

COMPANY NUMBER (846141-D)

HLA HOLDINGS SDN BHD
(846141-D)
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

HLA HOLDINGS SDN BHD
(Company No.846141-D)
(Incorporated in Malaysia)

CONTENTS	PAGES
DIRECTORS' REPORT	1 to 11
STATEMENT BY DIRECTORS	12
STATUTORY DECLARATION	13
INDEPENDENT AUDITORS' REPORT	14 to 15
STATEMENT OF FINANCIAL POSITION	16
STATEMENT OF COMPREHENSIVE INCOME	17
STATEMENT OF CHANGES IN EQUITY	18 to 19
STATEMENT OF CASH FLOW	20 to 21
NOTES TO THE FINANCIAL STATEMENTS	22 to 44

HLA HOLDINGS SDN BHD
(Company No.846141-D)
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors hereby submit their annual report and the audited financial statements of the Company for the financial year ended 30 June 2016.

PRINCIPAL ACTIVITY

The Company is an investment holding company. The principal activities of the subsidiary companies are disclosed in Note 4 to the financial statements. There has been no significant change in the nature of this activity during the financial year.

FINANCIAL RESULTS

	RM'000
Net profit for the financial year	<u>34,124</u>

DIVIDEND

No dividend has been paid or declared by the Company since the end of the previous financial year.

As at the date of the financial statements, the Directors have not recommended any final dividend to be paid for the financial year under review.

RESERVES AND PROVISIONS

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

HLA HOLDINGS SDN BHD
(Company No.846141-D)
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONT'D)

DIRECTORATE

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

Mr. Tan Kong Khoon <i>(Appointed with effect from 5 April 2016)</i>	(Chairman, Non-Independent Non-Executive Director)
Ms Loh Guat Lan	(Group Managing Director/ Chief Executive Officer)
YBhg Dato' Siow Kim Lun @ Siow Kim Lin	(Independent Non-Executive Director)
Ms Lim Tau Kien	(Independent Non-Executive Director)
Mr Choong Yee How <i>(Resigned with effect from 21 September 2015)</i>	(Non-Independent Non-Executive Director)

HLA HOLDINGS SDN BHD
 (Company No.846141-D)
 (Incorporated in Malaysia)

DIRECTORS' REPORT (CONT'D)

DIRECTORS' INTERESTS

No Director holding office at the end of the financial year had any interests in the shares/options of the Company and/or related corporations during the financial year ended 30 June 2016, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 except for Ms Loh Guat Lan and YBhg Dato' Siow Kim Lun @ Siow Kim Lin whose interests are as follows:

	Number of ordinary shares/* ordinary shares issued or to be issued or acquired arising from the exercise of options				
	Nominal	At	Acquired	Sold	At
	value	1/7/2015			30/6/2016
per share					
	RM				
Interest of					
Ms Loh Guat Lan in:					
Hong Leong Financial	1.00	243,000	21,900 ⁽¹⁾	-	264,900
Group Berhad		5,000,000 *	81,823 ⁽²⁾	-	5,081,823 *
Interest of					
YBhg Dato' Siow Kim Lun					
@ Siow Kim Lin in:					
GuocoLand (Malaysia) Berhad	0.50	15,000	-	-	15,000

Legend:

- (1) Shares acquired from rights issue
- (2) Additional options - adjustment to the number of options arising from rights issue pursuant to Executive Share Scheme Bye-Laws

HLA HOLDINGS SDN BHD
(Company No.846141-D)
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONT'D)

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 fixed salary of a full-time employee of the Company or of related corporations) by reason of a contract made by the Company or its related corporations with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither at the end of the financial year, nor at any time during the financial year, did there subsist any other arrangements to which the Company is a party, with the object or objects of enabling 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 Scheme.

HLA HOLDINGS SDN BHD
(Company No.846141-D)
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONT'D)

CORPORATE GOVERNANCE

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

A. Board Responsibilities and Oversight

The Board of Directors

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

The roles and responsibilities of the Board are set out in the Board Charter, and broadly cover formulation of corporate policies and strategies; overseeing and evaluating the conduct of the Company's businesses; identifying principal risks and ensuring the implementation of appropriate systems to manage those risks; and reviewing and approving key matters such as financial results, investments and divestments, acquisitions and disposals and major capital expenditure and such other responsibilities that are required of them by Bank Negara Malaysia ("BNM") as specified in guidelines and circulars issued by BNM from time to time.

There is a clear division of responsibilities between the Chairman and the Group Managing Director/ Chief Executive Officer ("CEO"), which are distinct and separate. Although the Chairman is not an Independent Director, this segregation of responsibilities between the Chairman and the CEO ensures an appropriate balance of roles, responsibilities and accountability.

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

The CEO is responsible for the vision and strategic direction of the Company, implementing the policies and decisions of the Board, initiating business ideas and corporate strategies to create competitive edge and enhancing shareholder wealth, setting the benchmark and targets, overseeing the day-to-day operations and tracking compliance and business progress.

