders and/ or their renounee(s) and/ or transferee(s) (if applicable) shall not have any right or claim against our Company, our Directors and HLIB ("**Parties**") in respect of their rights or entitlements under the Rights Issue or to any proceeds thereof. The Entitled Shareholders and/ or their renounee(s) and/ or transferee(s) (if applicable) may only accept or renounce and/ or transfer (as the case may be) all or part of your entitlement and exercise any other rights in respect of the Rights Issue only to the extent that it would be lawful to do so, and the Parties would not be in breach of the laws of any foreign country and/ or jurisdiction to which the Entitled Shareholders or their renounee(s) and/ or transferee(s) (if applicable) is or may be subject.

It shall be the sole responsibility of the Entitled Shareholders who are or may be subject to the laws of country or jurisdiction other than Malaysia ("**Foreign Shareholder(s)**"), which includes but not limited to the Foreign Addressed Shareholders, to consult their legal advisers and/ or other professional advisers as to whether the acceptance in any manner whatsoever of the Rights Issue would result in the contravention of any law of such country or jurisdiction and participation by these Entitled Shareholders in the Rights Issue shall be on the basis of a warranty by them that they may lawfully so participate without our Company, our Directors or HLIB being in breach of the laws of any country or jurisdiction.

Neither our Company, our Directors, HLIB nor any other advisers to the Rights Issue shall accept any responsibility or liability in the event that any acceptance or sale and/ or transfer of the Provisional Rights Shares made by the Entitled Shareholders and/ or their renounee(s) and/ or transferee(s) (if applicable) shall become illegal, unenforceable, voidable or void in any such country or jurisdiction.

If you are a Foreign Shareholder, remittances by you and/ or your renounee(s) and/ or transferee(s) (if applicable) who wish to accept the Provisional Rights Shares and/ or apply for Excess Rights Shares subject to the above conditions must be made in the manner prescribed in Sections 10.2 and 10.4 of this Abridged Prospectus respectively.

If you are a Foreign Shareholder, by signing the RSF, you and/ or your renounee(s) and/ or transferee(s) (if applicable) are deemed to have represented, acknowledged and declared in favour of (and which representation, acknowledgement and declaration will be relied upon by) the Parties that:

- (i) our Company would not, by acting on the acceptance or renunciation in connection with the Rights Issue, be in breach of the laws of any country or jurisdiction which you and/ or your renounee(s) and/ or transferee(s) (if applicable) are or may be subject to;
- (ii) you and/ or your renounee(s) and/ or transferee(s) (if applicable) have complied with the laws which you and/ or your renounee(s) and/ or transferee(s) (if applicable) are or may be subject to in connection with the acceptance or renunciation;
- (iii) you and/ or your renounee(s) and/ or transferee(s) (if applicable) are not a nominee or agent of a person in respect of whom our Company would, by acting on the acceptance or renunciation, be in breach of the laws of any country or jurisdiction to which that person is or may be subject;
- (iv) you and/ or your renounee(s) and/ or transferee(s) (if applicable) are aware that the Provisional Rights Shares can only be transferred, sold or otherwise disposed of, charged, hypothecated or pledged or dealt with in any way in accordance with all applicable laws in Malaysia;
- (v) you and/ or your renounee(s) and/ or transferee(s) (if applicable) have respectively received a copy of this Abridged Prospectus and have read and understood the contents of this Abridged Prospectus; and
- (vi) you and/ or your renounee(s) and/ or transferee(s) (if applicable) have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing for or purchasing the Rights Shares, and are and will be able, and are prepared to bear the economic and financial risks of investing in and holding the Rights Shares.

Persons receiving the Documents (including without limitation custodians, nominees and trustees) must not, in connection with the Rights Issue, offer, distribute or sent any of them into any country or jurisdiction where doing so would or might contravene local securities, exchange control or other relevant laws or regulations. If the Documents are received by any person in such countries or jurisdictions, or by the agent or nominee of any such person, he must not seek to accept the offer unless he have complied with and observed the laws of all relevant countries and jurisdictions.

Any person who forwards the Documents to any such country or jurisdiction, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this section, and our Company reserves the right to reject a purported acceptance of the Provisional Rights Shares from any application by Foreign Shareholders and/ or their renounee(s) and/ or transferee(s) (if applicable) in any country or jurisdiction other than Malaysia.

Our Company reserves the right, at our absolute discretion, to treat any acceptance as invalid if our Company believes that such acceptance may violate applicable legal or regulatory requirements in any country or jurisdiction. The Provisional Rights Shares relating to any acceptance that is treated as invalid will be included in the pool of Excess Rights Shares available for application by other Entitled Shareholders and/ or their renounee(s) and/ or transferee(s) (if applicable).

11. TERMS AND CONDITIONS

The issuance of the Rights Shares pursuant to the Rights Issue is governed by the terms and conditions as set out in the Documents.

12. FURTHER INFORMATION

Please refer to the attached appendices for further information.

Yours faithfully,
For and on behalf of the Board of
HONG LEONG FINANCIAL GROUP BERHAD



LIM TAU KIEN
Independent Non-Executive Director

**CERTIFIED TRUE EXTRACT OF THE RESOLUTION PERTAINING TO THE RIGHTS ISSUE
PASSED AT OUR EGM HELD ON 29 SEPTEMBER 2015**

Certified extract of the minutes of the Extraordinary General Meeting of **HONG LEONG FINANCIAL GROUP BERHAD** (the "Company" or "HLFG") held on 29 September 2015:-

ORDINARY RESOLUTION**- PROPOSED RENOUNCEABLE RIGHTS ISSUE OF NEW ORDINARY SHARES OF RM1.00 EACH IN THE COMPANY TO RAISE GROSS PROCEEDS OF UP TO RM1.1 BILLION ("PROPOSED RIGHTS ISSUE")**

"THAT subject to the approvals of all relevant regulatory authorities being obtained, approval be and is hereby given to the Board of Directors of the Company ("Board") to provisionally issue and allot, by way of a renounceable rights issue, such number of new ordinary shares of RM1.00 each in the Company ("HLFG Shares") ("Rights Shares") to raise gross proceeds of up to RM1.1 billion, to the shareholders of the Company whose names appear in the Record of Depositors of the Company as at the close of business on an entitlement date to be determined and announced later by the Board ("Entitled Shareholders"), and/ or their renounee(s) and/ or transferee(s) (if applicable), to be credited as fully paid-up upon full payment, on an entitlement basis and at an issue price to be determined and announced later by the Board;

THAT any Rights Shares which are not subscribed or validly subscribed shall be made available for excess applications by the other Entitled Shareholders and/ or their renounee(s) and/ or transferee(s) (if applicable) in a fair and equitable manner on a basis to be determined and announced later by the Board;

THAT the Board be and is hereby empowered and authorised to deal with any fractional entitlements that may arise from the Proposed Rights Issue in such manner as the Board shall in its absolute discretion deem fit or expedient and in the best interest of the Company;

THAT the Rights Shares shall, upon allotment and issue, rank pari passu in all respects with the then existing HLFG Shares in issue, save and except that they will not be entitled to any dividends, rights, allotments and/ or other distributions, in respect of which the entitlement date is prior to the date of allotment of the Rights Shares;

THAT approval be and is hereby given for the Company to utilise the proceeds of the Proposed Rights Issue for the purposes as set out in the circular to shareholders of the Company dated 14 September 2015, and the Board be and is hereby authorised with full powers to vary the manner and/ or purpose of utilisation of such proceeds in such manner as the Board shall in its absolute discretion deem fit, necessary, expedient and/ or appropriate and in the best interest of the Company;

**CERTIFIED TRUE EXTRACT OF THE RESOLUTION PERTAINING TO THE RIGHTS ISSUE
PASSED AT OUR EGM HELD ON 29 SEPTEMBER 2015 (Cont'd)**

Hong Leong Financial Group Berhad

Certified Extract of Minutes of the Extraordinary General meeting held on 29 September 2015


Re: Proposed Renounceable Rights Issue of New Ordinary Shares of RM1.00 Each in the Company to Raise Gross Proceeds of up to RM1.1 Billion ("Proposed Rights Issue")

AND THAT in order to implement, complete and give full effect to the Proposed Rights Issue, approval be and is hereby given to the Board to do or to procure to be done all such acts, deeds and things and to execute, sign and deliver on behalf of the Company, all such documents and enter into any arrangements, agreements and/ or undertakings with any parties, as they may deem fit, necessary, expedient and/ or appropriate to implement, finalise, and/ or give full effect to complete the Proposed Rights Issue, with full powers to assent to any term, condition, modification, variation and/ or amendment as may be agreed with/ required by any relevant regulatory authority or as a consequence of any such requirements or as the Board shall in its absolute discretion deem fit, necessary, expedient and/ or appropriate in connection with the Proposed Rights Issue and in the best interest of the Company."

Certified Correct



Director
Quek Kon Sean



Secretary
Moh Suat Moi
(MAICSA 7005095)

INFORMATION ON OUR COMPANY

1. HISTORY AND BUSINESS

Our Company was incorporated in Malaysia under the Act on 6 September 1968 as a private limited company under the name of Office Products Sdn Bhd. Our Company subsequently changed our name to Sovran Industries Sdn Bhd on 17 June 1969 and was converted to a public company under the name of Sovran Industries Berhad on 29 July 1969. Our Company was admitted to the Official List of the Kuala Lumpur Stock Exchange (now known as Bursa Securities) on 27 November 1969. On 14 May 1980, our Company's name was changed to Hong Leong Credit Berhad. Our Company assumed our present name on 27 July 2006.

2. PRINCIPAL ACTIVITIES

The principal activities of our Company are those of investment holding and provision of services to our subsidiaries to enhance group value. Our Group is a diversified financial group whose businesses provide a broad range of financial products and services to consumer, corporate and institutional customers.

Our banking division under HLB is principally engaged in all aspects of commercial banking business and in the provision of related services. The principal activity of HLB's significant subsidiary consists of Islamic banking services.

Our insurance division under HLAH is principally engaged in the provision of life and general insurance as well as the provision of family and general takaful.

Our investment banking division under HLCB is principally engaged in investment banking, stockbroking business, futures broking, related financial services, nominees and custodian services, unit trust management, fund management and sale of unit trusts.

Further details of the subsidiaries of our Company are set out in Section 6 of this Appendix.

3. SHARE CAPITAL

The authorised and issued and paid-up share capital of our Company as at the LPD are as follows:

	No. of HLFGB Shares	Par value (RM)	Amount (RM)
Authorised	2,000,000,000	1.00	2,000,000,000
Issued and paid-up	1,052,767,789	1.00	1,052,767,789

There is no change to the issued and paid-up share capital of our Company for the past 3 years up to the LPD.

INFORMATION ON OUR COMPANY (Cont'd)

4. SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

In the event that all the Entitled Shareholders subscribe in full for their entitlements under the Rights Issue, there will be no effect on the shareholdings of our Substantial Shareholders save for the proportionate increase in the total number of HLF G Shares held by each of our Substantial Shareholders following the Rights Issue.

For illustration purposes, the pro forma effects of the Rights Issue on the shareholdings of our Substantial Shareholders as at the LPD, after taking into consideration the Undertakings and assuming the other Substantial Shareholders fully subscribe for their respective entitlements under the Rights Issue, are as follows:

Substantial Shareholders	As at the LPD			After the Rights Issue		
	←-----Direct-----→ No. of HLF G Shares ('000)	←-----Indirect-----→ No. of HLF G Shares ('000)	%	←-----Direct-----→ No. of HLF G Shares ('000)	←-----Indirect-----→ No. of HLF G Shares ('000)	%
HLCM	546,773	(1)267,084	51.94	595,983	(1)291,121	25.37
YBhg Tan Sri Quek Leng Chan	4,990	(2)824,437	0.47	5,439	(2)898,637	78.31
HL Holdings Sdn Bhd	-	(3)813,857	-	-	(3)887,104	77.31
Kwek Holdings Pte Ltd	-	(2)818,380	-	-	(2)892,035	77.74
Mr Kwek Leng Beng	1,241	(2)818,380	0.12	1,353	(2)892,035	77.74
Hong Realty (Private) Limited	-	(2)818,380	-	-	(2)892,035	77.74
Hong Leong Investment Holdings Pte Ltd	-	(2)818,380	-	-	(2)892,035	77.74
Davos Investment Holdings Private Limited	-	(2)818,380	-	-	(2)892,035	77.74
Mr Kwek Leng Kee	-	(2)818,380	-	-	(2)892,035	77.74
Mr Quek Leng Chye	1,925	(2)818,380	0.18	2,098	(2)892,035	77.74
GASB	267,080	-	25.37	291,117	-	25.37
GuoLine Overseas Limited	-	(4)267,080	-	-	(4)291,117	25.37
Guoco Group Limited	-	(4)267,080	-	-	(4)291,117	25.37
GuoLine Capital Assets Limited	-	(4)267,080	-	-	(4)291,117	25.37

Notes:

(1) Held through subsidiaries.

INFORMATION ON OUR COMPANY (Cont'd)

- (2) Held through HLCM and company(ies) in which the Substantial Shareholder has interest.
 (3) Held through HLCM.
 (4) Held through GASB.

5. DIRECTORS' SHAREHOLDINGS

For illustration purposes, the pro forma effects of the Rights Issue on the shareholdings of our Directors as at the LPD, assuming our Directors fully subscribe for their entitlements under the Rights Issue (if any), are as follows:

Directors	As at the LPD			After the Rights Issue		
	←-----Direct-----→ No. of HFLG Shares (^{'000})	%	←-----Indirect-----→ No. of HFLG Shares (^{'000})	←-----Direct-----→ No. of HFLG Shares (^{'000})	%	←-----Indirect-----→ No. of HFLG Shares (^{'000})
YBhg Tan Sri Quek Leng Chan	4,990	0.47	(1)824,437	5,439	0.47	(1)898,637
Mr Quek Kon Sean	2,250	0.21	-	2,453	0.21	-
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman	5,544	0.53	(2)4	6,043	0.53	(2)4
Ms Lim Tau Kien	-	-	-	-	-	-
Ms Lim Lean See	-	-	-	-	-	-
Mr Saw Kok Wei	-	-	-	-	-	-

Notes:

- * Negligible.
 (1) Held through HLCM and companies in which the Director has interest.
 (2) Held through his family member.

INFORMATION ON OUR COMPANY (Cont'd)**6. SUBSIDIARY COMPANIES AND ASSOCIATED COMPANIES**

The details of our subsidiary companies as at the LPD are as follows:

Company	Date and place of incorporation	Issued and paid-up share capital	Effective equity interest (%)	Principal activities
<u>Our direct subsidiary companies</u>				
HLAH	10 February 2009 Malaysia	RM312,500,000	100.00	Investment holding
HLE	2 December 1966 Malaysia	RM2,551,045	100.00	Investment holding
HLFG Assets Sdn Bhd	16 September 1993 Malaysia	RM2	100.00	Investment dealing
HLFG Principal Investments (L) Limited	23 July 2012 Labuan	USD4,010,100	100.00	Investment holding
HLCB	25 February 1991 Malaysia	RM246,896,668	81.33	Investment holding
HLB	26 October 1934 Malaysia	RM1,879,909,100	64.33	Commercial banking business and in the provision of related services
<u>Subsidiaries of HLAH</u>				
HLA	20 December 1982 Malaysia	RM200,000,000	70.00	Underwriting of life insurance business
Hong Leong Insurance (Asia) Limited	23 March 1973 Hong Kong	HKD50,000,000	100.00	General insurance business
Hong Leong MSiG Takaful Berhad	19 June 2006 Malaysia	RM100,000,000	65.00	Managing family takaful including investment-linked business and all classes of general takaful business
RC Holdings Sdn Bhd	26 April 1983 Malaysia	RM2	100.00	Investment holding
HL Assurance Pte. Ltd.	3 December 2012 Singapore	SGD27,000,000	100.00	General insurance business
<u>Subsidiaries of HLCB</u>				
HLG Securities Sdn Bhd	5 October 1972 Malaysia	RM120,000,000	81.33	Investment holding
HLG Capital Markets Sdn Bhd	26 October 1993 Malaysia	RM219,894,158	81.33	Investment holding
HLIB	3 December 1970 Malaysia	RM165,000,000	81.33	Investment banking, stockbroking business futures broking and related financial services

INFORMATION ON OUR COMPANY (Cont'd)

Company	Date and place of incorporation	Issued and paid-up share capital	Effective equity interest (%)	Principal activities
HLCB Assets Sdn Bhd (formerly known as HLG Futures Sdn Bhd)	26 October 1993 Malaysia	RM200,002	81.33	Investment holding
Hong Leong Asset Management Bhd	5 October 1994 Malaysia	RM5,000,000	81.33	Unit trust management, fund management and sale of unit trusts
Subsidiary of HLG Capital Markets Sdn Bhd				
HLG Principal Investments (L) Limited	3 June 2008 Labuan	USD1	81.33	Dormant
Subsidiaries of HLIB				
HLIB Nominees (Tempatan) Sdn Bhd	17 July 1993 Malaysia	RM2	81.33	Nominee and custodian services for Malaysia clients
HLIB Nominees (Asing) Sdn Bhd	17 July 1993 Malaysia	RM2	81.33	Nominee and custodian services for foreign clients
HLG Nominee (Tempatan) Sdn Bhd	14 October 1992 Malaysia	RM2	81.33	In member's voluntary winding-up
HLG Nominee (Asing) Sdn Bhd	15 October 1992 Malaysia	RM2	81.33	In member's voluntary winding-up
RC Research Sdn Bhd	29 March 1995 Malaysia	RM100,000	81.33	In member's voluntary winding-up
ECS Jaya (1969) Sdn Bhd	1 August 1969 Malaysia	RM20,000,000	81.33	In member's voluntary winding-up
SSSB Jaya (1987) Sdn Bhd	6 November 1987 Malaysia	RM150,000,000	81.33	In creditors' voluntary winding-up
Subsidiaries of HLB				
Hong Leong Islamic Bank Berhad	28 March 2005 Malaysia	RM700,000,000	64.33	Islamic banking business and related financial services
Hong Leong Bank Vietnam Limited	9 July 2009 Vietnam	Vietnamese Dong 3,000,000,000,000	64.33	Commercial banking business
Hong Leong Bank (Cambodia) PLC	18 February 2013 Cambodia	USD37,500,000	64.33	Commercial banking business
HLF Credit (Perak) Berhad	27 December 1965 Malaysia	RM2	64.33	Investment holding
HLB Nominees (Tempatan) Sdn Bhd	7 May 1979 Malaysia	RM10,000	64.33	Agent and nominee for Malaysian clients
HLB Nominees (Asing) Sdn Bhd	2 January 1993 Malaysia	RM10,000	64.33	Agent and nominee for foreign clients
HL Bank Nominees (Singapore) Pte Ltd	21 June 1977 Singapore	SGD10,000	64.33	Agent and nominees for clients
HLB Trade Services (Hong Kong) Limited	14 May 2003 Hong Kong SAR	HKD2	64.33	Ceased operations

INFORMATION ON OUR COMPANY (Cont'd)

Company	Date and place of incorporation	Issued and paid-up share capital	Effective equity interest (%)	Principal activities
HLB Principal Investments (L) Limited	29 February 2008 Labuan	USD1	64.33	Holding of or dealing in offshore securities and investment holding
Prominic Berhad	25 March 2010 Malaysia	RM2	64.33	To issue subordinated notes under a stapled securities structure and to on-lend the proceeds from the issuance to HLB, the issuer of the capital securities
Promilia Berhad	29 November 1978 Malaysia	RM2	64.33	Dormant
EB Nominees (Tempatan) Sendirian Berhad	30 November 1978 Malaysia	RM10,000	64.33	Nominees services
EB Nominees (Asing) Sendirian Berhad	15 December 1995 Malaysia	RM10,000	64.33	Nominees services
EB Realty Sendirian Berhad	22 December 1980 Malaysia	RM100,000	64.33	Property investment
OBB Realty Sdn Bhd	23 March 1983 Malaysia	RM330,000	64.33	Property investment
<u>Subsidiaries of HLF Credit (Perak) Bhd</u>				
Gensource Sdn Bhd	6 May 1968 Malaysia	RM81,000	64.33	Investment holding
WTB Corporation Sdn Bhd	6 January 1955 Malaysia	RM2	64.33	Investment holding
Chew Geok Lin Finance Sdn Bhd	23 August 1965 Malaysia	RM2	64.33	Investment holding
Hong Leong Leasing Sdn Bhd	26 December 1975 Malaysia	RM23,000,000	64.33	Investment holding
HL Leasing Sdn Bhd	20 October 1982 Malaysia	RM15,000,002	64.33	Investment holding
HLB Realty Sdn Bhd	14 May 1980 Malaysia	RM7,000,000	64.33	Real property investment and investment holding
<u>Subsidiary of Gensource Sdn Bhd</u>				
Pelita Terang Sdn Bhd	10 April 1985 Malaysia	RM320,002	64.33	Dormant
<u>Subsidiaries of WTB Corporation Sdn Bhd</u>				
Wah Tat Nominees (Tempatan) Sdn Bhd	7 June 1984 Malaysia	RM10,000	64.33	In member's voluntary winding-up
Wah Tat Nominees (Asing) Sdn Bhd	19 August 1995 Malaysia	RM10,000	64.33	In member's voluntary winding-up
<u>Subsidiary of HLB Principal Investments (L) Limited</u>				
Promino Sdn Bhd	4 November 1963 Malaysia	RM2	64.33	Ceased operations

INFORMATION ON OUR COMPANY (Cont'd)

The details of our associated companies as at the LPD are as follows:

Company	Date and place of incorporation	Issued and paid-up share capital	Effective equity interest (%)	Principal activities
MSIG Insurance (Malaysia) Bhd ("MSIM")	28 April 1979 Malaysia	RM333,142,858	30.00	General insurance business
Bank of Chengdu Co., Ltd ("BOCD")	8 May 1997 China	RMB3,251,026,200	12.86	Commercial banking
Community CSR Sdn Bhd	9 June 2011 Malaysia	RM100,000	12.87	Investment holding

The details of our joint venture entities as at the LPD are as follows:

Company	Date and place of incorporation	Issued and paid-up share capital	Effective equity interest (%)	Principal activities
Sichuan Jincheng Consumer Finance Limited Company	26 February 2010 China	RMB320,000,000	38.08	Consumer financing
Bangsar Capital Holdings (L) Limited	22 August 2013 Labuan	USD2,000,000	50.00	Investment holding

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INFORMATION ON OUR COMPANY (Cont'd)
7. PROFIT AND DIVIDEND RECORD

Our profit and dividend record based on our audited consolidated financial statements for the last 3 FYEs 30 June 2013 to 30 June 2015 are set out below:

	Audited FYE 30 June		
	2013	2014	2015
	RM '000	RM '000	RM '000
Revenue	4,378,571	4,549,163	4,490,944
Interest income	5,618,423	5,762,401	6,250,419
Interest expense	(3,264,357)	(3,287,992)	(3,540,724)
Net interest income	2,354,066	2,474,409	2,709,695
Income from Islamic banking business	454,887	434,379	419,758
Non-interest income	1,569,618	1,640,375	1,361,491
	4,378,571	4,549,163	4,490,944
Overhead expenses	(2,036,802)	(1,966,083)	(2,000,263)
Operating profit before allowances	2,341,769	2,583,080	2,490,681
(Allowance for)/ Writeback of impairment losses on loans, advances and financing and other losses	(41,621)	(52,425)	52,644
Writeback of impairment losses	4,275	39,639	2,603
	2,304,423	2,570,294	2,545,928
Share of results of associated companies	322,542	429,576	463,297
Share of results of joint ventures	3,074	9,353	14,060
PBT	2,630,039	3,009,223	3,023,285
Taxation	(465,265)	(491,867)	(562,908)
Net profit	2,164,774	2,517,356	2,460,377
Net profit attributable to:			
• Owners of the parent	1,487,690	1,706,877	1,620,743
• Non-controlling interests	677,084	810,479	839,634
Weighted average number of HLFG Shares in issue ('000)	1,042,731	1,047,613	1,050,486
Weighted average number of HLFG Shares in issue after adjustment ⁽¹⁾ ('000)	1,044,524	1,048,333	1,050,628
EPS attributable to the owners of our Company (sen):			
• Basic	142.7	162.9	154.3
• Diluted	142.4	162.8	154.3
Net dividend per share declared (sen)	36.0	38.0	38.0
Operating profit margin (%)	53.5	56.8	55.5
Net profit margin (%)	34.0	37.5	36.1

Note:

(1) After adjusting for the HLFG Shares classified as treasury shares for ESOS.

INFORMATION ON OUR COMPANY (Cont'd)

Commentary on financial performance:**FYE 30 June 2013**

Our Group recorded PBT of RM2,630.0 million for the FYE 30 June 2013, representing an increase of RM236.3 million or 9.9% from a PBT of RM2,393.7 million recorded for the FYE 30 June 2012. The improvement in PBT was achieved on the back of higher revenue of RM4,378.6 million for the FYE 30 June 2013 (compared to RM4,158.2 million for the FYE 30 June 2012).

Our banking division under HLB remained the key contributor to our Group's PBT. Our banking division registered a PBT of RM2,392.9 million for the FYE 30 June 2013 as compared to RM2,236.2 million for the FYE 30 June 2012, representing an increase of RM156.7 million or 7.0%. The higher PBT of our banking division was driven by higher non-interest income, which grew by RM210.0 million or 25.4% from RM828.2 million for the FYE 30 June 2012 to RM1,038.2 million for the FYE 30 June 2013, coupled with a higher earnings contribution from BOCD, of which our Group's 20% share grew by RM47.0 million or 21.7% from RM217.0 million for the FYE 30 June 2012 to RM264.0 million for the FYE 30 June 2013. However, this was mitigated by lower net interest income (which decreased by RM88.1 million due to margin compression), higher allowances for impairment losses on loans, advances and financing (which increased by RM56.2 million) and lower write-back of impairment losses (which decreased by 42.6 million).

Our insurance division under HLAH registered a PBT of RM183.9 million for the FYE 30 June 2013. This represents a decrease of RM24.9 million or 11.9% from RM208.8 million for the FYE 30 June 2012. The decrease was mainly due to a decrease in HLA's non-participating surplus amounting to RM30.3 million, which was in turn due to higher actuarial reserves as the computation of HLA's insurance liabilities increased in tandem with lower interest rates, which are used to discount future insurance liabilities. This was mitigated by lower overhead expenses (which decreased by RM20.0 million) and higher earnings contribution from MSIM, of which our Group's 30% share grew by RM6.5 million or 12.5% from RM52.0 million for the FYE 30 June 2012 to RM58.5 million for the FYE 30 June 2013.

Our investment banking division under HLCB recorded an increase in PBT of RM16.0 million or 30.8% from RM51.9 million for the FYE 30 June 2012 to RM67.9 million for the FYE 30 June 2013. The increase in PBT was mainly contributed by the investment banking business, which achieved a higher revenue of RM119.2 million for the FYE 30 June 2013, representing an increase of RM54.1 million or 83.1% from the revenue of RM65.1 million for the FYE 30 June 2012 due to higher fee income and net income from securities achieved during the financial year as well as the full year impact on completion of the acquisition of MIMB Investment Bank Berhad.

FYE 30 June 2014

Our Group registered PBT of RM3,009.2 million for the FYE 30 June 2014, representing an increase of RM379.2 million or 14.4% from a PBT of RM2,630.0 million for the FYE 30 June 2013. The increase in PBT was in line with the growth in revenue of our Group from RM4,378.6 million for the FYE 30 June 2013 to RM4,549.2 million for the FYE 30 June 2014, representing an increase of RM170.6 million or 3.9%.

INFORMATION ON OUR COMPANY (Cont'd)

The growth in our Group's PBT was led by our banking division under HLB, which recorded a growth of RM220.3 million or 9.2% from RM2,392.9 million for the FYE 30 June 2013 to RM2,613.2 million for the FYE 30 June 2014. The higher PBT of our banking division was mainly due to higher net interest income, which grew by RM148.5 million or 5.9% from RM2,513.7 million for the FYE 30 June 2013 to RM2,662.2 million for the FYE 30 June 2014, supported by a higher earnings contribution from BOCD, of which our Group's 20% share grew by RM104.5 million or 39.6% from RM264.0 million for the FYE 30 June 2013 to RM368.5 million for the FYE 30 June 2014. Overhead expenses also decreased by RM54.8 million or 3.0% year-on-year. However, this was offset by a contraction in non-interest income, which decreased by RM95.7 million or 9.2% from RM1,038.2 million for the FYE 30 June 2013 to RM942.5 million for the FYE 30 June 2014.

Our insurance division under HLAH posted a growth in PBT of RM166.5 million or 90.5% from RM183.9 million for the FYE 30 June 2013 to RM350.4 million for the FYE 30 June 2014. The strong growth in PBT was driven by strong operating profit growth, especially in our investment-linked business as HLA had shifted its business product mix to a more equitable split between the ordinary life and investment-linked/ non-participating segments, coupled with lower actuarial reserves as a result of the increase in interest rates during the financial year. In addition, our Group's 30% share in the earnings of MSIM recorded a growth of RM2.6 million or 4.4% from RM58.5 million for the FYE 30 June 2013 to RM61.1 million for the FYE 30 June 2014.

Our investment banking division under HLCB registered an increase in PBT from RM67.9 million for the FYE 30 June 2013 to RM78.9 million for the FYE 30 June 2014, representing an increase of RM11.0 million or 16.2%. This was largely due to better contribution from the stockbroking business in line with the increase in market share from 3.6% for the FYE 30 June 2013 to 4.2% for the FYE 30 June 2014.

FYE 30 June 2015

Our Group recorded a PBT of RM3,023.3 million for the FYE 30 June 2015 as compared to RM3,009.2 million for the FYE 30 June 2014, representing an increase of RM14.1 million or 0.5%. Notwithstanding a marginal decrease in our Group's revenue of RM58.3 million or 1.3% from RM4,549.2 million for the FYE 30 June 2014 to RM4,490.9 million for the FYE 30 June 2015, our Group posted an overall increase in PBT mainly due to higher contribution from our banking division.

Our banking division under HLB recorded a higher PBT of RM2,746.2 million for the FYE 30 June 2015 as compared to RM2,613.2 million for the FYE 30 June 2014, reflecting a growth of RM133.0 million or 5.1%. The main contributing factors to the growth were higher write back of allowance for impairment losses on loans, advances and financing of RM104.0 million and a higher earnings contribution from BOCD, of which our Group's 20% share grew by RM32.8 million or 8.9% from RM368.5 million for the FYE 30 June 2014 to RM401.3 million for the FYE 30 June 2015. The total contribution from BOCD and the Sichuan Jincheng Consumer Finance Limited Company, a joint venture between HLB and BOCD, accounted for approximately 15.2% of HLB's PBT for the FYE 30 June 2015. This was however offset by a contraction in non-interest income, which decreased by RM36.5 million or 3.9% from RM942.5 million for the FYE 30 June 2014 to RM906.0 million for the FYE 30 June 2015.

Our insurance division under HLAH registered a PBT of RM287.6 million for the FYE 30 June 2015 as compared to RM350.4 million for the FYE 30 June 2014, representing a decrease of RM62.8 million or 17.9%. The decrease was largely due to the decrease in HLA's PBT from RM286.6 million for the FYE 30 June 2014 to RM232.7 million for the FYE 30 June 2015, representing a decrease of RM53.9 million or 18.8%, which in turn was the result of higher actuarial reserves arising from the fall in interest rates during the financial year. This was however mitigated by a higher earnings contribution from MSIM, of which our Group's 30% share increased by RM0.9 million or 1.5% from RM61.1 million for the FYE 30 June 2014 to RM62.0 million for the FYE 30 June 2015.

INFORMATION ON OUR COMPANY (Cont'd)

Our investment banking division under HLCB recorded a PBT of RM78.5 million for the FYE 30 June 2015 as compared to RM78.9 million in the previous corresponding year, representing a marginal contraction of RM0.4 million or 0.5%. The decrease was mainly due to lower contribution from our asset management division. However, this was offset by higher investment banking and stockbroking contribution.

8. SHARE PRICES

The monthly highest and lowest market prices of HLFM Shares traded on Bursa Securities for the past 12 months from November 2014 to October 2015 are as follows:

	<u>High</u> (RM)	<u>Low</u> (RM)
2014		
November	18.48	17.20
December	17.54	15.76
2015		
January	17.76	16.04
February	17.36	16.38
March	17.28	16.62
April	17.38	16.20
May	16.90	15.46
June	16.10	15.02
July	15.98	14.98
August	16.00	12.50
September	14.70	13.52
October	15.28	13.76

Last transacted market price of HLFM Shares on 11 August 2015, being the last Market Day immediately prior to the announcement of the Rights Issue RM15.00

Last transacted market price of HLFM Shares as at the LPD RM14.00

Last transacted market price of HLFM Shares on 3 November 2015, being the last Market Day prior to the ex-date for the Rights Issue RM14.70

(Source: Bloomberg Finance L.P.)

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**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR COMPANY AS
AT 30 JUNE 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON**



The Board of Directors
Hong Leong Financial Group Berhad
Level 8, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur

28 October 2015

PwC/EN/FML/TCK/lh/0195C

Dear Sirs,

**Hong Leong Financial Group Berhad
Report on the Compilation of Pro Forma Consolidated Statements of Financial Position
as at 30 June 2015**

- 1 We have completed our assurance engagement to report on the compilation of the Pro Forma Consolidated Statements of Financial Position of Hong Leong Financial Group Berhad (“HLFG” or “the Company”) as at 30 June 2015. The Pro Forma Consolidated Statements of Financial Position which is set out in the Appendix (which we have stamped for the purpose of identification), have been compiled by the Directors of the Company for inclusion in the Abridged Prospectus, in connection with the renounceable rights issue of 94,749,101 new ordinary shares of RM1.00 each in the Company (“HLFG Shares”) (“Rights Shares”) on the basis of 9 Rights Shares for every 100 existing HLFGB Shares held as at 5.00p.m. on 6 November 2015, at an issue price of RM11.60 per Rights Share (“the Rights Issue”).
- 2 The applicable criteria on the basis of which the Directors have compiled the Pro Forma Consolidated Statements of Financial Position are described in the Notes thereon of the Appendix and are specified in Appendix 4 of the *Prospectus Guidelines – Abridged Prospectus* issued by the Securities Commission Malaysia.
- 3 The Pro Forma Consolidated Statements of Financial Position have been compiled by the Directors, for illustrative purposes only, to show the effects of the Completed Transaction (as set out in Note 3 of the Appendix) and the Rights Issue on the audited consolidated statements of financial position of the Company as at 30 June 2015 had the Completed Transaction and the Rights Issue been effected on that date. As part of this process, information about the Company’s consolidated financial position has been extracted by the Directors from the Company’s audited consolidated statement of financial position as at 30 June 2015.

*PricewaterhouseCoopers (AF 1146), Chartered Accountants,
Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my*

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR COMPANY AS AT 30 JUNE 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)



**The Board of Directors
Hong Leong Financial Group Berhad
PwC/EN/FML/TCK/lh/0195C
28 October 2015**

The Directors' Responsibility for the Pro Forma Consolidated Statements of Financial Position

- 4 The Directors are responsible for compiling the Pro Forma Consolidated Statements of Financial Position on the basis set out in the Notes thereon of the Appendix and in accordance with the requirements of the *Prospectus Guidelines – Abridged Prospectus* issued by the Securities Commission Malaysia.

Our Responsibilities

- 5 Our responsibility is to express an opinion as required by the Prospectus Guidelines, about whether the Pro Forma Consolidated Statements of Financial Position have been compiled, in all material respects, by the Directors on the basis set out in the Notes thereon of the Appendix.
- 6 We conducted our engagement in accordance with International Standard on Assurance Engagements (“ISAE”) 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the Pro Forma Consolidated Statements of Financial Position on the basis set out in the Notes thereon of the Appendix.
- 7 For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any financial information used in compiling the Pro Forma Consolidated Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Consolidated Statements of Financial Position. In providing this opinion, we do not accept any responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.
- 8 The purpose of the Pro Forma Consolidated Statements of Financial Position included in the Abridged Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at that date would have been as presented.

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR COMPANY AS
AT 30 JUNE 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON
(Cont'd)



The Board of Directors
Hong Leong Financial Group Berhad
PwC/EN/FML/TCK/lh/0195C
28 October 2015

Our Responsibilities (continued)

- 9 A reasonable assurance engagement to report on whether the Pro Forma Consolidated Statements of Financial Position have been compiled in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Consolidated Statements of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:
- The related Pro Forma adjustments give appropriate effect to those criteria; and
 - The Pro Forma Consolidated Statements of Financial Position reflect the proper application of those adjustments to the unadjusted financial information.
- 10 The procedures selected depend on our judgment, having regard to our understanding of the nature of the Company and its subsidiaries, the event or transaction in respect of which the Pro Forma Consolidated Statements of Financial Position have been compiled, and other relevant engagement circumstances. The engagement also involved evaluating the overall presentation of the Pro Forma Consolidated Statements of Financial Position.
- 11 We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

- 12 In our opinion, the Pro Forma Consolidated Statements of Financial Position have been compiled, in all material respects, on the basis set out in the Notes thereon of the Appendix.

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR COMPANY AS
AT 30 JUNE 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON
(Cont'd)



The Board of Directors
Hong Leong Financial Group Berhad
PwC/EN/FML/TCK/lh/0195C
28 October 2015

Other Matters

- 13 This report is issued for the sole purpose of inclusion in the Abridged Prospectus, in connection with the Rights Issue and should not be used or relied upon for any other purpose. We accept no duty of responsibility to and deny any liability to any party in respect of any use of, or reliance upon, this report in connection with any transaction other than the Rights Issue.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers', followed by a long horizontal line extending to the right.

PricewaterhouseCoopers
(No. AF: 1146)
Chartered Accountants

A handwritten signature in black ink, appearing to read 'Yue F', with a horizontal line extending to the right.

