

**COMPANY NUMBER (846141-D)**

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

**REPORTS AND FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

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

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**HLA HOLDINGS SDN BHD**  
(Company No.846141-D)  
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## **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

The Directors have pleasure in submitting their report together with the audited financial statements of the Company for the financial year ended 30 June 2018.

### **PRINCIPAL ACTIVITY**

The Company is an investment holding company. The principal activities of the subsidiary companies are disclosed in Note 5 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

94,487

### **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.

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**DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)**

**SHARE CAPITAL**

During the financial year, there was no issuance of new ordinary shares. As at 30 June 2018, the issued and paid-up share capital of the Company comprise of 312,500,000 ordinary shares.

**DIRECTORS**

The Directors who have held office during the financial year and during the period from the end of the financial year to the date of this report are:

YBhg Dato' Siow Kim Lun @ Siow Kim Lin	(Chairman, Independent Non-Executive Director)
Ms Loh Guat Lan	(Group Managing Director/ Chief Executive Officer)
Ms Lim Tau Kien	(Independent Non-Executive Director)
Ms Koid Swee Lian	(Independent Non-Executive Director)

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

Please refer to Note 5 for the names of subsidiaries.

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**DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)**

**DIRECTORS' INTERESTS**

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

**Shareholdings in which Directors have direct interest**  
**Number of ordinary shares/ ordinary shares**  
**issued or to be issued or acquired**  
**arising from the exercise of options\***

	<u>At</u> <u>1/7/2017</u>	<u>Acquired</u>	<u>Sold</u>	<u>At</u> <u>30/6/2018</u>
<b>Interest of</b>				
<b>Ms Loh Guat Lan in:</b>				
Hong Leong Financial Group Berhad	264,900	800,000	(604,900)	460,000
	5,081,823 *	5,000,000	(3,881,823)	6,200,000 *
<b>Interest of</b>				
<b>YBhg Dato' Siow Kim Lun</b>				
<b>@ Siow Kim Lin in:</b>				
GuocoLand (Malaysia) Berhad	15,000	-	-	15,000

**DIRECTORS' BENEFITS**

Since the end of the previous financial year, none of the Directors of the Company received or became entitled to receive any benefit (other than the benefits shown under Directors' Remuneration in Note 15(c) to the financial statements) 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 of a subsidiary.

## **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)**

### **CORPORATE GOVERNANCE**

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

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

#### **A. Board of Directors ("Board")**

##### **I Roles and Responsibilities of the Board**

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

In discharging its responsibilities, the Board established functions which are reserved for the Board and those which are delegated to management. The key roles and responsibilities of the Board are set out in the Board Charter, which is reviewed periodically by the Board. The key roles and responsibilities of the Board broadly covers 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 BNM as specified in guidelines and circulars issued by BNM from time to time.

The day-to-day business of the Company is managed by the Group Managing Director/Chief Executive Officer ("GMD/CEO") who is assisted by the management team. The GMD/CEO and her management team are accountable to the Board for the performance of the Company. In addition, the Board has established Board Committees which operate within clearly defined TOR primarily to support the Board in the execution of its duties and responsibilities.

**DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)**

**CORPORATE GOVERNANCE (CONT'D)**

**A. Board of Directors ("Board") (cont'd)**

**I Roles and Responsibilities of the Board (cont'd)**

To discharge its oversight roles and responsibilities more effectively, the Board has delegated the independent oversight over, inter alia, internal and external audit function, internal controls; and risk management to the Group Board Audit Committee ("GBAC") and Group Board Risk Management Committee ("GBRMC") respectively under HLA Holdings Sdn Bhd ("HLAH"). The Nomination and Remuneration Committee ("NRC") is delegated the authority to, inter alia, assess and review Board, Board Committees and GMD/CEO appointments and re-appointments and oversee management succession planning. Although the Board has granted such authority to Board Committees, the ultimate responsibility and the final decision rest with the Board. The Chairmen of Board Committees report to the Board on matters dealt with at their respective Board Committee meetings. Minutes of Board Committee meetings are also tabled at Board meetings.