The Company continues to operate in a sustainable manner and seeks to contribute positively to the well-being of stakeholders.

The Board comprises the Chairman who is a Non-Independent Non-Executive Director, an Executive director and two Independent Non-Executive Directors.

HLA HOLDINGS SDN BHD
(Company No.846141-D)
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

A. Board Responsibilities and Oversight (cont'd)

The Board of Directors (cont'd)

The Board shall determine the appropriate size of the Board to enable an efficient and effective conduct of Board deliberation. The Board shall have a balance of skills and experience commensurate with the complexity, size, scope and operations of the Company. Board members should have the ability to commit time and effort to carry out duties and responsibilities effectively.

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

The Board is of view that the current size and composition of the Board are appropriate and effective for the control and direction of the Company's business.

During the financial year ended 30 June 2016, six (6) Board Meetings were held and the attendance of the Directors was as follows:

<u>Directors</u>	<u>Attendance</u>
Mr. Tan Kong Khoon <i>(Appointed with effect from 5 April 2016)</i>	2/2
Ms Loh Guat Lan	6/6
YBhg Dato' Siow Kim Lun @ Siow Kim Lin	6/6
Ms Lim Tau Kien	6/6
Mr Choong Yee How <i>(Resigned with effect from 21 September 2015)</i>	1/1

Supply of Information

To fulfill the responsibilities set out above, all Directors have access to the advice and services of the Company Secretary.

HLA HOLDINGS SDN BHD
(Company No.846141-D)
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

A. Board Responsibilities and Oversight (cont'd)

Supply of Information (cont'd)

In the absence of the Audit Committee ("AC"), the Board has independent access to the Company's external auditors and management to enable it to discharge its functions, which include the reinforcement of the independence and objectivity of the external audit functions and its scopes and results. The Board also reviewed the Company's financial statements, the impact of new or proposed changes in accounting standards and policies on the financial statements.

The Board also evaluated the effectiveness, independence and objectivity of the external auditors before recommending to the shareholders on their appointment or reappointment.

B. Management Accountability

The Company operates in an organisational structure and environment which are constantly being reviewed and enhanced to ensure that it remains appropriate for the operating environment.

The Directors who hold office do not have any direct or indirect interest, which is in conflict with their duty or interest as Directors, as referred to in Section 58 of the Financial Services Act, 2013.

C. Corporate Independence

The Company has complied with BNM's Guidelines on Related Party Transactions (BNM/RH/GL-018-6) in respect of all its related party undertakings. All necessary disclosures have been made to the Board regularly and where required, prior Board approval has been obtained. All material related party transactions are disclosed in Note 14 to the financial statements, in accordance with MFRS 124 Related Party Disclosures.

HLA HOLDINGS SDN BHD
(Company No.846141-D)
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

D. Internal Controls

The Board has overall responsibility for maintaining a system of internal financial controls and compliance with laws and regulations. There is a continuous process for identifying, evaluating and managing the significant risks faced by the Company. The process is periodically reviewed by the Board. The disclosure of the Company's risk management policies are set out under Note 16 in the financial statements.

The Company operates in a business environment that is subject to regulatory purview and operational compliance requirement and reporting. The Company secretaries and management keep the Board apprised of new laws and guidelines and changes thereof as well as new accounting standards to be adopted by the Company.

E. Financial reporting

The Board has overall oversight responsibility for ensuring that accounting records are properly kept and that the Company's financial statements are prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards, the provision of the Companies Act, 1965 in Malaysia, the Financial Services Act, 2013 and relevant regulatory requirements.

HLA HOLDINGS SDN BHD
(Company No.846141-D)
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONT'D)

STATUTORY INFORMATION REGARDING THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

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

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

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

HLA HOLDINGS SDN BHD
(Company No.846141-D)
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONT'D)

STATUTORY INFORMATION REGARDING THE COMPANY (CONT'D)

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT (CONT'D)

- (b) In the opinion of the Directors:
- (i) the results of the operations of the Company for the financial year ended 30 June 2016 are not likely to be substantially affected by any item, transaction or event of a material and unusual nature which had arisen in the interval between the end of the financial year and the date of this report; and
 - (ii) 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 Company to meet its obligations as and when they fall due.

(III) AS AT THE DATE OF THIS REPORT

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

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On 30 June 2016, the immediate holding company, Hong Leong Financial Group Berhad ("HLFG") announced that Bank Negara Malaysia has no objection for HLFGB and the Company to commence negotiations with certain parties for the possible acquisition by them of the Company's equity interest in Hong Leong Assurance Berhad, a 70% subsidiary of the Company and Hong Leong MSIG Takaful Berhad, a 65% subsidiary of the Company, subject to the negotiations being concluded within 6 months from 23 June 2016.