Ng Yee Ling
(No. 3032/01/17 (J))
Chartered Accountant

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR COMPANY AS AT 30 JUNE 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

**APPENDIX
Page 1**

HONG LEONG FINANCIAL GROUP BERHAD

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2015

The Pro Forma Consolidated Statements of Financial Position of Hong Leong Financial Group Berhad ("HLFG") as set out below have been prepared solely for illustrative purposes only, to show the effects on the audited consolidated statement of financial position of HLFG as at 30 June 2015 had the Completed Transaction and the Rights Issue as set out in Note 3 and Note 4 respectively, been effected on that date:

	Audited 30.6.2015 RM'000	After Completed Transaction		After Pro Forma 1 and Rights Issue	
		Adjustments RM'000	Pro Forma 1 RM'000	Adjustments RM'000	Pro Forma 2 RM'000
ASSETS					
Cash and short-term funds	8,463,194	(9,090)	8,454,104	2,922,769	11,376,873
Deposits and placements with banks and other financial institutions	4,325,129	-	4,325,129	-	4,325,129
Securities purchased under resale agreements	12,163,252	-	12,163,252	-	12,163,252
Financial assets held-for-trading	9,238,804	-	9,238,804	-	9,238,804
Financial investments available-for-sale	29,623,057	-	29,623,057	-	29,623,057
Financial investments held-to-maturity	10,941,838	-	10,941,838	-	10,941,838
Loans, advances and financing	113,111,668	-	113,111,668	-	113,111,668
Clients' and brokers' balances	337,631	-	337,631	-	337,631
Other receivables	1,415,833	-	1,415,833	-	1,415,833
Derivative financial instruments	1,468,084	-	1,468,084	-	1,468,084
Statutory deposits with Central Banks	3,532,372	-	3,532,372	-	3,532,372
Investment in joint ventures	129,230	-	129,230	-	129,230
Tax recoverable	49,961	-	49,961	-	49,961
Investment in associated companies	3,740,302	-	3,740,302	-	3,740,302
Property and equipment	1,149,955	-	1,149,955	-	1,149,955
Investment properties	1,848	-	1,848	-	1,848
Intangible assets	337,842	-	337,842	-	337,842
Goodwill arising from consolidation	2,410,644	-	2,410,644	-	2,410,644
TOTAL ASSETS	202,440,644	(9,090)	202,431,554	2,922,769	205,354,323



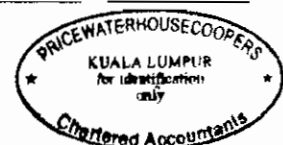
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR COMPANY AS AT 30 JUNE 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON
(Cont'd)

APPENDIX
Page 2

HONG LEONG FINANCIAL GROUP BERHAD

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE
2015 (CONTINUED)

	Audited 30.6.2015 RM'000	After Completed Transaction		After Pro Forma 1 and Rights Issue	
		Adjustments RM'000	Pro Forma 1 RM'000	Adjustments RM'000	Pro Forma 2 RM'000
LIABILITIES					
Deposits from customers	140,955,465	-	140,955,465	-	140,955,465
Deposits and placements of banks and other financial institutions	8,943,622	-	8,943,622	-	8,943,622
Obligations on securities sold under repurchase agreements	3,691,338	-	3,691,338	-	3,691,338
Bills and acceptances payable	1,900,967	-	1,900,967	-	1,900,967
Derivative financial instruments	1,369,365	-	1,369,365	-	1,369,365
Clients' and brokers' balances	192,728	-	192,728	-	192,728
Payables and other liabilities	5,796,694	-	5,796,694	-	5,796,694
Provision for claims	128,905	-	128,905	-	128,905
Provision for taxation	168,926	-	168,926	-	168,926
Deferred tax liabilities	171,845	-	171,845	-	171,845
Borrowings	3,096,882	-	3,096,882	825,815	3,922,697
Subordinated obligations	5,161,255	-	5,161,255	-	5,161,255
Non-innovative Tier 1 stapled securities	1,410,869	-	1,410,869	-	1,410,869
Innovative Tier 1 capital securities	530,223	-	530,223	-	530,223
Insurance funds	9,457,257	-	9,457,257	-	9,457,257
TOTAL LIABILITIES	182,976,341	-	182,976,341	825,815	183,802,156
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT					
Share capital	1,052,768	-	1,052,768	94,749	1,147,517
Reserves	12,070,956	-	12,070,956	1,001,841	13,072,797
Less: Treasury shares for ESOS	(12,698)	(9,090)	(21,788)	(3,037)	(24,825)
	13,111,026	(9,090)	13,101,936	1,093,553	14,195,489
NON-CONTROLLING INTERESTS	6,353,277	-	6,353,277	1,003,401	7,356,678
TOTAL EQUITY	19,464,303	(9,090)	19,455,213	2,096,954	21,552,167
TOTAL EQUITY AND LIABILITIES	202,440,644	(9,090)	202,431,554	2,922,769	205,354,323



PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR COMPANY AS AT 30 JUNE 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

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HONG LEONG FINANCIAL GROUP BERHAD

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2015 (CONTINUED)

	Audited 30.6.2015 RM'000	After Completed Transaction Pro Forma 1 RM'000	After Pro Forma 1 and Rights Issue Pro Forma 2 RM'000
No of ordinary shares in circulation ('000 units)	1,050,486	1,049,859	1,144,347
Net assets attributable to owners of the parent (RM'000)	13,111,026	13,101,936	14,195,489
Net tangible assets attributable to owners of the parent (RM'000)	10,362,540	10,353,450	11,447,003
Net assets per share attributable to owners of the parent (RM)	12.48	12.48	12.40
Net tangible assets per share attributable to owners of the parent (RM)	<u>9.86</u>	<u>9.86</u>	<u>10.00</u>



PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR COMPANY AS AT 30 JUNE 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

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HONG LEONG FINANCIAL GROUP BERHAD

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2015 AND THE NOTES THEREON

1 INTRODUCTION

- 1.1 The Pro Forma Consolidated Statements of Financial Position as at 30 June 2015 together with the Notes thereon (collectively known as "Pro Forma Consolidated Statements of Financial Position") of HLFG and its subsidiaries ("HLFG Group"), for which the Directors of HLFG are solely responsible, have been prepared for illustrative purposes only, for the purpose of inclusion in the Abridged Prospectus in connection with the renounceable rights issue of 94,749,101 new ordinary shares of RM1.00 each in the Company ("HLFG Shares") ("Rights Shares") on the basis of 9 Rights Shares for every 100 existing HLFG Shares held as at 5.00p.m. on 6 November 2015 ("the Entitlement Date"), at an issue price of RM11.60 per Rights Share ("the Rights Issue"). The Pro Forma Consolidated Statements of Financial Position show the effects of the Completed Transaction referred to in Note 3 and the Rights Issue referred to in Note 4 below undertaken by HLFG Group and may not, because of its nature, reflect the actual financial position of HLFG Group.
- 1.2 As the Pro Forma Consolidated Statements of Financial Position are prepared for illustrative purposes only, such information because of its nature, does not give a true picture of the effects of the Rights Issue on the financial position of HLFG Group had the transactions or events occurred on 30 June 2015. Further, such information does not purport to predict HLFG Group's future financial position.

2 BASIS OF PREPARATION

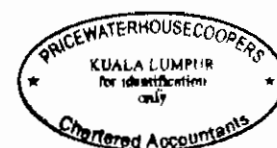
- 2.1 The Pro Forma Consolidated Statements of Financial Position have been prepared based on the audited consolidated statement of financial position of HLFG Group as at 30 June 2015 and were prepared:
- (a) in accordance with Malaysian Financial Reporting Standards (MFRS) and International Financial Reporting Standards (IFRS), had the Completed Transaction described in Note 3 and the Rights Issue described in Note 4 been completed on that date; and
 - (b) in a manner consistent with both the format of the audited consolidated financial statements and the accounting policies of HLFG Group for the financial year ended 30 June 2015.

3 COMPLETED TRANSACTION

As at 30 June 2015, HLFG has a total of 2,281,900 HLFG Shares held as Treasury Shares for Executive Share Option Scheme ("ESOS"). The ESOS share options have exercise prices ranging from RM8.09 to RM11.77 each.

Buy-back of ESOS shares

Between 1 July 2015 and 9 October 2015, being the latest practicable date ("LPD"), HLFG has bought back 626,800 shares in the open market at the price ranging from RM12.82 to RM15.18, for a purchase consideration of approximately RM9.1 million.



PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR COMPANY AS AT 30 JUNE 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

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HONG LEONG FINANCIAL GROUP BERHAD

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2015 AND THE NOTES THEREON (CONTINUED)

4 RIGHTS ISSUE

At the EGM held on 29 September 2015, the shareholders of HLFG have approved the Rights Issue.

In accordance with the terms of the Rights Issue as approved by the relevant authorities as well as HLFG's shareholders and subject to the terms of the Abridged Prospectus, HLFG will provisionally allot 94,749,101 Rights Shares to the shareholders of HLFG whose names appear in HLFG's record of depositors on the Entitlement Date ("Entitled Shareholders"), on the basis of 9 Rights Shares for every 100 existing HLFG Shares held on the Entitlement Date, at an issue price of RM11.60 per Rights Share. The Rights Issue will raise gross proceeds of approximately RM1.1 billion.

The issue price of RM11.60 per Rights Share was determined by the Board of Directors of HLFG after taking into consideration, amongst others, the following:

- (i) the issued and paid-up share capital of HLFG as at the Entitlement Date;
- (ii) the prevailing market conditions; and
- (iii) a discount of approximately RM2.95 or 20.3% to the resultant theoretical ex-rights price ("TERP") of RM14.55, calculated based on the 5-day volume-weighted average market price ("VWAMP") of RM14.82 per HLFG Share up to and including 22 October 2015, being the last market day immediately preceding the price-fixing date.

The Rights Issue is undertaken on a full subscription basis. In this respect, HLFG has procured undertakings from its major shareholders, namely Hong Leong Company (Malaysia) Berhad ("HLCM") and Guoco Assets Sdn Bhd ("GASB"), to subscribe and/or procure the subscription in full for their respective entitlements to the Rights Shares. The remaining portion of the Rights Shares for which no undertaking has been provided will be fully underwritten by underwriters.

The relevant authorities and shareholders of Hong Leong Bank Berhad ("HLB"), a subsidiary of HLFG, have approved the renounceable rights issue of 287,809,184 new ordinary shares of RM1.00 each in HLB ("HLB Shares") ("HLB Rights Shares") on the basis of 4 HLB Rights Shares for every 25 existing HLB Shares held as at 5.00pm on an entitlement date to be determined and announced later at an issue price of RM10.40 per HLB Rights Share ("the HLB Rights Issue"). HLFG and Hong Leong Equities Sdn Bhd ("HLE") have provided undertakings to subscribe in full for their respective entitlements under the HLB Rights Issue.

As at the LPD, HLFG directly holds 63.59% in HLB and indirectly holds 0.63% and 0.11% in HLB via HLE and Hong Leong Assurance Berhad ("HLA")* respectively. For the purpose of illustration only, assuming all the shareholders subscribe in full their respective entitlements under the HLB Rights Issue, the capital outlay required by HLFG, HLE and HLA will on aggregate amount to approximately RM1.93 billion.

Accordingly, the gross proceeds from the Rights Issue after defraying the estimated expenses to be incurred of approximately RM2.5 million, will be utilised to partially finance the subscription of HLFG's entitlement under the HLB Rights Issue. The remaining portion of the capital outlay required for the full subscription of HLFG's and HLE's entitlements under the HLB Rights Issue of approximately RM825.8 million will be financed by borrowings and/or internally generated funds.

* HLA is a 70%-owned subsidiary of HLFG and its shareholding in HLB of 0.11% as at the LPD represents investments for its trust funds made in the ordinary course of its life insurance business.



PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR COMPANY AS AT 30 JUNE 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

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HONG LEONG FINANCIAL GROUP BERHAD

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2015 AND THE NOTES THEREON (CONTINUED)

5 EFFECTS ON PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The Pro Forma Consolidated Statements of Financial Position of HLFG Group have been prepared solely for illustrative purposes only, to show the effects on the audited consolidated statements of financial position of HLFG Group as at 30 June 2015 had the Completed Transaction and the Rights Issue as set out in Note 3 and Note 4 respectively, been effected on that date.

5.1 Pro Forma 1

Pro Forma 1 incorporates the effects of Completed Transaction as detailed in Note 3.

5.2 Pro Forma 2

Pro Forma 2 incorporates the effects of Pro Forma 1 and the Rights Issue as detailed in Note 4.

For illustrative purposes, the Pro Forma 2 assumes that:

- (i) the number of Rights Shares to be issued is 94,749,101 new HLFG Shares on the basis of 9 Rights Shares for every 100 existing HLFG Shares held by the Entitled Shareholders, at an issue price of RM11.60 per Rights Share. The issue price of RM11.60 represents a discount of RM2.95 or 20.3% to the TERP of RM14.55, calculated based on the 5-day VWAMP of HLFG Shares up to and including the LPD of RM14.82;
- (ii) the estimated expenses in relation to the Rights Issue of RM2.5 million are debited against share premium account;
- (iii) the Rights Issue is undertaken on a full subscription basis. HLFG has procured the undertakings from its major shareholders, namely HLCM and GASB, to subscribe in full for their respective entitlements under the Rights Issue and the remaining portion of the Rights Shares for which no undertaking has been provided is fully underwritten by underwriters;
- (iv) the HLB Rights Issue is fully subscribed by the entitled shareholders in accordance with their proportion of shareholdings in HLB; and
- (v) the remaining portion of the capital outlay required for the full subscription of the entitlements of HLFG and HLE under the HLB Rights Issue of RM825.8 million will be financed by borrowings.



PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR COMPANY AS AT 30 JUNE 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

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HONG LEONG FINANCIAL GROUP BERHAD

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2015 AND THE NOTES THEREON (CONTINUED)

5 EFFECTS ON PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

5.3 Reconciliation of HLFG Group cash and short-term funds

	RM'000
Audited as at 30.6.2015	8,463,194
Adjustment for Completed Transaction:	
- Buy-back of ESOS shares	(9,090)
	<hr/>
Pro Forma 1	8,454,104
Adjustments for:	
(i) Rights Issue	
- Proceeds from Rights Issue	1,096,053 *
- Estimated expenses relating to Rights Issue	(2,500)
(ii) Borrowings to finance HLFG's and HLE's entitlements under the HLB Rights Issue	825,815
(iii) Rights Issue of HLB:	
- Proceeds received from non-controlling interests of RM1.0 billion, net of estimated expenses of RM7.0 million	1,003,401 #
	<hr/>
Total adjustments	2,922,769
	<hr/>
Pro Forma 2	11,376,873
	<hr/> <hr/>

Note *: This amount excludes the rights subscription amounting to approximately RM3.0 million in relation to the Treasury Shares for ESOS at HLFG as this is a non-cash transaction for HLFG Group.

Note#: This amount excludes the rights subscription amounting to approximately RM57.3 million in relation to the Treasury Shares for ESOS at HLB as this is a non-cash transaction for HLFG Group.



PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR COMPANY AS AT 30 JUNE 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON
(Cont'd)

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HONG LEONG FINANCIAL GROUP BERHAD

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2015 AND THE NOTES THEREON (CONTINUED)

APPROVAL BY BOARD OF DIRECTORS

Approved and adopted by the Board of Directors of HLFGB in accordance with a resolution dated 28 October 2015.



LIM TAU KIEN
INDEPENDENT NON-EXECUTIVE DIRECTOR
Hong Leong Financial Group Berhad



AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON

Hong Leong Financial Group Berhad

Company no: 8024-W

(Incorporated in Malaysia)

Reports and financial statements for the financial year ended 30 June 2015

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**Hong Leong Financial Group Berhad**

Company no: 8024-W

(Incorporated in Malaysia)

**Reports and financial statements
for the financial year ended 30 June 2015****Contents**

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No: 8024-W
(Incorporated in Malaysia)

Directors' report for the financial year ended 30 June 2015

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 2015.

Principal activities

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

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

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

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

Financial results

	The Group RM'000	The Company RM'000
Net profit after taxation:		
- Owners of the parent	1,620,743	782,575
- Non-controlling interests	839,634	-
	<u>2,460,377</u>	<u>782,575</u>

Dividends

The dividends on ordinary shares paid or declared by the Company since the previous financial year ended 30 June 2014 were as follows:

- (a) A first interim single-tier dividend of 13 sen per share, amounting to RM136,469,760 in respect of the financial year ended 30 June 2015, was paid on 23 December 2014.
- (b) A second interim single-tier dividend of 25 sen per share, amounting to RM263,185,595 in respect of the financial year ended 30 June 2015, was paid on 26 June 2015.

The Directors do not recommend the payment of any final dividend for the financial year ended 30 June 2015.

Significant events during the financial year

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No: 8024-W
(Incorporated in Malaysia)

Directors' report for the financial year ended 30 June 2015 (continued)

Subsequent events after the financial year

Significant events subsequent to the statements of financial position date are disclosed in Note 53 to the financial statements.

Credit Rating

On 24 July 2015, Malaysian Rating Corporation Berhad ("MARC") has reaffirmed a MARC-1/AA rating to Hong Leong Financial Group Berhad ("HLFG")'s Commercial Paper and Medium Term Notes Programmes with a combined limit of RM1.8 billion. The rating outlook for the long-term rating is stable. The ratings are based on the continued ability of HLFG's enlarged banking subsidiary, Hong Leong Bank Berhad, to generate strong earnings, the stable financial and operating performance of its insurance business and the well-capitalised positions of both its banking and insurance subsidiaries.

Details of the ratings are as follows :

RM1,800 million Commercial Paper and Medium Term Notes Programmes

Date accorded	Rating action	Rating classification	Definition
July 2015	Affirmed	Short-term rating : MARC-1	Highest category; indicates a very high likelihood that interest and principal will be paid on a timely basis.
July 2015	Affirmed	Long-term rating : AA	Indicates a very strong ability to repay principal and pay interest on a timely basis, with limited incremental risk compared to issues rated in the highest category.

Reserves and provisions

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

Directors

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

YBhg Tan Sri Quek Leng Chan	(Chairman, Non-Executive Non-Independent)
Mr Quek Kon Sean	(Non-Independent Non-Executive Director)
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman	(Non-Independent Non-Executive Director)
Ms Lim Tau Kien	(Independent Non-Executive Director)
Ms Lim Lean See	(Independent Non-Executive Director)
Mr Saw Kok Wei	(Independent Non-Executive Director)
Mr Choong Yee How (Resigned w.e.f. 1 September 2015)	(President & Chief Executive Officer, Non-Independent)

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No: 8024-W
(Incorporated in Malaysia)

Directors' report for the financial year ended 30 June 2015 (continued)

Directors' interests

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

	Nominal value per share RM (unless indicated)	Shareholdings in which Directors have direct interests Number of ordinary shares/preference shares/ordinary shares issued or to be issued or acquired arising from the exercise of options*/ conversion of redeemable convertible unsecured loan stocks** or redeemable convertible cumulative preference shares***			As at 30.06.2015
		As at 01.07.2014	Acquired	Sold	
Interests of YBhg Tan Sri Quek Leng Chan in :					
Hong Leong Company (Malaysia) Berhad	1.00	390,000	-	-	390,000
Hong Leong Financial Group Berhad	1.00	4,989,600	-	-	4,989,600
Guoco Group Limited	USD0.50	1,056,325	-	-	1,056,325
GuocoLand Limited	(1)	13,333,333	-	-	13,333,333
GuocoLand (Malaysia) Berhad	0.50	19,506,780	-	-	19,506,780
GuocoLeisure Limited	USD0.20	735,000	-	-	735,000
The Rank Group Plc	GBP13 ⁸⁹ p	285,207	-	-	285,207
Interests of YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman in :					
Hong Leong Financial Group Berhad	1.00	5,544,000	-	-	5,544,000
Hong Leong Bank Berhad	1.00	400,000	-	-	400,000
Hong Leong Industries Berhad	0.50	52,800	-	-	52,800
Malaysian Pacific Industries Berhad	0.50	20,800	-	-	20,800
Hume Industries Berhad (formerly known as Narra Industries Berhad)	1.00	-	57,024 ⁽¹²⁾	-	57,024
Interest of Mr Choong Yee How in :					
Hong Leong Financial Group Berhad	1.00	3,100,000 1,750,000 *	1,750,000 ⁽¹⁶⁾ -	(1,200,000) (1,750,000) ⁽¹⁶⁾	3,650,000 -
Interest of Mr Quek Kon Sean in :					
Hong Leong Financial Group Berhad	1.00	2,175,000 900,000 *	900,000 ⁽¹⁶⁾ -	(825,000) (900,000) ⁽¹⁶⁾	2,250,000 -

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No: 8024-W
(Incorporated in Malaysia)

**Directors' report
for the financial year ended 30 June 2015 (continued)**

Directors' interests (continued)

	Nominal value per share RM (unless Indicated)	Shareholdings in which Directors have indirect interests Number of ordinary shares/preference shares/ordinary shares issued or to be issued or acquired arising from the exercise of options* conversion of redeemable convertible unsecured loan stocks** or redeemable convertible cumulative preference shares***			
		As at 01.07.2014	Acquired	Sold	As at 30.06.2015
Interests of YBhg Tan Sri Quek Leng Chan in :					
Hong Leong Company (Malaysia) Berhad	1.00	13,069,100	-	-	13,069,100
Hong Leong Financial Group Berhad	1.00	824,437,300	-	-	824,437,300
Hong Leong Capital Berhad	1.00	200,805,058	-	-	200,805,058
Hong Leong Bank Berhad	1.00	1,160,549,285	-	-	1,160,549,285
Hong Leong MSIG Takaful Berhad	1.00	65,000,000	-	-	65,000,000
Hong Leong Assurance Berhad	1.00	140,000,000	-	-	140,000,000
Hong Leong Industries Berhad ("HLI")	0.50	246,136,603 ⁽⁶⁾	-	(701,600)	245,435,003 ⁽⁶⁾
Hong Leong Yamaha Motor Sdn Bhd	1.00	17,352,872	-	-	17,352,872
	1.00	6,941 ⁽⁷⁾	-	(6,941) ⁽⁷⁾⁽¹⁰⁾	-
Guocera Tile Industries (Meru) Sdn Bhd	1.00	19,600,000	-	-	19,600,000
Hong Leong Maruken Sdn Bhd (In members' voluntary liquidation)	1.00	1,750,000	-	-	1,750,000
Century Touch Sdn Bhd (In members' voluntary liquidation)	1.00	6,545,001	-	-	6,545,001
Varinet Sdn Bhd (In members' voluntary liquidation)	1.00	10,560,627	-	-	10,560,627
RZA Logistics Sdn Bhd (In members' voluntary liquidation)	1.00	7,934,247	-	(7,934,247) ⁽¹¹⁾	-
Malaysian Pacific Industries Berhad	0.50	111,951,357 ⁽⁶⁾	266,500	-	112,217,857 ⁽⁶⁾
Carter Realty Sdn Bhd	1.00	5,640,607	-	-	5,640,607
Carsem (M) Sdn Bhd	1.00	84,000,000	-	-	84,000,000
	100.00	22,400 ⁽⁷⁾	-	-	22,400 ⁽⁷⁾
Hume Industries Berhad (formerly known as Narra Industries Berhad) ("HIB")	1.00	37,853,100	339,175,511 ⁽⁶⁾⁽¹²⁾	(4,238,328) (17,387,700) ⁽⁶⁾⁽¹³⁾ (1,029,537) ⁽¹⁴⁾	354,373,046 ⁽⁶⁾
Guoco Group Limited	USD0.50	237,124,930	-	-	237,124,930
GuocoLand Limited	⁽¹⁾	819,244,363 ⁽⁶⁾	-	-	819,244,363 ⁽⁶⁾
Southern Steel Berhad ("SSB")	1.00	301,541,202	-	(2,000,000)	299,541,202
	1.00	-	141,627,296 ⁽⁹⁾	-	141,627,296 ⁽⁹⁾
Southern Pipe Industry (Malaysia) Sdn Bhd	1.00	118,822,953	-	-	118,822,953
	1.00	20,000,000 ⁽⁸⁾	-	-	20,000,000 ⁽⁸⁾
Belmeth Pte. Ltd.	⁽¹⁾	40,000,000	-	-	40,000,000
Guston Pte. Ltd.	⁽¹⁾	8,000,000	-	-	8,000,000
Perfect Eagle Pte. Ltd.	⁽¹⁾	24,000,000	-	-	24,000,000
First Garden Development Pte Ltd (In members' voluntary liquidation)	⁽¹⁾	63,000,000	-	-	63,000,000
Sanctuary Land Pte Ltd (In members' voluntary liquidation)	⁽¹⁾	90,000	-	-	90,000
Beijing Minghua Property Development Co., Ltd (In members' voluntary liquidation)	⁽²⁾	150,000,000	-	-	150,000,000
Nanjing Mahui Property Development Co., Ltd	⁽²⁾	271,499,800	-	(271,499,800)	-
Shanghai Xinhaojia Property Development Co., Ltd	⁽²⁾	3,150,000,000	-	-	3,150,000,000
Shanghai Xinhaozhong Property Development Co., Ltd	⁽³⁾	19,600,000	-	-	19,600,000
Beijing Cheng Jian Dong Hua Real Estate Development Company Limited	⁽²⁾	50,000,000	-	-	50,000,000

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No: 8024-W
(Incorporated in Malaysia)

Directors' report for the financial year ended 30 June 2015 (continued)

Directors' interests (continued)

	Nominal value per share RM (unless indicated)	Shareholdings in which Directors have indirect interests Number of ordinary shares/preference shares/ordinary shares issued or to be issued or acquired arising from the exercise of options*/ conversion of redeemable convertible unsecured loan stocks** or redeemable convertible cumulative preference shares***			
		As at 01.07.2014	Acquired	Sold	As at 30.06.2015
Interests of YBhg Tan Sri Quek Leng Chan in (continued) :					
Lam Soon (Hong Kong) Limited	(5)	140,008,659	-	-	140,008,659
Kwok Wah Hong Flour Company Limited (In members' voluntary liquidation)	(5)	9,800	-	-	9,800
Guangzhou Lam Soon Food Products Limited	(4)	6,570,000	-	-	6,570,000
GuocoLand (Malaysia) Berhad	0.50	456,055,616	-	(357,020)	455,698,596
Guoman Hotel & Resort Holdings Sdn Bhd	1.00	277,000,000	-	-	277,000,000
JB Parade Sdn Bhd	1.00	28,000,000	-	-	28,000,000
	0.01	68,594,000 (7)	-	-	68,594,000 (7)
Continental Estates Sdn Bhd	1.00	30,051,174 (15)	4,356,826	-	34,408,000
	0.01	107,903,020 (7)(15)	15,599,585 (7)	-	123,502,605 (7)
GuocoLeisure Limited	USD0.20	923,255,425	-	-	923,255,425
The Rank Group Plc	GBP13 ⁹⁹ p	268,194,969	1,087,252	(50,000,000)	219,282,221
Interests of YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman in :					
Hong Leong Financial Group Berhad	1.00	3,600 (17)	-	-	3,600 (17)
Interests of Mr Quek Kon Sean in :					
Hong Leong Industries Berhad	0.50	750,000	-	-	750,000
Malaysian Pacific Industries Berhad	0.50	281,250	-	-	281,250
Hume Industries Berhad (formerly known as Narra Industries Berhad)	1.00	-	810,000 (12)	-	810,000

Notes:

- (1) Concept of par value was abolished with effect from 30 January 2006 pursuant to the Singapore Companies (Amendment) Act, 2005
- (2) Capital contribution in RMB
- (3) Capital contribution in USD
- (4) Capital contribution in HKD
- (5) Concept of par value was abolished with effect from 3 March 2014 pursuant to the New Companies Ordinance (Chapter 622), Hong Kong
- (6) Inclusive of interest pursuant to Section 134(12)(c) of the Companies Act, 1965 in shares held by family member
- (7) Redeemable Preference Shares
- (8) The redeemable convertible cumulative preference shares ("RCCPS") are convertible into ordinary shares of RM1.00 each at the option of the holder of RCCPS on the basis of 400 ordinary shares of RM1.00 each for every RCCPS of RM1.00 nominal value
- (9) Subscription of renounceable rights issue of redeemable convertible unsecured loan stocks in SSB ("RCULS") on the basis of RM1.00 nominal value of rights RCULS for every 2 existing ordinary shares held in SSB
- (10) Redemption of redeemable preference shares
- (11) Dissolved during the financial year
- (12) Entitlement to new ordinary shares of RM1.00 each in HIB ("HIB Shares") pursuant to the capital distribution by HLI to entitled shareholders of HLI on the basis of 1,080 new HIB Shares for every 1,000 ordinary shares held in HLI
- (13) Cancellation of RM0.50 of the par value of existing HIB Shares pursuant to a reduction of share capital by HIB
- (14) Transfer of free HIB Shares to the grant holders upon vesting
- (15) Shareholdings as at 19 August 2014 when the corporation became a related corporation
- (16) Exercise of share options
- (17) Interest pursuant to Section 134(12)(c) of the Companies Act, 1965 in shares held by family member

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No: 8024-W
(Incorporated in Malaysia)

**Directors' report
for the financial year ended 30 June 2015 (continued)****Directors' benefits**

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

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

Executive Share Option Schemes and Executive Share Scheme

The Company has concurrently established and implemented an Executive Share Option Scheme and an Executive Share Scheme.

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

The ESOS 2006/2016 of up to fifteen percent (15%) of the issued and paid-up ordinary share capital of the Company, which was approved by the shareholders of the Company on 8 November 2005, was established on 23 January 2006 and would be in force for a period of ten (10) years.

On 18 January 2006, the Company announced that Bursa Malaysia Securities Berhad had approved-in-principle the listing of new ordinary shares of the Company to be issued pursuant to the exercise of options under the ESOS 2006/2016 at any time during the existence of the ESOS 2006/2016.

The ESOS 2006/2016 would provide an opportunity for eligible executives who had contributed to the growth and development of the Company and its subsidiaries ("the Group") to participate in the equity of the Company. The aggregate number of shares to be issued under the ESOS 2006/2016 shall not exceed 15% of the issued and paid-up ordinary share capital of the Company for the time being ("ESOS 2006/2016 Aggregate Maximum Allocation").

There were no options granted under the ESOS 2006/2016 of the Company during the financial year ended 30 June 2015.

As at 30 June 2015, a total of 20,451,000 options had been granted under ESOS 2006/2016, out of which 15,936,000 options had been exercised and there are no options remaining outstanding. The aggregate options granted to Directors and chief executives of the Group under the ESOS 2006/2016 amounted to 15,800,000, out of which 12,755,000 options had been exercised and there are no options outstanding.

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

As at 30 June 2015, the actual percentage of total options granted to Directors and senior management of the Group under the ESOS 2006/2016 was 1.81% of the issued and paid up ordinary share capital of the Company.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No: 8024-W
(Incorporated in Malaysia)

**Directors' report
for the financial year ended 30 June 2015 (continued)****Executive Share Option Schemes and Executive Share Scheme (continued)****(b) Executive Share Scheme ("ESS")**

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

(i) ESOS 2013/2023

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

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

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

(ii) ESGS

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

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

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

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

There were 12,200,000 options granted at an exercise price of RM16.88 under the ESS of the Company during the financial year ended 30 June 2015.

As at 30 June 2015, a total of 12,200,000 options had been granted under ESS, with 12,100,000 options remaining outstanding. The aggregate options granted to Directors and chief executives of the Group under the ESS amounted to 5,000,000, all of which remain outstanding.

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

As at 30 June 2015, the actual percentage of total options granted to Directors and senior management of the Group under the ESS was 0.90% of the issued and paid up ordinary share capital of the Company.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No: 8024-W
(Incorporated in Malaysia)

**Directors' report
for the financial year ended 30 June 2015 (continued)****Executive Share Option Schemes and Executive Share Scheme (continued)**

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

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

Share capital

During the financial year, there was no issuance of new ordinary shares. As at 30 June 2015, the issued and paid-up share capital of the Company is RM1,052,767,789 comprising 1,052,767,789 ordinary shares of RM1.00 each.

Statutory information regarding the Group and the Company**(a) As at the end of the financial year**

- (i) Before the statements of income and statements of financial position of the Group and the Company were made out, the Directors took reasonable steps:
- to ascertain that proper action had been taken in relation to the writing off of bad debts and financing and the making of allowance for doubtful debts and financing and had satisfied themselves that all known bad debts and financing had been written off and that adequate allowance had been made for doubtful debts and financing; and
 - to ensure that any current assets, other than debts and financing, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.
- (ii) In the opinion of the Directors, the results of the operations of the Group and the Company during the financial year had not been substantially affected by any item, transaction or event of a material and unusual nature.

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

- (i) The Directors are not aware of any circumstances:
- which would render the amount written off for bad debts and financing or the amount of the allowance for doubtful debts and financing in the financial statements of the Group and the Company, inadequate to any substantial extent;
 - which would render the values attributed to current assets in the financial statements of the Group and the Company misleading; and
 - which had arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**Hong Leong Financial Group Berhad**

Company No: 8024-W
(Incorporated in Malaysia)

**Directors' report
for the financial year ended 30 June 2015 (continued)****Statutory information regarding the Group and the Company (continued)****(b) From the end of the financial year to the date of this report (continued)****(ii) In the opinion of the Directors:**

- the results of the operations of the Group and the Company for the financial year ended 30 June 2015 are not likely to be substantially affected by any item, transaction or event of a material and unusual nature which had arisen in the interval between the end of the financial year and the date of this report; and
- no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and the Company to meet their obligations as and when they fall due.

(c) As at the date of this report

- 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.
- There are no contingent liabilities which had arisen since the end of the financial year.
- The Directors are not aware of any circumstances not otherwise dealt with in the report or financial statements of the Group and the Company which would render any amount stated in the financial statements misleading.

Disclosure of Shariah Advisory Committee

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

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

Ultimate holding company

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

Auditors

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

Signed on behalf of the Board of Directors in accordance with their resolution dated 3 September 2015.



Quek Kon Sean
Director



Lim Tau Kien
Director

Kuala Lumpur
21 September 2015

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No: 8024-W
(Incorporated in Malaysia)

Statements of Financial Position as at 30 June 2015

	Note	The Group		The Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Assets					
Cash and short-term funds	2	8,463,194	17,084,360	8,345	6,882
Deposits and placements with banks and other financial institutions	3	4,325,129	4,494,097	8,888	8,762
Securities purchased under resale agreements		12,163,252	2,997,197	-	-
Financial assets held-for-trading	4	9,238,804	13,256,502	-	-
Financial investments available-for-sale	5	29,623,057	27,106,786	-	-
Financial investments held-to-maturity	6	10,941,838	9,851,132	-	-
Derivative financial instruments	20	1,468,084	712,983	126	1,211
Loans, advances and financing	7	113,111,668	103,665,448	-	-
Clients' and brokers' balances	8	337,631	430,804	-	-
Other receivables	9	1,415,833	693,520	609	2,076
Amount due from subsidiaries	47	-	-	179	54,535
Statutory deposits with Central Banks	10	3,532,372	3,181,392	-	-
Tax recoverable		49,961	11,349	9,771	10,800
Investment in subsidiary companies	11	-	-	15,007,609	14,986,980
Investment in associated companies	12	3,740,302	2,796,943	-	-
Investment in joint ventures	13	129,230	90,912	-	-
Deferred tax assets	22	-	-	2,170	3,550
Property and equipment	14	1,149,955	1,030,256	2,375	1,798
Investment properties	15	1,848	1,760	-	-
Goodwill arising on consolidation	16	2,410,644	2,410,644	-	-
Intangible assets	17	337,842	360,921	213	172
Total assets		202,440,644	190,177,006	15,040,285	15,076,766

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No: 8024-W
(Incorporated in Malaysia)

**Statements of Financial Position
as at 30 June 2015 (continued)**

	Note	The Group		The Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Liabilities					
Deposits from customers	18	140,955,465	130,632,286	-	-
Deposits and placements of banks and other financial institutions	19	8,943,622	9,166,255	-	-
Obligations on securities sold under repurchase agreements		3,691,338	4,295,975	-	-
Bills and acceptances payable		1,900,967	358,732	-	-
Derivative financial instruments	20	1,369,365	821,340	1,158	1,253
Clients' and brokers' balances		192,728	337,686	-	-
Payables and other liabilities	21	5,796,694	6,269,319	11,103	17,088
Amount due to subsidiaries	47	-	-	-	24
Provision for claims		128,905	67,088	-	-
Provision for taxation		168,926	38,583	-	-
Deferred tax liabilities	22	171,845	210,017	-	-
Borrowings	23	3,096,882	5,307,604	860,666	1,311,342
Subordinated obligations	24	5,161,255	5,359,614	-	-
Non-Innovative Tier 1 stapled securities	25	1,410,869	1,410,252	-	-
Innovative Tier 1 capital securities	26	530,223	541,767	-	-
Insurance funds	27	9,457,257	8,355,757	-	-
Total liabilities		182,976,341	173,172,275	872,927	1,329,707
Equity attributable to owners of the parent					
Share capital	28	1,052,768	1,052,768	1,052,768	1,052,768
Reserves	29	12,070,956	10,447,136	13,114,592	12,709,472
Treasury shares for ESOS	30	(12,698)	(25,422)	(2)	(15,181)
		13,111,026	11,474,482	14,167,358	13,747,059
Non-controlling interests		6,353,277	5,530,249	-	-
Total equity		19,464,303	17,004,731	14,167,358	13,747,059
Total equity and liabilities		202,440,644	190,177,006	15,040,285	15,076,766
Commitments and contingencies	41	157,622,016	199,880,534	775,000	785,308

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No: 8024-W
(Incorporated in Malaysia)

**Statements of Income
for the financial year ended 30 June 2015**

	Note	The Group		The Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Interest income	31	6,250,419	5,762,401	3,457	3,345
Interest expense	32	(3,540,724)	(3,287,992)	(42,753)	(50,114)
Net interest income/(expense)		2,709,695	2,474,409	(39,296)	(46,769)
Income from Islamic banking business	33	419,758	434,379	-	-
		3,129,453	2,908,788	(39,296)	(46,769)
Non-interest income	34	1,361,491	1,640,375	851,005	531,723
		4,490,944	4,549,163	811,709	484,954
Overhead expenses	35	(2,000,263)	(1,966,083)	(21,396)	(33,983)
Operating profit before allowances		2,490,681	2,583,080	790,313	450,971
Writeback of/(allowance for) impairment losses on loans, advances and financing and other losses	36	52,644	(52,425)	-	-
Writeback of/(allowance for) impairment losses		2,603	39,639	(3,266)	-
		2,545,928	2,570,294	787,047	450,971
Share of results of associated companies	12	463,297	429,576	-	-
Share of results of joint ventures	13	14,060	9,353	-	-
Profit before taxation		3,023,285	3,009,223	787,047	450,971
Taxation	38	(562,908)	(491,867)	(4,472)	(76,394)
Net profit for the financial year		2,460,377	2,517,356	782,575	374,577
Attributable to:					
Owners of the parent		1,620,743	1,706,877	782,575	374,577
Non-controlling interests		839,634	810,479	-	-
		2,460,377	2,517,356	782,575	374,577
Earnings per share attributable to equity holders of the Company (sen)					
- Basic	39	154.3	162.9	74.3	35.7
- Diluted	39	154.3	162.8	74.3	35.7

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No: 8024-W
(Incorporated in Malaysia)

**Statements of Comprehensive Income
for the financial year ended 30 June 2015**

	Note	The Group		The Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Net profit for the financial year		2,460,377	2,517,356	782,575	374,577
Other comprehensive income/(loss):					
Items that may be reclassified subsequently to profit or loss:					
Currency translation differences		714,895	10,784	-	-
Share of other comprehensive income/ (loss) of associated companies		10,156	(3,162)	-	-
Net fair value changes in cash flow hedge	54	216	-	-	-
Net fair value changes on financial investments available-for-sale	54	(169,013)	64,036	-	-
Income tax relating to components of other comprehensive loss/(income)	54	42,199	(16,009)	-	-
Other comprehensive income for the financial year, net of tax		<u>598,453</u>	<u>55,649</u>	-	-
Total comprehensive income for the financial year, net of tax		<u>3,058,830</u>	<u>2,573,005</u>	<u>782,575</u>	<u>374,577</u>
Attributable to:					
Owners of the parent		1,980,613	1,754,067	782,575	374,577
Non-controlling interests		1,078,217	818,938	-	-
		<u>3,058,830</u>	<u>2,573,005</u>	<u>782,575</u>	<u>374,577</u>

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No. 8024-W
(Incorporated in Malaysia)Statements of changes in equity
for the financial year ended 30 June 2015

The Group	Attributable to owners of the parent											Total equity RM'000		
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserves* RM'000	Fair value reserve RM'000	Cash flow hedge reserve RM'000	Other capital reserve RM'000	Share options reserve RM'000	Exchange fluctuation reserve RM'000	Retained profits RM'000	Treasury shares for ESOS RM'000		Total RM'000	Non-controlling interests RM'000
As at 1 July 2014	1,052,768	117,229	2,454,525	10,266	287,257	-	134,848	7,806	(12,347)	7,447,552	(25,422)	11,474,482	5,530,249	17,004,731
Comprehensive income	-	-	-	-	-	-	-	-	-	1,620,743	-	1,620,743	839,634	2,460,377
Net profit for the financial year	-	-	-	-	-	-	-	-	-	476,612	-	476,612	238,283	714,895
Currency translation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share of other comprehensive income of associated companies	-	-	-	-	5,560	-	-	-	-	-	-	5,560	4,596	10,156
Net fair value changes in financial investments available-for-sale, net of tax	-	-	-	-	(122,408)	-	-	-	-	-	-	(122,408)	(4,352)	(126,760)
Net fair value changes in cash flow hedge, net of tax	-	-	-	-	106	-	-	-	-	-	-	106	56	162
Total comprehensive (loss)/income	-	-	-	-	(116,848)	106	-	-	476,612	1,620,743	-	1,980,613	1,078,217	3,058,830
Transaction with owners	-	-	-	-	-	-	-	-	-	(510,374)	-	-	-	-
Transfer to statutory reserve	-	-	510,374	-	-	-	-	-	-	(392,122)	-	-	-	-
Transfer to regulatory reserve	-	-	-	392,122	-	-	-	-	-	-	-	-	-	-
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	-	-	17,427	-	17,427	29,183	46,610
Dividends paid:	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- first interim dividend for the financial year ended 30 June 2015	-	-	-	-	-	-	-	-	-	(136,470)	-	(136,470)	-	(136,470)
- second interim dividend for the financial year ended 30 June 2015	-	-	-	-	-	-	-	-	-	(263,186)	-	(263,186)	-	(263,186)
Non-controlling interests share of dividend	-	-	-	-	-	-	-	-	-	-	-	-	(283,254)	(283,254)
Non-controlling interests share of subsidiary treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	(1,118)	(1,118)
Options charge arising from ESOS	-	-	-	-	-	-	-	2,108	-	-	-	2,108	-	2,108
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	(2,695)	-	(2,695)	-	(2,695)
Exercise of ESOS	-	-	-	-	-	-	-	(9,914)	-	33,242	15,419	38,747	-	38,747
Transfer to capital redemption reserve	-	-	-	-	-	-	-	20	-	(20)	-	-	-	-
Total transaction with owners	-	-	510,374	392,122	-	-	20	(7,806)	-	(1,251,503)	12,724	(344,059)	(255,189)	(589,256)
As at 30 June 2015	1,052,768	117,229	2,964,899	402,388	170,409	106	134,868	-	464,265	7,816,792	(12,698)	13,111,026	6,353,277	19,464,303

* Comprise regulatory reserves maintained by the Group's banking subsidiary companies in Malaysia of RM391,143,000 (2014:RM Nil) and the banking subsidiary company in Vietnam with the State Bank of Vietnam of RM11,245,000 (2014:RM10,266,000).