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

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

The GMD/CEO is responsible for formulating the vision and recommending policies and the strategic direction of the Company for approval by the Board, implementing the decisions of the Board, initiating business ideas and corporate strategies to create competitive edge and enhancing shareholder wealth, providing management of the day-to-day operations of the Company and tracking compliance and business progress.

Independent Non-Executive Directors ("INEDs") are responsible for providing insights, unbiased and independent views, advice and judgment to the Board and bring impartiality to Board deliberations and decision-making. They also ensure effective checks and balances on the Board. There are no relationships or circumstances that could interfere with or are likely to affect the exercise of the INEDs' independent judgment or their ability to act in the best interest of the Company and its shareholders.

**DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)**

**CORPORATE GOVERNANCE (CONT'D)**

**A. Board of Directors ("Board") (cont'd)**

**I Roles and Responsibilities of the Board (cont'd)**

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

**II Board Composition**

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

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

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

Based on the review of the board composition in September 2018, the Board is of the view that the current size and composition of the Board are appropriate and effective for the control and direction of the Company's business.



**DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)**

**CORPORATE GOVERNANCE (CONT'D)**

**A. Board of Directors ("Board") (cont'd)**

**II Board Composition (cont'd)**

During the financial year ended 30 June 2018, eight (8) Board Meetings were held and the attendance of the Directors was as follows:

<u>Directors</u>	<u>Attendance</u>
YBhg Dato' Siow Kim Lun @ Siow Kim Lin	8/8
Ms Loh Guat Lan	8/8
Ms Lim Tau Kien	8/8
Ms Koid Swee Lian	8/8

At the Board meetings, active deliberations of issues by Board members are encouraged and such deliberations, decisions and conclusions are recorded by the Company Secretary accordingly. Any director who has an interest in the subject matter to be deliberated shall excuse himself from deliberating on the same during the meetings.

**Supply of Information**

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

All Directors have access to the advice and services of the Company Secretary and Internal Auditors. All Directors also have access to independent professional advice at the Company's expense, in consultation with the Chairman or the GMD/CEO of the Company.

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## **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)**

### **CORPORATE GOVERNANCE (CONT'D)**

#### **A. Board of Directors ("Board") (cont'd)**

##### **Directors' Profile**

##### **YBHG DATO' SIOW KIM LUN @ SIOW KIM LIN**

Chairman/Non-Executive/Independent  
Age 68, Male, Malaysian

YBhg Dato' Siow Kim Lun @ Siow Kim Lin holds an MBA from the Catholic University of Leuven, Belgium and a Bachelor of Economics (Hons) from the National University of Malaysia. He has also attended the Advanced Management Program at Harvard Business School.

YBhg Dato' Siow started his career in investment banking with Malaysia International Merchant Bankers Berhad in 1981 and had served as a Manager in its Corporate Finance Division. In 1985, he joined Permata Chartered Merchant Bank Berhad (now known as Affin Investment Bank Berhad) as Manager of Corporate Finance and subsequently became the Divisional Head of its Corporate Finance Division. From 1993 to 2006, YBhg Dato' Siow was with the Securities Commission, where he served as the Director of its Issues and Investment Division and the Director of its Market Supervision Division. He has also served as a member of the Listing Committee of Bursa Malaysia Securities Berhad from May 2007 to May 2009.

YBhg Dato' Siow is currently a board member of Hong Leong Assurance Berhad ("HLA"), Kumpulan Wang Persaraan (Diperbadankan), Citibank Berhad, UMW Holdings Berhad, EITA Resources Berhad, Eco World International Berhad, Sunway Construction Group Berhad, Radiant Globaltech Berhad and MainStreet Advisers Sdn. Bhd.

YBhg Dato' Siow is the Chairman of HLAH and was appointed to the Board of HLAH on 1 July 2015. He is also a member of the GBAC, GBRMC and NRC of HLAH.