Pursuant to the Financial Services Act 2013, both HLFGB and the Company and the relevant parties would be required to obtain prior written approval from the Minister of Finance of Malaysia, on the recommendation of BNM, before entering into any agreement to effect the proposed transactions.

HLA HOLDINGS SDN BHD
(Company No:846141-D)
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONT'D)

IMMEDIATE HOLDING AND ULTIMATE HOLDING COMPANIES

The immediate holding and ultimate holding companies of the Company are HCFG and Hong Leong Company (Malaysia) Berhad respectively, both incorporated in Malaysia.

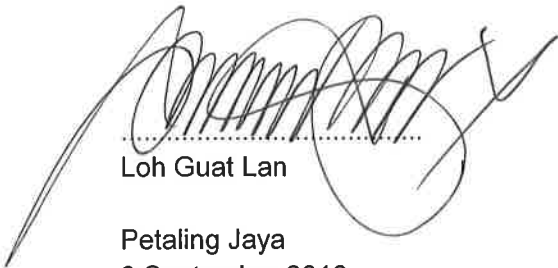
AUDITORS

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

Signed on behalf of the Board of Directors in accordance with their circular of resolution.



Tan Kong Khoo



Loh Guat Lan

Petaling Jaya
8 September 2016

HLA HOLDINGS SDN BHD
(Company No.846141-D)
(Incorporated in Malaysia)

**STATEMENT BY DIRECTORS PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT,
1965**

We, Tan Kong Khoon and Loh Guat Lan, being two of the Directors of **HLA HOLDINGS SDN BHD**, state that to the best of knowledge and belief of the Directors, the financial statements set out on pages 16 to 44 are drawn up in compliance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the state of affairs of the Company as at 30 June 2016 and of the results of the business of the Company and the cash flows of the Company for the financial year ended on that date.

On behalf of the Board



Tan Kong Khoon



Loh Guat Lan

Petaling Jaya
8 September 2016

HLA HOLDINGS SDN BHD
(Company No.846141-D)
(Incorporated in Malaysia)

STATUTORY DECLARATION PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Ong Kheng Heng, being the officer primarily responsible for the financial management of **HLA HOLDINGS SDN BHD**, do solemnly and sincerely declare that the financial statements set out on pages 16 to 44 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 Ong Kheng Heng)
at Petaling Jaya this 8 September 2016)



Before me:

Commissioner for Oaths



No. 34A(Tkt 1), Jalan SS2/67
47300 Petaling Jaya
Selangor Darul Ehsan



INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF HLA HOLDINGS SDN BHD
(Incorporated in Malaysia)
(Company No. 846141-D)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of HLA Holdings Sdn Bhd on pages 16 to 44 which comprise the statement of financial position as at 30 June 2016 of the Company, the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 2 to 17.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with 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 about 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.



INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF HLA HOLDINGS SDN BHD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 846141-D)

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 30 June 2016 and of its 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that, in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

OTHER MATTERS

This report is made solely to the member 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.

A large, stylized handwritten signature in black ink, appearing to read 'R. S. S.', with a horizontal line extending to the right.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

A large, stylized handwritten signature in black ink, appearing to read 'Manjit Singh', with a horizontal line extending to the right.

MANJIT SINGH
(No. 2954/03/17(J))
Chartered Accountant

Kuala Lumpur
8 September 2016

HLA HOLDINGS SDN BHD
 (Company No.846141-D)
 (Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	Note	2016 RM'000	2015 RM'000
Non-current assets			
Property, plant and equipment	3	286	-
Investment in subsidiaries	4	557,812	537,425
Investment in associated company	5	618,646	618,646
Available-for-sale financial assets	6	19,904	-
		<u>1,196,648</u>	<u>1,156,071</u>
Current assets			
Amount due from associated company	14	29,983	-
Tax recoverable		25,998	39,809
Cash and cash equivalents		7	22,232
		<u>55,988</u>	<u>62,041</u>
Current liabilities			
Other payables and accruals		359	39
Amount due to related companies	14	925	849
Total current liabilities		<u>1,284</u>	<u>888</u>
Net assets		<u>1,251,352</u>	<u>1,217,224</u>
Shareholders' equity			
Share capital	7	312,500	312,500
Retained earnings	8(a)	937,348	903,224
Other reserves	8(b)	1,504	1,500
		<u>1,251,352</u>	<u>1,217,224</u>

The accompanying notes form an integral part of the financial statements.

HLA HOLDINGS SDN BHD
 (Company No.846141-D)
 (Incorporated in Malaysia)

**STATEMENT OF COMPREHENSIVE INCOME
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016**

	Note	2016 RM'000	2015 RM'000
Revenue	9	35,409	217,548
Realised gains		13	52,426
Other income		16	6
Finance costs		-	(26,849)
Other operating expenses		(1,309)	(1,022)
Profit before taxation	10	34,129	242,109
Taxation	11	(5)	(4)
Net profit for the financial year		34,124	242,105
Other comprehensive income:			
<u>Item that may be subsequently reclassified to profit and loss:</u>			
Fair value changes on available-for-sale financial assets, net of deferred tax:			
Gross fair value gains/(losses) arising during the financial year		17	(14)
Gross fair value (gains)/losses transferred to Statement of Income		(13)	14
Net fair value losses		4	-
Total comprehensive income for the financial year		34,128	242,105

The accompanying notes form an integral part of the financial statements.