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No. 8024-W
(Incorporated in Malaysia)

**Statements of changes in equity
for the financial year ended 30 June 2015 (continued)**

The Group	Attributable to owners of the parent											Total equity RM'000		
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserves* RM'000	Fair value reserve RM'000	Cash flow hedge reserve RM'000	Other capital reserve RM'000	Share options reserve RM'000	Exchange fluctuation reserve RM'000	Retained profits for ESOS RM'000	Treasury shares for ESOS RM'000		Total RM'000	Non-controlling interests RM'000
As at 1 July 2013	1,052,768	117,229	1,971,758	8,527	248,221	-	134,417	22,768	(20,501)	6,590,499	(49,958)	10,075,728	4,928,980	15,004,708
Comprehensive income	-	-	-	-	-	-	-	-	-	1,706,877	-	1,706,877	810,479	2,517,356
Net profit for the financial year	-	-	-	-	-	-	-	-	-	1,706,877	-	1,706,877	810,479	2,517,356
Currency translation differences	-	-	-	-	-	-	-	-	8,154	-	-	8,154	2,830	10,784
Share of other comprehensive loss of associated companies	-	-	-	-	(2,457)	-	-	-	-	-	-	(2,457)	(705)	(3,162)
Net fair value changes in financial investments available-for-sale, net of tax	-	-	-	-	41,493	-	-	-	-	-	-	41,493	6,534	48,027
Total comprehensive income/(loss)	-	-	-	-	39,036	-	-	-	8,154	1,706,877	-	1,754,067	818,938	2,573,005
Transaction with owners	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to statutory reserve	-	-	482,787	-	-	-	-	-	-	(482,787)	-	-	-	-
Transfer to regulatory reserve	-	-	-	1,739	-	-	-	-	-	(1,739)	-	-	-	-
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	-	-	(16,917)	-	(16,917)	16,520	(397)
Dividends paid:	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- first interim dividend for the financial year ended 30 June 2014	-	-	-	-	-	-	-	-	-	(135,905)	-	(135,905)	-	(135,905)
- second interim dividend for the financial year ended 30 June 2014	-	-	-	-	-	-	-	-	-	(262,442)	-	(262,442)	-	(262,442)
Non-controlling interests share of dividend	-	-	-	-	-	-	-	-	-	-	-	-	(253,003)	(253,003)
Non-controlling interests share of subsidiary treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	18,814	18,814
Options charge arising from ESOS	-	-	-	-	-	-	-	6,194	-	-	-	6,194	-	6,194
Exercise of ESOS	-	-	-	-	-	-	-	(21,156)	-	50,377	24,536	53,757	-	53,757
Transfer to capital redemption reserve	-	-	-	-	-	-	431	-	-	(431)	-	-	-	-
Total transaction with owners	-	-	482,767	1,739	-	-	431	(14,962)	-	(849,824)	24,536	(355,313)	(217,669)	(572,982)
As at 30 June 2014	1,052,768	117,229	2,454,525	10,266	287,257	-	134,848	7,806	(12,347)	7,447,552	(25,422)	11,474,482	5,530,249	17,004,731

* Comprise regulatory reserve maintained by the Group's banking subsidiary company in Vietnam with the State Bank of Vietnam of RM10,266,000

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No: 8024-W
(Incorporated in Malaysia)

Statements of changes in equity for the financial year ended 30 June 2015 (continued)

The Company	Note	Non-distributable					Distributable		Total equity RM'000
		Share capital RM'000	Share premium RM'000	Treasury shares for ESOS RM'000	Other capital reserve RM'000	Share options reserve RM'000	Retained profits RM'000	RM'000	
As at 1 July 2014		1,052,768	117,229	(15,181)	254,991	4,638	12,332,614	13,747,059	
Net profit for the financial year		-	-	-	-	-	782,575	782,575	
Dividends paid		-	-	-	-	-	-	-	
- first interim dividend for the financial year ended 30 June 2015	40	-	-	-	-	-	(136,470)	(136,470)	
- second interim dividend for the financial year ended 30 June 2015	40	-	-	-	-	-	(263,186)	(263,186)	
Options charge arising from ESOS		-	-	-	-	2,070	-	2,070	
Exercise of ESOS		-	-	15,179	-	(6,708)	26,839	35,310	
As at 30 June 2015		1,052,768	117,229	(2)	254,991	-	12,742,372	14,167,358	
As at 1 July 2013		1,052,768	117,229	(37,161)	254,991	16,680	12,318,619	13,723,126	
Net profit for the financial year		-	-	-	-	-	374,577	374,577	
Dividends paid		-	-	-	-	-	-	-	
- first interim dividend for the financial year ended 30 June 2014	40	-	-	-	-	-	(135,905)	(135,905)	
- second interim dividend for the financial year ended 30 June 2014	40	-	-	-	-	-	(262,442)	(262,442)	
Options charge arising from ESOS		-	-	-	-	4,434	-	4,434	
Exercise of ESOS		-	-	21,980	-	(16,476)	37,765	43,269	
As at 30 June 2014		1,052,768	117,229	(15,181)	254,991	4,638	12,332,614	13,747,059	

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

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No: 8024-W
(Incorporated in Malaysia)

**Consolidated statements of cash flows
for the financial year ended 30 June 2015**

	The Group	
	2015 RM'000	2014 RM'000
Cash flows from operating activities		
Profit before taxation	3,023,285	3,009,223
Adjustments for:		
Unearned premium reserves	68	(3,803)
Life fund - underwriting surplus	1,333,631	1,431,853
Depreciation of property and equipment	77,507	115,492
Amortisation of intangible assets	73,249	99,562
Intangible assets written off	2,875	8,568
Property and equipment written off	209	1,325
Gain on sale of property and equipment	(6,947)	(6,305)
Gain on revaluation of investment properties	(88)	(80)
Gain from disposal of financial assets held-for-trading	(58,341)	(18,852)
Gain from disposal of financial investments available-for-sale	(123,980)	(101,177)
Gain from redemption of financial investments held-to-maturity	(350)	(802)
Loss/(gain) from disposal of derivative financial instruments	8,673	(45,090)
Net unrealised loss/(gain) on revaluation of financial assets held-for-trading and derivative financial instruments	49,333	(33,091)
Net realised loss on fair value changes arising from fair value hedges and amortisation of fair value changes arising from terminated fair value hedges	3,279	8,334
Unrealised exchange loss	342,115	32,971
Writeback of impairment losses	(2,603)	(39,639)
Allowances for impairment losses on loans, advances and financing	163,033	286,338
Impaired loans and financing written off	45,617	20,025
Interest expense on borrowings	140,938	280,008
Interest expense on subordinated obligations	226,515	211,462
Interest expense on Non-innovative Tier 1 stapled securities	71,317	71,439
Interest expense on Innovative Tier 1 capital securities	30,516	26,862
Interest income from financial assets held-for-trading	(576,911)	(519,108)
Interest income from financial investments available-for-sale	(458,054)	(424,641)
Interest income from financial investments held-to-maturity	(274,044)	(196,254)
Dividend income from financial assets held-for-trading and financial investments available-for-sale	(181,235)	(271,284)
Options charge arising from ESOS	2,108	6,194
Surplus transferred from life insurance business	(222,539)	(249,577)
Share of results of associated companies	(463,297)	(429,576)
Share of results of joint ventures	(14,060)	(9,353)
	188,534	251,801
Operating profit before working capital changes	3,211,819	3,261,024

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No: 8024-W
(Incorporated in Malaysia)

**Consolidated statements of cash flows
for the financial year ended 30 June 2015 (continued)**

	The Group	
	2015 RM'000	2014 RM'000
Decrease/(increase) in operating assets		
Deposits and placements with banks and other financial institutions	168,068	2,659,551
Securities purchased under resale agreements	(9,166,055)	(1,697,556)
Financial assets held-for-trading	4,606,502	4,116,498
Loans, advances and financing	(9,654,870)	(7,696,859)
Clients' and brokers' balances	93,173	(174,330)
Other receivables	(938,576)	391,863
Statutory deposits with Central Banks	(350,980)	276,017
Increase/(decrease) in operating liabilities		
Deposits from customers	10,323,179	6,673,581
Deposits and placements of banks and other financial institutions	(222,633)	(3,943,868)
Obligations on securities sold under repurchase agreements	(604,637)	2,370,198
Bills and acceptances payable	1,542,235	(441,948)
Payables and other liabilities	(427,053)	1,727,080
Provision for claims	61,817	(18,167)
Clients' and brokers' balances	(144,958)	197,333
	(4,714,788)	4,439,393
Cash (used in)/generated from operating activities	(1,502,969)	7,700,417
Income tax paid	(513,390)	(647,847)
Interest received	3,457	3,345
	(509,933)	(644,502)
Net cash (used in)/generated from operating activities	(2,012,902)	7,055,915
Cash flows from investing activities		
Net purchases of financial investments available-for-sale	(3,136,664)	(4,649,483)
Net purchases of financial investments held-to-maturity	(1,090,356)	(5,033,660)
Interest received on financial investments available-for-sale and financial investments held-to-maturity	732,098	620,895
Dividends received on financial assets held-for-trading and financial investments available-for-sale	181,235	271,284
Dividends received from associated companies	126,860	56,086
Net proceeds from disposal of property and equipment	9,312	13,182
Subscription of shares in joint ventures	(1,653)	(1,599)
Purchase of property and equipment	(200,639)	(121,536)
Purchase of intangible assets	(49,672)	(88,478)
Net cash used in investing activities	(3,429,479)	(8,933,309)

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No: 8024-W
(Incorporated in Malaysia)

**Consolidated statements of cash flows
for the financial year ended 30 June 2015 (continued)**

	Note	The Group	
		2015	2014
		RM'000	RM'000
Cash flows from financing activities			
Interest paid on subordinated obligations		(224,517)	(211,738)
Interest paid on borrowings		(196,661)	(276,336)
Interest paid on Non-Innovative Tier 1 stapled securities		(70,700)	(70,179)
Interest paid on Innovative Tier 1 capital securities		(29,137)	(25,483)
(Repayment)/drawdown of revolving credit		(65,000)	65,000
Redemption of medium term notes and commercial papers		(2,410,000)	(40,000)
Repayment of term loans		(25,000)	(180,000)
Purchase of treasury shares		(2,695)	-
(Repayment)/proceeds from subordinated obligations		(200,000)	490,000
Cash received from ESOS exercised		38,747	53,757
Dividends paid to			
- owners of the parent		(399,656)	(398,347)
- non-controlling interest		(283,254)	(253,003)
Net cash used in financing activities		(3,867,873)	(846,329)
Net decrease in cash and cash equivalents		(9,310,254)	(2,723,723)
Effects of exchange rate changes		688,188	9,303
Cash and cash equivalents at beginning of financial year		17,084,360	19,797,580
Cash and cash equivalents at end of financial year	2	8,462,294	17,083,160
Analysis of cash and cash equivalents			
Cash and short terms funds	2	8,463,194	17,084,360
Less: restricted cash		(900)	(1,200)
		8,462,294	17,083,160

The Company has placed a fixed deposit of RM900,000 (2014: RM1,200,000) with a bank for the RM100 million revolving credit facility and RM350 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.

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No: 8024-W
(Incorporated in Malaysia)

**Company statements of cash flows
for the financial year ended 30 June 2015**

	The Company	
	2015 RM'000	2014 RM'000
Cash flows from operating activities		
Profit before taxation	787,047	450,971
Adjustments for:		
Depreciation of property and equipment	558	278
Amortisation of intangible assets	103	22
Intangible assets written off	-	2
Property and equipment written off	-	5
Gain on sale of property and equipment	(320)	(196)
Loss from disposal of financial assets held-for-trading	50	20
Loss from disposal of derivative financial instruments	5,363	2,586
Net unrealised loss/(gain) on revaluation of financial assets held-for-trading and derivative financial instruments	568	(7,258)
Allowance for impairment loss	3,266	-
Interest expense	42,753	50,114
Interest income	(3,457)	(3,345)
Dividend income from financial assets held-for-trading	(699)	(640)
Dividend income from subsidiary companies	(845,482)	(516,469)
Options charge arising from ESOS	2,070	4,434
	(795,227)	(470,447)
Operating loss before working capital changes	(8,180)	(19,476)
Decrease/(increase) in operating assets		
Other receivables	50,976	8,374
Deposits and placements with banks and other financial institutions	(1,026)	1,715
Financial assets held-for-trading	(50)	(20)
Decrease in operating liabilities		
Other payables	(6,104)	(4,900)
	43,796	5,169
Cash generated from/(used in) operating activities	35,616	(14,307)
Income tax (paid)/refunded	(2,063)	17,429
Interest received	3,457	3,345
	1,394	20,774
Net cash generated from operating activities	37,010	6,467
Cash flows from investing activities		
Dividends received on financial assets held-for-trading	699	640
Dividends received from subsidiary companies	845,482	430,674
Proceeds from disposal of property and equipment	320	342
Purchase of property and equipment	(1,142)	(1,329)
Purchase of intangible assets	(137)	(185)
Proceeds from redemption of redeemable preference shares	40,057	120,028
Subscription of ordinary shares in subsidiary	(11,352)	-
Subscription of redeemable preference shares	(52,600)	(1,660)
Net cash generated from investing activities	821,327	548,510

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No: 8024-W
(Incorporated in Malaysia)

**Company statements of cash flows
for the financial year ended 30 June 2015 (continued)**

	Note	The Company	
		2015	2014
		RM'000	RM'000
Cash flows from financing activities			
Interest paid on borrowings		(43,428)	(49,878)
(Repayment)/drawdown of revolving credit		(65,000)	65,000
Redemption of medium term notes and commercial papers		(360,000)	(40,000)
Repayment of term loans		(25,000)	(180,000)
Cash received from ESOS exercised		35,310	43,269
Dividends paid to shareholders of the Company		(399,656)	(398,347)
Net cash used in financing activities		(857,774)	(559,956)
Net increase/(decrease) in cash and cash equivalents		563	(4,980)
Cash and cash equivalents at beginning of financial year		6,882	10,662
Cash and cash equivalents at end of financial year		7,445	5,682
Analysis of cash and cash equivalents			
Cash and short terms funds	2	8,345	6,882
Less: restricted cash		(900)	(1,200)
		7,445	5,682

The Company has placed a fixed deposit of RM900,000 (2014: RM1,200,000) with a bank for the RM100 million revolving credit facility and RM350 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.

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**Hong Leong Financial Group Berhad**

Company No: 8024-W
(Incorporated in Malaysia)

**Summary of Significant Accounting Policies
for the financial year ended 30 June 2015**

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

A Basis of preparation of the financial statements

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

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

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the management and Directors' best knowledge of current events and actions, actual results may differ from those estimates.

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

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

The new accounting standards, amendments to published standards and interpretations that are effective and applicable to the Group and the Company for the financial year beginning on 1 July 2014 are as follows:

- Amendment to MFRS 10, MFRS 12 and MFRS 127 "Investment entities"
- Amendment to MFRS 132 "Financial instruments: Presentation – Offsetting financial assets and financial liabilities"
- Amendment to MFRS 139 "Financial instruments: Recognition and Measurement" – Novation of derivatives and continuation of hedge accounting"
- IC Interpretation 21 "Levies"
- Amendment to MFRS 119 "Employee benefits"
- Annual Improvement 2010 – 2012 cycle
- Annual Improvement 2011 – 2013 cycle

The adoption of the above accounting standards, amendments and improvements to published standards and interpretation did not have material impact on the financial statements of the Group and the Company.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No: 8024-W
(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 30 June 2015 (continued)

A Basis of preparation of the financial statements (continued)

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

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 July 2014. The Group and the Company will apply these standards, amendments to published standards and interpretations from:

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

- Amendment to MFRS 11 'Joint arrangements' (effective from 1 January 2016) requires an investor to apply the principles of MFRS 3 'Business Combination' when it acquires an interest in a joint operation that constitutes a business. The amendments are applicable to both the acquisition of the initial interest in a joint operation and the acquisition of additional interest in the same joint operation. However, a previously held interest is not re-measured when the acquisition of an additional interest in the same joint operation results in retaining joint control.
- Amendments to MFRS 116 'Property, plant and equipment' and MFRS 138 'Intangible assets' (effective from 1 January 2016) clarify that the use of revenue-based methods to calculate the depreciation and amortisation of an item of property, plant and equipment and intangible are not appropriate. This is because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

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

- Amendments to MFRS 10 and MFRS 128 regarding sale or contribution of assets between an investor and its associate or joint venture (effective from 1 January 2016) resolve a current inconsistency between MFRS 10 and MFRS 128. The accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business'. Full gain or loss shall be recognised by the investor where the non-monetary assets constitute a 'business'. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor to the extent of the other investors' interests. The amendments will only apply when an investor sells or contributes assets to its associate or joint venture. They are not intended to address accounting for the sale or contribution of assets by an investor in a joint operation.

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

- MFRS 15 'Revenue from contracts with customers' (effective from 1 January 2017) replaces MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations. The standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No: 8024-W
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**Summary of Significant Accounting Policies
for the financial year ended 30 June 2015 (continued)****A Basis of preparation of the financial statements (continued)****(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Company but not yet effective (continued)****(iii) Financial year beginning on/after 1 July 2018**

- MFRS 9 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 "Financial Instruments: Recognition and Measurement". The complete version of MFRS 9 was issued in November 2014.

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

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

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

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

The Group and the Company are in the midst of reviewing the requirements of MFRS 15 and MFRS 9, especially MFRS 9 as it introduces significant changes in the way the Group and the Company account for financial instruments. Due to the complexity of these standards and its proposed changes, the financial effects of its adoption are still being assessed by the Group and the Company.

(c) Significant changes in regulatory requirements

On 4 February 2014, BNM issued a letter requiring banking institutions to maintain, in aggregate, collective impairment allowance and regulatory reserve of no less than 1.20% of total outstanding loans/financing, net of individual impairment allowance, pursuant to paragraph 15 of the BNM's Policy Document on Classification and Impairment Provisions for Loans/Financing.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No: 8024-W
(Incorporated in Malaysia)

**Summary of Significant Accounting Policies
for the financial year ended 30 June 2015 (continued)****A Basis of preparation of the financial statements (continued)****(c) Significant changes in regulatory requirements (continued)**

The regulatory reserve is maintained in addition to the collective impairment allowance required under the MFRS 139 Financial Instruments: Recognition and Measurement, and it will be set aside from the retained profits to a separate reserve within equity as an additional credit risk absorbent. Banking institutions are required to comply with this requirement by 31 December 2015.

During the financial year, the Group has transferred RM391.1 million from its retained profits to regulatory reserves in accordance with BNM's requirements. The early adoption of this requirement ahead of BNM's requirement by 31 December 2015 did not have any impact to the profit or loss of the Group.

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 over 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. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

The 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 acquisition date fair 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 from such re-measurement are recognised in statements of income.

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

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Hong Leong Financial Group Berhad

Company No: 8024-W
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**Summary of Significant Accounting Policies
for the financial year ended 30 June 2015 (continued)****B Consolidation (continued)****(i) Subsidiaries (continued)**

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. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

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

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

(iii) Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, 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.

(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.

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Hong Leong Financial Group Berhad

Company No: 8024-W
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**Summary of Significant Accounting Policies
for the financial year ended 30 June 2015 (continued)****B Consolidation (continued)****(iv) Joint arrangements (continued)**

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

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

(v) Associated companies

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

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

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

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

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**Hong Leong Financial Group Berhad**

Company No: 8024-W
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**Summary of Significant Accounting Policies
for the financial year ended 30 June 2015 (continued)****B Consolidation (continued)****(v) Associated companies (continued)**

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 statements of income where appropriate.

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

(vi) Changes in ownership interest

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in statements of income. This fair value is its fair value on initial recognition as a financial asset in accordance with MFRS 139. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

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

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

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

C Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the aggregate of the acquisition date fair value of 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 net of the acquisition date fair value of the identifiable assets acquired and liabilities assumed. If the fair value of consideration transferred, the amount of non-controlling interest and the fair value of previously held interest in the acquiree are less than the fair value of the net identifiable assets of the acquiree, the resulting gain is recognised in the statements of income.

Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which goodwill is monitored for internal management purposes. Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less cost to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

D Property and equipment and depreciation

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

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Summary of Significant Accounting Policies for the financial year ended 30 June 2015 (continued)

D Property and equipment and depreciation (continued)

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

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

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

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

Property and equipment are reviewed for indication of impairment at each statements of financial position date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where an indication of impairment exists, the carrying amount of the asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

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

During the financial year ended 30 June 2015, management initiated a group-wide review of useful lives, taking into account historical experience and expected future development in relation to technology changes and market conditions. As a result, useful lives of a number of classes of tangible assets such as renovations, office equipment, furniture and fittings, air conditioners, safe deposits boxes and computer equipment were adjusted from 5 years to 8 years.

E Investment properties

Investment properties are properties which are held for rentals or for capital appreciation or for both.

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

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

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Hong Leong Financial Group Berhad

Company No: 8024-W
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**Summary of Significant Accounting Policies
for the financial year ended 30 June 2015 (continued)****F Intangible assets****(i) Computer software**

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 8 years.

During the financial year ended 30 June 2015, management initiated a group-wide review of useful lives, taking into account historical experience and expected future development in relation to technology changes and market conditions. As a result, the useful life of computer software was adjusted from 5 years to 8 years.

(ii) Other intangible assets

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

Core deposit: 7 years

Customer relationships: 10 years

G Leases**(i) Finance Lease**

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

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

(ii) Operating Lease

Leases of assets under which all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statements of income on a straight line basis over the period of the lease.

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

H Financial Assets**(i) Classification**

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

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Hong Leong Financial Group Berhad

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**Summary of Significant Accounting Policies
for the financial year ended 30 June 2015 (continued)****H Financial Assets (continued)****(i) Classification (continued)****(a) Financial assets at fair value through profit or loss**

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

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

(b) Loans and receivables

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

(c) Financial investments held-to-maturity

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

(d) Financial investments available-for-sale

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

(ii) Recognition and initial measurement

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

(iii) Subsequent measurement

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

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**Summary of Significant Accounting Policies
for the financial year ended 30 June 2015 (continued)****H Financial Assets (continued)****(iii) Subsequent measurement (continued)**

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

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

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

(iv) Reclassification of financial assets

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

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

I Financial liabilities

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

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

This category comprises two sub-categories: financial liabilities classified as held-for-trading, and financial liabilities designated at fair value through profit or loss upon initial recognition.

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

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Summary of Significant Accounting Policies for the financial year ended 30 June 2015 (continued)

I 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 139 "Financial Instruments: Recognition and Measurement" as it significantly reduces accounting mismatch that would otherwise arise from measuring the corresponding assets and liabilities of different basis.

(ii) Financial liabilities at amortised cost

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

J Derecognition of financial assets and financial liabilities

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred. Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

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

K Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the statements of financial position where there is a legally enforceable right to offset the recognised amounts and there is intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

L Foreclosed properties

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

M Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. 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.

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.

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**Summary of Significant Accounting Policies
for the financial year ended 30 June 2015 (continued)****M Derivative financial instruments and hedge accounting (continued)**

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 are highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Fair value hedges

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

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to statements of income over the period to maturity. The adjustment to the carrying amount of a hedged equity security remains in retained profits until the disposal of the equity security.

(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 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 transferred to the statements of income.

(iii) Net investment hedges

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

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

(iv) Derivatives that do not qualify for hedge accounting

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

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**Summary of Significant Accounting Policies
for the financial year ended 30 June 2015 (continued)**
N Bills and acceptances payable

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

O Provisions

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

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

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

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

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

P Borrowings

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

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

Q General takaful contract liabilities
(a) Contribution liabilities

Contribution liabilities refer to the higher of:

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

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**Summary of Significant Accounting Policies
for the financial year ended 30 June 2015 (continued)**

Q General takaful contract liabilities (continued)

(a) Contribution liabilities (continued)

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

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

(b) Claims liabilities

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

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

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

R Benefits, claims and expenses

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

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

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

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

S Insurance Contract Liabilities

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

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Hong Leong Financial Group Berhad

Company No: 8024-W
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Summary of Significant Accounting Policies for the financial year ended 30 June 2015 (continued)

S Insurance Contract Liabilities (continued)

(i) Actuarial liabilities

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

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

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

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

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

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

(ii) Unallocated surplus

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

(iii) Fair value adjustment on AFS financial asset

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

T Life Insurance Contract

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

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Summary of Significant Accounting Policies for the financial year ended 30 June 2015 (continued)

U Insurance product classification

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.

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

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

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

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

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

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

V Family takaful fund

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

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

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**Summary of Significant Accounting Policies
for the financial year ended 30 June 2015 (continued)****W General takaful fund**

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

X Income and deferred taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in statements of income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity, respectively.

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

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

Deferred income tax is recognised 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 income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

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

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

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

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**Summary of Significant Accounting Policies
for the financial year ended 30 June 2015 (continued)****Y Recognition of interest/profit income and interest/profit expense**

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

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

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

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

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

Z Recognition of fees and other income

- (i) Loan arrangement fees and commissions are recognised as income when all conditions precedent are fulfilled. Guarantee fees which are material are recognised as income based on time apportionment. Service charges and other fee income are recognised as income when the services are rendered.
- (ii) Commitment fees for loans, advances and financing that are likely to be drawn down and deferred (together with direct costs) and income which forms an integral part of the effective interest rate of a financial instrument is regarded as an adjustment to the effective interest rate of the financial instrument.
- (iii) Dividends from financial assets held-for-trading, financial investments available-for-sale and subsidiary companies are recognised when the rights to receive payment is established.
- (iv) Net profit from financial assets held-for-trading and financial investments available-for-sale are recognised upon disposal of the securities, as the difference between net disposal proceeds and the carrying amount of the securities.
- (v) Net brokerage income, margin income, rollover fees, nominees service and handling charges are recognised on an accrual basis.
- (vi) Corporate advisory fees are recognised as income on completion of each stage of the engagement and issuance of invoice.

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Summary of Significant Accounting Policies for the financial year ended 30 June 2015 (continued)

Z Recognition of fees and other income (continued)

- (vii) Rental income is recognised on an accrual basis.
- (viii) Management expenses, commission expenses and wakalah fees

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

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

- (ix) Contribution - general takaful fund

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

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

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

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

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

AA Insurance commission and agency expenses

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

AB Impairment of financial assets

- (i) Assets carried at amortised cost

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

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

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**Summary of Significant Accounting Policies
for the financial year ended 30 June 2015 (continued)****AB Impairment of financial assets (continued)****(i) Assets carried at amortised cost (continued)**

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. 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.

(ii) Assets classified as available-for-sale

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

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**Summary of Significant Accounting Policies
for the financial year ended 30 June 2015 (continued)****AB Impairment of financial assets (continued)****(ii) Assets classified as available-for-sale (continued)**

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

AC Employee benefits**(i) Short-term employee benefits**

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

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

(ii) Defined contribution plans

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

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

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

(iii) Share-based compensation

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

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.

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**Summary of Significant Accounting Policies
for the financial year ended 30 June 2015 (continued)****AC Employee benefits (continued)****(ii) Share-based compensation (continued)**

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

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

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

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

AD Currency translations**(i) Functional and presentation currency**

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

(ii) Foreign currency transactions and balances

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

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

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

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**Summary of Significant Accounting Policies
for the financial year ended 30 June 2015 (continued)****AD Currency translations****(iii) Group companies**

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

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

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

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

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

AE Cash and cash equivalents

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

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**Summary of Significant Accounting Policies
for the financial year ended 30 June 2015 (continued)****AF Impairment of non-financial assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell 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 (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.

AG Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Board of Directors as the collective body of chief operating decision makers.

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

AH Financial guarantee contracts

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

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

AI Share capital**(i) Classification**

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

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**Summary of Significant Accounting Policies
for the financial year ended 30 June 2015 (continued)****AI Share capital (continued)****(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

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

(iv) Purchase of own shares

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

AJ Sale and repurchase agreements

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

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

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

AK Contingent assets and contingent liabilities

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

AL Trust activities

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No: 8024-W

(Incorporated in Malaysia)

Notes to the financial statements for the financial year ended 30 June 2015

1 General information

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

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

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

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

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

2 Cash and short-term funds

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Cash and balances with banks and other financial institutions	2,078,122	1,918,824	2,645	482
Money at call and deposit placements maturing within one month	6,385,072	15,165,536	5,700	6,400
	8,463,194	17,084,360	8,345	6,882

Inclusive in cash and short-term funds of the Group are accounts held in trust for dealer's representative amounting to RM13,544,000 (2014: RM13,777,000).

The Company has placed a fixed deposit of RM900,000 (2014: RM1,200,000) with a bank for the RM100 million revolving credit facility and RM350 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.

3 Deposits and placements with banks and other financial institutions

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Bank Negara Malaysia ("BNM")	1,893	77,830	-	-
Licensed banks	3,205,230	3,456,216	8,888	8,762
Licensed investment banks	251,006	217,083	-	-
Other financial institutions	867,000	742,968	-	-
	4,325,129	4,494,097	8,888	8,762

As at 30 June 2015, the Company has placed a fixed deposit of RM8,400,000 (2014: RM8,100,000) with a bank for the RM100 million revolving credit facility and RM350 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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No: 8024-W

(Incorporated in Malaysia)

**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**

4 Financial assets held-for-trading

	The Group	
	2015	2014
	RM'000	RM'000
Money market instruments		
Bank Negara Malaysia bills	383,325	848,000
Government treasury bills	78,632	197,064
Malaysian Government securities	120,509	33,224
Malaysian Government Investment Certificates	609,725	528,352
Bankers' acceptances and Islamic accepted bills	457,179	576,717
Negotiable instruments of deposit	5,485,337	9,274,432
Khazanah bonds	-	37,439
Cagamas bonds	36,450	65,787
Other government securities	33,035	2,567
	<u>7,204,192</u>	<u>11,563,582</u>
Quoted securities		
Shares in Malaysia	515,312	553,550
Shares outside Malaysia	92,789	187,200
Unit trust investments	189,412	89,452
Foreign currency bonds in Malaysia	375,822	243,175
Warrants quoted in Malaysia	129	1,012
	<u>1,173,464</u>	<u>1,074,389</u>
Unquoted securities		
Foreign currency bonds in Malaysia	-	97,594
Foreign currency bonds outside Malaysia	65,864	36,772
Private and Islamic debt securities	795,284	484,165
	<u>861,148</u>	<u>618,531</u>
Total financial assets held-for-trading	<u>9,238,804</u>	<u>13,256,502</u>

Included in the financial assets held-for-trading are foreign currency bonds, which are pledged as collateral for obligations on securities sold under repurchase agreements amounting to RM Nil (2014: RM138,460,000).

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No: 8024-W
(Incorporated in Malaysia)

Notes to the financial statements for the financial year ended 30 June 2015 (continued)

5 Financial investments available-for-sale

	The Group	
	2015 RM'000	2014 RM'000
Money market instruments		
Government treasury bills	168,553	546,703
Malaysia Government securities	486,964	1,645,275
Malaysia Government Investment Certificates	3,541,575	2,677,845
Other Government securities	1,580,814	1,442,202
Khazanah bonds	345,140	208,615
Cagamas bonds	905,342	965,610
	<u>7,028,388</u>	<u>7,486,250</u>
Quoted securities		
Shares in Malaysia	1,348,531	1,360,941
Shares outside Malaysia	273,333	249,098
Warrants in Malaysia	1,016	1,062
Foreign currency bonds in Malaysia	4,380,452	3,224,143
Foreign currency bonds outside Malaysia	1,452,826	727,868
Unit trust investments	3,591,062	4,658,678
	<u>11,047,220</u>	<u>10,221,790</u>
Unquoted securities		
Shares in Malaysia	395,225	368,571
Shares outside Malaysia	4,134	3,506
Private debt securities in Malaysia	10,512,322	8,557,111
Foreign currency bonds in Malaysia	358,364	183,822
Foreign currency bonds outside Malaysia	419,344	353,498
Investment-linked funds	300	300
	<u>11,689,689</u>	<u>9,466,808</u>
	<u>29,765,297</u>	<u>27,174,848</u>
Allowance for impairment losses	(142,240)	(68,062)
Total financial investments available-for-sale	<u>29,623,057</u>	<u>27,106,786</u>

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

	The Group	
	2015 RM'000	2014 RM'000
As at 1 July	68,062	72,561
Allowance made during the financial year	74,122	3,700
Amount written back in respect of recoveries	(5,218)	(8,199)
Amount transferred from Individual assessment impairment allowance of loans, advances and financing	5,274	-
As at 30 June	<u>142,240</u>	<u>68,062</u>

Included in the financial investments available-for-sale are foreign currency bonds, which are pledged as collateral for obligations on securities sold under repurchase agreements amounting to RM1,073,047,000 (2014: RM1,105,608,000).

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No: 8024-W

(Incorporated in Malaysia)

**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**

6 Financial investments held-to-maturity

	The Group	
	2015	2014
	RM'000	RM'000
Money market instruments		
Malaysian Government securities	3,003,596	3,120,731
Malaysian Government Investment Certificates	6,549,704	5,399,565
Cagamas bonds	30,454	96,455
Negotiable instruments of deposit	2,338	55,217
Other Government securities	335,159	253,646
	<u>9,921,251</u>	<u>8,925,614</u>
Unquoted securities		
Loan stocks	6,404	8,794
Private and Islamic debt securities	717,665	678,317
Foreign currency bonds in Malaysia	98,029	49,047
Foreign currency bonds outside Malaysia	150,358	145,619
Unquoted bonds	120,448	132,726
Investment in preference shares	54,000	52,000
	<u>1,146,904</u>	<u>1,066,503</u>
	<u>11,068,155</u>	<u>9,992,117</u>
Allowance for impairment losses	(126,317)	(140,985)
Total financial investments held-to-maturity	<u>10,941,838</u>	<u>9,851,132</u>

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

	The Group	
	2015	2014
	RM'000	RM'000
As at 1 July	140,985	165,800
Amount written back in respect of recoveries	(14,668)	(24,815)
As at 30 June	<u>126,317</u>	<u>140,985</u>

Included in the financial investments held-to-maturity are Malaysian Government securities, which are pledged as collateral for obligations on securities sold under repurchase agreements amounting to RM2,313,740,000 (2014: RM2,965,387,000). The fair value of the Malaysian Government securities as at 30 June 2015 is RM2,315,336,000 (2014: RM2,833,623,000).