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**DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)**

**CORPORATE GOVERNANCE (CONT'D)**

**A. Board of Directors ("Board") (cont'd)**

**Directors' Profile (cont'd)**

**MS LOH GUAT LAN**

Group Managing Director/CEO/Non-Independent  
Age 53, Female, Malaysian

Ms Loh Guat Lan holds a Bachelor of Science in Nutrition Science and is the fellow member of Life Management Institute (FLMI), Customer Service Management (CSM) and Life Office Management (LOMA). She is also a Certified Financial Planner (CFP) and Registered Financial Planner (RFP). Ms Loh has extensive experience in the insurance industry, including agency management, branch management, and agency development and training. She was previously the Chief Operating Officer (Life Division) of HLA and was subsequently appointed as the Group Managing Director/Chief Executive Officer of HLA on 1 September 2009. Prior to joining HLA, she was in the employment of American International Assurance Company Limited where her last position was Vice President & Senior Director of Agency (Malaysia).

Ms Loh was appointed to the Board of HLAH on 1 September 2009.

Ms Loh is the Chairman of HL Assurance Pte Ltd ("HLAS") and a Director of MSIG Insurance (Malaysia) Bhd, Hong Leong MSIG Takaful Berhad ("HLMT") and Hong Leong Insurance (Asia) Limited.

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## **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)**

### **CORPORATE GOVERNANCE (CONT'D)**

#### **A. Board of Directors ("Board") (cont'd)**

##### **Directors' Profile (cont'd)**

##### **MS LIM TAU KIEN**

Non-Executive Director/Independent  
Age 62, Female, Malaysian

Ms Lim Tau Kien is a Chartered Accountant registered with the Institute of Chartered Accountants of Scotland and is a member of the Malaysian Institute of Accountants.

Ms Lim began her career with Ernst & Young, United Kingdom, before serving the Ministry of Finance and Prime Minister's Department as a Federal Accountant. She subsequently joined the Royal Dutch Shell Group where she held various senior finance positions over a period of 25 years in Malaysia, Australia and China, her last position being the Country Chief Financial Officer/Finance Director/Country Controller of the Shell Companies of China from 2004 to 2008.

Ms Lim has been a director of listed and non-listed companies since 1997. She was appointed to the Board of HLAH on 1 July 2015 and is the Chairman of the GBAC and the NRC of HLAH.

Ms Lim is also a Director of Hong Leong Financial Group Berhad ("HLFG"), Malaysian Pacific Industries Berhad and Hengyuan Refining Company Berhad, companies listed on the Main Market of Bursa Securities, and also of UEM Group Berhad, a public company.

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## **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)**

### **CORPORATE GOVERNANCE (CONT'D)**

#### **A. Board of Directors ("Board") (cont'd)**

##### **Directors' Profile (cont'd)**

##### **MS KOID SWEE LIAN**

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

Ms Koid Swee Lian graduated in 1981 with a Bachelor of Laws (Honours) degree from the University of Malaya and was called to the Malaysian Bar as an Advocate & Solicitor in 1983.

Ms Koid was a career officer of BNM for more than 30 years until her retirement in 2013 and had held various senior positions including Deputy Director of Legal Department, Head of Financial Intelligence Unit and her last position with BNM being the Director of Consumer and Market Conduct Department.

Ms Koid had also served as the Head of Financial Intelligence Unit and was appointed as the inaugural Secretary to the National Coordinating Committee to Counter Money Laundering. During the period from 2006 to 2011, Ms Koid was the Director of Consumer and Market Conduct Department.

Ms Koid was a member of an international team of experts from the Financial Action Task Force and Asia Pacific Group on Anti-Money Laundering ("AML") that conducted a joint mutual evaluation of the USA's AML regime in 2005 to 2006. She had collaborated with various national and international organisations such as the World Bank, International Monetary Fund, Organisation for Economic Co-operation and Development, Consultative Group to Assist the Poor, and Alliance for Financial Inclusion where Ms Koid was engaged to speak at various forums on AML/ATF, financial consumer protection and financial education.