HLA HOLDINGS SDN BHD
 (Company No.846141-D)
 (Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016**

	Issued and fully paid ordinary shares of RM1 each	Non- distributable Capital	Dis- tributable	Total
	No. of Share capital Shares '000	RM'000	Retained earnings RM'000	RM'000
At 1 July 2014	312,500	1,500	898,819	1,212,819
Total comprehensive income for the financial year	-	-	242,105	242,105
Dividend paid during the financial year	-	-	(237,700)	(237,700)
At 30 June 2015	312,500	1,500	903,224	1,217,224

12

HLA HOLDINGS SDN BHD
 (Company No.846141-D)
 (Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016 (CONT'D)**

	Issued and fully paid ordinary shares of RM1 each		Available- for-sale reserve		Non- distributable Capital		Dis- tributable		Total RM'000
	No. of Shares '000	Share capital RM'000	RM'000	RM'000	redemption reserve RM'000	Retained earnings RM'000	RM'000	RM'000	
At 1 July 2015	312,500	312,500	-	-	1,500	903,224	1,217,224		
Total comprehensive income for the financial year	-	-	4	4	-	34,124	34,128		
At 30 June 2016	312,500	312,500	4	4	1,500	937,348	1,251,352		

The accompanying notes form an integral part of the financial statements.

HLA HOLDINGS SDN BHD
(Company No.846141-D)
(Incorporated in Malaysia)

STATEMENT OF CASH FLOW
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	2016	2015
	RM'000	RM'000
Operating activities		
Net profit for the financial year	34,124	242,105
Adjustments for:		
Dividend income	(35,406)	(216,236)
Interest income	(3)	(1,312)
Realised gains on capital reduction of a subsidiary company	-	(52,440)
Realised (gains)/losses on available-for-sale financial assets	(13)	14
Finance costs	-	26,849
Tax expense	5	4
Operating losses before working capital changes	<u>(1,293)</u>	<u>(1,016)</u>
Change in working capital:		
Increase in other payables and accruals	320	3
Decrease in amount due to holding company	-	(33)
Increase in amount due to related companies	76	100
Tax refund/(paid)	13,806	(3)
Net cash inflow/(outflow) from operating activities	<u>12,909</u>	<u>(949)</u>
Investing activities		
Proceeds from preference shares redemption in a subsidiary company	-	1,917,000
Proceeds from capital reduction of a subsidiary company	-	53,999
Capital injection to subsidiary companies	(20,387)	-
Purchase of property, plant and equipment	(286)	-
Dividend income received	5,175	342,634
Interest income received	3	1,312
Purchase of available-for-sale financial assets	(41,542)	(86,078)
Proceeds from disposal of available-for-sale financial assets	21,903	86,254
Net cash (outflow)/inflow from investing activities	<u>(35,134)</u>	<u>2,315,121</u>

HLA HOLDINGS SDN BHD
 (Company No.846141-D)
 (Incorporated in Malaysia)

**STATEMENT OF CASH FLOW
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016 (CONT'D)**

	2016	2015
	RM'000	RM'000
Financing activities		
Dividend paid	-	(237,700)
Settlement of finance costs	-	(86,904)
Redemption of medium term notes	-	(2,000,000)
Net cash outflow from financing activities	<u>-</u>	<u>(2,324,604)</u>
Net decrease in cash and cash equivalents	(22,225)	(10,432)
Cash and cash equivalents at beginning of the financial year	22,232	32,664
Cash and cash equivalents at end of the financial year	<u><u>7</u></u>	<u><u>22,232</u></u>
Cash and cash equivalents comprise:		
Cash and bank balances	1	1
Fixed and call deposits with maturity of less than 3 months		
- Licensed financial institutions	6	22,231
	<u>7</u>	<u>22,232</u>

The accompanying notes form an integral part of the financial statements.

HLA HOLDINGS SDN BHD
(Company No.846141-D)
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NOTES TO THE FINANCIAL STATEMENTS

1 . PRINCIPAL ACTIVITY

The Company is a private limited company that is incorporated and domiciled in Malaysia. The registered office of the Company is located at Level 8, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur.

The immediate holding and ultimate holding companies of the Company are Hong Leong Financial Group Berhad and Hong Leong Company (Malaysia) Berhad respectively, both incorporated in Malaysia.

The Company is an investment holding company. The principal activities of the subsidiary companies are disclosed in Note 4 to the financial statements. There has been no significant change in the nature of this activity since its incorporation.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 8 September 2016.