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No: 8024-W
(Incorporated in Malaysia)

**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**

7 Loans, advances and financing

	The Group	
	2015	2014
	RM'000	RM'000
Overdrafts	4,005,025	4,104,535
Term loans/financing		
- Housing and shop loans/financing	53,828,770	46,563,762
- Syndicated term loans/financing	9,181,713	7,939,722
- Hire purchase receivables	18,099,246	17,405,481
- Other term loans/financing	8,676,463	8,684,556
Credit/charge card receivables	3,889,314	4,192,192
Bills receivable	1,166,833	1,116,670
Trust receipts	322,780	296,587
Policy and premium loans	661,576	654,958
Claims on customers under acceptance credits	7,369,680	8,118,324
Block discounting	14	253
Revolving credits	6,549,079	5,545,623
Staff loans/financing	167,557	172,011
Other loans/financing	488,802	461,848
Gross loans, advances and financing	<u>114,406,852</u>	<u>105,256,522</u>
Unamortised fair value changes arising from terminated fair value hedges	(2,188)	(1,516)
Allowance for impaired loans, advances and financing		
- Collective assessment allowance	(969,925)	(1,077,911)
- Individual assessment allowance	(323,071)	(511,647)
Total net loans, advances and financing	<u>113,111,668</u>	<u>103,665,448</u>

Fair value hedges previously undertaken on the interest rate risk of loans, advances and financing are now terminated.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No: 8024-W

(Incorporated in Malaysia)

**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**

7 Loans, advances and financing (continued)

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

	The Group	
	2015	2014
	RM'000	RM'000
Maturing within:		
- one year	28,841,122	27,881,173
- one year to three years	7,851,837	8,208,065
- three years to five years	10,277,792	9,726,789
- over five years	67,436,101	59,440,495
Gross loans, advances and financing	<u>114,406,852</u>	<u>105,256,522</u>

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

	The Group	
	2015	2014
	RM'000	RM'000
Domestic non-bank financial institutions other than stockbroking companies	638,549	278,231
Domestic business enterprises:		
- small medium enterprises	17,816,923	16,368,945
- others	18,531,751	19,298,810
Government and statutory bodies	24,448	28,345
Individuals	71,743,193	64,825,999
Other domestic entities	171,386	158,579
Foreign entities	5,480,602	4,297,613
Gross loans, advances and financing	<u>114,406,852</u>	<u>105,256,522</u>

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

	The Group	
	2015	2014
	RM'000	RM'000
Fixed rate		
- Housing and shop loans/financing	3,575,505	2,838,669
- Hire purchase receivables	17,537,151	17,254,282
- Credit card	3,889,314	4,192,192
- Other fixed rate loan/financing	4,152,051	3,367,598
Variable rate		
- Base lending rate plus	68,912,319	61,970,968
- Cost plus	16,021,109	15,320,089
- Other variable rates	319,403	312,724
Gross loans, advances and financing	<u>114,406,852</u>	<u>105,256,522</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No: 8024-W
(Incorporated in Malaysia)

**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**

7 Loans, advances and financing (continued)

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

	The Group	
	2015 RM'000	2014 RM'000
Purchase of securities	927,652	1,054,079
Purchase of transport vehicles	18,020,608	17,292,319
Residential property (housing)	45,307,229	39,001,580
Non-residential property	14,231,669	12,370,138
Purchase of fixed assets (excluding landed properties)	462,979	530,527
Personal use	3,523,573	3,370,722
Credit card	3,889,314	4,192,192
Purchase of consumer durables	418	445
Construction	1,257,882	1,163,043
Mergers and acquisition	258,988	303,096
Working capital	23,536,346	22,713,474
Other purposes	2,990,194	3,264,907
Gross loans, advances and financing	<u>114,406,852</u>	<u>105,256,522</u>

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

	The Group	
	2015 RM'000	2014 RM'000
In Malaysia	110,271,571	102,176,684
Outside Malaysia		
- Singapore	3,529,821	2,675,129
- Hong Kong	20,063	4,816
- Vietnam	319,403	312,724
- Cambodia	265,994	87,169
Gross loans, advances and financing	<u>114,406,852</u>	<u>105,256,522</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No: 8024-W

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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**

7 Loans, advances and financing (continued)

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

	The Group	
	2015 RM'000	2014 RM'000
Purchase of securities	235	758
Purchase of transport vehicles	184,180	225,812
Residential property (housing)	207,744	214,321
Non-residential property	46,190	47,737
Purchase of fixed assets (excluding landed properties)	34,188	37,484
Personal use	34,714	34,940
Credit card	42,907	53,058
Purchase of consumer durables	4	4
Construction	4,114	4,379
Working capital	365,444	572,014
Other purposes	28,863	42,081
Gross impaired loans, advances and financing	<u>948,583</u>	<u>1,232,588</u>

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

	The Group	
	2015 RM'000	2014 RM'000
As at 1 July	1,232,588	1,360,566
Impaired during the financial year	1,525,362	1,705,583
Performing during the financial year	(792,443)	(897,336)
Amount written back in respect of recoveries	(480,823)	(507,495)
Amount written off	(541,798)	(431,273)
Exchange differences	5,697	2,543
As at 30 June	<u>948,583</u>	<u>1,232,588</u>
Gross impaired loans as a % of gross loans, advances and financing	<u>0.8%</u>	<u>1.2%</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No: 8024-W

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Notes to the financial statements for the financial year ended 30 June 2015 (continued)

7 Loans, advances and financing (continued)

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

	The Group	
	2015 RM'000	2014 RM'000
In Malaysia	935,858	1,219,374
Outside Malaysia		
- Vietnam operations	12,725	13,214
Gross impaired loans, advances and financing	948,583	1,232,588

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

	The Group	
	2015 RM'000	2014 RM'000
Collective assessment allowance		
As at 1 July	1,077,911	1,260,301
Net allowance made during the financial year	213,042	255,275
Amount transferred to individual assessment	(94)	(1,915)
Amount written off	(310,003)	(367,890)
Unwinding income	(12,129)	(68,545)
Exchange differences	1,198	685
As at 30 June	969,925	1,077,911
Individual assessment allowance		
As at 1 July	511,647	526,270
Net allowance made during the financial year	80,769	140,025
Amount transferred from collective assessment allowance	94	1,915
Amount transferred to allowance for impairment losses on securities	(5,274)	-
Amount written back in respect of recoveries	(130,671)	(108,868)
Amount written off	(132,862)	(41,618)
Unwinding income	(5,360)	(7,112)
Exchange differences	4,728	1,035
As at 30 June	323,071	511,647

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No: 8024-W
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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**

8 Clients' and brokers' balances

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

	The Group	
	2015 RM'000	2014 RM'000
Performing accounts	336,483	430,233
Impaired accounts	1,532	956
	<u>338,015</u>	<u>431,189</u>
Less: Allowances for bad and doubtful debts		
- Individual assessment allowance	(361)	(370)
- Collective assessment allowance	(23)	(15)
	<u>337,631</u>	<u>430,804</u>

Movements of impaired accounts are as follows:

	The Group	
	2015 RM'000	2014 RM'000
As at 1 July	956	805
Impaired during the financial year	928	562
Written back during the financial year	(352)	(411)
As at 30 June	<u>1,532</u>	<u>956</u>

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

	The Group	
	2015 RM'000	2014 RM'000
<u>Individual assessment allowance</u>		
As at 1 July	370	378
Allowance made during the financial year	97	119
Allowance written back during the financial year	(106)	(127)
As at 30 June	<u>361</u>	<u>370</u>
<u>Collective assessment allowance</u>		
As at 1 July	15	33
Allowance made/(written back) during the financial year	8	(18)
As at 30 June	<u>23</u>	<u>15</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No: 8024-W

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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**

9 Other receivables

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Foreclosed properties	1,023	1,112	-	-
Sundry debtors and other prepayments	259,729	132,150	381	932
Amount due from other related companies	-	105	-	-
Treasury related receivables	429,244	3,260	-	-
Collateral pledged for derivative transactions	518,448	243,985	-	-
Fee income receivables net of allowance for impairment losses of RM28,000 (2014: RM375,000) ^(a)	7,123	33,943	-	-
Other receivables	200,266	278,965	228	1,144
	1,415,833	693,520	609	2,076

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

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Individual assessment allowance				
As at 1 July	375	443	-	-
Allowance made during the financial year	-	85	-	-
Allowance written back during the financial year	(106)	(153)	-	-
Allowance written off during the financial year	(241)	-	-	-
As at 30 June	28	375	-	-

10 Statutory deposits with Central Banks

	The Group	
	2015 RM'000	2014 RM'000
Statutory deposits with Bank Negara Malaysia (BNM) [*]	3,479,381	3,162,647
Statutory deposits with the National Bank of Cambodia [#]	52,991	18,745
	3,532,372	3,181,392

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

The statutory deposits maintained by Hong Leong Bank (Cambodia) PLC ("HLBCAM"), a subsidiary of the Hong Leong Bank Berhad, with the National Bank of Cambodia ("NBC") in compliance with Article 5 of NBC Prakas No. B7-01-136, the amounts of which are determined as set percentages of HLBCAM issued share capital. The statutory deposits bear interest rates ranging from 0.08% to 0.10% per annum.

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Hong Leong Financial Group Berhad

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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**

11 Investment in subsidiary companies

	The Company	
	2015	2014
	RM'000	RM'000
Subsidiary companies		
Unquoted shares at cost	316,920	293,025
Shares quoted in Malaysia at cost	14,693,955	14,693,955
	<u>15,010,875</u>	<u>14,986,980</u>
Less: Allowance for impairment loss	(3,266)	-
	<u>15,007,609</u>	<u>14,986,980</u>
	The Company	
	2015	2014
	RM'000	RM'000
As at 1 July	14,986,980	15,105,348
Add: Subscription of ordinary shares in a subsidiary (i)	11,352	-
Add: Subscription of redeemable preference shares (ii)	52,600	1,660
Less Redemption of redeemable preference shares (iii)	(40,057)	(120,028)
As at 30 June	<u>15,010,875</u>	<u>14,986,980</u>

During the year, the Company has completed:

- (i) capital injection of RM11,352,000 into HLFG Principal Investments (L) Limited, as consideration for the subscription of 3,500,000 ordinary shares at USD1.00 per share.
- (ii) capital injection of RM52,600,000 into Hong Leong Equities Sdn Bhd, as consideration for the full settlement of the debt arising from the acquisition of the 52,600 Redeemable Preference Shares ("RPS") of RM1.00 each and RM999.0 share premium.
- (iii) redeemed 12,714 shares RPS of RM38,502,000 at USD1,000 each in Wing Trade Investments Limited and redeemed 1,555 shares RPS of RM1,555,000 at RM1,000 each in Hong Leong Equities Sdn Bhd.

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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**
11 Investment in subsidiary companies (continued)
(i) Information about principal subsidiaries:

The subsidiary companies of the Company are as follows:

Name of companies	Place of incorporation	Effective percentage of ownership		Principal activities
		2015 %	2014 %	
(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 ^{OT}	Malaysia	-	-	Special purpose vehicle for ESOS
(ii) Hong Leong Insurance (Asia) Limited*	Hong Kong	100.00	100.00	General insurance business
(iii) Hong Leong MSIG Takaful Berhad	Malaysia	65.00	65.00	Takaful business
(iv) RC Holdings Sdn Bhd	Malaysia	100.00	100.00	Investment holding
(v) HL Assurance Pte. Ltd.	Singapore	100.00	100.00	General insurance business
(b) Hong Leong Equities Sdn Bhd	Malaysia	100.00	100.00	Investment holding
(c) HLFG Assets Sdn Bhd	Malaysia	100.00	100.00	Investment dealing
(d) Wing Trade Investments Limited*	British Virgin Islands	100.00	100.00	In member's voluntary liquidation
(e) Unincorporated trust for ESOS ^{OT}	Malaysia	-	-	Special purpose vehicle for ESOS
(f) HLFG Principal Investments (L) Limited	Labuan	100.00	100.00	Investment holding
(g) Hong Leong Capital Berhad and its subsidiary companies	Malaysia	83.22	83.84	Investment holding
(i) HLG Securities Sdn Bhd	Malaysia	83.22	83.84	Investment holding
(ii) HLG Capital Markets Sdn Bhd and its subsidiary company:	Malaysia	83.22	83.84	Investment holding
- HLG Principal Investments (L) Limited	Labuan	83.22	83.84	Dormant
(iii) Hong Leong Investment Bank Berhad and its subsidiary companies:	Malaysia	83.22	83.84	Investment banking, stockbroking business, futures broking and related financial services
- HLG Nominee (Tempatan) Sdn Bhd	Malaysia	83.22	83.84	In member's voluntary liquidation
- HLG Nominee (Asing) Sdn Bhd	Malaysia	83.22	83.84	In member's voluntary liquidation
- RC Research Sdn Bhd	Malaysia	83.22	83.84	In member's voluntary liquidation
- RC Nominees (Asing) Sdn Bhd	Malaysia	-	83.84	Dissolved
- RC Nominees (Tempatan) Sdn Bhd	Malaysia	-	83.84	Dissolved
- ECS Jaya (1969) Sdn Bhd	Malaysia	83.22	83.84	In member's voluntary liquidation
- SSSB Jaya (1987) Sdn Bhd	Malaysia	83.22	83.84	In creditors' voluntary liquidation

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No: 8024-W

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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**

11 Investment in subsidiary companies (continued)

(i) Information about principal subsidiaries: (continued)

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

Name of companies	Place of incorporation	Effective percentage of ownership		Principal activities
		2015 %	2014 %	
- HLIB Nominees (Tempatan) Sdn Bhd	Malaysia	83.22	83.84	Nominee and custodian services for Malaysian clients
- HLIB Nominees (Asing) Sdn Bhd	Malaysia	83.22	83.84	Nominee and custodian services for foreign clients
(iv) HLCB Assets Sdn Bhd (formerly known as HLG Futures Sdn Bhd)	Malaysia	83.22	83.84	Investment holding
(v) Hong Leong Asset Management Bhd and its subsidiary company: - HL Asset Management Pte Ltd ^a	Malaysia Singapore	83.22 -	83.84 83.84	Unit trust management, fund management and sale of unit trusts Struck off
(vi) Unincorporated trust for ESOS ^o	Malaysia	-	-	Special purpose vehicle for ESOS
(vii) Hong Leong Islamic Institutional Income Management Fund ^a	Malaysia	83.22	83.84	Unit trust funds
(viii) Hong Leong Islamic Cash Fund ^a	Malaysia	83.22	83.84	Unit trust funds
(ix) Hong Leong Enhanced Cash Fund ^a	Malaysia	83.22	83.84	Unit trust funds
(x) Hong Leong Islamic Enhanced Cash Fund ^a	Malaysia	83.22	83.84	Unit trust funds
(h) Hong Leong Bank Berhad and its subsidiary companies:	Malaysia	65.47	65.65	All aspects of commercial banking business and provision of related services
(i) Hong Leong Islamic Bank Berhad	Malaysia	65.47	65.65	Islamic banking business and related financial services
(ii) Hong Leong Bank Vietnam Limited*	Vietnam	65.47	65.65	Commercial banking business
(iii) Hong Leong Bank (Cambodia) PLC ⁺	Cambodia	65.47	65.65	Commercial banking business
(iv) HLF Credit (Perak) Bhd and its subsidiary companies: - Gensource Sdn Bhd and its subsidiary company: • Pelita Terang Sdn Bhd	Malaysia Malaysia Malaysia	65.47 65.47 65.47	65.65 65.65 65.65	Investment holding Investment holding Dormant

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No: 8024-W

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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**

11 Investment in subsidiary companies (continued)

(i) Information about principal subsidiaries: (continued)

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

Name of companies	Place of incorporation	Effective percentage of ownership		Principal activities
		2015 %	2014 %	
- WTB Corporation Sdn Bhd and its subsidiary companies:	Malaysia	65.47	65.65	Investment holding
• Wah Tat Nominees (Tempatan) Sdn Bhd	Malaysia	65.47	65.65	In member's voluntary liquidation
• Wah Tat Nominees (Asing) Sdn Bhd	Malaysia	65.47	65.65	In member's voluntary liquidation
- Chew Geok Lin Finance Sdn Bhd	Malaysia	65.47	65.65	Investment holding
- Hong Leong Leasing Sdn Bhd*	Malaysia	65.47	65.65	Investment holding
- HL Leasing Sdn Bhd	Malaysia	65.47	65.65	Investment holding
- HLB Realty Sdn Bhd	Malaysia	65.47	65.65	Real property investment and investment holding
(v) HLB Nominees (Tempatan) Sdn Bhd	Malaysia	65.47	65.65	Agent and nominee for Malaysian clients
(vi) HLB Nominees (Asing) Sdn Bhd	Malaysia	65.47	65.65	Agent and nominee for foreign clients
(vii) HL Bank Nominees (Singapore) Pte Ltd*	Singapore	65.47	65.65	Agent and nominee for clients
(viii) HLB Trade Services (Hong Kong) Limited*	Hong Kong	65.47	65.65	Ceased operations
(ix) HLB Principal Investments (L) Limited and its subsidiary company:	Malaysia	65.47	65.65	Holding of or dealings in offshore securities and investment holding
- Promino Sdn Bhd	Malaysia	65.47	65.65	Ceased operations
(x) Prominic Berhad	Malaysia	65.47	65.65	To issue Subordinated Notes under a Stapled Securities structure and to on-lend the proceeds from the issuance to Hong Leong Bank Berhad, the issuer of the Capital Securities
(xi) Promitol Sdn Bhd	Malaysia	65.47	65.65	In member's voluntary liquidation
(xii) Promilia Berhad	Malaysia	65.47	65.65	Dormant
(xiii) EB Nominees (Tempatan) Sendirian Berhad	Malaysia	65.47	65.65	Nominee services
(xiv) EB Nominees (Asing) Sendirian Berhad	Malaysia	65.47	65.65	Nominee services
(xv) EB Realty Sendirian Berhad	Malaysia	65.47	65.65	Property investment
(xvi) OBB Realty Sdn Bhd	Malaysia	65.47	65.65	Property investment
(xvii) Unincorporated trust for ESOS ^o	Malaysia	-	-	Special purpose vehicle for ESOS

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No: 8024-W

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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**

11 Investment in subsidiary companies (continued)

(i) Information about principal subsidiaries: (continued)

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

Name of companies	Place of incorporation	Effective percentage of ownership		Principal activities
		2015 %	2014 %	
(i) Cova Horizon Sdn Bhd [†]	Malaysia	-	-	Special purpose vehicle
(j) Halcyon Capital Sdn Bhd [†]	Malaysia	-	-	Special purpose vehicle
(k) Balius Capital Sdn Bhd [†]	Malaysia	-	-	Special purpose vehicle

[†] Not audited by PricewaterhouseCoopers

^{*} Audited by member firms of PricewaterhouseCoopers International which is a separate and independent legal entity from PricewaterhouseCoopers Malaysia

[‡] Deemed subsidiary companies pursuant to MFRS 10 "Consolidated financial statements"

[^] The subsidiary was struck off from the Register by the Registrar of Companies with effect from 20 November 2014

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Hong Leong Financial Group Berhad

Company No: 8024-W

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Notes to the financial statements for the financial year ended 30 June 2015 (continued)

12 Investment in associated companies

	The Group	
	2015 RM'000	2014 RM'000
Unquoted shares, at cost		
- In Malaysia	618,666	618,646
- Outside Malaysia	946,505	946,505
Cumulative share of results, net of dividend received	1,600,974	1,237,023
Cumulative share of changes in other comprehensive income/(loss)	7,394	(5,231)
Exchange fluctuation reserve	566,763	-
	3,740,302	2,796,943

(a) Information about associated companies

Name	Country of incorporation	Principal activities	The Group Percentage (%) of equity held	
			2015 %	2014 %
Bank of Chengdu Co., Ltd	China	Commercial banking	20	20
Community CSR Sdn Bhd	Malaysia	Investment holding	20	20
MSIG Insurance (Malaysia) Bhd	Malaysia	Insurance	30	30

Nature of relationship

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

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

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

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

In November 2014, HLB subscribed to 19,950 CCSR Rights Issue of RM1 each.

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

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

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

The Group deems BOCD and MSIM as material associated companies.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No: 8024-W

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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**

12 Investment in associated companies (continued)

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

(i) Bank of Chengdu Co., Ltd

	The Group	
	2015 RM'000	2014 RM'000
Total assets	192,678,902	143,944,995
Total liabilities	(177,790,122)	(133,628,495)
Net assets	<u>14,888,780</u>	<u>10,316,500</u>

	The Group	
	2015 RM'000	2014 RM'000
Interest income	8,299,667	7,049,249
Interest expense	(3,622,526)	(3,015,749)
Non-interest income	247,973	361,385
Profit before taxation	2,378,765	2,383,505
Profit after taxation	2,006,385	1,842,450
Dividends paid by the associated company during the financial year	<u>334,470</u>	<u>280,430</u>
Shares of results of associated company (%)	20%	20%
Shares of results of associated company (RM'000)	<u>401,277</u>	<u>368,490</u>

(ii) MSIG Insurance (Malaysia) Bhd

	The Group	
	2015 RM'000	2014 RM'000
Total assets	4,760,931	3,918,083
Total liabilities	(2,219,177)	(1,472,606)
Net assets	<u>2,541,754</u>	<u>2,445,477</u>

	The Group	
	2015 RM'000	2014 RM'000
Interest income	72,094	65,261
Non-interest income	406,255	386,700
Profit before taxation	272,731	271,523
Profit after taxation	206,733	203,620
Dividends paid by the associated company during the financial year	<u>99,943</u>	<u>99,943</u>
Shares of results of associated company (%)	30%	30%
Shares of results of associated company (RM'000)	<u>62,020</u>	<u>61,086</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No: 8024-W

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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**

12 Investment in associated companies (continued)

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

(i) Bank of Chengdu Co., Ltd

	The Group	
	2015	2014
	RM'000	RM'000
Opening net assets as at 1 July	10,316,500	8,764,745
Profit for the financial year	2,006,385	1,842,450
Other comprehensive income/(loss) for the financial year	66,550	(10,265)
Dividends	(334,470)	(280,430)
Exchange fluctuation reserve	2,833,815	-
Closing net assets as at 30 June	<u>14,888,780</u>	<u>10,316,500</u>
Interest in associated company (%)	20%	20%
Interest in associated company (RM'000)	<u>2,977,756</u>	<u>2,063,300</u>

(ii) MSIG Insurance (Malaysia) Bhd

	The Group	
	2015	2014
	RM'000	RM'000
Opening net assets as at 1 July	2,445,477	2,345,497
Profit for the financial year	206,733	203,620
Other comprehensive loss for the financial year	(10,513)	(3,697)
Dividends	(99,943)	(99,943)
Closing net assets as at 30 June	<u>2,541,754</u>	<u>2,445,477</u>
Interest in associated company (%)	30%	30%
Interest in associated company (RM'000)	<u>762,526</u>	<u>733,643</u>

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).

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Hong Leong Financial Group Berhad

Company No: 8024-W
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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**

13 Investment in joint ventures

	The Group	
	2015	2014
	RM'000	RM'000
Unquoted shares, at cost		
- In Malaysia	3,252	1,599
- Outside Malaysia	76,711	76,711
Cumulative share of results	26,647	12,587
Exchange fluctuation reserve	22,620	15
	129,230	90,912

(a) Information about joint ventures

Name	Country of incorporation	Principal activities	The Group	
			Percentage (%) of equity held	
			2015	2014
			%	%
Sichuan Jincheng Consumer Finance Limited Company	China	Consumer finance	49	49
Bangsar Capital Holdings (L) Limited (Incorporated in the Federal Territory of Labuan)	Malaysia	Investment holding	50	50

Nature of relationship

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

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

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

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

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No: 8024-W
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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**

13 Investment in joint ventures (continued)

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

(i) Sichuan Jincheng Consumer Finance Limited Company

	The Group	
	2015	2014
	RM'000	RM'000
Total assets	840,048	496,506
Total liabilities	(577,211)	(312,669)
Net assets	<u>262,837</u>	<u>183,837</u>

	The Group	
	2015	2014
	RM'000	RM'000
Interest income	106,593	76,104
Interest expenses	(27,254)	14,110
Non-interest income	19,820	78
Profit before taxation	44,629	28,348
Profit after taxation	<u>33,471</u>	<u>20,684</u>

Shares of results of joint venture (%)	49%	49%
Shares of results of joint venture (RM'000)	<u>16,401</u>	<u>10,135</u>

(ii) Bangsar Capital Holdings (L) Limited

	The Group	
	2015	2014
	RM'000	RM'000
Total assets	5,151	1,771
Total liabilities	(4,271)	(107)
Net assets	<u>880</u>	<u>1,664</u>

	The Group	
	2015	2014
	RM'000	RM'000
Loss before taxation	(4,682)	(1,564)
Loss after taxation	<u>(4,682)</u>	<u>(1,564)</u>
Shares of results of joint venture (%)	50%	50%
Shares of results of joint venture (RM'000)	<u>(2,341)</u>	<u>(782)</u>

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

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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**

13 Investment in joint ventures (continued)

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

(i) Sichuan Jincheng Consumer Finance Limited Company

	The Group	
	2015 RM'000	2014 RM'000
Opening net assets as at 1 July	183,837	163,153
Profit for the financial year	33,471	20,684
Exchange fluctuation reserve	45,529	-
Closing net assets as at 30 June	<u>262,837</u>	<u>183,837</u>
Interest in joint ventures (%)	49%	49%
Interest in joint ventures (RM'000)	<u>128,790</u>	<u>90,080</u>

(ii) Bangsar Capital Holdings (L) Limited

	The Group	
	2015 RM'000	2014 RM'000
Opening net assets as at 1 July	1,664	-
Issued capital during the year	3,276	3,198
Loss for the financial year	(4,682)	(1,564)
Exchange fluctuation reserve	622	30
Closing net assets as at 30 June	<u>880</u>	<u>1,664</u>
Interest in joint ventures (%)	50%	50%
Interest in joint ventures (RM'000)	<u>440</u>	<u>832</u>

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.

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Hong Leong Financial Group Berhad

Company No: 8024-W
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Notes to the financial statements
for the financial year ended 30 June 2015 (continued)

14 Property and equipment

The Group 2015	Note	Land and building* RM'000	Office and computer equipment RM'000	Furniture, fittings and renovation RM'000	Motor vehicles RM'000	Capital work-in- progress RM'000	Total RM'000
As at 1 July 2014		646,089	210,057	109,196	4,901	60,013	1,030,256
Exchange differences		7,992	1,762	574	(1)	43	10,370
Reclassification to intangible assets		-	751	-	-	(4,336)	(3,585)
Additions/transfer	17	-	125,146	40,217	2,183	33,093	200,639
Disposals/write-off/reclassification		(1,913)	(91)	(570)	-	-	(2,574)
Depreciation charge during the financial year		(13,153)	(47,547)	(22,535)	(1,916)	-	(85,151)
As at 30 June 2015		639,015	290,078	126,882	5,167	88,813	1,149,955
As at 30 June 2015		753,955	969,908	432,748	13,076	88,813	2,258,500
Accumulated depreciation		(114,940)	(679,830)	(305,866)	(7,909)	-	(1,108,545)
Net book value as at 30 June 2015		639,015	290,078	126,882	5,167	88,813	1,149,955

* Land and building consists of the following:

The Group 2015	Freehold		Long-term leasehold		Short-term leasehold		Total RM'000
	land RM'000	building RM'000	land RM'000	building RM'000	land RM'000	building RM'000	
As at 1 July 2014	154,796	267,139	22,765	196,933	2,415	2,041	646,089
Exchange differences	-	-	-	7,992	-	-	7,992
Disposals/reclassification	5,019	(18,326)	6,823	7,363	(1,080)	(1,712)	(1,913)
Depreciation charge during the financial year	-	(7,748)	(625)	(4,721)	(45)	(14)	(13,153)
As at 30 June 2015	159,815	241,065	28,963	207,567	1,290	315	639,015
As at 30 June 2015	159,815	317,898	33,249	238,811	3,450	732	753,955
Accumulated depreciation	-	(76,833)	(4,286)	(31,244)	(2,160)	(417)	(114,940)
Net book value as at 30 June 2015	159,815	241,065	28,963	207,567	1,290	315	639,015

During the financial year ended 30 June 2015, the HLB initiated a group-wide review of useful lives, taking into account historical experience and expected future development in relation to technology changes and market conditions. In accordance with MFRS 108 "Accounting Policies, Changes in Accounting Estimates and Errors", this change in useful lives of property and equipment is being accounted for prospectively and has resulted in a reduction in depreciation charge for the financial year of RM43.42 million from what it would otherwise have been. It is impracticable to estimate future savings derived from changes in depreciation rates.

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Hong Leong Financial Group Berhad

Company No: 8024-W

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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)****14 Property and equipment (continued)**

The Group 2014	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
As at 1 July 2013		655,668	187,782	103,870	2,959	89,466	1,039,745
Exchange differences		777	378	90	6	13	1,264
Reclassification to intangible assets		-	198	-	-	(1,244)	(1,046)
Additions	17	1,501	97,440	47,368	3,449	(28,222)	121,536
Disposals/write-off		(409)	(4,014)	(3,654)	(125)	-	(8,202)
Depreciation charge during the financial year		(11,448)	(71,727)	(38,478)	(1,388)	-	(123,041)
As at 30 June 2014		646,089	210,057	109,196	4,901	60,013	1,030,256
As at 30 June 2014		747,835	857,954	399,285	15,050	60,013	2,080,137
Cost		(101,746)	(647,897)	(290,089)	(10,149)	-	(1,049,881)
Accumulated depreciation		646,089	210,057	109,196	4,901	60,013	1,030,256
Net book value as at 30 June 2014							

* Land and building consists of the following:

The Group 2014	Freehold land RM'000	Long-term leasehold land building RM'000	Short-term leasehold land building RM'000	Total RM'000
As at 1 July 2013	153,858	270,015	203,909	655,668
Exchange differences	-	-	777	777
Additions	938	563	-	1,501
Disposals	-	(409)	-	(409)
Depreciation charge during the financial year	-	(3,030)	(7,753)	(11,448)
As at 30 June 2014	154,796	267,139	196,933	646,089
As at 30 June 2014	154,796	322,684	235,883	747,835
Cost	-	(55,545)	(38,950)	(101,746)
Accumulated depreciation	154,796	267,139	196,933	646,089
Net book value as at 30 June 2014				

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Hong Leong Financial Group Berhad

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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)****14 Property and equipment (continued)**

The Company 2015	Note	Office and computer equipment RM'000	Furniture, fittings and renovation RM'000	Motor vehicles RM'000	Total RM'000
As at 1 July 2014		242	519	1,037	1,798
Additions		59	15	1,068	1,142
Reclassification to intangible assets	17	(7)	-	-	(7)
Depreciation charge during the financial year		(70)	(126)	(362)	(558)
As at 30 June 2015		224	408	1,743	2,375
As at 30 June 2015		778	1,512	2,139	4,429
Cost		(554)	(1,104)	(396)	(2,054)
Accumulated depreciation		224	408	1,743	2,375
Net book value as at 30 June 2015					
2014					
As at 1 July 2013		50	646	202	898
Additions		242	27	1,060	1,329
Disposals/write-off		(2)	(25)	(124)	(151)
Depreciation charge during the financial year		(48)	(129)	(101)	(278)
As at 30 June 2014		242	519	1,037	1,798
As at 30 June 2014		726	1,497	3,453	5,676
Cost		(484)	(978)	(2,416)	(3,878)
Accumulated depreciation		242	519	1,037	1,798
Net book value as at 30 June 2014					

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No: 8024-W
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Notes to the financial statements for the financial year ended 30 June 2015 (continued)

15 Investment properties

	The Group	
	2015	2014
	RM'000	RM'000
Fair value		
As at 1 July	1,760	1,680
Fair value gain	88	80
As at 30 June	<u>1,848</u>	<u>1,760</u>

The analysis of investment properties is as follows:

Leasehold land and building	<u>1,848</u>	<u>1,760</u>
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The fair value of the properties was estimated at RM1,848,000 (2014: RM1,760,000) based on open market valuation by an independent professional valuer, Messrs Rahim & Co International Property Consultants.

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

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

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

	The Group	
	2015	2014
	RM'000	RM'000
Rental income	102	125
Operating expenses arising from investment properties that generated the rental income	<u>9</u>	<u>3</u>

16 Goodwill arising on consolidation

	The Group	
	2015	2014
	RM'000	RM'000
As at 1 July/30 June	<u>2,410,644</u>	<u>2,410,644</u>

Allocation of goodwill to cash-generating units

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

	The Group	
	2015	2014
	RM'000	RM'000
CGU		
Commercial banking	2,246,484	2,246,484
Investment banking and asset management	99,803	99,803
Insurance	64,357	64,357
	<u>2,410,644</u>	<u>2,410,644</u>

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Hong Leong Financial Group Berhad

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Notes to the financial statements for the financial year ended 30 June 2015 (continued)

16 Goodwill arising on consolidation (continued)

Impairment test for goodwill

The recoverable amount of CGUs is determined based on higher of fair value less costs to sell and value-in-use calculations. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, less costs of disposal. This estimate is mainly determined, on 30 June 2015, 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

The recoverable amount of the Banking CGU has been determined using the quoted market prices as at 30 June 2015 by Bursa Malaysia Securities Berhad.

(ii) Investment banking and asset management CGU

The recoverable amount of the investment banking and asset management CGU has been determined based on the value-in-use calculations. Value in use is the present value of the future cash flows expected to be derived from the CGUs or groups of CGUs. This calculation uses pre-tax cash flow projections based on the budget for the financial year ending 2015, which is approved by the Board of Directors. There is a further projection of 3 years based on the average historical Gross Domestic Product ("GDP") growth of the country covering a five year period, revised for current economic conditions. Cash flows beyond the 4 year period are extrapolated using an estimated growth rate of 4.05% representing the forecasted GDP growth rate of the country for all cash generating units. The cash flow projections are derived based on a number of key factors including past performance and management's expectation of market developments. The discount rate used in determining the recoverable amount of the CGUs is 11.81%. The pre-tax discount rate reflects the specific risks relating to the CGUs.

(iii) Insurance CGU

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

- (a) The present value of future shareholders' earnings is discounted at 9% (2014:11%.)
- (b) Future earnings are projected based on actuarial assumptions that are determined in accordance with generally accepted actuarial best practice and are appropriate to the business and risk profile of the business.
- (c) Allowance for tax of 8% (2014:8%) has been made on the assumptions that the application of current tax legislation and tax rates will continue unchanged.
- (d) The current actuarial reserving methods and bases have been assumed to continue unaltered.
- (e) The current Risk-Based Capital requirement has been assumed to continue unaltered.
- (f) Required risk based capital are at the management's capital adequacy ratio target level.

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.

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Hong Leong Financial Group Berhad

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Notes to the financial statements for the financial year ended 30 June 2015 (continued)

17 Intangible assets

The Group		Core deposit	Customer relationship	Computer software	Total
2015	Note	RM'000	RM'000	RM'000	RM'000
Cost or valuation					
As at 1 July 2014		152,434	127,426	537,620	817,480
Additions		-	-	49,672	49,672
Disposals/write-off		-	-	(8,684)	(8,684)
Exchange fluctuation		-	-	3,581	3,581
Reclassification from property and equipment	14	-	-	3,327	3,327
As at 30 June 2015		<u>152,434</u>	<u>127,426</u>	<u>585,516</u>	<u>865,376</u>
Accumulated amortisation and impairment					
As at 1 July 2014		68,958	40,352	347,249	456,559
Amortisation during the financial year		21,776	12,743	40,746	75,265
Disposals/write-off		-	-	(5,809)	(5,809)
Exchange fluctuation		-	-	1,777	1,777
Reclassification from property and equipment	14	-	-	(258)	(258)
As at 30 June 2015		<u>90,734</u>	<u>53,095</u>	<u>383,705</u>	<u>527,534</u>
Net book value as at 30 June 2015		<u>61,700</u>	<u>74,331</u>	<u>201,811</u>	<u>337,842</u>
2014					
Cost or valuation					
As at 1 July 2013		152,434	127,426	532,245	812,105
Additions		-	-	88,478	88,478
Disposals/write-off		-	-	(84,332)	(84,332)
Exchange fluctuation		-	-	183	183
Reclassification from property and equipment	14	-	-	1,046	1,046
As at 30 June 2014		<u>152,434</u>	<u>127,426</u>	<u>537,620</u>	<u>817,480</u>
Accumulated amortisation and impairment					
As at 1 July 2013		47,182	27,609	356,407	431,198
Amortisation during the financial year		21,776	12,743	66,625	101,144
Disposals/write-off		-	-	(75,764)	(75,764)
Exchange fluctuation		-	-	(19)	(19)
As at 30 June 2014		<u>68,958</u>	<u>40,352</u>	<u>347,249</u>	<u>456,559</u>
Net book value as at 30 June 2014		<u>83,476</u>	<u>87,074</u>	<u>190,371</u>	<u>360,921</u>

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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**

17 Intangible assets (continued)

The Company	Note	Computer software	
		2015 RM'000	2014 RM'000
Cost or valuation			
As at 1 July		696	519
Additions		137	185
Reclassification from property and equipment	14	7	-
Disposals/write-off		-	(8)
As at 30 June		<u>840</u>	<u>696</u>
Amortisation and impairment			
As at 1 July		524	508
Amortisation during the financial year		103	22
Disposals/write-off		-	(6)
As at 30 June		<u>627</u>	<u>524</u>
Net book value as at 30 June		<u>213</u>	<u>172</u>

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

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

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

The discount rate used in discounting incremental cash flow was based on the risk associated with the identified intangible assets. The remaining amortisation period of core deposits and customer relationships are 3 to 6 years respectively.

During the financial year ended 30 June 2015, HLB initiated a group-wide review of useful lives, taking into account historical experience and expected future development in relation to technology changes and market conditions. In accordance with MFRS 108 "Accounting Policies, Changes in Accounting Estimates and Errors", this change in useful lives of intangible assets is being accounted for prospectively and has resulted in a reduction in amortisation charges for the financial year for the Group RM30.2 million from what it would otherwise have been. It is impracticable to estimate future savings derived from changes in depreciation rates.

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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**

18 Deposits from customers

	The Group	
	2015 RM'000	2014 RM'000
Fixed deposits	78,620,058	74,243,402
Negotiable instruments of deposits	12,879,060	11,598,134
Short-term placements	<u>13,031,197</u>	<u>10,556,968</u>
	104,530,315	96,398,504
Demand deposits	20,030,167	18,913,794
Savings deposits	15,823,857	15,020,628
Others	<u>640,821</u>	<u>381,524</u>
Gross deposits from customers	141,025,160	130,714,450
Fair value changes arising from designation at fair value through profit or loss*	<u>(69,695)</u>	<u>(82,164)</u>
Total net deposits from customers	<u>140,955,465</u>	<u>130,632,286</u>

* The Group have issued structured deposits (Callable Range Accrual Notes) and designated them at fair value through profit or loss. This designation is permitted under MFRS 139 "Financial Instruments: Recognition and Measurement" as it significantly reduces accounting mismatch. These instruments are managed by the Group on the basis of its fair value and includes terms that have substantive derivative characteristic. The structured deposits designated at fair value amounted to RM1,542 million (2014: RM1,372 million) for the Group.

(a) The maturity structure of fixed deposits, negotiable instruments of deposits and short-term placements are as follows:

	The Group	
	2015 RM'000	2014 RM'000
Due within:		
- six months	79,319,553	74,735,796
- six months to one year	21,105,271	17,661,291
- one year to five years	3,375,491	3,501,417
- more than five years	<u>730,000</u>	<u>500,000</u>
	104,530,315	96,398,504

(b) The deposits are sourced from the following customers:

	The Group	
	2015 RM'000	2014 RM'000
Government and statutory bodies	3,573,261	2,299,321
Business enterprises	65,130,000	59,409,037
Individuals	70,246,132	66,662,907
Others	<u>2,075,767</u>	<u>2,343,185</u>
	141,025,160	130,714,450

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**Notes to the financial statements
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19 Deposits and placements of banks and other financial institutions

	The Group	
	2015	2014
	RM'000	RM'000
Licensed banks and investment banks	7,007,161	6,153,972
Licensed Islamic bank	49,004	901,261
Other financial institutions	1,887,457	2,111,022
	<u>8,943,622</u>	<u>9,166,255</u>

20 Derivative financial instruments

		The Group		The Company	
	Note	2015	2014	2015	2014
		RM'000	RM'000	RM'000	RM'000
Derivatives at fair value through profit or loss:					
- Interest rate swaps		229,592	300,199	126	788
- Cross currency swaps		331,513	111,919	-	-
- Foreign currency forwards		834,803	254,129	-	423
- Foreign currency options		60,914	20,553	-	-
- Futures		667	10,824	-	-
- Futures options		-	953	-	-
- Equity options		10,049	5,000	-	-
- Swaption		-	9,406	-	-
- Commodity swap		306	-	-	-
Derivatives designated as fair value hedge:					
- Interest rate swaps	(a)	240	-	-	-
Total derivative financial instruments assets		<u>1,468,084</u>	<u>712,983</u>	<u>126</u>	<u>1,211</u>
Derivatives at fair value through profit or loss:					
- Interest rate swaps		(327,186)	(352,302)	(1,158)	(1,253)
- Cross currency swaps		(460,329)	(123,647)	-	-
- Foreign currency forwards		(482,679)	(270,940)	-	-
- Foreign currency options		(58,420)	(18,329)	-	-
- Futures		(6,952)	(1,149)	-	-
- Futures options		-	(605)	-	-
- Equity options		(3,224)	(13,745)	-	-
- Swaption		(30,268)	(40,623)	-	-
- Commodity swap		(283)	-	-	-
Derivatives designated as fair value hedge:					
- Interest rate swaps	(a)	(24)	-	-	-
Total derivative financial instruments liabilities		<u>(1,369,365)</u>	<u>(821,340)</u>	<u>(1,158)</u>	<u>(1,253)</u>

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**Notes to the financial statements
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20 Derivative financial instruments (continued)

(a) Cash flow hedge

The Group's cash flow hedges principally consist of interest rate swaps that are used to protect against exposures to variability in future interest cash flows on interest incurring liabilities. The amount and timing of the interest cash flows, are projected on the basis of their contractual terms and other relevant factors, including estimates of renewal of interest incurring liabilities. The aggregate projected interest cash flows over time form the basis for identifying gains and losses on the effective portions of derivatives designated as cash flow hedges to forecast transactions. Gains and losses are initially recognised directly in equity, in the cash flow hedge reserve, and are transferred to statements of income when the forecast cash flows affect the statements of income.

The hedging relationship was fully effective for the total hedging period and as of the reporting date. As such, the unrealised gain of RM162,000 from the hedging relationship were recognised through other comprehensive income.