From 2009 to 2011, Ms Koid was appointed by BNM to serve as a Board member of the Credit Counseling and Debt Management Agency (Agensi Kaunseling dan Pengurusan Kredit or AKPK), BNM's wholly-owned subsidiary. She was seconded to AKPK in 2011 where she had led the agency in elevating adult consumers' financial literacy and eliminating their financial hardship with debt relief programmes.

Ms Koid is currently a board member of Deutsche Bank (Malaysia) Berhad and Genting Berhad. In addition, she was appointed by Securities Commission as a public interest director on the Board of the Federation of Investment Managers Malaysia (FIMM). She is also an Adviser for the Consumer Financial Education Initiative of the Financial Planning Association.

She was appointed to the Board of HLAH on 8 May 2017. Ms Koid is the Chairman of the GBRMC and a member of the NRC of HLAH.

**DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)**

**CORPORATE GOVERNANCE (CONT'D)**

**A. Board of Directors ("Board") (cont'd)**

**Directors' Training**

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

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

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

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

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

During the financial year ended 2018, the Directors received regular briefings and updates on the Company's businesses, operations, risk management, internal controls, corporate governance, finance and any changes to relevant legislation, rules and regulations from in-house professionals. The Company also organised an in-house programme for its Directors and senior management.

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

**DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)**

**CORPORATE GOVERNANCE (CONT'D)**

**A. Board of Directors ("Board") (cont'd)**

**Directors' Training (cont'd)**

During the financial year ended 2018, the Directors of the Company, collectively or on their own, attended various training programmes, seminars, briefings and/or workshops including:

- Malaysian Code on Corporate Governance Update and Cyber Security Awareness Session
- International Association of Insurance Supervisors (IAIS) Annual Conference
- Case Study Workshop for Independent Directors
- World Capital Markets Symposium 2018 - Renaissance of Capitalism : Markets for Growth
- MIA Audit Committee Conference 2018
- Anti Money Laundering (AML) Training
- 5th Annual Dialogue with the Deputy Governor of Bank Negara Malaysia
- Briefing on Malaysian Financial Reporting Standards 17 (MFRS 17)
- Digital Transformation and Impact to Businesses
- FIDE Core Programme : Module B
- 9th International Conference on Financial Crime and Terrorism Financing (IFCTF) 2017
- FIDE Core Programme : Module A (Insurance)
- Cyber Security : Cyber Proofing for the Next Wave
- (1) Oil Hedging Overview, Tools and Risks (SIETCo)
- (2) FX Market Development (SCB)
- (3) MOPS Pricing Methodology and Market Outlook (Platts)
- (4) Executive Presentation on Board Online Software (Diligent)
- Fraud Risk Management Workshop
- Boards in the Digital Economy
- Capital Market Conference 2017
- Directors CPD
- International Directors Summit (IDS) 2017
- The CG Breakfast Series for Directors : Leading in a Volatile, Uncertain, Complex, Ambiguous (VUCA) World
- The Corporate Intelligence : A Directors' Understanding & Access to Evidence-Based Foresight
- Case Study Workshop for Independent Directors
- CG Breakfast Series Entitled : "Leading Change @ The Brain"

**DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)**

**CORPORATE GOVERNANCE (CONT'D)**

**A. Board of Directors ("Board") (cont'd)**

**Nomination and Remuneration Committee ("NRC")**

The members of the NRC are as follows:

Ms Lim Tau Kien	(Chairman, Independent Non-Executive Director)
YBhg Dato' Siow Kim Lun @ Siow Kim Lin	(Independent Non-Executive Director)
Ms Koid Swee Lian	(Independent Non-Executive Director)

The nomination responsibilities of NRC are as follows:

- (i) Support the Board in carrying out its functions in the following matters concerning the Board, senior management and company secretary(ies):
  - (a) appointments and removals;
  - (b) composition;
  - (c) performance evaluation and development; and
  - (d) fit and proper assessments.
- (ii) Recommend to the Board the minimum criteria and skill sets for appointments to the Board, Board Committees and for the position of Chief Executive Officer.
- (iii) Review and recommend to the Board all Board and Board Committees appointments, re-appointments and removals including of the Chief Executive Officer.
- (iv) Review annually the overall composition of the Board in terms of the appropriate size and skills, and the balance between executive directors, non-executive directors and independent directors, and mix of skills and other core competencies required.
- (v) Assess annually the performance and effectiveness of the Board, Board Committees and each individual director.
- (vi) Oversee the appointment, management of succession planning and performance evaluation of key senior management officers and recommend if they are found ineffective, errant and negligent in discharging their responsibilities.
- (vii) Ensure that the Board receives an appropriate continuous training programme.



**DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)**

**CORPORATE GOVERNANCE (CONT'D)**

**A. Board of Directors ("Board") (cont'd)**

**Nomination and Remuneration Committee ("NRC") (cont'd)**

The remuneration responsibilities of NRC are as follows:

- (i) Recommend to the Board the framework and policies governing the remuneration of the:
  - Directors;
  - Chief Executive Officer;
  - Senior management officers; and
  - Other material risk takers.
- (ii) Review and recommend to the Board for approval the specific remuneration packages of executive directors and the Chief Executive Officer.
- (iii) Review and recommend to the Board for approval the remuneration of senior management officers and other material risk takers.

During the financial year ended 30 June 2018, two (2) NRC meetings were held and the attendance of the members was as follows:

<u>Members</u>	<u>Attendance</u>
Ms Lim Tau Kien	2/2
YBhg Dato' Siow Kim Lun @ Siow Kim Lin	2/2
Ms Koid Swee Lian	2/2

**Remuneration Policy**

HLAH's rewards strategy is in alignment with the Hong Leong Group's total compensation philosophy which supports and promotes a high performing culture to deliver the Company's vision to be a highly digital & innovative company. The rewards strategy focuses on providing a competitive remuneration and benefits package, as well as ample career progression opportunities for employees.

The Company's rewards framework focuses on a balanced and right pay mix to achieve the desired long term business performance. The framework includes base pay, cash allowances, performance based variable pay, sales incentive, long term incentives, benefits and other employee programs.

**DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)**

**CORPORATE GOVERNANCE (CONT'D)**

**A. Board of Directors ("Board") (cont'd)**

**Nomination and Remuneration Committee ("NRC") (cont'd)**

**Remuneration Policy (cont'd)**

The rewards framework ensures that employees are paid competitively against the industry and talent market the Company is operating in; delivered via a combination of cash and non-cash elements such as shares or share-linked instruments.

Key performance indicators ("KPI") and key results areas of employees are measured and tracked diligently to ensure strong alignment of employee output to the overall business strategy and direction of the Company.

**Compensation for Material Risk Takers**

The remuneration for each director, member of senior management and other material risk taker is approved by the Board annually.

**Deferred Compensation and Clawbacks**

The deferred compensation is applicable to some of the incentive schemes introduced in the Company. These are mostly for sales-type roles with built-in clawback mechanism. The clawback mechanism is introduced to ensure excessive risk taking behavior of staff is minimized and that the system does not induce excessive risk taking and sufficient control is in place. Periodic reviews are carried out to examine the effectiveness of the schemes in driving the right behaviors in achieving business goals and that there are no adverse risk elements in the approved schemes. The clawbacks mechanism is triggered when there are non-compliances to regulations and policies.

**Procedure**

The fees of Directors, including Non-Executive Directors, are recommended and endorsed by the Board for approval by the shareholders of the Company at the Annual General Meeting.

**Disclosure**

The remuneration of the Directors is set out in Note 15(c) to the financial statements.

**DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)**

**CORPORATE GOVERNANCE (CONT'D)**

**B. Accountability and Audit**

**GBAC of HLAH**

The GBAC was established under HLAH effective from 13 December 2017, subsequent to the approval by BNM on 28 September 2017 for the centralisation of the Audit Committees of HLAH, HLA and HLMT at HLAH, being the financial holding company. The Board Audit and Risk Management Committee ("BARMC") of HLAH was disbanded on 13 December 2017 with the establishment of the GBAC and GBRMC under HLAH.