2 . SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial statements of the Company have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies, and in accordance with the provisions of the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and the liabilities simultaneously. Income and expense will not be offset in the statement of comprehensive income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

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

The directors are of the opinion that there are currently no areas where a higher degree of judgement or complexity, or areas where significant assumptions and estimates are exercised in the Company.

(i) **Standards, amendments to published standards and interpretations to existing standards that are applicable for the Company's financial year on or after 1 July 2015**

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

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

Financial year beginning on/after 1 July 2016

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

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

- (ii) **Standards, amendments to published standards and interpretations to existing standards that are applicable for the Company but not yet effective (cont'd)**

Financial year beginning on/after 1 July 2016 (cont'd)

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.

Financial year beginning on/after 1 July 2017

- Amendments to MFRS 107 'Statement of Cash Flows – Disclosure Initiative' (effective from 1 January 2017) introduce an additional disclosure on changes in liabilities arising from financing activities.
- Amendments to MFRS 112 'Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses' (effective from 1 January 2017) clarify the requirements for recognising deferred tax assets on unrealised losses arising from deductible temporary difference on asset carried at fair value.

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

The amendments shall be applied retrospectively.

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".

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

(ii) Standards, amendments to published standards and interpretations to existing standards that are applicable for the Company but not yet effective (cont'd)

Financial year beginning on/after 1 July 2018 (cont'd)

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 income statement, unless this creates an accounting mismatch.

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

The Company is reviewing the adoption of the above accounting standards, amendments to published standards and interpretation to existing standards and the potential impact to the prevailing accounting policies, and will complete the process prior to the reporting requirement deadline.

All other new amendments to published standards and interpretations to existing standards issued by MASB effective for financial periods subsequent to 1 July 2016 are not relevant to the Company.

HLA HOLDINGS SDN BHD
(Company No.846141-D)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

2 . SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Investment in subsidiaries/basis of consolidation

Subsidiary companies are those companies in which the Company has control. The Company controls an entity when the Company 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.

Investment in subsidiary is stated at cost less accumulated impairment losses. When an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. (See accounting policy Note 2(f) to the financial statements).

The financial statements of the subsidiaries are not consolidated and the Company is exempted from presenting group financial statements and accordingly presents its separate financial statements under paragraph 5(4a) of the Ninth Schedule of the Companies Act, 1965 and paragraph 4 of MFRS 10, Consolidated Financial Statements, as the Company is itself a wholly owned subsidiary of Hong Leong Financial Group Berhad (incorporated in Malaysia) which presents its consolidated financial statements that comply with Malaysian Financial Reporting Standards which are obtainable at its office at Level 8 Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur.

The income from the subsidiaries is accounted for only to the extent of dividends received.

(c) Investment in associate

Associate is an entity over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

In the Company's separate financial statements, investment in associate is carried at cost less accumulated impairment losses. On disposal of investment in associate, the difference between disposed proceeds and the carrying amount of the investment is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

2 . SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Financial assets

The Company classifies its financial assets as available-for-sale ("AFS").

AFS financial assets are non-derivative financial assets that are not classified in any of the other categories and are measured at fair value.

AFS financial assets are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition and are subsequently carried at fair value. Fair value gains or losses of those financial assets are reported as a separate component of equity until the investment is derecognised or investment is determined to be impaired. When these assets are sold or impaired, the accumulated fair value adjustments previously recognised in equity are included in the income statement as net realised gains or losses.

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the income statement.

(e) Cash and cash equivalents

Cash and cash equivalents consist of cash, balances and deposits held at call with financial institutions with maturities of three months or less.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) 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. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of the net realisable value and the value in use, which is measured where applicable, by reference to discounted cash flows. Recoverable amounts are estimated for individual assets, or, if it is not possible, for the cash-generating unit. Non-financial assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date.

The impairment loss is charged to the income statement immediately. Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately.

The following are impairment indicators that the Company has considered, as a minimum, when assessing whether there is any indication of impairment of its investment in a subsidiary or associate:

When the Company recognises a dividend from its investment in a subsidiary or associate and evidence is available that:

- (i) the carrying amount of the investment in the separate financial statements exceeds the carrying amounts in the consolidated financial statements of the investee's net assets, including associated goodwill; or
- (ii) the dividend exceeds the total comprehensive income of the subsidiary or associate in the period the dividend is declared.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Taxation

Taxation on the income statement comprises current and deferred tax. Current tax is the expected amount of tax payable in respect of the taxable income for the financial year, using tax rates enacted or substantially enacted at the date of the statement of financial position, and any adjustment to tax payable in respect of previous financial years.

Deferred taxation is provided using the liability method, on temporary differences at the date of statement of financial position between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from the initial recognition of an asset or a liability in a transaction other than a business combination that at the time of transaction affects neither accounting or taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, using tax rates enacted or substantially enacted at the date of the financial position.

Deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

(h) Revenue recognition

Dividend income is recognised when the shareholders' right to receive payment is established.

Interest income is recognised on accrual basis.

(i) Dividends

Dividends on ordinary shares are accounted for in the shareholders' equity as an appropriation of retained earnings in the year in which they are declared.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Foreign currencies

Functional and presentation currency

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

Transaction and balances

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

(k) Provisions

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

(l) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares and options are shown in equity as a deduction, net of tax, from the proceeds.

3. PROPERTY, PLANT AND EQUIPMENT

	Capital work in progress RM'000
At 1 July 2015	-
Addition	286
At 30 June 2016	286
Net carrying amount	286

NOTES TO THE FINANCIAL STATEMENTS

4 . INVESTMENT IN SUBSIDIARIES

	2016	2015
	RM'000	RM'000
Unquoted shares, at cost	557,812	537,425

The subsidiaries are listed below:

<u>Name of company</u>	<u>Place of incorporation</u>	<u>Principal activities</u>	<u>Effective Interest (%)</u>	
			2016	2015
Hong Leong Assurance Berhad	Malaysia	Life insurance business	70	70
*Hong Leong Insurance (Asia) Limited	Hong Kong	General insurance business	100	100
Hong Leong MSIG Takaful Berhad	Malaysia	Family takaful and general takaful business	65	65
RC Holdings Sdn Bhd	Malaysia	Investment holding	100	100
*Hong Leong Assurance Singapore Pte Ltd	Singapore	General insurance business	100	100

*Audited by other audit firm.

The financial statements of the subsidiaries which are not required to be consolidated are annexed in compliance with the Ninth Schedule of the Companies Act, 1965. The Company is exempted from preparing a set of consolidated financial statements following paragraph 4 of MFRS 10, Consolidated Financial Statements as the Company is itself a wholly owned subsidiary of Hong Leong Financial Group Berhad (incorporated in Malaysia) which presents its consolidated financial statements that comply with Malaysian Financial Reporting Standards which are obtainable at its office at Level 8 Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur.

HLA HOLDINGS SDN BHD
(Company No.846141-D)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

5. INVESTMENT IN ASSOCIATED COMPANY

	2016 RM'000	2015 RM'000
Unquoted shares, at cost	618,646	618,646

Income and expenses of the associate is as follows:

	2016 RM'000	2015 RM'000
Revenue	1,614,402	1,589,461
Profit after taxation	229,597	206,733
Other comprehensive income	9,670	(10,513)
Total comprehensive income	239,267	196,220

Assets and liabilities of the associate is as follows:

	2016 RM'000	2015 RM'000
Non-current assets	3,721,657	3,731,680
Current assets	1,195,335	1,029,251
Total assets	4,916,992	4,760,931
Non-current liabilities	1,938,577	1,961,017
Current liabilities	297,337	258,160
Total liabilities	2,235,914	2,219,177

Details of the associate held are as follows:

<u>Name of company</u>	<u>Place of incorporation</u>	<u>Principal activities</u>	<u>Effective Interest (%)</u>	
			2016	2015
*MSIG Insurance (Malaysia) Berhad	Malaysia	General insurance business	30	30

*Audited by other audit firm.

NOTES TO THE FINANCIAL STATEMENTS

6 . AFS FINANCIAL ASSETS

	2016 RM'000	2015 RM'000
At fair value:		
Unit trusts		
- Unquoted in Malaysia	19,904	-

(i) Fair value hierarchy

The table below analyses those financial instruments carried at fair value by their valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Input for the asset or liability that are not based on observable market data (unobservable inputs).

	2016 RM'000	2015 RM'000
AFS financial assets		
Level 2	19,904	-

(ii) Carrying value of financial assets

	2016 RM'000	2015 RM'000
At 1 July	-	-
Purchases	41,542	86,078
Dividend reinvested	248	190
Disposals	(21,890)	(86,268)
Fair value gains/(losses) recorded in:		
Other comprehensive income	17	(14)
Income statement	(13)	14
At 30 June	19,904	-

HLA HOLDINGS SDN BHD
 (Company No.846141-D)
 (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

7. SHARE CAPITAL

	2016		2015	
	No. of Shares	RM'000	No. of Shares	RM'000
<u>Authorised capital:</u>				
Ordinary shares of RM1.00 each				
At 1 July/at 30 June	1,298,500	1,298,500	1,298,500	1,298,500
Reedemable preference shares of RM0.01 each				
At 1 July/at 30 June	150,000	1,500	150,000	1,500
<u>Issued and fully paid:</u>				
Ordinary shares of RM1.00 each				
At 1 July/at 30 June	312,500	312,500	312,500	312,500
Total share capital				
At 1 July/at 30 June	312,500	312,500	312,500	312,500

HLA HOLDINGS SDN BHD
 (Company No.846141-D)
 (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

8 . RESERVES

- (a) The Company is under the single-tier tax system. Under the single-tier tax system which came into effect on 1 January 2008, Companies are not required to have tax credits under Section 108 of the Income Tax Act, 1967 for dividend payment purposes. Dividend paid under the system are single-tier dividends and are tax exempt on the hands of the shareholders.
- (b) The other reserves of the Company consist of capital redemption reserve arising from redemption of RPS.