All underlying hedged cash flows are expected to be recognised in statements of income in the period in which they occur. This is anticipated to take place over the next 4 to 5 years from the financial year ended 30 June 2015, as detailed below:

	Up to 1 month RM' 000	> 1 - 3 months RM' 000	The Group > 3 - 6 months RM' 000	> 6 - 12 months RM' 000	> 1 - 5 years RM' 000
As at 30 June 2015					
Cash inflows (assets)	1,391	469	1,900	3,643	28,855
Cash outflows (liabilities)	(1,391)	(469)	(1,850)	(3,518)	(28,431)
Net cash inflows	-	-	50	125	424

21 Payables and other liabilities

	The Group		The Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Trade payables	1,607,852	1,325,059	-	-
Amount due to Cagamas Berhad	-	84,160	-	-
Post employment benefits obligation				
- defined contribution plan	1,695	4,236	41	40
Loan advance payment	2,268,769	1,882,838	-	-
Treasury and cheque clearing	533,584	1,219,056	-	-
Treasury related payables	174,206	56,425	-	-
Sundry creditors and accruals	564,022	563,165	2,106	3,507
Provision for bonus and staff related expenses	144,710	186,734	8,956	13,541
Advance payments received for corporate exercise	-	416,545	-	-
Others	501,856	531,101	-	-
	5,796,694	6,269,319	11,103	17,088

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Notes to the financial statements for the financial year ended 30 June 2015 (continued)

22 Deferred taxation

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

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Deferred tax assets				
- to be recovered within 12 months	164,125	147,370	2,588	3,550
- to be recovered more than 12 months	57,786	47,720	-	-
	<u>221,911</u>	<u>195,090</u>	<u>2,588</u>	<u>3,550</u>
Deferred tax liabilities				
- to be recovered within 12 months	(12,249)	(17,290)	(82)	-
- to be recovered more than 12 months	(381,507)	(387,817)	(336)	-
	<u>(393,756)</u>	<u>(405,107)</u>	<u>(418)</u>	<u>-</u>
Deferred tax (liabilities)/assets net	<u>(171,845)</u>	<u>(210,017)</u>	<u>2,170</u>	<u>3,550</u>

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2015		2014	
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets				
- Financial investments available-for-sale	-	223	-	-
- Unabsorbed tax losses	83,554	89,182	-	-
- Senior bonds	108,938	22,688	-	-
- Other temporary differences	29,419	82,997	2,588	3,550
	<u>221,911</u>	<u>195,090</u>	<u>2,588</u>	<u>3,550</u>
Deferred tax liabilities				
- Property and equipment	(88,143)	(103,739)	(418)	-
- Cash flow hedge reserve	(54)	-	-	-
- Financial investments available-for-sale	(121,166)	(113,569)	-	-
- Intangible assets	(34,008)	(42,638)	-	-
- Other temporary differences	(150,385)	(145,161)	-	-
	<u>(393,756)</u>	<u>(405,107)</u>	<u>(418)</u>	<u>-</u>
Deferred tax (liabilities)/assets net	<u>(171,845)</u>	<u>(210,017)</u>	<u>2,170</u>	<u>3,550</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group BerhadCompany No: 8024-W
(Incorporated in Malaysia)**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)****22 Deferred taxation (continued)**

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

	Note	Property equipment RM'000	Financial investments and available- for-sale RM'000	Cash flow hedge reserve RM'000	Intangible assets RM'000	Unutilised tax credit RM'000	Senior bonds RM'000	Other temporary differences RM'000	Total RM'000
The Group									
2015									
As at 1 July		(103,739)	(113,346)	-	(42,638)	89,182	22,688	(62,164)	(210,017)
Credited/(charged) to statements of income	38	15,956	(145)	-	8,630	(5,628)	86,250	(74,458)	30,605
Charged to Life fund		-	(9,264)	-	-	-	-	14,425	5,161
(Charged)/credited to equity		(360)	1,589	(54)	-	-	-	1,231	2,406
As at 30 June		(88,143)	(121,166)	(54)	(34,008)	83,554	108,938	(120,966)	(171,845)
2014									
As at 1 July		(94,840)	(132,347)	-	(51,267)	49,140	15,038	(7,285)	(221,561)
(Charged)/credited to statements of income	38	(8,820)	25	-	8,629	40,042	7,650	(50,301)	(2,775)
Credited to Life fund		-	3,854	-	-	-	-	(5,397)	(1,543)
(Charged)/credited to equity		(79)	15,122	-	-	-	-	819	15,862
As at 30 June		(103,739)	(113,346)	-	(42,638)	89,182	22,688	(62,164)	(210,017)

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Hong Leong Financial Group BerhadCompany No: 8024-W
(Incorporated in Malaysia)**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)****22 Deferred taxation (continued)**

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

	Note	Financial							Total RM'000
		Property equipment RM'000	investments and available- for-sale RM'000	Cash flow hedge reserve RM'000	Intangible assets RM'000	Unutilised tax credit RM'000	Senior bonds RM'000	Other temporary differences RM'000	
The Company 2015									
As at 1 July	38	-	-	-	-	-	-	3,550	3,550
Credited to statements of income		-	-	-	-	-	-	(1,380)	(1,380)
As at 30 June		-	-	-	-	-	-	2,170	2,170
2014									
As at 1 July	38	-	-	-	-	-	-	4,977	4,977
Credited to statements of income		-	-	-	-	-	-	(1,427)	(1,427)
As at 30 June		-	-	-	-	-	-	3,550	3,550

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Notes to the financial statements for the financial year ended 30 June 2015 (continued)

23 Borrowings (continued)

- (c) On 14 August 2012, HLAH completed its RM2.0 billion MTN issuance under a proposed MTN Programme to raise funds for investment purpose. The MTN is unsecured and has a maturity of 5 years and a call option to redeem the MTN at anytime.

On 12 September 2014, HLAH has fully redeemed the RM2.0 billion MTN.

- (d) The Company has the following term loans for the financial year:

- (i) an unsecured short-term loan facility of RM150.0 million maturing on 11 January 2016. The term loan with one month interest period bears interest rate ranging from 3.66% to 3.93% (2014: 3.62% to 3.65%) per annum.
- (ii) an unsecured 1 year term loan of RM200.0 million maturing on 2 July 2016. The term loan with one month interest period bears interest rate ranging from 3.66% to 3.93% (2014: 3.62% to 3.65%) per annum.

- (e) The Group has the following senior bonds for the financial year:

	Note	The Group	
		2015 RM'000	2014 RM'000
USD300 million senior bonds, at par	(i)	916,350	916,350
USD300 million senior bonds, at par	(ii)	919,200	919,200
Foreign exchange translations		435,750	90,750
		<u>2,271,300</u>	<u>1,926,300</u>
Add: Interest payable		19,401	16,454
		<u>2,290,701</u>	<u>1,942,754</u>
Less: Unamortised discounts		(4,321)	(6,547)
		<u><u>2,286,380</u></u>	<u><u>1,936,207</u></u>

- (i) On 17 March 2011, HLB issued USD300.0 million in aggregate principal amount of Senior Bonds ("the Bonds"), which will mature in 2016. The Bonds bear interest at the rate of 3.75% is payable semi-annually. The Bonds were issued at a price of 99.761 per cent of the principal amount of the Bonds.

The Bonds will constitute direct general, unsubordinated and (subject to the provisions of Negative Pledge Condition) unsecured obligations of HLB which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of HLB.

- (ii) On 20 April 2012, HLB completed its inaugural US dollar senior unsecured notes issuance of USD300.0 million (the "Senior Notes") under its Euro Medium Term Note Programme of up to USD1.5 billion (or its equivalent in other currencies) in nominal value (the "Programme") which was established on 9 April 2012.

The Senior Notes will have a tenor of five years, maturing on 19 April 2017. The Senior Notes will pay a coupon of 3.125% per annum which is equivalent to a yield to investors of 3.269%.

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Hong Leong Financial Group Berhad

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Notes to the financial statements for the financial year ended 30 June 2015 (continued)

24 Subordinated obligations

	Note	The Group	
		2015 RM'000	2014 RM'000
RM700 million Tier 2 subordinated debt, at par	(a)	685,000	685,000
Add: Interest payable		12,673	12,535
		<u>697,673</u>	<u>697,535</u>
Less: Unamortised discounts		(2)	(207)
		<u>697,671</u>	<u>697,328</u>
RM1.0 billion Tier 2 subordinated debt, at par	(b)	1,000,000	1,000,000
Add: Interest payable		6,793	6,793
		<u>1,006,793</u>	<u>1,006,793</u>
Less: Unamortised discounts		(124)	(570)
		<u>1,006,669</u>	<u>1,006,223</u>
Subordinated medium term notes, at par	(c)	500,000	750,000
Add: Interest payable		65	1,207
		<u>500,065</u>	<u>751,207</u>
Less: Unamortised discounts		(350)	(1,138)
Fair value adjustments on completion of business combination accounting		(147)	210
		<u>499,568</u>	<u>750,279</u>
RM1.5 billion Tier 2 subordinated debt, at par	(d)	1,500,000	1,500,000
Add: Interest payable		1,664	1,479
		<u>1,501,664</u>	<u>1,501,479</u>
Less: Unamortised discounts		(1,027)	(1,590)
		<u>1,500,637</u>	<u>1,499,889</u>
RM500 million Tier 2 subordinated debt, at par	(e)	500,000	500,000
Add: Interest payable		6,895	8,815
		<u>506,895</u>	<u>508,815</u>
Less: Unamortised discounts		(204)	(1,974)
		<u>506,691</u>	<u>506,841</u>
RM400 million Tier 2 subordinated Sukuk Ijarah, at par	(f)	400,000	400,000
Add: Profit payable		736	736
		<u>400,736</u>	<u>400,736</u>
Less: Unamortised discounts		(431)	(658)
		<u>400,305</u>	<u>400,078</u>
RM500 million Tier 2 subordinated notes, at par	(g)	500,000	500,000
Add: Interest payable		526	526
		<u>500,526</u>	<u>500,526</u>
Less: Unamortised discounts		(1,006)	(1,550)
		<u>499,520</u>	<u>498,976</u>

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Notes to the financial statements for the financial year ended 30 June 2015 (continued)

24 Subordinated obligations (continued)

	Note	The Group 2015 RM'000	2014 RM'000
RM50 million Tier 2 subordinated notes, at par	(h)	50,000	-
Add: Interest payable		407	-
		<u>50,407</u>	-
Less: Unamortised discounts		(213)	-
		<u>50,194</u>	-
		<u>5,161,255</u>	<u>5,359,614</u>

- (a) On 10 August 2010, HLB had completed the first issuance of RM700.0 million nominal value of Tier 2 Subordinated Debt ("Sub Debt") out of its RM1.7 billion Tier 2 Subordinated Notes Programme. The RM700.0 million Sub Debt will mature in 2020 and is callable at the end of year 5 and on each subsequent coupon payment dates thereafter subject to approval of BNM. The Sub Debt which bears interest of 4.85% per annum is payable semi-annually in arrears.

The Sub Debt constitute unsecured liabilities of HLB, and is subordinated in right of payment to the deposit liabilities and all other liabilities of HLB in accordance with the terms and conditions of the issue and qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of HLB.

- (b) On 5 May 2011, HLB issued the remaining RM1.0 billion nominal value of Sub Debt which will mature in 2021 and is callable at the end of year 5 and on each subsequent coupon payment dates thereafter subject to approval of BNM. The second issuance of Sub Debt bears interest at the rate of 4.35% per annum and is payable semi-annually in arrears.

The Sub Debt constitute unsecured liabilities of HLB, and is subordinated in right of payment to the deposit liabilities and all other liabilities of HLB in accordance with the terms and conditions of the issue and qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of HLB.

- (c) On 27 February 2009, Promino Sdn Bhd ("Promino"), a wholly owned subsidiary of the HLB, has successfully issued the first tranche of RM410.0 million nominal value of the 10 non-callable 5 years Subordinated Medium Term Notes ("MTN") callable on 27 February 2014 (and thereafter) and due on 27 February 2019 under the RM2.0 billion Subordinated MTN Programme. The coupon rate of the Subordinated MTN is 5.75% per annum, which is payable semi-annually in arrears from the date of the issue. Should Promino decide not to exercise its call option on the fifth (5) year from the issue date, the coupon rate will be revised to be equivalent to 7.75% or the then prevailing 5 years RM swap rate plus 3.70% per annum, whichever is higher, from the beginning of the sixth (6) year to the final maturity date.

Subsequently, on 2 December 2009, Promino issued a second tranche of RM250.0 million nominal value of the 10 non-callable 5 years Subordinated MTN callable on 2 December 2014 (and thereafter) and due on 2 December 2019 under the RM2.0 billion Subordinated MTN Programme. The coupon rate of this second tranche of the Subordinated MTN is 5.75% per annum, which is payable semi-annually in arrears from the date of the issue. Should Promino decide not to exercise its call option on the fifth (5) year from the issue date, the coupon rate of this second tranche will be revised to be equivalent to 7.75% or the then prevailing 5 years RM swap rate plus 3.70% per annum, whichever is higher, from the beginning of the sixth (6) year to the final maturity date; similar to the step-up rates in the first tranche.

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Notes to the financial statements for the financial year ended 30 June 2015 (continued)

24 Subordinated obligations (continued)

- (c) Subsequently, on 30 December 2010, Promino issued a third tranche of RM500.0 million nominal value of the 10 non-callable 5 years Subordinated MTN callable on 30 December 2015 (and at each anniversary date thereafter) and due on 30 December 2020 under the RM2.0 billion Subordinated MTN Programme. The coupon rate of this third tranche of the Subordinated MTN is 4.75% per annum, which is payable semi-annually in arrears from the date of the issue. Should Promino decide not to exercise its call option on the fifth (5) year from the issue date, or at each anniversary date thereafter, the coupon rate of this third tranche will remain at 4.75% per annum, from the beginning of the sixth (6) year to the final maturity date.

On 1 July 2011, the above Subordinated MTN was vested to HLB. The above tranches of Subordinated MTNs constitute unsecured liabilities of HLB and are subordinated to all deposit liabilities and all other liabilities except those liabilities, which by their terms, rank equally in rights of payment with the Subordinated MTNs. The Subordinated MTNs qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of HLB.

On 27 February 2014, HLB had fully redeemed the first tranche of RM410.0 million nominal value of the 10 non-callable 5 years subordinated MTNs bearing coupon rate of 5.75% per annum.

On 2 December 2014, HLB had fully redeemed the second tranche of RM250.0 million nominal value of the 10 non-callable 5 years subordinated MTNs bearing coupon rate of 5.75% per annum.

- (d) On 22 June 2012, HLB had completed the issuance of RM1.5 billion nominal value of Tier 2 Subordinated Notes ("Sub Notes"). The RM1.5 billion Sub Notes will mature in 2024 and are callable on any interest payment date falling on or after the 7th anniversary of the issue date subject to approval of BNM. The Sub Notes which bears interest of 4.50% per annum is payable semi-annually in arrears.

The Sub Notes constitute unsecured liabilities of HLB, and is subordinated in right of payment to the deposit liabilities and all other liabilities of HLB in accordance with the terms and conditions of the issue and qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of HLB.

- (e) On 19 September 2012, HLA created and issued up to RM500.0 million in nominal value of Subordinated Notes ("Sub-Notes") under a proposed Subordinated Notes Programme to raise funds for general working capital and/or business operations purpose.

On 20 March 2014, the Securities Commission approved the application subject to certain operational terms and conditions being fulfilled.

On 7 February 2014, the HLA completed its RM500.0 million Sub-Notes issuance. The Sub-Notes were issued for a period of 12 years on a 12 non-callable 7 basis with a coupon rate of 4.5% per annum.

The Sub-Notes are unsecured liabilities and classified as Tier 2 capital under Risk-Based Capital Framework for Insurers.

- (f) On 17 June 2014, Hong Leong Islamic Bank Berhad ("HLISB"), a wholly owned subsidiary of HLB, had completed the first issuance of RM400.0 million nominal value of Tier 2 Subordinated Sukuk Ijarah ("Subordinated Sukuk Ijarah") out of its RM1.0 billion Tier 2 Subordinated Sukuk Ijarah Programme. The RM400.0 million Subordinated Sukuk Ijarah will mature in 2024 and is callable at end of year 5 and on each subsequent coupon payment dates thereafter subject to approval of BNM. The Subordinated Sukuk Ijarah which bears profit rate of 4.80% per annum is payable semi-annually in arrears.

The Subordinated Sukuk Ijarah constitute direct, unconditional, subordinated and unsecured obligations of HLISB and subordinated in right and priority of payment, to the extent 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.

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Notes to the financial statements for the financial year ended 30 June 2015 (continued)

24 Subordinated obligations (continued)

- (g) On 23 June 2014, HLB had completed the first issuance of RM500.0 million nominal value of Tier 2 Subordinated Notes ("Sub-Notes") out of its RM10.0 billion Multi-Currency Sub-Notes Programme. The RM500.0 million Sub-Notes will mature in 2024 and is callable on any coupon payment date falling on or after the 5th anniversary of the issue date. The Sub-Notes which bears interest rate of 4.80% per annum is payable semi-annually in arrears. The exercise of the call option on the Sub-Notes shall be subject to the approval of BNM.

The Sub-Notes constitute unsecured liabilities of 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 qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of HLB.

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

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

25 Non-innovative Tier 1 stapled securities

	The Group	
	2015 RM'000	2014 RM'000
RM1.4 billion Non-innovative Tier 1 stapled securities, at par	1,400,000	1,400,000
Add: Interest payable	11,040	11,041
	1,411,040	1,411,041
Less: Unamortised discounts	(171)	(789)
	1,410,869	1,410,252

On 5 May 2011, HLB had completed its issuance of Non-Innovative Tier 1 Stapled Securities ("NIT-1 Stapled Securities") of RM1.4 billion. The NIT-1 Stapled Securities which is perpetual in nature and callable at the end of year 5 and on each coupon payment date, pays a semi annual coupon of 5.05% per annum. The call option shall be subject to the approval of BNM.

The NIT-1 Stapled Securities constitute unsecured liabilities of HLB, and is subordinated in right of payment to the deposit liabilities and all other liabilities of HLB in accordance with the terms and conditions of the issue and qualify as Tier 1 capital for the purpose of determining the capital adequacy ratio of HLB.

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Notes to the financial statements for the financial year ended 30 June 2015 (continued)

26 Innovative Tier 1 capital securities

	The Group	
	2015	2014
	RM'000	RM'000
RM500 million Innovative Tier 1 capital securities, at par	500,000	500,000
Add: Interest payable	12,771	12,771
	<u>512,771</u>	<u>512,771</u>
Less: Unamortised discounts	(7,367)	(8,746)
Fair value adjustments on completion of business combination accounting	24,819	37,742
	<u><u>530,223</u></u>	<u><u>541,767</u></u>

On 10 September 2009, Promino, an indirect subsidiary of the Company issued the first tranche of Innovative Tier 1 Capital Securities ("IT-1 Capital Securities") amounting to RM500.0 million in nominal value, from its RM1.0 billion IT-1 Capital Securities Programme. The IT-1 Capital Securities is structured in accordance with the Risk-Weighted Capital Adequacy Framework (General Requirements and Capital Components) issued by BNM.

The RM500.0 million IT-1 Capital Securities has a tenor of 30 years and Promino has the option to redeem the RM500.0 million IT-1 Capital Securities at the 10th anniversary, subject to BNM approval. The RM500.0 million IT-1 Capital Securities has a coupon rate of 8.25% per annum, payable semi-annually. In the event the IT-1 Capital Securities is not redeemed at the 10th anniversary (the First Optional Redemption Date), the coupon rate will be revised to 9.25% per annum from the 11th year to the final maturity.

On 1 July 2011, the above IT-Capital Securities was vested to HLB. The IT-1 Capital Securities constitute unsecured and subordinated obligations of HLB and are subordinated to all deposit liabilities and all other liabilities except those liabilities which rank equally in, and/or junior to, the rights of payment of the IT-1 Capital Securities. The IT-1 Capital Securities qualify as Tier 1 capital for the purpose of computing the capital adequacy ratio of HLB.

27 Insurance funds

	The Group	
	2015	2014
	RM'000	RM'000
Unearned premium reserves	25,205	25,137
Life policyholders' fund	8,012,613	7,067,318
Fair value reserves - financial investments available-for-sale	208,122	215,989
Life investment-linked unitholders' fund	1,211,317	1,047,313
	<u><u>9,457,257</u></u>	<u><u>8,355,757</u></u>

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.

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Notes to the financial statements for the financial year ended 30 June 2015 (continued)

28 Share capital

	The Group and The Company	
	2015	2014
	RM'000	RM'000
Authorised		
Ordinary shares of RM1.00 each	<u>2,000,000</u>	<u>2,000,000</u>
Issued and fully paid capital		
Ordinary shares of RM1.00 each		
As at 1 July/30 June	<u>1,052,768</u>	<u>1,052,768</u>

There were no new shares issued by the Company during the financial year ended 30 June 2015 (2014: Nil).

29 Reserves

		The Group		The Company	
	Note	2015	2014	2015	2014
		RM'000	RM'000	RM'000	RM'000
Retained profits	(a)	7,816,792	7,447,552	12,742,372	12,332,614
Share premium	(b)	117,229	117,229	117,229	117,229
Statutory reserve	(c)	2,964,899	2,454,525	-	-
Regulatory reserves	(d)	402,388	10,266	-	-
Share options reserve	(e)	-	7,806	-	4,638
Exchange fluctuation reserve	(f)	464,265	(12,347)	-	-
Other capital reserve	(g)	134,868	134,848	254,991	254,991
Fair value reserve	(h)	170,409	287,257	-	-
Cash flow hedge reserve	(i)	106	-	-	-
		<u>12,070,956</u>	<u>10,447,136</u>	<u>13,114,592</u>	<u>12,709,472</u>

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

(b) Share premium is used to record premium arising from new shares issued by the Company.

(c) The statutory reserve is maintained by the banking subsidiaries in compliance with Section 47(2)(f) of the Financial Services Act, 2013 and the Islamic banking subsidiary in compliance with Section 57(2)(f) of the Islamic Financial Services Act, 2013 and is not distributable as cash dividends.

(d) The Group's Malaysian banking subsidiaries are required to maintain in aggregate collective impairment allowances of no less than 1.2% of the total outstanding loans, advances and financing, net of individual impairment allowances, in accordance with BNM circular dated 6 April 2015 titled 'Classification and Impairment Provisions for Loans/Financing – Maintenance of Regulatory Reserves'. This requirement is effective 6 April 2015 beginning 31 December 2015 but has been early adopted by the subsidiaries during the financial year ended 30 June 2015.

During the financial year, an additional amount of RM391.1 million (2014: RM Nil) at Group has been transferred from retained profits to regulatory reserves.

Included in the Group is the regulatory reserve maintained by the Group's banking subsidiary company in Vietnam of RM11.3 million (2014: RM10.3 million) in line with the requirements of the State Bank of Vietnam.

(e) The share options reserve arose from the employee share option schemes granted to eligible executives of the Company. Terms of the share options and movements in the number of shares held by Trustee for ESOS are disclosed in Note 51 to the financial statements.

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29 Reserves (continued)

- (f) Exchange differences arising from translation of the Group's banking foreign branches, subsidiaries, associated companies and joint venture are shown under exchange fluctuation reserve.
- (g) The other capital reserve of the Group arose from the capitalisation of bonus issue and gain on disposal of subsidiary company and assets in certain subsidiary companies and capital redemption reserve arising from redemption of RPS. The capital reserve of the Company arose from gain on disposal of a subsidiary company not recognised in the statements of income due to a common control transaction, and investments and proceeds on issuance of replacement warrants used for bond redemption in previous years.
- (h) Movement of the fair value reserve is as follows:

	Note	The Group	
		2015 RM'000	2014 RM'000
As at 1 July		287,257	248,221
Net gain from change in fair value		(47,767)	124,424
Reclassification adjustments to net profit on disposal and impairment		(80,826)	(97,348)
Deferred taxation	22	1,589	15,122
Share of fair value reserve of associated companies		10,156	(3,162)
Net change in fair value reserve		(116,848)	39,036
As at 30 June		170,409	287,257

- (i) Hedging reserve arises from cash flow hedge activities undertaken by the HLB to hedge the changes in the cash flow hedged items arising from the movement of market interest rates. The reserve is non-distributable and is reversed to the statement of income when the hedged items affect the statement of income or termination of the cash flow hedge.

30 Treasury shares for ESOS

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

MFRS132 – Financial Instruments: Presentation requires that if an entity reacquires its own equity instruments, those instruments shall be deducted from equity and are not recognised as a financial asset regardless of the reason for which they are reacquired.

In accordance with MFRS 132 - Financial Instruments: Presentation, the shares purchased for the benefit of the ESOS holders are recorded as "Treasury Shares for ESOS" in the equity on the balance sheet. As at 30 June 2015, the number of shares held by the appointed trustee was 408 shares (2014: 3,000,408) at an average price of RM5.06 per share (2014: RM5.06). The total consideration paid, including transaction costs was RM2,064 (2014: RM15,181,189).

Pursuant to the insurance subsidiary company's ESOS, the insurance subsidiary company also held 2,281,492 (2014: 2,154,292) units of the Company's shares at an average price of RM5.56 (2014: RM4.75) per share with total consideration paid, including transaction costs of RM12,695,910 (2014: RM10,240,139), which have been classified as treasury shares held for ESOS at the Group level.

The main features of the ESOS are disclosed in the Director's Report and details of the ESOS are disclosed in Note 51 to the financial statements.

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Notes to the financial statements for the financial year ended 30 June 2015 (continued)

31 Interest income

	The Group		The Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing	4,435,221	4,142,097	-	-
Money at call and deposit placements with financial institutions	275,001	457,614	1,553	1,053
Securities purchased under resale agreements	218,068	18,404	-	-
Financial assets held-for-trading	576,911	519,108	-	-
Financial investments available-for-sale	458,054	424,641	-	-
Financial investments held-to-maturity	274,044	196,254	-	-
Others	13,120	4,283	1,904	2,292
	<u>6,250,419</u>	<u>5,762,401</u>	<u>3,457</u>	<u>3,345</u>
Of which:				
Accretion of discount less amortisation of premium	221,283	203,656	-	-
Interest income earned on impaired loans, advances and financing	58,180	65,356	-	-

32 Interest expense

	The Group		The Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	83,275	79,546	-	-
Deposits from other customers	2,744,262	2,412,772	-	-
Short-term placements	232,673	190,579	-	-
Borrowings	140,938	280,008	41,980	49,768
Subordinated obligations	226,515	211,462	-	-
Non-innovative Tier 1 stapled securities	71,317	71,439	-	-
Innovative Tier 1 capital securities	30,516	26,862	-	-
Others	11,228	15,324	773	346
	<u>3,540,724</u>	<u>3,287,992</u>	<u>42,753</u>	<u>50,114</u>

33 Income from Islamic banking business

	The Group	
	2015	2014
	RM'000	RM'000
Income derived from investment of depositors' funds and others	903,576	835,835
Income derived from investment of shareholders' funds	92,445	91,395
Income attributable to depositors	(576,263)	(492,851)
	<u>419,758</u>	<u>434,379</u>
Of which:		
Financing income earned on impaired financing and advances	7,596	10,301

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34 Non-interest income

	The Group		The Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Insurance income	248,361	294,101	-	-
Brokerage income	87,789	60,576	-	-
Fee income				
Commissions	154,417	138,801	-	-
Service charges and fees	48,501	51,012	-	-
Guarantee fees	20,120	24,132	-	-
Credit card related fees	234,464	240,267	-	-
Corporate advisory fees	14,183	8,712	-	-
Commitment fees	35,174	36,562	-	-
Fee on loans, advances and financing	53,896	67,597	-	-
Placement fees	8,544	24,521	-	-
Arranger fees	8,849	15,295	-	-
Unit trust fee income	16,299	19,437	-	-
Other fee income	59,066	42,448	10,436	9,225
	653,513	668,784	10,436	9,225
Net income from securities				
Net realised gain/(loss) from sale/redemption of financial assets:				
- financial assets held-for-trading	58,341	18,852	(50)	(20)
- financial investments available-for-sale	123,980	101,177	-	-
- financial investments held-to-maturity	350	802	-	-
- derivative financial instruments	(8,673)	45,090	(5,363)	(2,586)
Gross dividend income from:				
- financial assets held-for-trading	1,600	18,928	699	640
- financial investments available-for-sale	179,635	252,356	-	-
- subsidiary companies	-	-	845,482	516,469
Net unrealised gain/(loss) on revaluation of:				
- financial assets held-for-trading	2,401	22,528	-	-
- derivative financial instruments	(51,734)	10,563	(568)	7,258
Amortisation of fair value changes arising from terminated fair value hedges	(3,279)	(8,334)	-	-
	302,621	461,962	840,200	521,761
Other income				
Foreign exchange gain	36,827	123,432	-	492
Rental income	6,396	5,997	-	-
Gain on sale of property and equipment (net)	6,947	6,305	320	196
Other non-operating income	19,037	19,218	49	49
	69,207	154,952	369	737
	1,361,491	1,640,375	851,005	531,723

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No: 8024-W
(Incorporated in Malaysia)

Notes to the financial statements for the financial year ended 30 June 2015 (continued)

35 Overhead expenses

	Note	The Group		The Company	
		2015	2014	2015	2014
		RM'000	RM'000	RM'000	RM'000
Personnel costs	(a)	1,131,941	1,077,503	15,005	27,015
Establishment costs	(b)	451,152	518,737	1,873	1,387
Marketing expenses	(c)	168,298	159,505	-	-
Administration and general expenses	(d)	248,872	210,338	4,518	5,581
		2,000,263	1,966,083	21,396	33,983

(a) Personnel costs comprise the following:

	The Group		The Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Salaries, bonus and allowances	1,048,898	977,812	11,644	22,027
Medical expenses	27,441	24,229	170	139
Training and convention expenses	11,904	29,972	19	35
Staff welfare	10,843	12,528	303	295
Other employees benefits	32,855	32,962	2,869	4,519
	1,131,941	1,077,503	15,005	27,015

(b) Establishment costs comprise the following:

	The Group		The Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Depreciation of property and equipment	77,507	115,492	558	278
Amortisation of intangible assets	73,249	99,562	103	22
Rental of premises	88,200	82,773	791	836
Information technology expenses	121,368	119,520	56	56
Security services	26,177	31,344	-	-
Electricity, water and sewerage	24,912	25,676	43	52
Hire of plant and machinery	13,875	13,689	34	25
Others	25,864	30,681	288	118
	451,152	518,737	1,873	1,387

(c) Marketing expenses comprise the following:

	The Group		The Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Advertisement and publicity	36,526	40,859	-	-
Credit card related fees	112,590	97,263	-	-
Others	19,182	21,383	-	-
	168,298	159,505	-	-

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No: 8024-W
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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**

35 Overhead expenses (continued)

(d) Administration and general expenses comprise the following:

	The Group		The Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Teletransmission expenses	15,329	14,417	24	25
Stationery and printing expenses	19,540	19,428	38	47
Professional fees	68,935	80,685	3,973	4,158
Insurance fees	36,217	30,457	-	-
Stamp, postage and courier	21,875	23,316	4	5
Credit card fees	31,910	25,908	-	-
Travelling and transport expenses	6,181	6,840	26	353
Registration and license fees	7,239	5,518	-	-
Brokerage and commission	6,844	6,124	-	-
Others	34,802	(2,355)	453	993
	248,872	210,338	4,518	5,581

The above expenditure includes the following statutory disclosures:

	Note	The Group		The Company	
		2015	2014	2015	2014
		RM'000	RM'000	RM'000	RM'000
Directors' remuneration	37	9,110	14,203	8,684	13,859
Hire of equipment		13,976	13,707	34	25
Auditors' remuneration:					
(i) PwC Malaysia firm					
- statutory audit		2,965	2,895	126	127
- regulatory related fees		1,046	760	132	22
- other services		574	335	13	25
- tax compliance		126	121	-	5
- other tax services		532	626	-	-
(ii) PwC overseas affiliated firms					
- statutory audit		664	375	-	-
- regulatory related fees		75	108	-	-
- tax compliance		75	72	-	-
- other fees		1,126	-	-	-
(ii) Other overseas firm					
- statutory audit		67	-	-	-
Property and equipment written off		209	1,325	-	5
Intangible assets written off		2,875	8,568	-	2
Options charge arising from ESOS		2,108	6,194	2,070	4,434

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**

36 (Writeback of)/allowance for impairment losses on loans, advances and financing and other losses

	The Group	
	2015	2014
	RM'000	RM'000
Allowance for/(writeback of) impairment losses on loans, advances and financing		
- collective assessment allowance	213,042	255,275
- individual assessment allowance	(49,902)	31,157
Allowance for/(writeback of) impairment losses on clients' and brokers' balances		
- collective assessment allowance	8	(18)
- individual assessment allowance	(9)	(8)
(Writeback of)/allowance for impairment losses on fee income receivables		
- individual assessment allowance	(106)	(68)
Impaired loans and financing		
- written off	45,617	20,025
- recovered	(261,294)	(253,938)
	<u>(52,644)</u>	<u>52,425</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group BerhadCompany No: 8024-W
(Incorporated in Malaysia)**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)****37 Directors' remuneration**

Forms of remuneration in aggregate for all Directors for the financial year are as follows:

	The Group			The Company			
	Salaries and other remunerations RM'000	Director fees RM'000	Estimated monetary value for benefits-in-kind RM'000	Salaries and other remunerations RM'000	Director fees RM'000	Estimated monetary value for benefits-in-kind RM'000	Total RM'000
2015	8,064	-	32	8,064	-	32	8,096
<u>Executive Directors</u>							
Mr Choong Yee How	-	-	-	-	-	-	-
<u>Non-executive Directors</u>							
Mr Quek Kon Sean	-	-	28	-	-	28	28
YBhg Tan Sri Quek Leng Chan	-	309	-	-	110	-	110
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman	-	335	-	-	150	-	150
Ms Lim Lean See	-	187	-	-	145	-	145
Mr Saw Kok Wei	-	155	-	-	155	-	155
Ms Lim Tau Kien	-	986	28	-	560	28	588
Total Directors' remuneration	8,064	986	60	8,064	560	60	8,684

The movement and details of the Directors of the Company in office and interests in shares and share options are reported in the Directors' Report.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group BerhadCompany No: 8024-W
(Incorporated in Malaysia)**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)****37 Directors' remuneration (continued)**

Forms of remuneration in aggregate for all Directors for the financial year are as follows: (continued)

2014	The Group				The Company			
	Salaries and other remunerations RM'000	Director fees RM'000	Estimated monetary value for benefits-in-kind RM'000	Total RM'000	Salaries and other remunerations RM'000	Director fees RM'000	Estimated monetary value for benefits-in-kind RM'000	Total RM'000
Executive Directors								
Mr Choong Yee How	10,674	-	21	10,695	10,674	-	21	10,695
Mr Quek Kon Sean (Note 1)	2,668	-	-	2,668	2,668	-	-	2,668
	<u>13,342</u>	<u>-</u>	<u>21</u>	<u>13,363</u>	<u>13,342</u>	<u>-</u>	<u>21</u>	<u>13,363</u>
Non-executive Directors								
YBhg Tan Sri Quek Leng Chan	-	-	16	16	-	-	16	16
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman	-	286	-	286	-	107	-	107
Ms Lim Lean See	-	281	-	281	-	116	-	116
Mr Saw Kok Wei	-	125	-	125	-	125	-	125
Ms Lim Tau Kien	-	132	-	132	-	132	-	132
	<u>-</u>	<u>824</u>	<u>16</u>	<u>840</u>	<u>-</u>	<u>480</u>	<u>16</u>	<u>496</u>
Total Directors' remuneration	<u>13,342</u>	<u>824</u>	<u>37</u>	<u>14,203</u>	<u>13,342</u>	<u>480</u>	<u>37</u>	<u>13,859</u>

Note 1: Re-designated as Non-Executive Director on 1 January 2014.

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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No: 8024-W
(Incorporated in Malaysia)

**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**

38 Taxation

	Note	The Group		The Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Income tax		633,813	563,531	3,092	74,967
Deferred taxation	22	(30,605)	2,775	1,380	1,427
Over accrual in prior years		(40,300)	(74,439)	-	-
Taxation		562,908	491,867	4,472	76,394

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	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Profit before taxation	3,023,285	3,009,223	787,047	450,971
Tax calculated at a rate of 25% (2014: 25%)	755,821	752,306	196,762	112,743
Tax effects of:				
- Differences in tax rate of foreign inward and offshore insurance	354	(433)	-	-
- Income not subject to tax	(89,504)	(102,042)	(211,625)	(43,906)
- Share of net income of associated companies and joint ventures	(119,925)	(109,928)	-	-
- Expenses not deductible for tax purposes	65,930	63,818	19,335	7,557
- Over accrual in prior years	(40,417)	(74,967)	-	-
- Origination of temporary differences previously not recognised	(9,351)	(36,887)	-	-
Taxation	562,908	491,867	4,472	76,394

	The Group	
	2015 RM'000	2014 RM'000
Tax losses		
Tax losses for which the related tax credit has not been recognised in the financial statements	66,787	62,055
Tax credit		
Tax credit which has not been recognised in the financial statements	133,921	174,908
Capital allowance		
Deductible temporary differences and unutilised capital allowances for which the related tax credit has not been recognised in the financial statements	807	807

The above unabsorbed tax losses of the Group have not been recognised as future realisation is uncertain.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No: 8024-W
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Notes to the financial statements for the financial year ended 30 June 2015 (continued)

39 Earnings per share

Basic earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Weighted average number of ordinary shares ('000)	1,050,486	1,047,613	1,052,768	1,049,768
Net profit attributable to owners of the parent	1,620,743	1,706,877	782,575	374,577
Basic earnings per share (sen)	<u>154.3</u>	<u>162.9</u>	<u>74.3</u>	<u>35.7</u>

Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potential ordinary shares. For the share options, calculation is done to determine the number of shares that could be acquired at fair value based on the monetary value of the subscription rights attached to outstanding share options. The Group's dilutive potential ordinary shares is share option, of which the impact of dilution is as below:

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Weighted average number of ordinary shares ('000)	1,050,486	1,047,613	1,052,768	1,049,768
Adjustment for ESOS shares ('000)	142	720	-	680
	<u>1,050,628</u>	<u>1,048,333</u>	<u>1,052,768</u>	<u>1,050,448</u>
Net profit attributable to owners of the parent	1,620,743	1,706,877	782,575	374,577
Diluted earnings per share (sen)	<u>154.3</u>	<u>162.8</u>	<u>74.3</u>	<u>35.7</u>

40 Dividends

Dividends recognised as distribution to ordinary equity holders of the Company:

	The Group and The Company	
	RM'000	RM'000
First interim single-tier dividend of 13 sen per share (2014: 13 sen per share (single-tier))	136,470	135,905
Second interim single-tier dividend of 25 sen per share (2014: 25 sen per share (single-tier))	263,186	262,442
	<u>399,656</u>	<u>398,347</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No: 8024-W
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Notes to the financial statements for the financial year ended 30 June 2015 (continued)

41 Commitments and contingencies

(a) Group related commitments and contingencies

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

The notional/principal amount of the commitments and contingencies constitute the following:

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Direct credit substitutes*	220,983	376,792	-	-
Certain transaction related contingent items	1,606,465	1,706,130	-	-
Short-term self liquidating trade related contingencies	755,587	765,904	-	-
Forward asset purchases	-	37,432	-	-
Obligations under underwriting agreement	-	299,154	-	-
Any commitments that are unconditionally cancellable at any time by the Group without prior notice				
- less than one year	722,877	627,233	-	-
Irrevocable commitments to extend credit:				
- more than one year	18,158,775	17,251,829	-	-
- less than one year	17,262,934	15,821,707	-	-
Foreign exchange related contracts^:				
- less than one year	33,596,962	43,902,047	-	110,308
- one year to less than five years	4,409,157	4,369,268	-	-
- five years and above	819,693	598,871	-	-
Interest rate related contracts^:				
- less than one year	23,442,517	45,759,521	-	-
- one year to less than five years	46,063,835	51,939,223	775,000	675,000
- five years and above	2,654,631	8,501,058	-	-
Equity related contracts^:				
- less than one year	360,330	207,936	-	-
- one year to less than five years	111,437	105,810	-	-
Commodity related contracts^:				
- less than one year	1,471	-	-	-
- one year to less than five years	3,826	-	-	-
Unutilised credit card lines	7,426,036	7,610,596	-	-
Others				
- less than one year	1,781	23	-	-
- more than one year	2,719	-	-	-
	157,622,016	199,880,534	775,000	785,308

* Included in direct credit substitutes are the financial guarantee contracts of RM207,714,163 (2014: RM349,592,110), of which fair value at the time of issuance is zero.

^ These derivatives are revalued as gain position basis and the unrealised gains or losses have been reflected in Note 20 to the financial statements as derivative assets or derivative liabilities.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

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Notes to the financial statements for the financial year ended 30 June 2015 (continued)

41 Commitments and contingencies (continued)

(b) Other commitments and contingencies - unsecured

Hong Leong Asset Management Bhd, a wholly owned subsidiary of company of Hong Leong Capital Berhad ("HLCB"), is the Manager of Hong Leong Consumer Products Sector Fund ("Funds"). HLCB provided a guarantee to Deutsche Trustees Malaysia Berhad, the trustee of the Funds, that if the funds falls below the minimum fund size of RM1 million, HLCB would invest cash, equivalent to the shortfall, into the relevant fund.

The size of each of the funds was above the minimum of RM1 million as at 30 June 2015 (30 June 2014: RM1 million).

42 Capital commitments

	The Group	
	2015	2014
	RM'000	RM'000
Approved and contracted for	46,094	31,764
Approved but not contracted for	320,920	113,897
	<u>367,014</u>	<u>145,661</u>

The capital commitments are in respect of:

- property and equipment
- intangible assets
- purchase of DC Tower Sdn Bhd that has been authorised but not contracted for

43 Lease commitments

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

	The Group	
	2015	2014
	RM'000	RM'000
Less than one year	12,184	14,664
More than one year but less than five years	20,929	11,686
More than 5 years	4,148	2,640
	<u>37,261</u>	<u>28,990</u>

44 Ultimate holding company

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**

45 Capital adequacy

The banking subsidiaries' regulatory capital is governed by BNM Capital Adequacy Framework guidelines. With effect from 1 January 2013, the capital adequacy ratios of the banking subsidiaries are computed in accordance with BNM's Capital Adequacy Framework issued on 28 November 2012. The Framework sets out the approach for computing the regulatory capital adequacy ratios, as well as the levels of the ratios at which banking institutions are required to operate. The Framework is to strengthen capital adequacy standards, in line with the requirements set forth under Basel III. In line with the transitional arrangements under the BNM's Capital Adequacy Framework (Capital Components), the minimum capital adequacy requirement for common equity Tier I (CET I) capital ratio and Tier I capital ratio are 4.50% (2014: 4.00%) and 6.00% (2014: 5.50%) respectively for year 2015. The minimum regulatory capital adequacy requirement remains at 8.00% (2014: 8.00%) for total capital ratio.

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

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

	Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	2015	2014	2015	2014	2015	2014
Before deducting proposed dividends						
CET I capital ratio	11.147%	10.903%	9.861%	10.172%	23.683%	20.108%
Tier I capital ratio	12.297%	12.308%	11.179%	11.777%	23.683%	20.108%
Total capital ratio	14.715%	15.072%	14.228%	14.657%	27.355%	20.259%
After deducting proposed dividends						
CET I capital ratio	10.750%	10.480%	9.406%	9.689%	20.832%	16.401%
Tier I capital ratio	11.900%	11.863%	10.724%	11.294%	20.832%	16.401%
Total capital ratio	14.318%	14.649%	13.771%	14.173%	24.504%	16.552%

(b) The component of CET I, Tier I and Tier II capital under the revised Capital Components Framework are as follows:

	Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	2015	2014	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
CET I capital						
Paid up share capital	1,879,909	1,679,809	1,879,909	1,679,909	165,000	165,000
Share premium	2,872,183	2,832,383	2,872,183	2,832,383	87,950	87,950
Retained profit	7,819,514	7,189,104	5,653,204	5,375,070	22,742	38,903
Other reserves	4,363,914	3,171,817	3,219,398	2,773,797	197,667	179,769
Less: Treasury shares	(648,588)	(645,579)	(648,588)	(645,579)	-	-
Less: Other intangible assets	(318,107)	(347,791)	(302,801)	(335,319)	-	-
Less: Goodwill	(1,831,312)	(1,831,312)	(1,771,547)	(1,771,547)	(32,535)	(29,978)
Less: Deferred tax assets	-	-	-	-	(95,002)	(103,671)
Less: Investment in subsidiary company/ associated company/ joint venture	(1,242,626)	(430,676)	(952,672)	(475,075)	(154)	(77)
Total CET I capital	12,894,887	11,817,855	9,949,084	9,633,639	345,668	337,916
Additional Tier I capital						
Non-innovative Tier-1 stapled securities	980,000	1,120,000	980,000	1,120,000	-	-
Innovative Tier-1 capital securities	350,000	400,000	350,000	400,000	-	-
Total additional Tier-1 capital	1,330,000	1,520,000	1,330,000	1,520,000	-	-
Total Tier I capital	14,224,867	13,337,855	11,279,084	11,153,639	345,668	337,916
Tier II Capital						
Redeemable preference shares	-	-	-	-	-	1,631
Collective assessment allowance [^] and regulatory reserves [#]	1,109,877	732,960	951,123	639,439	3,825	1,204
Subordinated obligations	3,552,000	3,988,000	3,552,000	3,988,000	50,000	-
Tier II capital before regulatory adjustments	4,661,877	4,720,980	4,503,123	4,627,439	53,825	2,835
Less: Regulatory adjustments						
Investment in subsidiary companies	-	-	(815,066)	(1,081,727)	(230)	(306)
Investment in associated company	(1,786,666)	(1,650,640)	(567,915)	(757,204)	-	-
Investment in joint ventures	(77,274)	(72,064)	(46,027)	(61,369)	-	-
Total Tier II capital	2,797,937	2,998,276	3,074,115	2,727,139	53,595	2,529
Total capital	17,022,824	16,336,131	14,353,199	13,880,778	399,263	340,445

[^] Excludes collective assessment allowance attributable to loans, advances and financing classified as impaired but not individually assessed for impairment.

[#] Includes the qualifying regulatory reserves for non-impaired loans of Hong Leong Bank Group of RM388,112,000 (2014: Nil), Hong Leong Bank Berhad of RM334,138,000 (2014: Nil) and Hong Leong Investment Bank Berhad of RM3,031,000 (2014: Nil) respectively.

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Hong Leong Financial Group Berhad

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**Notes to the financial statements
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45 Capital adequacy (continued)

(c) The breakdown of RWA by each major risk category is as follows:

	Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Credit risk	105,009,787	96,729,672	91,202,163	84,227,557	678,033	896,087
Market risk	3,052,311	4,126,372	3,065,215	3,912,418	483,713	571,557
Operational risk	7,620,076	7,532,731	6,627,632	6,563,115	297,840	212,853
Total RWA	115,682,174	108,388,775	100,895,010	94,703,090	1,459,586	1,680,497

(d) The capital adequacy ratios of Hong Leong Bank Group's subsidiary company are as follows:

	Hong Leong Islamic Bank	
	2015	2014
Before deducting proposed dividends		
CET I capital ratio	11.323%	11.829%
Tier I capital ratio	11.323%	11.629%
Total capital ratio	15.240%	15.587%
After deducting proposed dividends		
CET I capital ratio	11.253%	11.392%
Tier I capital ratio	11.253%	11.392%
Total capital ratio	15.170%	15.150%

46 Segmental information

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

Inter-segment pricing is based on internally computed cost of funds.

Segment results, assets and liabilities include items directly attributable to the segment as well as those that can be allocated on a reasonable basis.

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

Business segments

The Group comprises the following main business segments:

Commercial banking	- Commercial banking business
Investment banking and asset management	- Investment banking, futures and stock broking, fund and unit trust management
Insurance	- Life and general insurance and takaful business
Other operations	- Investment holding and provision of management services

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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**

46 Segmental information (continued)

(i) Business segment reporting

Set out below is information of the Group by business segments:

The Group 2015	Commercial banking RM'000	Investment banking RM'000	Insurance RM'000	Other operations RM'000	Eliminations/ consolidation adjustments RM'000	Consolidated RM'000
Revenue						
External sales	4,016,311	181,481	314,395	(21,243)	-	4,490,944
Inter-segment sales	50,637	1,843	5,486	861,235	(919,201)	-
Segment revenue	4,066,948	183,324	319,881	839,992	(919,201)	4,490,944
Overhead expenses of which:	(1,813,859)	(105,531)	(73,733)	(21,560)	14,420	(2,000,263)
Depreciation of property and equipment	(70,819)	(1,920)	(3,683)	(1,085)	-	(77,507)
Amortisation of intangible assets	(69,487)	(881)	(2,778)	(103)	-	(73,249)
Allowance for impairment losses on loans, advances and financing	51,929	715	-	-	-	52,644
Writeback off/(allowance for) impairment losses	23,462	-	(20,859)	(3,266)	3,266	2,603
Segment results	2,328,480	78,508	225,289	815,166	(901,515)	2,545,928
Share of results of associated companies	401,277	-	62,020	-	-	463,297
Share of results of joint ventures	16,401	-	-	(2,341)	-	14,060
Profit before taxation	2,746,158	78,508	287,309	812,825	(901,515)	3,023,285
Taxation						(562,908)
Net profit for the financial year						2,460,377
Non-controlling interests						(839,634)
Profit attributable to owners of the parent						1,620,743
Other information						
Segment assets	184,019,735	3,621,963	14,618,735	15,202,651	(15,022,440)	202,440,644
Segment liabilities	187,230,143	2,974,065	12,241,548	872,517	(341,932)	182,976,341
Other significant segment items						
Capital expenditure	232,829	5,079	11,124	1,279	-	250,311

Note:

Total segment revenue comprises of net interest income, income from Islamic banking business and non-interest income.

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**Notes to the financial statements
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46 Segmental information (continued)

(i) Business segment reporting (continued)

Set out below is information of the Group by business segments: (continued)

The Group 2014	Commercial banking RM'000	Investment banking RM'000	Insurance RM'000	Other operations RM'000	Eliminations/ consolidation adjustments RM'000	Consolidated RM'000
Revenue						
External sales	4,024,501	188,643	340,180	(4,161)	-	4,549,163
Inter-segment sales	14,558	2,825	2,226	530,597	(550,206)	-
Segment revenue	4,039,059	191,468	342,406	526,436	(550,206)	4,549,163
Overhead expenses of which:	(1,792,213)	(112,233)	(56,000)	(34,262)	28,625	(1,966,083)
Depreciation of property and equipment	(110,193)	(2,028)	(2,993)	(278)	-	(115,492)
Amortisation of intangible assets	(97,502)	(553)	(1,485)	(22)	-	(99,562)
Allowance for impairment losses on loans, advances and financing	(52,065)	(360)	-	-	-	(52,425)
Writeback off/(allowance for) impairment losses	39,815	-	(176)	-	-	39,639
Segment results	2,234,596	78,875	286,230	492,174	(521,581)	2,570,294
Share of results of associated companies	368,490	-	61,086	-	-	429,576
Share of results of joint ventures	10,135	-	-	(782)	-	9,353
Profit before taxation	2,613,221	78,875	347,316	491,392	(521,581)	3,009,223
Taxation						(491,867)
Net profit for the financial year						2,517,356
Non-controlling interests						(810,479)
Profit attributable to owners of the parent						1,706,877
Other information						
Segment assets	170,350,803	4,228,211	15,267,310	15,353,645	(15,022,963)	190,177,006
Segment liabilities	155,820,625	3,625,805	12,758,644	1,420,693	(453,492)	173,172,275
Other significant segment items						
Capital expenditure	190,200	1,447	16,853	1,514	-	210,014

Note:

Total segment revenue comprises of net interest income, income from Islamic banking business and non-interest income.

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46 Segmental information (continued)

(ii) Geographical segment reporting

The Group operates in two main geographical areas:

- Malaysia, the home country of the Group, which includes all the areas of operations in the primary business segments.
- Overseas operations, which includes branch, subsidiary, associate and joint ventures operations in Singapore, Hong Kong, China, Vietnam and Cambodia. The overseas operations are mainly in commercial banking and insurance business.

	Revenue RM'000	Total assets RM'000	Total liabilities RM'000	Capital expenditure RM'000
The Group 2015				
Malaysia	4,264,665	191,979,165	173,442,961	218,924
Overseas operations	226,279	10,461,479	9,533,380	31,387
	<u>4,490,944</u>	<u>202,440,644</u>	<u>182,976,341</u>	<u>250,311</u>
 2014				
Malaysia	4,330,260	181,775,249	165,635,577	176,238
Overseas operations	218,903	8,401,757	7,536,698	33,776
	<u>4,549,163</u>	<u>190,177,006</u>	<u>173,172,275</u>	<u>210,014</u>

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**Notes to the financial statements
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47 Significant related party transactions

(a) Related parties and relationship

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

Related parties	Relationship
Hong Leong Company (Malaysia) Berhad ("HLCM")	Ultimate holding company
HLCM Capital Sdn Bhd, Hong Leong Share Registration Services Sdn Bhd, HL Management Co Sdn Bhd and GuoLine Capital Assets Limited ("HLCM Group")	Subsidiary companies of ultimate holding company
Guardian Security Consultants Sdn Bhd ("GSC")	Associated company of ultimate holding company
Hong Leong Industries Berhad and its subsidiary and associated companies as disclosed in its financial statements ("HLI Group")	Subsidiary and associated companies of ultimate holding company
Malaysian Pacific Industries Berhad and its subsidiary and associated companies as disclosed in its financial statements ("MPI Group")	Subsidiary and associated companies of ultimate holding company
Hume Industries Berhad (formerly known as Narra 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	Subsidiary and associated companies of ultimate holding company
Subsidiary companies of the Company as disclosed in Note 11	Subsidiary companies of the Company
Key management personnel	The key management personnel of the Group and the Company consists of: - All Directors of the Company - Key management personnel of the Company who are in charge of the HLFG Group
Related parties of key management personnel (deemed as related to the Company)	(i) Close family members and dependents of key management personnel (ii) Entities that are controlled, jointly controlled or significant influenced by, or for which significant voting power in such entity resides with, directly or indirectly by key management personnel or its close family members

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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**

47 Significant related party transactions (continued)

(b) Related party transactions

Transactions with related parties are as follows:

	Parent company RM'000	The Group Other related companies RM'000	Key management personnel RM'000
2015			
Income			
Interest on loans	-	13,035	1
Brokerage fee received	-	72	301
Insurance premium received	-	687	-
Others	-	4,975	40
	-	<u>18,769</u>	<u>342</u>
Expenditure			
Rental and maintenance	-	4,276	-
Interest on deposits	-	2,120	316
Interest paid on short-term placements	-	1,512	2,859
Management fees	-	35,055	-
Other miscellaneous expenses	-	3,955	-
	-	<u>46,918</u>	<u>3,175</u>
Amount due from:			
Loans	-	256,012	70
Insurance premium receivable	-	467	-
Credit card	-	-	189
Others	-	397	-
	-	<u>256,876</u>	<u>259</u>
Amount due to:			
Current account and fixed deposits	110	509,529	27,231
Short-term placements	-	539,620	130,502
Others	-	160,998	-
	<u>110</u>	<u>1,210,147</u>	<u>157,733</u>
2014			
Income			
Interest on loans	-	9,418	1
Brokerage fee received	-	374	702
Insurance premium received	-	1,185	-
Others	-	3,417	4
	-	<u>14,394</u>	<u>707</u>
Expenditure			
Rental and maintenance	-	4,465	-
Interest on deposits	-	1,395	423
Interest paid on short-term placements	-	1,465	2,038
Management fees	-	34,676	-
Other miscellaneous expenses	-	2,456	-
	-	<u>44,457</u>	<u>2,461</u>

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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**

47 Significant related party transactions (continued)

(b) Related party transactions (continued)

Transactions with related parties are as follows: (continued)

2014	The Group		
	Parent company RM'000	Other related companies RM'000	Key management personnel RM'000
Amount due from:			
Loans	-	296,094	78
Insurance premium receivable	-	510	-
Credit card	-	-	274
Others	-	512	-
	-	297,116	352
Amount due to:			
Current account and fixed deposits	124	267,182	94,606
Short-term placements	-	234,470	66,407
Others	-	900	-
	124	502,552	161,013

2015	The Company			
	Parent company RM'000	Subsidiary companies RM'000	Other related companies RM'000	Key management personnel RM'000
Income				
Dividend income	-	845,482	-	-
Interest on deposit	-	74	-	-
Interest on loan	-	1,904	-	-
Management fee	-	10,436	-	-
	-	857,896	-	-
Expenditure				
Insurance	-	2	32	-
Interest on derivatives	-	174	-	-
Management fee	-	-	2,258	-
Rental and maintenance	-	791	-	-
Other miscellaneous expenses	-	56	93	-
	-	1,023	2,383	-
Amounts due from:				
Money at call and deposit placements	-	2,625	-	-
Others	-	179	32	-
	-	2,804	32	-
Amounts due to:				
Borrowings	-	50,164	-	-
Derivative financial instruments	-	486	-	-
	-	50,650	-	-

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**Notes to the financial statements
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47 Significant related party transactions (continued)

(b) Related party transactions (continued)

Transactions with related parties are as follows: (continued)

	The Company			Key management personnel RM'000
	Parent company RM'000	Subsidiary companies RM'000	Other related companies RM'000	
2014				
Income				
Dividend income	-	516,469	-	-
Interest on deposit	-	24	-	-
Interest on loan	-	2,077	-	-
Interest on derivatives	-	215	-	-
Management fee	-	9,225	-	-
Others	-	-	91	-
	-	528,010	91	-
Expenditure				
Interest on loan	-	318	-	-
Insurance	-	2	22	-
Management fee	-	-	1,368	-
Rental and maintenance	-	836	-	-
Other miscellaneous expenses	-	56	62	-
	-	1,212	1,452	-
Amounts due from:				
Money at call and deposit placements	-	476	-	-
Derivative financial instruments	-	423	-	-
Others	-	54,535	104	-
	-	55,434	104	-
Amounts due to:				
Others	-	24	-	-
	-	24	-	-
			The Group	
			2015	2014
			RM'000	RM'000
The approved limit on loans, advances and financing for key management personnel			9,280	8,080

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Notes to the financial statements for the financial year ended 30 June 2015 (continued)

47 Significant related party transactions (continued)

(c) Key management personnel

Key management compensation

	The Group		The Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Salaries and other short-term employee	11,372	15,816	10,946	15,472
	Units	Units	Units	Units
	000	000	000	000
Share options balance of the Company	-	3,000	-	3,000

Included in the above is the Directors' compensation which is disclosed in Note 37.

Loans made to key management personnel of the Group is on similar terms and conditions generally available to other employees within the Group. No specific allowances were required in financial years 2015 and 2014 for loans made to key management personnel.

48 Financial instruments

(a) Risk management objectives and policies

The Group's financial risk management policies are adopted from its main operating subsidiary companies which are involved in banking and finance, securities and insurance related business.

The Board of Directors ("The Board") of each main operating subsidiary company has the overall responsibility to ensure there is proper oversight of the management of risks in each of the subsidiary company. The Board sets the risk appetite and tolerance level that are consistent with each subsidiary company's overall business objectives and desired risk profile. A number of committees and dedicated risk management functions have been established to address and manage specific areas of risk and implement various risk management policies and procedures.

Specifically, a Board Audit & Risk Management Committee ("BARMC") comprising members of the Directors, has been set up to oversee that risk management at all levels is being managed effectively. They, in turn, report all the risk management activities to the Directors.

Commercial Banking

Integrated Risk Management ("IRM")

The Banking Group has implemented an integrated risk management framework with the objective to ensure the overall financial soundness and stability of the Banking Group's business operations. The Banking Group's integrated risk management framework outlines the overall governance structure, aspiration, values and risk management strategies that balances between risk profiles and returns objectives. Appropriate methodologies and measurements have been developed to manage uncertainties such that deviations from intended strategic objectives are closely monitored and kept within tolerable levels.

From a governance perspective, the Board has the overall responsibility to define the Banking Group's risk appetite and ensure that a robust risk management and compliance culture prevails. The Board is assisted by the Board Risk Management Committee ("BRMC") in approving the Banking Group's integrated risk management framework as well as the attendant capital management framework, risk appetite statement, risk management strategies and risk policies.

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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)****48 Financial instruments (continued)****(a) Risk management objectives and policies (continued)****Commercial Banking (continued)****Integrated Risk Management ("IRM") (continued)**

Dedicated management level committees are established by the Banking Group to oversee the development and the assessment of effectiveness of risk management policies, to review risk exposures and portfolio composition as well as to ensure appropriate infrastructures, resources and systems are put in place for effective risk management activities.

The BRMC is assisted by the Group Integrated Risk Management and Compliance ("GIRMC") function, which has been established to provide independent oversight on the adequacy, effectiveness and integrity of risk management practices at all levels within the Bank. The core functions of the Bank's risk management are to identify all key risks for the Bank, measure these risks, manage the risk positions and determine the optimum capital allocations. The Bank regularly reviews its risk management framework to reflect changes in markets, products, regulatory and emerging best market practice.

Credit Risk Management

Credit risk is risk of financial loss due to a borrower or counterparty being unable or unwilling to deliver on its payment obligations to the Banking Group, which leads to a loss of revenue and the principal sum. It arises principally from lending, trade finance and treasury activities. The Banking Group has established a credit risk management framework to ensure that exposure to credit risk is kept within the Banking Group's financial capacity to withstand potential future losses. Lending activities are guided by the internal credit policies and guidelines that are reviewed and concurred by the Management Credit Committee ("MCC"), endorsed by the BRMC and the Board Credit Supervisory Committee ("BCSC"), and approved by the Board. These policies are subject to review and enhancements, at least on an annual basis.

Credit portfolio strategies and significant exposures are reviewed by both the BRMC and the Board. These portfolio strategies are designed to achieve a desired portfolio risk tolerance level and sector distribution.

The Banking Group's credit approving process encompasses pre-approval evaluation, approval and post-approval evaluation. While the business units are responsible for credit origination, the credit approving function rests mainly with the Credit Evaluation Departments, the MCC and the BCSC. The Board delegates approving and discretionary authority to the MCC and the various personnel of the Bank based on job function and designation.

For any new products, credit risk assessment also forms part of the new product sign-off processes to ensure that the new product complies with the appropriate policies and guidelines, prior to the introduction of the product.

The Banking Group's exposure to credit risk is mainly from its retail customers, small and medium enterprise ("SME"), commercial and corporate customers. The credit assessment for retail customers is managed on a portfolio basis and the risk scoring models and lending templates are designed to assess the credit worthiness and the likelihood of the obligors to repay their debts. The SME, commercial and corporate customers are individually assessed and assigned with a credit rating, which is based on the assessment of relevant factors such as the customer's financial position, industry outlook, types of facilities and collaterals offered.

In addition, the Banking Group also conducts periodic stress testing of its credit portfolios to ascertain credit risk impact to capital under the relevant stress scenarios.

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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)****48 Financial instruments (continued)****(a) Risk management objectives and policies (continued)****Commercial Banking (continued)****Credit Risk Management (continued)**

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 exposure is also identified, measured and controlled through limits and procedures, which includes regularly reviewing the interest rate outlook and developing strategies to protect total net interest income from changes in market interest rates. This applies to both interest rate risk exposure in the trading book and in the banking book. In managing the interest rate risk exposure in the banking book, the Banking Group adopts methodologies that measure exposure in both earnings at risk perspective and economic value or capital at risk perspective.

In addition, the Banking Group also conducts periodic and stress testing of its respective portfolios to ascertain market risk under abnormal market conditions.

Liquidity Risk Management

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

To manage liquidity risk, the Banking Group adopts the BNM's New Liquidity Framework as one of the liquidity measurement methods. In addition to ensuring compliance with the New Liquidity Framework, the Banking Group maintains a liquidity compliance buffer to meet any unexpected cash outflows.

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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)****48 Financial instruments (continued)****(a) Risk management objectives and policies (continued)****Commercial Banking (continued)****Liquidity Risk Management (continued)**

This is supplemented by the banking subsidiaries' comprehensive liquidity risk management framework consisting of risk appetite, policies, triggers, limits and controls which are reviewed and concurred by the ALCO, endorsed by the BRMC and approved by the Board. The key elements of the framework cover proactive monitoring and management of cash flow, maintenance of high quality long-term and short-term marketable debt securities as well as diversification of funding base as well as maintains a liquidity compliance buffer to meet any unexpected cash outflows.

The banking subsidiaries' have in place liquidity contingency funding plans and stress test programs to minimise the liquidity risk that may arise due to unforeseen adverse changes in the marketplace. Contingency funding plans set out the crisis escalation process and the various strategies to be employed to preserve liquidity including an orderly communication channel during liquidity crisis scenarios. Liquidity stress tests are conducted regularly to ensure there is adequate liquidity contingency fund to meet the shortfalls during liquidity crisis scenarios.

In addition, the banking subsidiaries' also monitor 2 key Basel III liquidity ratios namely, the Liquidity Coverage Ratio and the Net Stable Funding Ratio in line with the observation period reporting to BNM.

Investment Banking

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

Market risk

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

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

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

Liquidity risk

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

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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)****48 Financial instruments (continued)****(a) Risk management objectives and policies (continued)****Investment Banking (continued)****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 is responsible for formulating policies and overseeing the major risks including those risks associated with the Financial Instruments described below.

The responsibility for the formulation, establishment and approval of the Insurance Group's investment policy rest with the Board as reported in the Corporate Governance Framework in the Directors' Report. The deployment and execution of the investment policies is delegated to the Investment Committee ("IC") in which the members are appointed by the Board. The IC oversees the formulation of investment and risk strategy and asset allocation to determine the optimum risk and return profile.

Risk limits are in place at various levels and monitored by a risk manager to ensure all investment securities are compatible with the Insurance Group's investment principles and philosophy. Sensitivity and stress tests are carried out on a regular basis to assess the resilience of the investment portfolios and the impact on the Insurance Group's solvency. An Asset and Liability Management ("ALM") model is being deployed to address the Insurance Group's assets and liabilities match. The ALM model will enable management to assess the long-term impact of the investment strategy, asset mix and product pricing strategy on the Insurance Group's financial ability to meet its future obligations.

Actuarial and underwriting risk

Actuarial risks relate to the adequacy of insurance premium rate levels to provide for insurance liabilities and solvency margin and takes into consideration the developments in mortality, morbidity, lapses and expenses.

Underwriting risk represents the risk that claims incurred are higher than anticipated. This is attributable to the nature of risk underwritten, random nature of claims frequency and severity of claims.

The Insurance Group manages the risks through strict underwriting guidelines, which include exclusions, cover limits, loadings and reinsurance programmes. New risks are carefully assessed before an insurance policy is underwritten and issued.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No: 8024-W
(Incorporated in Malaysia)

**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)****48 Financial instruments (continued)****(a) Risk management objectives and policies (continued)****Insurance (continued)****Credit risk**

Credit risk is the risk of loss due to inability or unwillingness of an counterparty to service its debt obligations. The credit risk and investment activities is monitored regularly with respect to single customer limit, sectorial exposure, credit rating and residual maturity, in accordance with the investment guidelines and limits approved by the Board of Directors and the authorities.

At the date of the statement of financial position, the credit exposure is within the investment guidelines and limits approved by the Board of Directors and the authorities. The maximum exposure to credit risk is the carrying amount as stated in the financial statements.

Interest rate risk

Investment activities and insurance business are inherently exposed to interest rate risk. This risk arises from differences in pricing or tenure of investments and liabilities. Interest rate risk is managed by targeting a desired return, which is reviewed periodically, based on the Insurance Group's long-term view on interest rates. Investment activities are managed by appropriate asset allocation, which is regularly reviewed and changed in relation to the investment climate to meet the Insurance Group's desired return.

Market risk

Adverse changes in the equity market impairs the carrying value of the equity portfolio which could affect the solvency of the Insurance Group. The Board has set internal limits for maximum equity exposure and individual stock exposure, which are consistent with BNM's guidelines and has also imposed daily trading limits. The Insurance Group's investment committee decides on the appropriate asset allocation for equities on a regular basis in line with the investment and economic conditions at time of review.

Liquidity risk

Liquidity risk arises due to inability of the Insurance Group to meet its financial obligations as and when they fall due. The risk is managed via a three-year planning process to ascertain operational cash flow requirements and maintaining a reasonable level of liquid assets to meet any unexpected cash flow.

(b) Market risk

Market risk sensitivity assessment is based on the changes in key variables, such as interest rates, foreign currency rates and equity risk, while all other variables remain unchanged. The sensitivity factors used are assumptions based on parallel shifts in the key variables to project the impact on the assets and liabilities position of the Group and the Company as at 30 June 2015.

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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No: 8024-W
(Incorporated in Malaysia)

Notes to the financial statements for the financial year ended 30 June 2015 (continued)

48 Financial instruments (continued)

(b) Market risk (continued)

(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.

	The Group		The Company	
	Impact on profit after tax RM'000	Impact on equity RM'000	Impact on profit after tax RM'000	Impact on equity RM'000
2015				
+100 basis points ('bps')	82,927	(289,934)	3,974	-
-100 bps	(81,245)	296,267	(3,357)	-
2014				
+100 bps	103,240	(259,182)	9,957	-
-100 bps	(101,539)	264,237	(8,256)	-

(ii) Foreign currency risk sensitivity analysis

The Group and the Company take on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on their financial position and cash flows.

The table below sets out the principal structure of foreign exchange exposures (net of investment hedges) of the Group and the Company:

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
United States Dollar ("USD")	306,922	242,327	11,412	-
Euro ("EUR")	8,801	30,245	-	-
Great Britain Pound ("GBP")	85,558	38,827	-	-
Singapore Dollar ("SGD")	49,923	96,464	-	-
Chinese Yuan Renminbi ("CNY")	155,419	348,676	-	-
Hong Kong Dollar ("HKD")	18,651	86,821	-	110,843
Japanese Yen ("JPY")	16,777	70,560	-	-
Australian Dollar ("AUD")	25,432	(113,963)	-	-
Others	39,110	(34,854)	-	-
	706,593	765,103	11,412	110,843

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No: 8024-W
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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**

48 Financial instruments (continued)

(b) Market risk (continued)

(ii) Foreign currency risk sensitivity analysis (continued)

An analysis of the exposures to assess the impact of a one per cent change in the RM exchange rates to the profit after tax are as follows:

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
+ 1%				
United States Dollar ("USD")	291	(201)	114	-
Euro ("EUR")	66	227	-	-
Great Britain Pound ("GBP")	418	78	-	-
Singapore Dollar ("SGD")	(169)	274	-	-
Chinese Yuan Renminbi ("CNY")	1,166	2,615	-	-
Hong Kong Dollar ("HKD")	(614)	749	-	1,108
Japanese Yen ("JPY")	1	1	-	-
Australian Dollar ("AUD")	125	(931)	-	-
Others	143	(211)	-	-
	<u>1,427</u>	<u>2,601</u>	<u>114</u>	<u>1,108</u>
- 1%				
United States Dollar ("USD")	(291)	201	(114)	-
Euro ("EUR")	(66)	(227)	-	-
Great Britain Pound ("GBP")	(418)	(78)	-	-
Singapore Dollar ("SGD")	169	(274)	-	-
Chinese Yuan Renminbi ("CNY")	(1,166)	(2,615)	-	-
Hong Kong Dollar ("HKD")	614	(749)	-	(1,108)
Japanese Yen ("JPY")	(1)	(1)	-	-
Australian Dollar ("AUD")	(125)	931	-	-
Others	(143)	211	-	-
	<u>(1,427)</u>	<u>(2,601)</u>	<u>(114)</u>	<u>(1,108)</u>

(iii) Equity risk

Equity risk refers to the impact of change in equity positions held by the Group for yield purposes.

	The Group	
	Impact on profit after tax RM'000	Impact on equity RM'000
2015		
+ 20% change in equity market price	<u>5,642</u>	<u>100,146</u>
- 20% change in equity market price	<u>(5,642)</u>	<u>(100,146)</u>
2014		
+ 20% change in equity market price	2,094	131,728
- 20% change in equity market price	<u>(2,094)</u>	<u>(131,728)</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No: 8024-W
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Notes to the financial statements
for the financial year ended 30 June 2015 (continued)

48 Financial instruments (continued)

(b) Market risk (continued)

(iv) Interest/profit rate risk

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

2015	The Group						Total RM'000
	Non-trading book			Non-interest/ profit rate			
	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	Trading book RM'000	
Financial assets							
Cash and short-term funds	6,440,645	-	-	-	-	-	8,463,194
Deposits and placements with banks and other financial institutions	-	1,837,948	2,460,179	488	-	-	4,325,129
Securities purchased under resale agreements	10,344,798	1,799,856	-	-	-	-	12,163,252
Financial assets held-for-trading	-	-	-	-	-	9,238,804	9,238,804
Financial investments available-for-sale	650,386	891,597	1,660,662	16,429,935	4,318,614	-	29,623,057
Financial investments held-to-maturity	234,749	379,608	1,829,998	6,893,251	1,431,646	-	10,941,838
Derivative financial instruments	-	-	-	-	-	-	-
- Trading derivatives	-	-	-	-	-	1,467,844	1,467,844
- Hedging derivatives	-	-	-	240	-	-	240
Loans, advances and financing							
- Performing	90,543,250	103,976	630,386	8,793,652	12,001,214	-	112,733,935
- Impaired ^a	96,998	4,023	8,713	70,974	197,025	-	377,733
Clients' and brokers' balances	-	-	-	-	-	-	337,631
Other receivables	-	-	-	-	-	-	1,324,283
Statutory deposits with Central Banks	-	-	-	-	52,991	-	3,479,381
Total financial assets	108,310,826	5,017,008	6,589,938	32,188,540	18,001,490	10,706,648	194,529,312

^a This represents outstanding impaired loans after deducting individual assessment impairment allowance and collective assessment impairment allowance.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No: 8024-W
(Incorporated in Malaysia)Notes to the financial statements
for the financial year ended 30 June 2015 (continued)

48 Financial instruments (continued)

(b) Market risk (continued)

(iv) Interest/profit rate risk (continued)

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

2015	The Group						Total RM'000
	Non-trading book			Non-interest/ profit rate sensitive			
	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	Trading book RM'000	
Financial liabilities							
Deposits from customers	54,355,313	24,881,619	37,491,841	3,330,179	679,024	-	140,955,465
Deposits and placements of banks and other financial institutions	6,455,660	1,992,226	487,421	-	-	-	8,943,622
Obligations on securities sold under repurchase agreements	1,274,795	1,992,378	421,285	-	-	-	3,691,338
Bills and acceptance payable	1,077,780	517,585	16,960	-	-	-	1,900,967
Derivative financial instruments	-	-	-	-	-	-	-
- Trading derivatives	-	-	-	-	-	1,369,341	1,369,341
- Hedging derivatives	-	-	-	24	-	-	24
Clients' and brokers' balances	-	-	-	-	-	-	192,728
Payables and other liabilities	-	-	-	-	-	-	5,645,944
Provision for claims	-	-	-	-	-	-	126,905
Borrowings	460,000	-	1,131,329	1,535,650	-	-	3,096,882
Subordinated obligations	-	699,998	1,499,379	2,397,536	532,344	-	5,161,255
Non-innovative Tier 1 stapled securities	-	-	1,399,828	517,452	-	-	1,410,869
Innovative Tier 1 capital securities	-	-	-	-	-	-	530,223
Insurance funds	-	-	-	-	-	-	9,457,257
Total financial liabilities	63,623,548	30,083,806	42,448,043	7,780,841	1,211,368	1,369,341	182,484,820
Net interest sensitivity gap	44,687,278	(25,066,798)	(35,858,105)	24,407,899	16,790,122	-	620,341
Financial guarantees	-	-	-	-	-	-	43,575,122
Credit related commitments and contingencies	-	-	-	-	-	-	-
Treasury related commitments and contingencies (hedging)	-	-	-	200,000	-	-	-
Net interest sensitivity gap	-	-	-	200,000	-	-	44,195,463

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Hong Leong Financial Group BerhadCompany No: 8024-W
(Incorporated in Malaysia)**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)****48 Financial instruments (continued)****(b) Market risk (continued)****(iv) Interest/profit rate risk (continued)**

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

	The Group						Total RM'000
	Non-trading book			Non-interest/ profit rate sensitive			
	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	Trading book RM'000	
Financial assets							
Cash and short-term funds	15,376,238	-	-	-	-	-	17,084,360
Deposits and placements with banks and other financial institutions	-	2,056,588	2,419,003	662	-	-	4,494,097
Securities purchased under resale agreements	2,465,595	522,676	-	-	-	-	2,997,197
Financial assets held-for-trading	-	-	-	-	-	13,256,502	13,256,502
Financial investments available-for-sale	1,054,696	1,054,998	1,779,562	13,366,293	3,092,532	-	27,106,786
Financial investments held-to-maturity	31,762	24,765	319,999	8,833,186	487,702	-	9,851,132
Derivative financial instruments	-	-	-	-	-	-	-
- Trading derivatives	-	-	-	-	-	712,983	712,983
Loans, advances and financing							
- Performing	82,947,598	59,552	397,213	8,181,760	11,048,424	-	103,288,793
- Impaired ^a	112,288	3,605	17,447	85,218	158,097	-	376,655
Clients' and brokers' balances	-	-	-	-	-	-	430,804
Other receivables	-	-	-	-	-	-	620,021
Statutory deposits with Central Banks	-	-	-	-	18,745	-	620,021
Total financial assets	101,988,177	3,722,184	4,933,224	30,467,119	14,805,500	13,969,485	183,400,722

^a This represents outstanding impaired loans after deducting individual assessment impairment allowance and collective assessment impairment allowance.

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Hong Leong Financial Group Berhad

Company No. 8024-W
(Incorporated in Malaysia)Notes to the financial statements
for the financial year ended 30 June 2015 (continued)

48 Financial instruments (continued)

(b) Market risk (continued)

(iv) Interest/profit rate risk (continued)

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

2014

	The Group						Total RM'000
	Non-trading book			Non-interest/ profit rate sensitive			
	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	Trading book RM'000	
Financial liabilities							
Deposits from customers	49,797,784	25,228,475	32,606,626	3,459,780	459,007	-	130,632,286
Deposits and placements of banks and other financial institutions	5,687,133	2,554,250	772,594	-	-	-	9,166,255
Obligations on securities sold under repurchase agreements	3,089,158	1,151,079	50,733	-	-	-	4,295,975
Bills and acceptance payable	3,278	23,668	22,006	-	-	-	358,732
Derivative financial instruments							
- Trading derivatives	-	-	-	-	-	821,340	821,340
Clients' and brokers' balances	-	-	-	-	-	-	337,686
Payables and other liabilities	-	-	84,160	-	-	-	5,778,862
Provision for claims	-	-	-	-	-	-	67,088
Borrowings	695,000	125,055	550,000	3,919,753	-	-	5,307,604
Subordinated obligations	-	8,815	-	4,844,496	482,446	-	5,359,614
Non-innovative Tier 1 stapled securities	-	-	-	1,399,211	-	-	1,410,252
Innovative Tier 1 capital securities	-	-	-	-	528,996	-	541,767
Insurance funds	-	-	-	-	-	-	8,355,757
Total financial liabilities	59,272,363	29,091,342	34,086,119	13,623,240	1,470,449	821,340	172,517,378
Net interest sensitivity gap	42,715,824	(25,369,158)	(29,152,895)	16,843,880	13,335,051	-	-
Financial guarantees	-	-	-	-	-	-	791,871
Credit related commitments and contingencies	-	-	-	-	-	-	41,610,542
Net interest sensitivity gap	-	-	-	-	-	-	42,402,413

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Hong Leong Financial Group Berhad

Company No. 8024-W
(Incorporated in Malaysia)Notes to the financial statements
for the financial year ended 30 June 2015 (continued)

48 Financial instruments (continued)

(b) Market risk (continued)

(iv) Interest/profit rate risk (continued)

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

2015	The Company						Total RM'000
	Up to 1 month RM'000	>1 - 3 months RM'000	Non-trading book >3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	
Financial assets							
Cash and short-term funds	8,345	-	-	-	-	-	8,345
Deposits and placements with banks and other financial institutions	-	-	8,400	488	-	-	8,888
Derivative financial instruments	-	-	-	-	-	-	-
- Trading derivatives	-	-	-	-	-	-	126
Other receivables	-	-	-	-	-	609	609
Amount due from subsidiaries	-	-	-	-	-	179	179
Total financial assets	8,345	-	8,400	488	-	788	18,147
Financial liabilities							
Derivative financial instruments							
- Trading derivatives	-	-	-	-	-	-	1,158
Payables and other liabilities	-	-	-	-	-	11,103	-
Borrowings							
- Term loans	85,000	-	-	-	-	72	-
- Commercial papers	375,000	-	-	-	-	(764)	-
- Medium term notes	-	-	-	400,000	-	1,358	-
Total financial liabilities	460,000	-	-	400,000	-	11,769	1,158
Net interest sensitivity gap	(451,655)	-	8,400	(399,512)	-	-	-

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No. 8024-W
(Incorporated in Malaysia)Notes to the financial statements
for the financial year ended 30 June 2015 (continued)

48 Financial instruments (continued)

(b) Market risk (continued)

(iv) Interest/profit rate risk (continued)

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

	The Company						Total RM'000
	Up to 1 month RM'000	>1 - 3 months RM'000	Non-trading book >3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	
Financial assets							
Cash and short-term funds	6,882	-	-	-	-	-	6,882
Deposits and placements with banks and other financial institutions	-	-	8,100	662	-	-	8,762
Derivative financial instruments	-	-	-	-	-	-	-
- Trading derivatives	-	-	-	-	-	1,211	1,211
Other receivables	-	-	-	-	-	2,076	2,076
Amount due from subsidiaries	53,779	-	-	-	-	756	54,535
Total financial assets	60,661	-	8,100	662	-	2,832	73,466
Financial liabilities							
Derivative financial instruments	-	-	-	-	-	-	-
- Trading derivatives	-	-	-	-	-	1,253	1,253
Payables and other liabilities	-	-	-	-	-	17,088	17,088
Amount due to subsidiaries	-	-	-	-	-	24	24
Borrowings							
- Term loans	110,000	-	-	-	-	52	110,052
- Revolving credit	-	65,000	-	-	-	254	65,254
- Commercial papers	585,000	-	-	-	-	(788)	584,212
- Medium term notes	-	-	550,000	-	-	1,824	551,824
Total financial liabilities	695,000	65,000	550,000	-	-	18,454	1,329,707
Net interest sensitivity gap	(634,339)	(65,000)	(541,900)	662	-	-	-

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Hong Leong Financial Group Berhad

Company No: 8024-W
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Notes to the financial statements
for the financial year ended 30 June 2015 (continued)

48 Financial instruments (continued)

(c) Liquidity risk

Liquidity risk is defined as the current and prospective risk arising from the inability of the Group and the Company to meet its contractual or regulatory obligations when they become due without incurring substantial losses. The liquidity risk is identified based on concentration, volatility of source of fund and funding maturity structure and it is measured primarily using Bank Negara Malaysia's New Liquidity Framework and depositor's concentration ratios. The Group and the Company seek to project, monitor and manage its liquidity needs under normal as well as adverse circumstances.