9 . REVENUE

	2016	2015
	RM'000	RM'000
Dividend income	35,406	216,236
Interest income	3	1,312
	<u>35,409</u>	<u>217,548</u>

10 . PROFIT BEFORE TAXATION

	2016	2015
	RM'000	RM'000
Profit before taxation is stated after charging:		
Audit fee		
- Current financial year	57	37
Management fees (Note 14(b))	938	848
Finance costs on medium term notes	-	26,849
	<u>-</u>	<u>26,849</u>

HLA HOLDINGS SDN BHD
 (Company No.846141-D)
 (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

11 . TAXATION

	2016 RM'000	2015 RM'000
Current tax:		
Current financial year	5	4

A reconciliation of income tax expense/(income) applicable to profit before taxation at the statutory income tax rate to income tax expense/(income) at the effective tax rate of the Company is as follows:

	2016 RM'000	2015 RM'000
Profit before taxation	34,129	242,109
Taxation at Malaysian statutory tax rate of 24% (2015: 25%)	8,191	60,527
Tax effect in respect of:		
Expenses not deductible for tax purpose	314	6,644
Income not subject to tax	(8,500)	(67,167)
Tax expense for the financial year	5	4

12 . DIVIDEND

	2016 RM'000	2015 RM'000
Dividend in respect of the financial year:		
- Single tier interim dividend of 32.83 sen per share	-	102,600
- Single tier interim dividend of 18.14 sen per share	-	56,700
- Single tier interim dividend of 25.09 sen per share	-	78,400
	-	237,700

No dividend has been paid or declared by the Company since the end of the previous financial year.

As at the date of the financial statements, the Directors have not recommended any final dividend to be paid for the financial year under review.

HLA HOLDINGS SDN BHD
(Company No.846141-D)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

13 . EMPLOYEES INFORMATION

There was no employee (except Directors) in the Company and as such, no staff cost was incurred.

14 . SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Related parties relationships

The related parties of, and their relationships with the Company, other than disclosed elsewhere in Note 4 and Note 5 are as follows:

<u>Related Parties</u>	<u>Relationship</u>
Hong Leong Company (Malaysia) Berhad	Ultimate holding company
Hong Leong Financial Group Berhad ("HLFG")	Immediate holding company
Subsidiaries and associated companies of HLFG as disclosed in its financial statements ("HLFG Group")	Subsidiaries and associated companies of holding company

NOTES TO THE FINANCIAL STATEMENTS

14 . SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

(b) Related party transactions and balances

The significant related party transactions during the financial year are set as below:

	Holding company	Subsidiary companies	Other related parties
	RM'000	RM'000	RM'000
2016			
Assets			
Other receivables	-	-	29,983
	<u> </u>	<u> </u>	<u> </u>
Liabilities			
Payables	-	-	925
	<u> </u>	<u> </u>	<u> </u>
2016			
Income			
Dividend income	-	5,176	29,983
Money market interest	-	-	1
	<u> </u>	<u> </u>	<u> </u>
Expenditure			
Management fees	-	-	938
	<u> </u>	<u> </u>	<u> </u>
2015			
Liabilities			
Payables	-	-	849
	<u> </u>	<u> </u>	<u> </u>
2015			
Income			
Dividend income	-	186,064	29,983
Money market interest	-	-	708
Fixed deposit interest	-	-	479
	<u> </u>	<u> </u>	<u> </u>
Expenditure			
Management fees	-	-	848
	<u> </u>	<u> </u>	<u> </u>

The above transactions are transacted in the normal course of business of the Company based on agreed terms and conditions.

HLA HOLDINGS SDN BHD
 (Company No.846141-D)
 (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

14 . SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

(c) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel of the Company are the Directors of the Company and their remunerations are as follows:

	2016	2015
	RM'000	RM'000
Executive Director:		
Ms. Loh Guat Lan	-	-
Non Executive Directors:		
Mr. Tan Kong Khoon	-	-
YBhg Dato' Siow Kim Lun @ Siow Kim Lin	30	-
Ms Lim Tau Kien	30	-
	<u>60</u>	<u>-</u>
	<u><u>60</u></u>	<u><u>-</u></u>

15 . CAPITAL RISK MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns to shareholder. The Company is not subject to externally imposed requirements on capital management.

HLA HOLDINGS SDN BHD
 (Company No.846141-D)
 (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

16 . FINANCIAL RISKS

The Board of Directors has the overall responsibility of financial risk management to ensure there is proper oversight of the management of risks.