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) as at 30 June 2015 based on the remaining contractual maturity:

2015	Up to 1 week 1 month RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	The Group				Over 1 year RM'000	No specific maturity RM'000	Total RM'000
				3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000			
Assets										
Cash and short-term funds	7,061,420	1,401,774	-	-	-	-	-	-	8,463,194	
Deposits and placements with banks and other financial institutions	-	-	1,859,915	1,441,656	1,023,070	488	-	-	4,325,129	
Securities purchased under resale agreements	2,310,095	8,052,072	1,801,085	-	-	-	-	-	12,163,252	
Financial assets held-for-trading	921,422	770,259	3,054,385	708,029	60,180	2,930,235	794,294	-	9,238,804	
Financial investments available-for-sale	2,834,879	616,078	892,537	304,714	1,371,791	20,921,915	2,881,143	-	29,623,057	
Financial investments held-to-maturity	557	238,656	387,872	128,925	1,724,810	8,461,018	-	-	10,941,838	
Derivative financial instruments	140,659	307,850	265,344	147,654	116,556	490,021	-	-	1,468,084	
Loans, advances and financing	9,389,802	10,206,828	3,807,574	1,280,160	4,304,666	84,122,438	-	-	113,111,668	
Clients' and brokers' balances	198,183	-	-	-	139,448	-	-	-	337,631	
Other receivables	430,405	4,475	8,696	11,465	121,512	16,793	820,487	-	1,415,633	
Statutory deposits with Central Banks	-	-	-	-	-	-	3,532,372	-	3,532,372	
Tax recoverable	-	-	-	-	-	-	49,961	-	49,961	
Investment in associated companies	-	-	-	-	-	-	3,740,302	-	3,740,302	
Investment in joint ventures	-	-	-	-	-	-	129,230	-	129,230	
Property and equipment	-	-	-	-	-	-	1,149,955	-	1,149,955	
Investment properties	-	-	-	-	-	-	1,848	-	1,848	
Goodwill	-	-	-	-	-	-	2,410,644	-	2,410,644	
Intangible assets	-	-	-	-	-	-	337,842	-	337,842	
Total assets	23,287,422	21,597,992	12,077,408	4,022,603	8,862,233	116,944,908	15,648,078	202,440,644		

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No: 8024-W
(Incorporated in Malaysia)

**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**

48 Financial instruments (continued)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) as at 30 June 2015 based on the remaining contractual maturity: (continued)

2015	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	The Group				Over 1 year RM'000	No specific maturity RM'000	Total RM'000
				3 to 6 months RM'000	6 to 12 months RM'000					
Liabilities										
Deposits from customers	50,950,953	23,483,290	24,860,934	16,497,283	21,108,308	4,054,697	-	-	140,955,465	
Deposits and placements of banks and other financial institutions	3,847,533	2,401,616	2,206,369	464,487	23,617	-	-	-	8,943,622	
Obligations on securities sold under repurchase agreements	301,670	974,237	1,993,913	421,518	-	-	-	-	3,691,338	
Bills and acceptances payable	276,954	800,826	517,585	16,226	734	-	288,642	-	1,900,967	
Derivative financial instruments	133,898	123,678	124,852	164,322	62,068	760,547	-	-	1,369,365	
Clients' and brokers' balances	192,728	-	-	-	-	-	-	-	192,728	
Payables and other liabilities	3,716,306	1,728	2,055	2,665	1,968,710	-	105,230	-	5,796,694	
Provision for claims	-	-	-	-	128,905	-	-	-	128,905	
Provision for taxation	-	-	-	-	16,683	-	-	-	16,683	
Deferred tax liabilities	-	-	-	-	1,502	186,449	(16,106)	-	171,845	
Borrowings	-	459,309	-	1,358	1,143,718	1,542,662	(50,165)	-	3,096,882	
Subordinated obligations	-	-	721,805	499,568	1,006,669	2,933,213	-	-	5,161,255	
Non-innovative Tier 1 stapled securities	-	-	-	-	1,410,869	-	-	-	1,410,869	
Innovative Tier 1 capital securities	-	-	-	-	-	530,223	-	-	530,223	
Insurance funds*	-	-	-	-	1,174,240	8,079,854	-	-	9,254,094	
Total liabilities	59,420,042	28,244,684	30,427,513	18,067,427	28,046,023	18,087,645	479,844	-	182,773,178	
Total equity	-	-	-	-	-	-	19,464,303	-	19,464,303	
Total liabilities and equity	59,420,042	28,244,684	30,427,513	18,067,427	28,046,023	18,087,645	19,944,147	-	202,237,481	
Net liquidity gap	(36,132,620)	(6,646,692)	(18,350,105)	(14,044,824)	(19,183,790)	98,857,263	-	-	-	

* Excluding AFS Reserve

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No: 8024-W
(Incorporated in Malaysia)Notes to the financial statements
for the financial year ended 30 June 2015 (continued)

48 Financial instruments (continued)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) as at 30 June 2014 based on the remaining contractual maturity: (continued)

2014	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	The Group				Over 1 year RM'000	No specific maturity RM'000	Total RM'000
				3 to 6 months RM'000	6 to 12 months RM'000					
Assets										
Cash and short-term funds	9,394,760	7,689,600	-	-	-	-	-	-	17,084,360	
Deposits and placements with banks and other financial institutions	-	-	2,065,860	2,410,457	-	-	662	-	4,494,097	
Securities purchased under resale agreements	330,766	2,141,298	525,133	-	-	-	-	-	2,997,197	
Financial assets held-for-trading	1,240,971	2,089,677	4,910,910	2,845,565	216,067	1,122,052	-	831,260	13,256,502	
Financial investments available-for-sale	2,164,454	894,902	1,056,874	524,646	1,266,783	16,616,690	-	4,582,437	27,106,786	
Financial investments held-to-maturity	8,171	25,427	66,761	-	260,015	9,490,758	-	-	9,851,132	
Derivative financial instruments	61,348	50,852	86,884	32,168	63,623	418,108	-	-	712,983	
Loans, advances and financing	9,538,558	9,009,580	4,291,123	1,587,252	3,350,335	75,888,600	-	-	103,665,448	
Clients' and brokers' balances	287,756	-	-	-	143,048	-	-	-	430,804	
Other receivables	73,867	10,787	64,007	7,538	99,700	14,723	-	422,898	693,520	
Statutory deposits with Central Banks	-	-	-	-	-	-	-	3,181,392	3,181,392	
Tax recoverable	-	-	-	-	-	-	-	11,349	11,349	
Investment in associated companies	-	-	-	-	-	-	-	2,796,943	2,796,943	
Investment in joint ventures	-	-	-	-	-	-	-	90,912	90,912	
Property and equipment	-	-	-	-	-	-	-	1,030,256	1,030,256	
Investment properties	-	-	-	-	-	-	-	1,760	1,760	
Goodwill	-	-	-	-	-	-	-	2,410,644	2,410,644	
Intangible assets	-	-	-	-	-	-	-	360,921	360,921	
Total assets	23,100,651	21,912,123	13,067,552	7,407,626	5,416,689	103,551,593	15,720,772	190,177,006		

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No: 8024-W
(Incorporated in Malaysia)

Notes to the financial statements
for the financial year ended 30 June 2015 (continued)

48 Financial instruments (continued)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) as at 30 June 2014 based on the remaining contractual maturity: (continued)

	2014	The Group						Total RM'000
		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	
Liabilities								
Deposits from customers	47,643,731	21,103,168	25,231,546	15,023,419	17,670,231	3,960,191	-	130,632,286
Deposits and placements of banks and other financial institutions	3,183,223	2,653,017	2,556,003	625,055	148,957	-	-	9,166,255
Obligations on securities sold under repurchase agreements	609,567	2,484,235	1,151,440	50,733	-	-	-	4,295,975
Bills and acceptances payable	137	3,142	23,668	20,530	1,476	-	309,779	358,732
Derivative financial instruments	43,110	38,442	55,725	59,447	127,959	496,657	-	821,340
Clients' and brokers' balances	337,686	-	-	-	-	-	-	337,686
Payables and other liabilities	3,957,783	1,849	184	87,138	2,104,794	5,552	112,019	6,269,319
Provision for claims	-	-	-	-	67,088	-	-	67,088
Provision for taxation	-	-	-	-	-	-	38,583	38,583
Deferred tax liabilities	-	-	-	-	-	-	210,017	210,017
Borrowings	-	704,340	115,233	1,824	150,000	4,336,207	-	5,307,604
Subordinated obligations	-	-	8,815	-	-	5,350,799	-	5,359,614
Non-innovative Tier 1 stapled securities	-	-	-	-	-	1,410,252	-	1,410,252
Innovative Tier 1 capital securities	-	-	-	-	-	541,767	-	541,767
Insurance funds*	-	-	-	-	1,192,213	6,949,853	-	8,142,066
Total liabilities	55,775,237	26,988,193	29,142,614	15,868,146	21,462,718	23,051,278	670,398	172,958,584
Total equity	-	-	-	-	-	-	17,004,731	17,004,731
Total liabilities and equity	55,775,237	26,988,193	29,142,614	15,868,146	21,462,718	23,051,278	17,675,129	189,963,315
Net liquidity gap	(32,674,586)	(5,076,070)	(16,075,062)	(8,460,520)	(16,046,029)	80,500,315		

* Excluding AFS Reserve

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No: 8024-W
(Incorporated in Malaysia)Notes to the financial statements
for the financial year ended 30 June 2015 (continued)

48 Financial instruments (continued)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) as at 30 June 2015 based on the remaining contractual maturity:

2015	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	The Company				Total RM'000
				3 to 6 months RM'000	8 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	
Assets								
Cash and short-term funds	7,445	900	-	-	-	-	-	8,345
Deposits and placements with banks and other financial institutions	-	-	-	8,400	-	488	-	8,888
Derivative financial instruments	-	-	-	-	-	126	-	126
Other receivables	-	-	-	-	-	-	609	609
Amount due from subsidiaries	-	-	-	-	-	-	179	179
Tax recoverable	-	-	-	-	-	-	9,771	9,771
Investment in subsidiary companies	-	-	-	-	-	-	15,007,609	15,007,609
Deferred tax assets	-	-	-	-	-	-	2,170	2,170
Property and equipment	-	-	-	-	-	-	2,375	2,375
Intangible assets	-	-	-	-	-	-	213	213
Total assets	7,445	900	-	8,400	-	614	15,022,926	15,040,285
Liabilities								
Derivative financial instruments	-	-	-	-	-	1,158	-	1,158
Payables and other liabilities	-	-	-	-	-	-	11,103	11,103
Borrowings								
- Term loans	-	85,072	-	-	-	-	-	85,072
- Commercial papers	-	374,236	-	-	-	-	-	374,236
- Medium term notes	-	-	-	1,358	-	400,000	-	401,358
Total liabilities	-	459,308	-	1,358	-	401,158	11,103	872,927
Net liquidity gap	7,445	(458,408)	-	7,042	-	(400,544)	-	(400,544)

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No. 8024-W
(Incorporated in Malaysia)Notes to the financial statements
for the financial year ended 30 June 2015 (continued)

48 Financial instruments (continued)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) as at 30 June 2014 based on the remaining contractual maturity: (continued)

2014	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	The Company				Over 1 year RM'000	No specific maturity RM'000	Total RM'000
				3 to 6 months RM'000	6 to 12 months RM'000	1 to 3 months RM'000	3 to 6 months RM'000			
Assets										
Cash and short-term funds	6,882	-	-	-	-	-	-	-	6,882	
Deposits and placements with banks and other financial institutions	-	-	-	7,200	900	662	788	-	8,762	
Derivative financial instruments	-	423	-	-	-	-	-	-	1,211	
Other receivables	-	-	-	-	-	-	-	2,076	2,076	
Amount due from subsidiaries	-	-	-	-	-	-	-	54,535	54,535	
Tax recoverable	-	-	-	-	-	-	-	10,800	10,800	
Investment in subsidiary companies	-	-	-	-	-	-	-	14,986,980	14,986,980	
Deferred tax assets	-	-	-	-	-	-	-	3,550	3,550	
Property and equipment	-	-	-	-	-	-	-	1,798	1,798	
Intangible asset	-	-	-	-	-	-	-	172	172	
Total assets	6,882	423	-	7,200	900	1,450	15,059,911	15,076,766		
Liabilities										
Derivative financial instruments	-	-	-	-	-	1,253	-	-	1,253	
Payables and other liabilities	-	-	-	-	-	-	17,088	-	17,088	
Amount due to subsidiaries	-	-	-	-	-	-	24	-	24	
Borrowings										
- Term loans	-	110,052	-	-	-	-	-	-	110,052	
- Revolving credits	-	10,076	55,178	-	-	-	-	-	65,254	
- Commercial papers	-	584,212	-	-	-	-	-	-	584,212	
- Medium term notes	-	-	-	1,824	150,000	400,000	-	-	551,824	
Total liabilities	-	704,340	55,178	1,824	150,000	401,253	17,112	1,329,707		
Net liquidity gap	6,882	(703,917)	(55,178)	5,376	(149,100)	(399,803)				

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No: 8024-W
(Incorporated in Malaysia)

**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**

48 Financial instruments (continued)

(c) Liquidity risk (continued)

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

	Up to 1 month RM'000	1 to 3 months RM'000	The Group			Total RM'000
			3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	
Liabilities						
Deposits from customers	74,686,638	25,778,413	38,442,677	4,207,897	788,250	143,903,875
Deposits and placements of banks and other financial institutions	7,575,862	3,681,890	398,006	-	-	11,655,758
Obligations on securities sold under repurchase agreements	974,431	2,297,078	422,363	-	-	3,693,872
Bills and acceptances payable	1,363,567	499,991	-	-	-	1,863,558
Derivative financial instruments						
- Gross settled derivatives						
- Inflow	(975,245)	(10,001,836)	(2,773,745)	(160,842)	(2,501,210)	(16,412,878)
- Outflow	972,945	9,815,141	2,654,104	152,778	2,561,772	16,156,740
- Net settled derivatives	11,835	44,614	83,823	153,660	54,057	347,989
Clients' and brokers' balances	192,728	-	-	-	-	192,728
Payables and other liabilities	3,769,165	5,320	1,874,283	130	(3,097)	5,645,801
Provision for claims	-	-	128,905	-	-	128,905
Borrowings	1,457	24,321	1,232,562	2,084,842	1,660	3,344,842
Subordinated obligations	-	726,870	1,690,237	2,832,497	649,232	5,898,836
Non-innovative Tier 1 stapled securities	-	-	1,470,894	-	-	1,470,894
Innovative Tier 1 capital securities	-	20,795	20,568	644,545	-	685,908
Insurance funds*	-	-	1,170,144	1,392,202	19,561,795	22,124,141
Total financial liabilities	68,673,383	32,892,597	46,814,821	11,307,709	21,112,459	200,700,969

* Excluding AFS Reserve

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No. 8024-W
(Incorporated in Malaysia)

**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**

48 Financial instruments (continued)

(c) Liquidity risk (continued)

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

	2014	The Group					Total
		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	
Liabilities							
Deposits from customers	69,971,410	25,502,886	33,253,419	4,626,050	550,110	133,903,875	
Deposits and placements of banks and other financial institutions	5,869,054	3,059,959	728,812	-	-	9,657,825	
Obligations on securities sold under repurchase agreements	3,002,633	1,245,254	50,775	-	-	4,298,662	
Bills and acceptances payable	313,526	704	187	-	-	314,417	
Derivative financial instruments							
- Gross settled derivatives	(7,555,370)	(3,584,232)	(8,527,501)	(431,906)	(1,475)	(20,100,484)	
- Inflow	7,572,476	3,583,877	8,586,026	406,147	1,876	20,150,402	
- Outflow	30,575	26,925	82,156	264,289	66,189	470,134	
- Net settled derivatives	337,686	-	-	-	-	337,686	
Clients' and brokers' balances	3,779,522	3,515	2,075,853	5,559	(1,405)	5,863,044	
Payables and other liabilities	-	-	67,088	-	-	67,088	
Provision for claims	2,428	122,820	452,812	5,546,842	-	6,124,902	
Borrowings	-	25,650	479,410	5,210,270	609,740	6,325,070	
Subordinated obligations	-	-	70,700	1,470,894	-	1,541,594	
Non-innovative Tier 1 stapled securities	-	-	20,455	165,226	520,682	727,158	
Innovative Tier 1 capital securities	-	20,795	20,455	165,226	520,682	727,158	
Insurance funds*	-	-	1,179,485	975,493	16,522,247	18,677,225	
Total financial liabilities	83,323,940	30,008,153	38,519,677	18,238,864	18,267,964	188,358,598	

* Excluding AFS Reserve

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group BerhadCompany No: 8024-W
(Incorporated in Malaysia)**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)****48 Financial instruments (continued)****(c) Liquidity risk (continued)**

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

	2015	The Company					Total RM'000
		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	
Liabilities							
Payables and other liabilities		1,570	600	8,745	-	41	10,956
Derivative financial instruments		(11,412)	-	-	-	-	(11,412)
- Gross settled derivatives		11,434	-	-	-	-	11,434
- Inflow		70	149	715	836	-	1,770
- Outflow		-	-	-	-	-	-
- Net settled derivatives		275	535	12,194	75,060	-	88,064
Borrowings		1,182	2,318	10,246	407,331	-	421,077
- Term loans		-	-	17,748	431,313	-	449,061
- Commercial papers		-	-	-	-	-	-
- Medium term notes		-	-	-	-	-	-
Total financial liabilities		3,119	3,602	49,648	914,540	41	970,950

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group BerhadCompany No: 8024-W
(Incorporated in Malaysia)**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)****48 Financial instruments (continued)****(c) Liquidity risk (continued)**

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

	2014	The Company					Total RM'000
		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	
Liabilities							
Payables and other liabilities							
Amount due to subsidiaries		3,122	666	13,287	-	40	17,115
Derivative financial instruments		24	-	-	-	-	24
- Gross settled derivatives		(110,843)	-	-	-	-	(110,843)
- Inflow		110,420	-	-	-	-	110,420
- Outflow		157	459	934	1,055	-	2,605
- Net settled derivatives							
Borrowings							
- Term loans		369	682	32,493	80,016	-	113,560
- Revolving credit		455	733	67,213	-	-	68,401
- Commercial papers		1,604	3,253	14,323	655,325	-	674,505
- Medium term notes		-	-	170,746	449,061	-	619,807
Total financial liabilities		5,308	5,793	298,996	1,185,457	40	1,495,595

OUR AUDITED FINANCIAL STATEMENTS FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No: 8024-W
(Incorporated in Malaysia)

**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**

48 Financial instruments (continued)

(c) Liquidity risk (continued)

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

2015	The Group		Total RM'000
	Less than 1 year RM'000	Over 1 year RM'000	
Direct credit substitutes	118,309	102,674	220,983
Any commitment that are unconditionally cancelled at anytime by the Group without prior notice	722,877	-	722,877
Short-term self liquidating trade related contingencies	390,349	9,009	399,358
Irrevocable commitments to extend credit	17,262,934	18,158,775	35,421,709
Unutilised credit card lines	7,426,036	-	7,426,036
Others	1,781	2,719	4,500
Total commitments and contingencies	25,922,286	18,273,177	44,195,463
2014			
Direct credit substitutes	167,245	209,547	376,792
Obligations under underwriting agreement	299,154	-	299,154
Any commitment that are unconditionally cancelled at anytime by the Group without prior notice	627,233	-	627,233
Short-term self liquidating trade related contingencies	405,768	9,311	415,079
Irrevocable commitments to extend credit	15,821,707	17,251,829	33,073,536
Unutilised credit card lines	7,610,596	-	7,610,596
Others	23	-	23
Total commitments and contingencies	24,931,726	17,470,687	42,402,413

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.

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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**

48 Financial instruments (continued)

(d) Credit risk (continued)

(i) Maximum exposure to credit risk (continued)

The table below shows the maximum exposure to credit risk for the Group and the Company:

	The Group		The Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Credit risk exposure relating to:				
Short-term funds and placements with banks and other financial institutions (exclude cash in hand)	11,277,720	20,638,179	14,588	15,162
Securities purchased under resale agreement	12,163,252	2,997,197	-	-
Financial assets and investments portfolios (exclude shares)				
- Financial assets held-for-trading	8,441,162	12,425,242	-	-
- Financial investments available-for-sale	24,146,598	20,527,518	-	-
- Financial investments held-to-maturity	10,887,303	9,798,597	-	-
Loans, advances and financing	113,111,668	103,665,448	-	-
Clients' and brokers' balances	337,631	430,804	-	-
Other receivables	1,322,883	619,089	609	2,076
Amount due from subsidiaries	-	-	179	54,535
Derivative financial instruments	1,468,085	712,983	126	1,211
Commitments and contingencies	44,195,463	42,402,413	-	-
Total maximum credit risk exposure	227,351,765	214,217,470	15,502	72,984

(ii) Collaterals

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

- Fixed deposits, Mudharabah General Investment Account, negotiable instrument of deposits, foreign currency deposits and cash deposits/margins
- Land and buildings
- Aircrafts, vessels and automobiles
- Quoted shares, unit trust, Malaysian Governments Bonds and securities and private debt securities
- Endowment life policies with cash surrender value
- Other tangible business assets, such as inventory and equipment

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

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for loans, advances and financing for the Group is 81.16% (2014: 88.59%). The financial effects of collateral held for the remaining financial assets are insignificant.

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48 Financial instruments (continued)
(d) Credit risk (continued)
(iii) Credit Quality

The Group assess credit quality of loans and advances using internal rating techniques tailored to the various categories of products and counterparties. These techniques have been developed internally and combine statistical analysis with credit officers judgement.

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

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

(a) Loans, advances and financing

Loans, advances and financing are summarised as follows:

	The Group 2015 RM'000	2014 RM'000
Neither past due nor impaired	105,601,617	95,187,756
Past due but not impaired	7,856,652	8,836,178
Individually impaired	948,583	1,232,588
Gross loans, advances and financing	<u>114,406,852</u>	<u>105,256,522</u>
Unamortised fair value changes arising from terminated fair value hedges	(2,188)	(1,516)
Less : Allowance for impaired loans, advances and financing		
- individual assessment allowance	(323,071)	(511,647)
- collective assessment allowance	(969,925)	(1,077,911)
Net loans, advances and financing	<u>113,111,668</u>	<u>103,665,448</u>

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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**

48 Financial instruments (continued)

(d) Credit risk (continued)

(iii) Credit Quality (continued)

(a) Loans, advances and financing (continued)

(i) Loans, advances and financing neither past due nor impaired

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

		The Group	
		2015	2014
		RM'000	RM'000
Hong Leong Bank Group			
Consumer loans/financing			
<u>Risk Grade</u>			
Good		72,422,243	63,113,664
Weakest		587,566	619,854
		<u>73,009,809</u>	<u>63,733,518</u>
Corporates loans/financing			
<u>Risk Grade</u>	<u>Credit Quality</u>		
A	Exceptional	899,588	892,667
B+	Superior	3,723,977	3,300,839
B	Excellent	5,945,468	5,777,197
B-	Strong	5,119,426	4,881,363
C+	Good	5,484,968	4,871,072
C	Satisfactory	6,670,357	6,207,560
C-	Fair	2,575,284	3,189,640
D+	Adequate	734,607	784,535
D	Marginal	45,745	159,531
Un-graded		404,449	302,814
		<u>31,603,869</u>	<u>30,367,218</u>
Hong Leong Capital Group			
<u>Risk Grade</u>			
- Good		92,533	113,285
- Satisfactory		50,533	26,827
- Un-graded		183,297	291,950
		<u>326,363</u>	<u>432,062</u>
HLA Holdings Group			
<u>Risk Grade</u>			
Ungraded		661,576	654,958
The Group total neither past due nor impaired		<u>105,601,617</u>	<u>95,187,756</u>

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**Notes to the financial statements
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48 Financial instruments (continued)
(d) Credit risk (continued)
(iii) Credit Quality (continued)
(a) Loans, advances and financing (continued)
(ii) Loans, advances and financing past due but not impaired

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

Loans, advances and financing less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. Gross amount of loans, advances and financing by class to customers that were past due but not impaired were as follows:

	The Group	
	2015	2014
	RM'000	RM'000
Past due less than 30 days	5,427,934	6,118,113
Past due 30 to less than 60 days	1,734,968	1,953,269
Past due 60 to less than 90 days	693,750	764,796
Past due but not impaired	<u>7,856,652</u>	<u>8,836,178</u>

(iii) Loans, advances and financing that are determined to be impaired as at 30 June 2015 and 30 June 2015 are as follows:

	The Group	
	2015	2014
	RM'000	RM'000
Gross amount of impaired loans	948,583	1,232,588
Less: Individual assessment impairment allowance	(323,071)	(511,647)
Less: Collective assessment impairment allowance	(247,267)	(343,625)
Total net amount of impaired loans	<u>378,245</u>	<u>377,316</u>

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Notes to the financial statements
for the financial year ended 30 June 2015 (continued)

48 Financial instruments (continued)

(d) Credit risk (continued)

(iii) Credit Quality (continued)

(b) Other financial assets

Analysis of other financial assets by rating agency designation (where applicable) as at 30 June 2015, based on Moody's ratings or its equivalent are as follows:

2015	The Group							
	Short-term funds and deposits and placements with banks and other financial institutions* RM'000	Securities purchased under resale agreements [^] RM'000	Financial assets held-for-trading [#] RM'000	Financial investments available-for-sale [#] RM'000	Financial investments held-to-maturity [#] RM'000	Clients' and brokers' balances RM'000	Other receivables RM'000	Derivative financial instruments RM'000
Neither past due nor impaired								
AAA to AA3	2,470,863	-	905,658	11,588,797	536,661	799	3,614	126,691
A1 to A3	4,713,933	-	435,545	3,484,457	49,059	-	-	756,897
Baa1 to Baa3	548,661	-	22,528	660,766	199,328	-	-	24,422
P1 to P3	570,781	-	426,775	70,395	-	-	4,374	27
Non-rated	2,973,482	12,163,252	6,650,656	8,342,184	10,102,255	336,832	1,314,895	560,048
	11,277,720	12,163,252	8,441,162	24,146,598	10,887,303	337,631	1,322,883	1,468,085
Individually impaired	-	-	-	-	-	-	-	-
	11,277,720	12,163,252	8,441,162	24,146,598	10,887,303	337,631	1,322,883	1,468,085

The amount of short-term funds, deposits and placements with banks and other financial institutions, 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.

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for the financial year ended 30 June 2015 (continued)****48 Financial instruments (continued)****(d) Credit risk (continued)****(iii) Credit Quality (continued)****(b) Other financial assets (continued)**

Analysis of other financial assets by rating agency designation (where applicable) as at 30 June 2014, based on Moody's ratings or its equivalent are as follows:

2014	The Group							
	Short-term funds and deposits and placements with banks and other financial institutions* RM'000	Securities purchased under resale agreements [^] RM'000	Financial assets held-for-trading [#] RM'000	Financial investments available-for-sale [#] RM'000	Financial investments held-to-maturity [#] RM'000	Clients' and brokers' balances RM'000	Other receivables RM'000	Derivative financial instruments RM'000
Neither past due nor impaired								
AAA to AA3	3,154,268	-	915,643	8,976,597	584,651	-	-	152,205
A1 to A3	6,516,792	-	447,459	3,078,729	103,895	-	2,125	335,519
Baa1 to Baa3	326,743	-	22,415	444,580	142,272	-	-	36,184
P1 to P3	992,996	-	327,622	-	-	-	1,068	-
Non-rated	9,647,380	2,997,197	10,712,103	8,027,612	8,967,779	430,804	615,896	189,075
	20,638,179	2,997,197	12,425,242	20,527,518	9,798,597	430,804	619,089	712,983
Individually impaired								
	20,638,179	2,997,197	12,425,242	20,527,518	9,798,597	430,804	619,089	712,983

The amount of short-term funds, deposits and placements with banks and other financial institutions, 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.

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**Notes to the financial statements
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48 Financial instruments (continued)

(d) Credit risk (continued)

(iii) Credit Quality (continued)

(b) Other financial assets (continued)

Analysis of other financial assets by rating agency designation (where applicable) as at 30 June 2015 and 30 June 2014, based on Moody's ratings or its equivalent are as follows:

	The Company			
	Short-term funds and deposits and placements with banks and others financial institutions RM'000	Other receivables RM'000	Amount due from subsidiaries RM'000	Derivative financial instruments RM'000
2015				
Neither past due nor impaired				
AAA to AA3	14,588	-	-	-
A1 to A3	-	-	-	-
Baa1 to Baa3	-	-	-	-
P1 to P3	-	-	-	-
Non-rated	-	609	179	126
	<u>14,588</u>	<u>609</u>	<u>179</u>	<u>126</u>
Individually impaired	-	-	-	-
	<u>14,588</u>	<u>609</u>	<u>179</u>	<u>126</u>
2014				
Neither past due nor impaired				
AAA to AA3	15,162	-	-	-
A1 to A3	-	-	-	-
Baa1 to Baa3	-	-	-	-
P1 to P3	-	-	-	-
Non-rated	-	2,076	54,535	1,211
	<u>15,162</u>	<u>2,076</u>	<u>54,535</u>	<u>1,211</u>
Individually impaired	-	-	-	-
	<u>15,162</u>	<u>2,076</u>	<u>54,535</u>	<u>1,211</u>

(iv) Collateral and other credit enhancements obtained

	The Group	
	2015 RM'000	2014 RM'000
Properties	<u>93,521,160</u>	<u>79,852,505</u>

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.

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48 Financial instruments (continued)

(d) Credit risk (continued)

(v) Credit risk exposure analysed by industry in respect of the Group's financial assets are set out below:

	The Group												
	Short-term funds and placements with banks and other financial institutions	Securities purchased under resale agreements	Financial assets held-for-trading	Financial investments available-for-sale	Financial investments held-to-maturity	Loans, advances and financing	Clients' and brokers' balances receivables	Other receivables	Derivative financial instruments	Total credit risk exposures	Credit related commitments and contingencies	Undrawn loan commitments and other facilities	Guarantees, endorsements and other contingent items
2015	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture	-	-	-	85,860	-	2,844,898	-	-	-	2,930,758	-	984,783	1,738
Mining and quarrying	-	-	-	76,322	-	358,799	-	-	-	435,121	700	184,917	-
Manufacturing	-	-	5,036	117,185	-	8,859,936	-	216	-	8,982,373	-	6,240,230	180,134
Electricity, gas and water	-	-	55,390	1,742,717	-	152,818	-	1,352	-	1,952,277	-	124,169	-
Construction	-	-	94,676	754,503	-	2,071,193	-	3,292	-	2,923,664	8,701	1,622,774	10,362
Wholesale and retail	-	-	-	5,048	-	9,691,885	-	744	-	9,697,677	-	5,623,431	175,792
Transport, storage and communications	-	-	36,685	722,994	-	1,754,451	-	233	-	2,514,363	-	575,145	13,217
Finance, insurance, real estate and business services	9,386,221	-	6,872,010	13,698,018	589,581	10,722,051	139,448	1,286,585	1,468,085	44,161,999	30,325	4,121,785	225,437
Government and government agencies	1,891,499	12,163,252	1,156,912	5,615,090	9,862,754	-	-	14,012	-	30,702,519	-	-	650
Education, health and others	-	-	-	-	-	1,284,155	-	160	-	1,284,315	680,675	697,050	562
Household	-	-	-	-	-	73,352,548	-	-	-	73,352,548	-	22,202,262	4,449
Purchase of securities	-	-	-	-	-	-	198,183	-	-	198,183	-	-	-
Others	-	-	221,453	1,328,861	434,968	2,018,934	-	16,289	-	4,020,505	14,376	471,199	-
	11,277,720	12,163,252	8,441,162	24,146,598	10,867,303	113,111,668	337,631	1,322,883	1,468,085	183,156,302	735,377	42,847,745	612,341

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48 Financial instruments (continued)

(d) Credit risk (continued)

(v) Credit risk exposure analysed by industry in respect of the Group's financial assets are set out below: (continued)

	The Group												
	Short-term funds and placements with banks and other financial institutions	Securities purchased under resale agreements	Financial assets held-for-trading	Financial investments available-for-sale	Financial investments held-to-maturity	Loans, advances and financing	Clients' and brokers' balances	Other receivables	Derivative financial instruments	Total credit risk exposures	Credit related commitments and contingencies	Undrawn loan commitments and other facilities	Guarantees, endorsements and other contingent items
2014	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture	-	-	-	115,680	10,035	2,621,328	-	-	-	-	861,764	3,370	
Mining and quarrying	-	-	-	-	-	417,630	-	-	-	-	160,637	93	
Manufacturing	-	-	-	53,463	5,055	8,547,955	-	635	-	700	5,726,166	160,628	
Electricity, gas and water	-	-	20,034	1,437,203	-	271,981	-	25,015	-	140,000	99,216	15,097	
Construction	-	-	70,315	736,769	-	1,872,203	-	4,814	-	68,321	1,332,313	10,152	
Wholesale and retail	-	-	19,419	29,638	15,261	9,393,081	-	-	-	-	5,419,058	221,979	
Transport, storage and communications	-	-	15,632	456,505	-	1,832,185	-	-	-	-	577,140	14,082	
Finance, insurance, real estate and business services	11,392,027	-	10,514,907	10,836,162	594,686	10,914,921	143,048	564,240	712,983	132,120	4,163,916	305,637	
Government and government agencies	9,246,152	2,987,197	1,659,257	6,042,521	8,773,943	-	-	15,145	-	-	-	645	
Education, health and others	-	-	-	-	-	1,134,035	-	44	-	591,635	558,456	34,078	
Household	-	-	-	-	-	65,442,891	-	-	-	-	21,384,602	5,485	
Others	-	-	125,678	819,267	398,617	1,417,237	287,756	6,198	-	14,259	400,644	-	
	20,838,179	2,987,197	12,425,242	20,527,518	9,798,597	103,665,448	430,804	619,089	712,983	947,035	40,684,132	771,246	

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48 Financial Instruments (continued)

(d) Credit risk (continued)

(v) Credit risk exposure analysed by industry in respect of the Company's financial assets are set out below:
(continued)

	The Company				
	Short-term funds and placements with banks and other financial institutions RM'000	Other receivables RM'000	Amount due from subsidiaries RM'000	Derivative financial instruments RM'000	Total credit risk exposures RM'000
2015					
Finance, insurance, real estate and business services	14,588	609	179	126	15,502
2014					
Finance, insurance, real estate and business services	15,162	2,076	54,535	1,211	72,984

49 Fair value of financial instruments

Financial instruments comprise financial assets and financial liabilities. Fair value is the amount at which a financial asset could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction. 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.

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49 Fair value of financial instruments

(a) Determination of fair value and fair value hierarchy (continued)

In cases where quoted prices are generally not available, the Group then determines fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high.

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Such inputs are generally determined based on observable inputs of a similar nature, historical observations on the level of the input or other analytical techniques.

The table below analyses financial instruments carried at fair value analysed by level within the fair value hierarchy:

	The Group Fair Value			Total RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
2015				
Recurring fair value measurements				
Financial assets				
Financial assets held-for-trading				
- Money market instruments	-	7,204,192	-	7,204,192
- Quoted securities	1,173,464	-	-	1,173,464
- Unquoted securities	-	861,148	-	861,148
Financial investments available-for-sale				
- Money market instruments	-	7,028,388	-	7,028,388
- Quoted securities	10,912,158	-	-	10,912,158
- Unquoted securities	-	11,285,232	397,279	11,682,511
Derivative financial instruments	42	1,461,090	6,952	1,468,084
	12,085,664	27,840,050	404,231	40,329,945
Financial liabilities				
Derivative financial instruments	2,959	1,359,454	6,952	1,369,365
2014				
Recurring fair value measurements				
Financial assets				
Financial assets held-for-trading				
- Money market instruments	-	11,563,582	-	11,563,582
- Quoted securities	1,074,389	-	-	1,074,389
- Unquoted securities	-	618,531	-	618,531
Financial investments available-for-sale				
- Money market instruments	-	7,486,250	-	7,486,250
- Quoted securities	10,161,271	-	-	10,161,271
- Unquoted securities	-	9,089,557	369,708	9,459,265
Derivative financial instruments	1,417	711,566	-	712,983
	11,237,077	29,469,486	369,708	41,076,271
Financial liabilities				
Derivative financial instruments	13,827	807,513	-	821,340

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 (2014: RM Nil).

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Hong Leong Financial Group Berhad

Company No: 8024-W
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Notes to the financial statements for the financial year ended 30 June 2015 (continued)

49 Fair value of financial instruments (continued)

(a) Determination of fair value and fair value hierarchy (continued)

The table below analyses financial instruments carried at fair value analysed by level within the fair value hierarchy: (continued)

2015	The Company Fair Value			Total RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
Recurring fair value measurements				
Financial assets				
Derivative financial instruments	-	126	-	126
Financial liabilities				
Derivative financial instruments	-	1,158	-	1,158
2014				
Recurring fair value measurements				
Financial assets				
Derivative financial instruments	-	1,211	-	1,211
Financial liabilities				
Derivative financial instruments	-	1,253	-	1,253

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 (2014: RM Nil).

Reconciliation of fair value measurements in Level 3 of the fair value hierarchy, as below:

2015	The Group		Financial Liability Derivative financial instruments RM'000
	Financial investments available-for-sale RM'000	Derivative financial instruments RM'000	
As at 1 July	369,708	-	-
Total losses recognised in statements of income	-	(480)	(480)
Net fair value changes recognised in other comprehensive income	27,596	-	-
Purchases	-	7,432	7,432
Disposal	(25)	-	-
As at 30 June	397,279	6,952	6,952
Total losses recognised in statement of income relating to assets/liability held on 30 June 2015	-	(480)	(480)
Total gain recognised in other comprehensive income relating to assets held on 30 June 2015	27,596	-	-

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No: 8024-W
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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**

49 Fair value of financial instruments (continued)

(a) Determination of fair value and fair value hierarchy (continued)

Reconciliation of fair value measurements in Level 3 of the fair value hierarchy, as below (continued):

	The Group
	Financial investments available-for-sale RM'000
2014	
As at 1 July	332,796
Net fair value changes recognised in other comprehensive income	37,353
Redeemed during the year	(441)
As at 30 June	<u>369,708</u>
Total gain recognised in other comprehensive income relating to assets held on 30 June 2014	<u>37,353</u>

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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**

49 Fair value of financial instruments (continued)

(a) Determination of fair value and fair value hierarchy (continued)

Quantitative information about fair value measurements using significant unobservable inputs (Level 3)

Description	The Group		Valuation technique(s)	Unobservable input	Range (weighted average)	Inter-relationship between significant unobservable inputs and fair value measurement
	Fair value assets RM'000	Fair value assets RM'000				
Financial investments available-for-sale						
Unquoted shares	397,279	-	Net tangible assets	Net tangible assets	Not applicable	Higher net tangible assets results in higher fair value
Derivative financial instruments						
Equity derivatives			Monte Carlo Simulation	Equity volatility	-18% to +16%	Higher volatility, would generally result in higher fair valuation for long volatility positions and vice versa
	6,952	(6,952)	Monte Carlo Simulation	Correlation between underlyers	-69% to +4%	An increase in correlation, would generally result in a higher fair value measurement and vice versa

Sensitivity analysis for level 3

The Group 2015	Type of unobservable input	Sensitivity of significant unobservable input	Effect of reasonable possible alternative assumptions to: Profit or loss	
			Favourable changes RM'000	Unfavourable changes RM'000
Derivative financial instruments - Equity link derivatives	Equity volatility	+10%	-	-
		-10%	-	-
	Equity / FX Correlation	+10%	-	-
		-10%	-	-
The Group 2014	Type of unobservable input	Sensitivity of significant unobservable input	Effect of reasonable possible alternative assumptions to: Profit or loss	
			Favourable changes RM'000	Unfavourable changes RM'000
Derivative financial instruments - Equity link derivatives	Equity volatility	+10%	-	-
		-10%	-	-
	Equity / FX Correlation	+10%	-	-
		-10%	-	-

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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**

49 Fair value of financial instruments (continued)

(b) Fair values of financial instruments not carried at fair value

Set out below is the comparison of the carrying amount and fair value of those financial instruments of the Group and the Company which are not carried at fair value in the financial instruments, but for which fair value is disclosed. It does not include those short term/on demand financial assets and financial liabilities where the carrying amount are reasonable approximation of their fair values:

	The Group			
	Carrying amount 2015 RM'000	Fair value 2015 RM'000	Carrying amount 2014 RM'000	Fair value 2014 RM'000
	Financial assets			
Financial investments held-to-maturity				
- Money market instruments	9,921,251	9,875,516	8,925,614	8,841,131
- Unquoted securities	1,020,587	1,038,131	925,518	928,930
Loans, advances and financing	113,111,668	113,206,637	103,665,448	104,050,578
	124,053,506	124,120,284	113,516,580	113,820,639
Financial liabilities				
Deposits from customers	140,955,465	141,297,349	130,632,286	130,951,096
Borrowings	3,096,882	3,093,242	5,307,604	5,121,512
Subordinated obligations	5,161,255	5,132,243	5,359,614	5,305,330
Non-innovative Tier 1 stapled securities	1,410,869	1,420,865	1,410,252	1,430,658
Innovative Tier 1 capital securities	530,223	579,348	541,767	589,894
	151,154,694	151,523,047	143,251,523	143,398,490
The Company				
	Carrying amount 2015 RM'000	Fair value 2015 RM'000	Carrying amount 2014 RM'000	Fair value 2014 RM'000
Financial liabilities				
Borrowings	860,666	827,327	1,311,342	1,286,869

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Hong Leong Financial Group Berhad

Company No: 8024-W
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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**

49 Fair value of financial instruments (continued)

(b) Fair values of financial instruments not carried at fair value (continued)

The following table analyses within the fair value hierarchy of the Group's and the Company's assets and liabilities not measured at fair value at 30 June 2015 and 30 June 2014 but for which fair value is disclosed:

2015	Carrying amount	Fair value			Total
	RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
Financial assets					
Financial investments					
held-to-maturity					
- Money market instruments	9,921,251	-	9,875,516	-	9,875,516
- Unquoted securities	1,020,587	-	1,037,647	484	1,038,131
Loans, advances and financing	113,111,668	-	113,206,637	-	113,206,637
	124,053,506	-	124,119,800	484	124,120,284
Financial liabilities					
Deposits from customers	140,955,465	-	141,297,349	-	141,297,349
Borrowings	3,096,882	-	3,093,242	-	3,093,242
Subordinated obligations	5,161,255	-	5,132,243	-	5,132,243
Non-Innovative Tier 1					
stapled securities	1,410,869	-	1,420,865	-	1,420,865
Innovative Tier 1					
capital securities	530,223	-	579,348	-	579,348
	151,154,694	-	151,523,047	-	151,523,047
2014					
Financial assets					
Financial investments					
held-to-maturity					
- Money market instruments	8,925,614	-	8,841,131	-	8,841,131
- Unquoted securities	925,518	-	928,442	488	928,930
Loans, advances and financing	103,665,448	-	104,050,578	-	104,050,578
	113,516,580	-	113,820,151	488	113,820,639
Financial liabilities					
Deposits from customers	130,632,286	-	130,951,096	-	130,951,096
Borrowings	5,307,604	-	5,121,512	-	5,121,512
Subordinated obligations	5,359,614	-	5,305,330	-	5,305,330
Non-Innovative Tier 1					
stapled securities	1,410,252	-	1,430,658	-	1,430,658
Innovative Tier 1					
capital securities	541,767	-	589,894	-	589,894
	143,251,523	-	143,398,490	-	143,398,490

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Company No: 8024-W
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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**

49 Fair value of financial instruments (continued)

(b) Fair values of financial instruments not carried at fair value (continued)

The following table analyses within the fair value hierarchy of the Group's and the Company's assets and liabilities not measured at fair value at 30 June 2015 and 30 June 2014 but for which fair value is disclosed (continued):

	Carrying amount RM'000	Level 1 RM'000	Fair value		Total RM'000
			Level 2 RM'000	Level 3 RM'000	
2015					
Financial liabilities					
Borrowings	860,666	-	827,327	-	827,327
2014					
Financial liabilities					
Borrowings	1,311,342	-	1,286,869	-	1,286,869

(c) Fair value methodologies and assumptions

Short-term funds and placements with financial institutions

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

Securities purchased under resale agreements

The fair values of securities purchased under resale agreements with maturities of less than six months approximate the carrying values. For securities purchased under resale agreements with maturities of six months and above, the estimated fair values are based on discounted cash flows using market rates for the remaining term to maturity.

Securities held at fair value through profit or loss, available-for-sale and held-to-maturity

The estimated fair value is generally based on quoted and observable market prices. Where there is no ready market in certain securities, the Group and the Company establishes the fair value by using valuation techniques.

Loans, advances and financing

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

Deposits from customers

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

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.

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Company No: 8024-W
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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)****49 Fair value of financial instruments (continued)****(c) Fair value methodologies and assumptions (continued)****Subordinated obligations, senior bonds, stapled securities and capital securities**

The fair value of subordinated obligations, senior bonds, stapled securities and capital securities are based on quoted market prices where available.

Other financial assets and liabilities

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

Borrowings

The estimated fair values of borrowings with maturities of less than six months approximate the carrying values. For other borrowings with maturities six months or more, the fair values are estimated based on discounted cash flows using prevailing market rates for borrowings with similar risk profile.

Credit related commitment and contingencies

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

Foreign exchange and interest rate related contracts

The fair values of foreign exchange and interest rate related contracts are the estimated amounts the Group or the Company would receive or pay to terminate the contracts at the statements of financial position date.

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Hong Leong Financial Group Berhad

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Notes to the financial statements
for the financial year ended 30 June 2015 (continued)

50 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows:

	The Group				The Company			
	Gross amounts recognised in the statements of financial position RM'000	Gross amount offset in the statement of financial position RM'000	Net amount presented in the statements of financial position RM'000	Related amounts not set off in the statements of financial position	Gross amounts recognised in the statements of financial position RM'000	Gross amount offset in the statement of financial position RM'000	Net amount presented in the statements of financial position RM'000	Related amounts not set off in the statements of financial position
2015								
Financial assets								
Clients' and brokers' balances	544,028	(206,397)	337,631	-	-	-	-	-
Derivative financial instruments	1,510,926	(42,842)	1,468,084	(690,725)	770	(644)	126	126
Securities purchased under resale agreements	12,670,084	(506,832)	12,163,252	(12,170,922)	-	-	-	-
Other receivables	1,507,217	(91,384)	1,415,833	-	788	-	788	788
Total	16,232,255	(647,455)	15,584,800	(12,861,647)	1,558	(644)	914	914
Financial liabilities								
Clients' and brokers' balances	396,141	(203,413)	192,728	-	-	-	-	-
Derivative financial instruments	1,411,563	(42,198)	1,369,365	(690,725)	1,158	-	1,158	1,158
Obligations on securities sold under repurchase agreements	4,198,170	(506,832)	3,691,338	(2,532,086)	-	-	-	-
Payables and other liabilities	5,907,631	(110,937)	5,796,694	-	11,103	-	11,103	11,103
Total	11,913,505	(863,380)	11,050,125	(3,222,811)	12,261	-	12,261	12,261

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No: 8024-W

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Notes to the financial statements
for the financial year ended 30 June 2015 (continued)

50 Offsetting of financial assets and financial liabilities (continued)

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows: (continued)

	The Group				The Company			
	Gross amounts recognised in the statements of financial position	Gross amount offset in the financial position	Net amount presented in the statements of financial position	Net amount presented in the statements of financial position	Gross amounts recognised in the statements of financial position	Gross amount offset in the financial position	Net amount presented in the statements of financial position	Net amount presented in the statements of financial position
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2014								
Financial assets								
Clients' and brokers' balances	709,117	(278,313)	430,804	-	-	-	-	-
Derivative financial instruments	805,383	(92,400)	712,983	(446,544)	(25,639)	240,800	1,211	1,211
Securities purchased under resale agreements	3,807,143	(809,946)	2,997,197	(3,001,444)	-	(4,247)	-	-
Other receivables	774,745	(81,225)	693,520	-	-	693,520	56,611	56,611
Total	6,096,388	(1,261,884)	4,834,504	(3,447,988)	(25,639)	1,360,877	57,822	57,822
Financial liabilities								
Clients' and brokers' balances	604,302	(266,616)	337,686	-	-	337,686	-	-
Derivative financial instruments	912,775	(91,435)	821,340	(446,544)	(192,646)	182,150	1,253	1,253
Obligations on securities sold under repurchase agreements	5,105,921	(809,946)	4,295,975	(4,289,335)	(12,678)	(6,038)	-	-
Payables and other liabilities	6,362,241	(92,922)	6,269,319	-	-	6,269,319	17,088	17,088
Total	12,985,239	(1,260,919)	11,724,320	(4,735,879)	(205,324)	6,783,117	18,341	18,341

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**Hong Leong Financial Group Berhad**

Company No: 8024-W
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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)****51 Equity compensation benefits****Executive Share Option Scheme And Executive Share Scheme**

The Company has concurrently established and implemented an Executive Share Option Scheme and an Executive Share Scheme.

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

The ESOS 2006/2016 of up to fifteen percent (15%) of the issued and paid-up ordinary share capital of the Company, which was approved by the shareholders of the Company on 8 November 2005, was established on 23 January 2006 and would be in force for a period of ten (10) years.

On 18 January 2006, the Company announced that Bursa Malaysia Securities Berhad had approved-in-principle the listing of new ordinary shares of the Company to be issued pursuant to the exercise of options under the ESOS 2006/2016 at any time during the existence of the ESOS 2006/2016.

The ESOS 2006/2016 would provide an opportunity for eligible executives who had contributed to the growth and development of the Company and its subsidiaries ("the Group") to participate in the equity of the Company.

The main features of the ESOS 2006/2016 are, inter alia, as follows:

1. Eligible executives are persons as defined by the ESOS 2006/2016 Bye-Laws.
2. The maximum allowable allotments for the full time Executive Directors had been approved by the shareholders of the Company in a general meeting. The Board, as defined by the ESOS 2006/2016 Bye-Laws, may from time to time at its discretion select and identify suitable eligible executives to be offered options.
3. The aggregate number of shares to be issued under the ESOS 2006/2016 shall not exceed 15% of the issued and paid-up ordinary share capital of the Company for the time being.
4. The ESOS 2006/2016 shall be in force for a period of ten (10) years from 23 January 2006.
5. The option price shall not be at a discount of more than ten percent (10%) (or such discount as the relevant authorities shall permit) from the 5-day weighted average market price of the shares of the Company preceding the Date of Offer as defined by the ESOS 2006/2016 Bye-Laws, and shall in no event be less than the par value of the shares of the Company.
6. The options granted to an option holder under the ESOS 2006/2016 is exercisable by the option holder only during his employment with the Group and upon meeting the vesting conditions of each of the ESOS plan as stated in the following pages, subject to any maximum limit as may be determined by the Board under the Bye-Laws of the ESOS 2006/2016.
7. The exercise of the options may, at the absolute discretion of the Board, be satisfied by way of issuance of new shares; transfer of existing shares purchased by a trust established for the ESOS 2006/2016; or a combination of both new shares and existing shares.

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**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)****51 Equity compensation benefits (continued)****Executive Share Option Scheme And Executive Share Scheme (continued)****(b) Executive Share Scheme ("ESS")**

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

(i) ESOS 2013/2023

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

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

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

(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.

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

1. Eligible executives are persons as defined by the ESS Bye-Laws.
2. The maximum allowable allotments for the full time Executive Directors had been approved by the shareholders of the Company in a general meeting. The Board, as defined by the ESS Bye-Laws, may from time to time at its absolute discretion select and identify suitable eligible executives to be offered options or grants.
3. At any point of time during the existence of the ESS, the aggregate number of shares comprised in the options and grants under the ESS and any other executive share schemes established by the Company which are still subsisting shall not exceed 10% of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company at any one time.
4. The option price for the options to be granted under the ESOS 2013/2023 shall not be at a discount of more than ten percent (10%) (or such discount as the relevant authorities shall permit) from the 5-day weighted average market price of the shares of the Company preceding the Date of Offer as defined by the ESS Bye-Laws, and shall in no event be less than the par value of the shares of the Company.

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Notes to the financial statements for the financial year ended 30 June 2015 (continued)

51 Equity compensation benefits (continued)

Executive Share Option Scheme And Executive Share Scheme (continued)

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

The main features of the ESS are, inter alia, as follows: (continued)

5. The options granted to an option holder under the ESOS 2013/2023 is exercisable by the option holder during his employment or directorship with the Group and upon meeting the vesting conditions of each ESOS plan as stated in the following pages, subject to any maximum limit as may be determined by the Board under the Bye-Laws of the ESS.
6. The shares to be vested to a grant holder under the ESGS will be vested to the grant holder only during his employment or directorship with the Group and subject to any other terms and conditions as may be determined by the Board.
7. The exercise of the options under the ESOS 2013/2023 or the vesting of shares under the ESGS may, at the absolute discretion of the Board, be satisfied by way of issuance of new shares; transfer of existing shares purchased by a trust established for the ESS; or a combination of both new shares and existing shares.

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

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

	The Group			
	2015		2014	
	Number of trust shares held unit	Cost RM	Number of trust shares held unit	Cost RM
As at 1 July	5,154,700	25,421,501	10,036,600	49,957,501
Purchase of treasury shares	177,500	2,694,865	-	-
Exercise of ESOS	(3,050,300)	(15,418,194)	(4,881,900)	(24,536,000)
As at 30 June	<u>2,281,900</u>	<u>12,698,172</u>	<u>5,154,700</u>	<u>25,421,501</u>

	The Company			
	2015		2014	
	Number of trust shares held unit	Cost RM	Number of trust shares held unit	Cost RM
As at 1 July	3,000,408	15,181,189	7,344,408	37,160,526
Exercise of ESOS	(3,000,000)	(15,179,100)	(4,344,000)	(21,979,337)
As at 30 June	<u>408</u>	<u>2,089</u>	<u>3,000,408</u>	<u>15,181,189</u>

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Notes to the financial statements for the financial year ended 30 June 2015 (continued)

51 Equity compensation benefits (continued)

Executive Share Option Scheme And Executive Share Scheme (continued)

The current 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.

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

(a) 6,000,000 share options at an exercise price of RM11.77:

2015

Grant date	Expiry date	As at				Exercised	Outstanding	Exercisable
		1 July 2014	Granted	Forfeited	Expired		As at 30 June 2015	As at 30 June 2015
2-Apr-12	July 2015	3,000,000	-	-	-	(3,000,000)	-	-
		<u>3,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,000,000)</u>	<u>-</u>	<u>-</u>

2014

Grant date	Expiry date	As at				Exercised	Outstanding	Exercisable
		1 July 2013	Granted	Forfeited	Expired		As at 30 June 2014	As at 30 June 2014
2-Apr-12	July 2014	3,000,000	-	-	-	(3,000,000)	-	-
2-Apr-12	July 2015	3,000,000	-	-	-	-	3,000,000	3,000,000
		<u>6,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,000,000)</u>	<u>3,000,000</u>	<u>3,000,000</u>

The vesting conditions for the above share options is based on service (time) based periods. The vesting period of the options range from 2 to 3 years from grant date.

The weighted average share price at the time of exercise was RM15.91. The weighted average remaining contractual life for the share is Nil years (2014: 1.00 years).

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**Hong Leong Financial Group Berhad**

Company No: 8024-W
(Incorporated in Malaysia)

**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)****52 Significant events during the financial year**

- (a) On 2 December 2014, Hong Leong Bank Berhad ("HLB"), a subsidiary of HLFGB, announced that it had fully redeemed the RM250.0 million 5.75% Subordinated MTNs. The RM250.0 million Subordinated MTNs were previously issued by Promino Sdn Bhd (formerly known as EON Bank Berhad) on 2 December 2009, and were vested to HLB effective 1 July 2011.
- (b) On 6 April 2015, HLFGB announced that Hong Leong Assurance Berhad ("HLA"), a 70% indirect subsidiary of HLFGB, had entered into a sale and purchase agreement with HLB in respect of the proposed acquisition by HLA of a parcel of land (the "Land") together with a commercial office building known as Menara Raja Laut erected on the Land from HLB for a cash consideration of RM220,000,000 ("Disposal"). The Disposal has been approved by the shareholders of HLFGB at the Extraordinary General Meeting held on 28 April 2015. The Disposal was completed on 15 June 2015.
- (c) On 7 April 2015, HLFGB announced the grant by HLA of options to purchase up to an aggregate of 12,200,000 ordinary shares of RM1.00 each ("HLFGB share") at an exercise price of RM16.88 per HLFGB share to the eligible executives of HLA on 2 April 2015 pursuant to HLFGB's Executive Share Scheme. The options granted are subject to the achievement of certain performance criteria by the option holders over a performance period concluding at the end of the financial year ending 30 June 2017 ("FY 2017"). The achievement of the performance targets and the number of shares (if any) to be vested shall be determined at the end of FY 2017.
- (d) On 7 April 2015, HLB announced the grant of options to purchase up to an aggregate of 37,550,000 ordinary shares of RM1.00 each ("HLB share") at an exercise price of RM14.24 per HLB share to the eligible executives and/or Director of HLB and its subsidiary on 2 April 2015 pursuant to HLB's Executive Share Scheme. The options granted are subject to the achievement of certain performance criteria by the option holders over a performance period concluding at the end of the financial year ending 30 June 2018 ("FY 2018"). The achievement of the performance targets and the number of shares (if any) to be vested shall be determined at the end of FY 2018.

53 Subsequent events after the financial year

- (a) On 3 July 2015, HLB announced that it had on 3 July 2015 entered into a conditional share sale agreement ("SSA") with Hong Leong Real Estate Holdings Sdn Bhd ("HLREH") for the proposed acquisition of the entire issued and paid-up share capital of DC Tower Sdn Bhd ("DCT") for an indicative cash consideration of RM189,333,000, subject to adjustments (if any) pursuant to the terms of the SSA ("Proposed Acquisition").

DCT is principally a property investment company, holding the development and ownership rights in respect of a 33-storey purpose-built stratified office building currently referred to as Office Tower A which is located within the on-going integrated development project known as Damansara City Kuala Lumpur.

- (b) On 10 August 2015, HLB announced that it had on 10 August 2015 fully redeemed the RM700.0 million 4.85% Tier 2 Subordinated Notes issued by HLB on 10 August 2010.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**Hong Leong Financial Group Berhad**

Company No: 8024-W
(Incorporated in Malaysia)

**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)****53 Subsequent events after the financial year (continued)**

- (c) On 12 August 2015, Hong Leong Investment Bank Berhad ("HLIB") announced on behalf of HLB that HLB proposed to undertake a renounceable rights issue of new ordinary shares of RM1.00 each in HLB ("HLB Rights Shares") to HLB shareholders to raise gross proceeds of up to RM3.0 billion ("Proposed HLB Rights Issue").

The Proposed HLB Rights Issue is conditional upon approvals being obtained from the following:

- (i) Bank Negara Malaysia ("BNM"), for the increase in the issued and paid-up share capital of HLB pursuant to the Proposed HLB Rights Issue, which was obtained on 11 August 2015 via its letter dated 10 August 2015;
- (ii) Bursa Malaysia Securities Berhad ("Bursa Securities"), for the listing of and quotation for the HLB Rights Shares on the Main Market of Bursa Securities;
- (iii) the shareholders of HLB at an extraordinary general meeting to be convened; and
- (iv) other relevant authorities/parties, if required.

On 10 September 2015, HLIB announced on behalf of HLB that Bursa Securities had, through its letter dated 10 September 2015, resolved to approve the listing of and quotation for up to 399,800,000 HLB Rights Shares on the Main Market of Bursa Securities.

- (d) On 12 August 2015, HLIB announced on behalf of HLFGB that HLFGB proposed to undertake a renounceable rights issue of new ordinary shares of RM1.00 each in HLFGB ("HLFGB Rights Shares") to HLFGB shareholders to raise gross proceeds of up to RM1.1 billion ("Proposed HLFGB Rights Issue").

The Proposed HLB Rights Issue is conditional upon approvals being obtained from the following:

- (i) BNM, for the increase in the issued and paid-up share capital of HLFGB pursuant to the Proposed HLFGB Rights Issue, which was obtained on 11 August 2015 via its letter dated 10 August 2015;
- (ii) Bursa Securities, for the listing of and quotation for the HLFGB Rights Shares on the Main Market of Bursa Securities;
- (iii) the shareholders of HLFGB at an extraordinary general meeting to be convened; and
- (iv) other relevant authorities/parties, if required.

On 10 September 2015, HLIB announced on behalf of HLFGB that Bursa Securities had, through its letter dated 10 September 2015, resolved to approve the listing of and quotation for up to 150,000,000 HLFGB Rights Shares on the Main Market of Bursa Securities.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No: 8024-W
(Incorporated in Malaysia)

Notes to the financial statements for the financial year ended 30 June 2015 (continued)

54 Income tax relating to components of other comprehensive income

	Before tax RM'000	The Group Tax benefits RM'000	Net of tax amount RM'000
2015			
Financial investments available-for-sale - net fair value gain/(loss)	<u>(169,013)</u>	<u>42,253</u>	<u>(126,760)</u>
Cash flow hedge - net fair value gain/(loss)	<u>216</u>	<u>(54)</u>	<u>162</u>
2014			
Financial investments available-for-sale - net fair value gain/(loss)	<u>64,036</u>	<u>(16,009)</u>	<u>48,027</u>

55 Critical accounting estimates and judgements in applying accounting policies

The Group and the Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Group's and the Company's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are outlined below:

(a) Allowance for impairment losses on loans, advances and financing

The Group reviews their loan portfolios to assess impairment at least on a quarterly basis. It is the policy of the Group to establish, through charges against profit, individual and collective assessment impairment allowances in respect of estimated and inherent credit losses in their portfolio.

In determining individual assessment impairment allowances for loans/financing above the set threshold, management considers objective evidence of impairment and exercises judgement in estimating cash flows and collateral value. Whilst, management's judgement is guided by the relevant BNM guidelines, judgement is made in estimation of the amount and timing of future cash flows in assessing allowance for impairment of financial assets. Among the factors considered are the net realisable value of the underlying collateral value, the viability of the customer's business model and the capacity to generate sufficient cash flows to service debt obligations.

(b) Life policyholders' fund

Material judgement is required in determining the liabilities and in the choice of assumptions.

Assumptions in use are based on the past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information.

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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No: 8024-W
(Incorporated in Malaysia)

**Notes to the financial statements
for the financial year ended 30 June 2015 (continued)**

55 Critical accounting estimates and judgements in applying accounting policies (continued)

(c) Impairment of goodwill

The goodwill impairment assessment involves a significant amount of estimation. This includes identification of independent cash-generating units ("CGUs") and the allocation of goodwill to these units based on which units are expected to benefit from the acquisition.

In estimating the value-in-use, the Group is required to make an estimate of the expected future cash flows from the CGUs. Management exercises judgement in determining both the growth rate and the discount rate used to discount future expected cash flows to the CGUs.

56 Approval of financial statements

The financial statements were authorised for issue by the Board of Directors of the Company in accordance with a resolution of the Directors on 28 July 2015.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No: 8024-W
(Incorporated in Malaysia)

Notes to the financial statements for the financial year ended 30 June 2015 (continued)

57 Realised and unrealised profit

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010 and the directive of Bursa Malaysia Securities Berhad.

The breakdown of the retained profits of the Group and the Company are as follows:

	The Group		The Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Total retained profits of the Group and subsidiaries				
- Realised	19,285,289	18,663,319	12,740,076	12,327,853
- Unrealised	1,161,592	1,325,961	2,296	4,761
Total share of retained profits from associated companies				
- Realised	1,976,541	1,513,429	-	-
- Unrealised	1,759	1,574	-	-
Total share of retained profits from joint ventures				
- Realised	26,647	12,587	-	-
	<u>22,451,828</u>	<u>21,516,870</u>	<u>12,742,372</u>	<u>12,332,614</u>
Less : Consolidation adjustments	(14,635,036)	(14,069,318)	-	-
Total Group's retained profits	<u>7,816,792</u>	<u>7,447,552</u>	<u>12,742,372</u>	<u>12,332,614</u>

The Group views translation gains or losses on monetary items as realised as it is incurred in the ordinary course of business.

The disclosure of realised and unrealised profits/(losses) above is solely for compliance with the directive issued by the Bursa Malaysia Securities Berhad and should not be used for any other purpose.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

Hong Leong Financial Group Berhad

Company No: 8024-W
(Incorporated in Malaysia)

Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965

We, Quek Kon Sean and Lim Tau Kien, being two of the Directors of Hong Leong Financial Group Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on page 10 to 166 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2015 and of the results and the cash flows of the Group and the Company for the year then ended on that date, in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

On behalf of the Board.



QUEK KON SEAN
Director



LIM TAU KIEN
Director

Kuala Lumpur
21 September 2015

Statutory declaration pursuant to Section 169(16) of the Companies Act, 1965

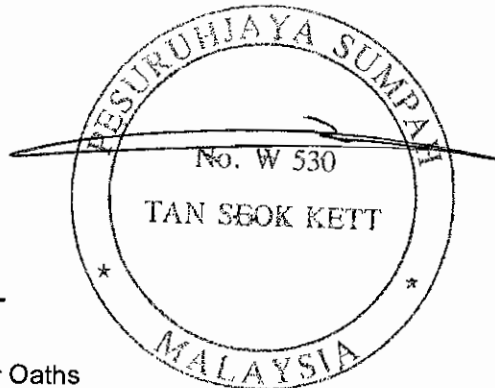
I, Chew Seong Aun, the Officer primarily responsible for the financial management of Hong Leong Financial Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 10 to 166 are to the best of my knowledge and belief correct and I make this solemn declaration conscientiously 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)
21 September 2015)



CHEW SEONG AUN

Before me,



TAN SEOK KETT
Pesuruhjaya
Commissioner for Oaths

Lot 350, 3rd Floor, Wisma MPL,
Jalan Raja Chulan, 167
50200 Kuala Lumpur. 224

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)



**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HONG LEONG FINANCIAL GROUP BERHAD**
(Company no: 8024-W)
(Incorporated in Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Hong Leong Financial Group Berhad on pages 10 to 166, which comprise the statements of financial position as at 30 June 2015 of the Group and of the Company, and the statements of income, comprehensive income, changes in equity and cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 57.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Bank as of 30 June 2015 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

*PricewaterhouseCoopers (AF 1146), Chartered Accountants,
Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my*

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HONG LEONG FINANCIAL GROUP BERHAD (CONTINUED)**
(Company no: 8024-W)
(Incorporated in Malaysia)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965, in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 11 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

The supplementary information set out in Note 57 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants



NG YEE LING
(No. 3032/01/17 (J))
Chartered Accountant

Kuala Lumpur
21 September 2015

DIRECTORS' REPORT

 **HongLeong** Financial Group

Registered Office:
Level 8, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur

29 October 2015

To: **The Shareholders of Hong Leong Financial Group Berhad**

Dear Sir/ Madam,

On behalf of the Board of Directors of Hong Leong Financial Group Berhad ("**HLFG**") ("**Board**"), I wish to report that, after due enquiry in relation to the period between 30 June 2015 (being the date to which the last audited financial statements of HLFG and its subsidiaries ("**HLFG Group**") have been made up) and the date hereof (being a date not earlier than 14 days before the date of issuance of this Abridged Prospectus), that:

- (i) the business of HLFG Group has, in the opinion of the Board, been satisfactorily maintained;
- (ii) in the opinion of the Board, no circumstances have arisen since the last audited financial statements of HLFG Group which have adversely affected the trading or the value of the assets of HLFG Group;
- (iii) the current assets of HLFG Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (iv) save as disclosed in this Abridged Prospectus, there are no other material contingent liabilities by reason of any guarantee or indemnity given by HLFG Group;
- (v) since the last audited financial statements of HLFG Group, there has been no default or any known event that could give rise to a default situation, in respect of payments of either interest and/ or principal sums for any borrowing of HLFG Group; and
- (vi) save as disclosed in this Abridged Prospectus, since the last audited financial statements of HLFG Group, there has been no material change in the published reserves or any unusual factor affecting the profits of HLFG Group.

Yours faithfully,
For and on behalf of the Board



LIM TAU KIEN
Independent Non-Executive Director

Hong Leong Financial Group Berhad (8024-W)
Secretarial Department
Level 8, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur, Malaysia.
Tel +603 2164 8228 Fax +603 2164 2503

FURTHER INFORMATION

1. SHARE CAPITAL

- (i) No other securities will be allotted or issued on the basis of this Abridged Prospectus later than 12 months after the date of issue of this Abridged Prospectus.
- (ii) As at the date of this Abridged Prospectus, there is only 1 class of shares in our Company, namely ordinary shares of RM1.00 each, all of which rank *pari passu* with one another.
- (iii) Save as disclosed below, no person has been or is entitled to be granted an option to subscribe for any securities in our Company as at the LPD:
 - (a) the Entitled Shareholders who shall be provisionally allotted with the Rights Shares pursuant to the Rights Issue; and
 - (b) the executives of our Company or any of our subsidiaries ("**Member of our Group**") who have been confirmed in service and/ or Directors of a Member of our Group who are eligible to participate in the ESOS 2006/2016 and the ESS in accordance with the bye-laws of the ESOS 2006/2016 and the ESS respectively ("**Eligible Executives**").

Under the ESOS 2006/2016 and the ESS, the Eligible Executives may be offered options to subscribe for/ purchase such number of HLFG Shares ("**Options**") at an exercise price to be determined, which shall not be at a discount of more than 10% (or such discount as the relevant authorities shall permit) from the 5-day VWAMP of the HLFG Shares preceding the date of offer of the Option and shall in no event be less than the par value of the HLFG Shares. Under the ESS, the Eligible Executives may also be offered grants comprising such number of HLFG Shares without any consideration payable ("**Grants**").

The aggregate number of HLFG Shares comprised in Options and/ or Grants under the ESOS 2006/2016, the ESS and any other executive share schemes established by our Company that are still subsisting shall not exceed 10% of the total issued and paid-up ordinary share capital (excluding treasury shares) of our Company at any one time.

As at the LPD, Options over 12,100,000 HLFG Shares have been granted under the ESS at an exercise price of RM16.88 per HLFG Share. These Options are subject to the achievement of certain performance criteria by the Option holders over a performance period concluding at the end of the FYE 30 June 2017. The achievement of the performance targets and the number of HLFG Shares (if any) to be vested shall be determined at the end of FYE 2017. The exercise period of the vested Options will be up to the 30th month from the vesting date to be determined.

FURTHER INFORMATION (Cont'd)

2. DIRECTORS' REMUNERATION

The following provisions in relation to the remuneration of our Directors are extracted from our Articles of Association. Terms defined in our Articles of Association shall have the same meanings when used herein unless they are otherwise defined herein or the context otherwise requires.

Article 97 – Director's fee

The fees of the Directors shall be determined from time to time by the Company in general meeting and such fees shall not be increased except pursuant to an ordinary resolution passed at a general meeting where notice of the proposed increase shall have been given in the notice convening the meeting. Such fees shall be divided amongst the Directors in such proportions and manner as they may agree. Such fees shall, so far as a Director who is a non-executive director be by way of a fixed sum and not by way of a commission on or percentage of profits or turnover. Salaries payable to executive directors may not include a commission on or a percentage of turnover.

Article 98 – Expense and extra remuneration

- (1) *The Directors shall be entitled to be repaid all travelling or such reasonable expenses as may be incurred in attending and returning from meetings of the Directors or of any committee of the Directors or general meetings or otherwise howsoever in or about the business of the Company in the course of the performance of their duties as Directors.*
- (2) *Any Director who is appointed to an executive office or serves on any committee or who otherwise performs or renders services, which in the opinion of the majority of the Directors are outside his ordinary duties as a Director, may be paid such extra remuneration as the Directors may determine PROVIDED THAT such remuneration shall not include a commission on or percentage of turnover. Any extra remuneration payable to a non-executive director shall not include a commission on or percentage of profits or turnover.*
- (3) *In these Articles, the expression "executive director" shall include the President & Chief Executive Officer or Managing Director or Director who is engaged substantially in the business of the Company or of any related company or partly in one and partly in another. The expression "related company" in these Articles shall include any company which is deemed to be related to the Company in terms of Section 6 of the Companies Act, 1965 or which in the opinion of the majority of the Directors can properly be otherwise regarded as being connected with the Company or its related company.*

Article 106 – Remuneration of Executive Director

The remuneration of an executive director shall from time to time be fixed by the Directors and shall not include a commission on or percentage of turnover.

3. CONSENTS

- (i) The written consents of our Principal Adviser, Lead Arranger, Joint Global Coordinators, Joint Underwriters, Solicitors, Company Secretary, Principal Bankers and Share Registrar for the Rights Issue for the inclusion of their names in the form and context in which they appear in this Abridged Prospectus, have been given and have not been subsequently withdrawn.

FURTHER INFORMATION (Cont'd)

- (ii) The written consent from Messrs PricewaterhouseCoopers, being our Auditors and Reporting Accountants, for the inclusion of the pro forma consolidated statements of financial position of our Company as at 30 June 2015 together with the Reporting Accountants' letter thereon, the auditors' report in relation to our audited consolidated financial statements for the FYE 30 June 2015 and references to its name in the form and context in which they appear in this Abridged Prospectus, has been given and have not been subsequently withdrawn.
- (iii) The written consent from Bloomberg Finance L.P. for the inclusion of its name as the source of historical share prices of our Company and all references to them in the form and context in which they appear in this Abridged Prospectus, has been given and has not been subsequently withdrawn.

4. MATERIAL CONTRACTS

Save as disclosed below, there are no material contracts (not being the contracts entered into in the ordinary course of business) which have been entered into by our Group within the 2 years immediately preceding the date of this Abridged Prospectus:

- (i) the Management and Underwriting Agreement;
- (ii) the Undertakings dated 14 July 2015 referred to in Section 3.1 of this Abridged Prospectus;
- (iii) the letter of irrevocable undertaking dated 14 July 2015 provided by our Company to HLB to subscribe and/ or procure the subscription in full for our entitlement to the new HLB Shares to be issued pursuant to the HLB Rights Issue; and
- (iv) the letter of irrevocable undertaking dated 14 July 2015 provided by HLE, our wholly-owned subsidiary, to HLB to subscribe and/ or procure the subscription in full for its entitlement to the new HLB Shares to be issued pursuant to the HLB Rights Issue.

5. MATERIAL LITIGATION

As at the LPD, our Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant and our Board is not aware of any proceeding pending or threatened against our Group or of any facts likely to give rise to any proceedings which might materially and adversely affect the business and financial position of our Group.

6. GENERAL

- (i) There are no existing or proposed service contracts between our Directors and our Company or our subsidiaries, other than those which are expiring or determinable by the employing company without payment or compensation (other than statutory compensation) within 1 year from the date of this Abridged Prospectus.
- (ii) Save as disclosed in this Abridged Prospectus and to the best knowledge of our Board, the financial condition and operations of our Group are not affected by any of the following:
 - (a) material information including special trade factors or risks which is unlikely to be known or anticipated by the general public and which could materially affect the profits of our Group;

FURTHER INFORMATION (Cont'd)

- (b) known trends, demands, commitments, events or uncertainties that will result in or are likely to materially increase or decrease our Group's liquidity;
- (c) material commitments for capital expenditure;
- (d) unusual, infrequent events or transactions or significant economic changes that materially affect the amount of reported income from our Group's operations; and
- (e) known trends or uncertainties that have had, or that our Group reasonably expects to have, a material favourable or unfavourable impact on our Group's revenue or operating income.

7. OTHER CORPORATE EXERCISES ANNOUNCED BUT PENDING IMPLEMENTATION

Save for the Rights Issue, there is no other outstanding corporate exercise which has been announced by our Company but pending completion as at the LPD.

8. DOCUMENTS FOR INSPECTION

Copies of the following documents will be made available for inspection at our Registered Office at Level 8, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur from Monday to Friday (excluding public holidays) during business hours for a period of 12 months from the date of this Abridged Prospectus:

- (i) our Memorandum and Articles of Association;
- (ii) our audited consolidated financial statements for the past 2 FYEs 30 June 2014 and 30 June 2015;
- (iii) the pro forma consolidated statements of financial position of our Company as at 30 June 2015 together with the Reporting Accountants' letter thereon as set out in Appendix IV of this Abridged Prospectus;
- (iv) the Directors' Report as set out in Appendix V of this Abridged Prospectus;
- (v) the letters of consent referred to in Section 3 of this Appendix; and
- (vi) the material contracts referred to in Section 4 of this Appendix.

9. RESPONSIBILITY STATEMENTS

Our Directors have seen and approved the Documents and they collectively and individually accept full responsibility for the accuracy of the information given in the Documents and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts which, if omitted, would make any statement in the Documents false or misleading.

HLIB, being our Principal Adviser, Lead Arranger and Joint Global Coordinator for the Rights Issue, acknowledges that, based on all available information and to the best of its knowledge and belief, this Abridged Prospectus constitutes a full and true disclosure of all material facts concerning the Rights Issue.