The main risks arising from the Company's financial instruments are summarised below:

(a) Credit risk

Credit risk is the risk of loss due to inability or unwillingness of an issuer to service its debt obligations. The risk arising from lending and investment activities is monitored regularly with respect to credit rating and remaining term to maturity.

Credit exposure by credit rating

The below tabulation provides the breakdown of the Company's financial assets in relation to credit risk exposure:

	AA RM'000	Not rated RM'000	Not subject to credit risk RM'000	Total RM'000
2016				
AFS financial assets	-	-	19,904	19,904
Amount due from associated company	-	29,983	-	29,983
Cash and cash equivalents	7	-	-	7
	<u>7</u>	<u>29,983</u>	<u>19,904</u>	<u>49,894</u>
2015				
Cash and cash equivalents	22,232	-	-	22,232
	<u>22,232</u>	<u>-</u>	<u>-</u>	<u>22,232</u>

NOTES TO THE FINANCIAL STATEMENTS

16 . FINANCIAL RISKS (CONT'D)

(b) Liquidity risk

Liquidity risk arises due to inability of the Company to meet its financial obligations as and when they fall due. A significant amount of investible funds are placed with financial institutions as fixed and call deposits and other money market instruments. The Company endeavors to manage the maturity profiles of these instruments in order to ensure that sufficient funds are available at all times, to meet the day to day working capital requirements.

Maturity profile of financial assets

The table below analyses the carrying amount of financial assets based on the remaining contractual maturities:

	Carrying value RM'000	Up to 1 year RM'000	No maturity date RM'000	Total RM'000
2016				
Available-for-sale financial assets	19,904	-	19,904	19,904
Amount due from associated company	29,983	29,983	-	29,983
Cash and cash equivalents	7	7	-	7
Total financial assets	<u>49,894</u>	<u>29,990</u>	<u>19,904</u>	<u>49,894</u>
2015				
Cash and cash equivalents	22,232	22,232	-	22,232
Total financial assets	<u>22,232</u>	<u>22,232</u>	<u>-</u>	<u>22,232</u>

NOTES TO THE FINANCIAL STATEMENTS

16 . FINANCIAL RISKS (CONT'D)

(b) Liquidity risk (cont'd)

Maturity profile of financial liabilities

The table below shows the contractual undiscounted cash flows payable for financial liabilities of the Company based on the remaining contractual maturities:

	Carrying value RM'000	Up to 1 year RM'000	Total RM'000
2016			
Other payables and accruals	359	359	359
Amount due to related companies	925	925	925
Total financial liabilities	<u>1,284</u>	<u>1,284</u>	<u>1,284</u>
2015			
Other payables and accruals	39	39	39
Amount due to related companies	849	849	849
Total financial liabilities	<u>888</u>	<u>888</u>	<u>888</u>

(c) Market risk

(i) Currency risk

The Company is exposed to foreign currency risk as a result of investment in the subsidiary and remittances from the subsidiary where the currency differs from Ringgit Malaysia (RM).

The Company has no significant exposure to currency risk as at 30 June 2016 and 30 June 2015.

NOTES TO THE FINANCIAL STATEMENTS

16 . FINANCIAL RISKS (CONT'D)

(c) Market risk (cont'd)

(ii) Interest rate risk

Investment activities are inherently exposed to interest rate risk. Interest rate risk arises principally from changes in the level of interest rates. The Company has interest bearing asset as at 30 June 2016. The investment in financial assets is mainly short term in nature, not held for speculative purposes and placed in short term market.

The Company has no significant exposure to interest rate risk as at 30 June 2016 and 30 June 2015.

(iii) Price risk

The Company's price risk exposure relates to financial assets and liabilities, whose values will fluctuate as a result of the change in market prices. Such investment securities are subject to price risk due to change in market values of instruments arising either from factors specific to the individual instruments or their issuers or factors affecting all instruments traded in the market.

The Company has no significant exposure to price risk as at 30 June 2016 and 30 June 2015.

(iv) Operational risk

Operational risk is the risk of losses resulting from inadequate or failed internal processes, risk management policies and procedures, system failures, human performance failures or from external events. The Company seeks to minimise exposure by ensuring appropriate internal controls and systems, together with trained and competent people are in place throughout the Company.

HLA HOLDINGS SDN BHD
(Company No.846141-D)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

17 . SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On 30 June 2016, the immediate holding company, Hong Leong Financial Group Berhad ("HLFG") announced that Bank Negara Malaysia has no objection for HLFGB and the Company to commence negotiations with certain parties for the possible acquisition by them of the Company's equity interest in Hong Leong Assurance Berhad, a 70% subsidiary of the Company and Hong Leong MSIG Takaful Berhad, a 65% subsidiary of the Company, subject to the negotiations being concluded within 6 months from 23 June 2016.

Pursuant to the Financial Services Act 2013, both HLFGB and the Company and the relevant parties would be required to obtain prior written approval from the Minister of Finance of Malaysia, on the recommendation of BNM, before entering into any agreement to effect the proposed transactions.