The financial reporting and internal control system of the Company is overseen by the GBAC, which comprises the following members:

Ms Lim Tau Kien <i>(Appointed as GBAC Chairman on 13 December 2017)</i>	(Chairman of GBAC and Independent Non-Executive Director of HLAH)
YBhg Dato' Siow Kim Lun @ Siow Kim Lin <i>(Appointed as GBAC member on 13 December 2017)</i>	(Chairman, Independent Non-Executive Director of HLAH and Independent Non-Executive Director of HLA)
YM Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin <i>(Appointed as GBAC member on 13 December 2017)</i>	(Chairman, Independent Non-Executive Director of HLMT and Independent Non-Executive Director of HLA)
Ms Shalet Marian <i>(Appointed as GBAC member on 13 December 2017)</i>	(Independent Non-Executive Director of HLA)
Mr Martin Giles Manen <i>(Appointed as GBAC member on 16 April 2018)</i>	(Independent Non-Executive Director of HLMT)

Prior to the establishment of GBAC, the financial reporting and control system of the Company was overseen by the BARMC. The BARMC comprised the following members:

Ms Lim Tau Kien	(Chairman, Independent Non-Executive Director)
YBhg Dato' Siow Kim Lun @ Siow Kim Lin	(Independent Non-Executive Director)
Ms Koid Swee Lian	(Independent Non-Executive Director)

**DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)**

**CORPORATE GOVERNANCE (CONT'D)**

**B. Accountability and Audit (cont'd)**

**GBAC of HLAH (cont'd)**

**Terms of Reference**

The primary functions and responsibilities of the GBAC are set out in the terms of reference as follows:

**External Audit**

- To make recommendations to the Board of the Company and its subsidiaries on the appointment, removal and remuneration of the external auditor.
- To review the terms of engagement and the audit plan prior to engaging the external auditors and/or re-appointment of the external auditors.
- To monitor and assess the independence of the external auditor, including the approval of non-audit services by the external auditor.
- To review the assistance given by the officers of the Company and its subsidiaries to the external auditor.
- To maintain regular, timely, open and honest communication with the external auditor, and requiring the external auditor to report to the GBAC on significant matters.
- To review the report of the external auditor, including any significant matters, and to ensure that management has taken the necessary corrective actions in a timely manner to address the external audit findings and recommendations.
- To review third-party opinions on the design and effectiveness of the Group's internal control framework.

**Financial Reporting**

- To review the accuracy and adequacy of the Chairman's statement (if any) in the Directors' report, corporate governance disclosures, interim financial reports and annual financial statements.

**DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)**

**CORPORATE GOVERNANCE (CONT'D)**

**B. Accountability and Audit (cont'd)**

**GBAC of HLAH (cont'd)**

**Terms of Reference (cont'd)**

**Related Party/Connected Party Transactions**

- To review and update the Board of the Company and its subsidiaries on any related party transactions that may arise within the Group.
- To monitor compliance with the Board of the Company and its subsidiaries' conflict of interest policy.

**Internal Audit**

- To review and approve the adequacy of the internal audit scope, procedures, plan, and assess the performance and effectiveness of the internal audit function.
- To review the adequacy and effectiveness of internal controls and risk management processes.
- To review reports and significant findings by internal audit function, including any findings of internal investigations, and to ensure that management has taken the necessary corrective actions in a timely manner to address control weaknesses, non-compliance with laws, regulatory requirements, policies and other problems identified by the internal audit and other control functions.
- To review reports and findings issued by regulatory authorities, and to check that management has taken the necessary corrective actions in a timely manner to address control weaknesses, non-compliance with laws, regulatory requirements, policies and other problems identified by the regulatory authorities.
- To support the Board of the Company and its subsidiaries in meeting the expectations on internal audit management as set out in BNM's policy document, "Guidelines on Internal Audit Function of Licensed Institutions".

**DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)**

**CORPORATE GOVERNANCE (CONT'D)**

**B. Accountability and Audit (cont'd)**

**GBAC of HLAH (cont'd)**

**Terms of Reference (cont'd)**

**Internal Audit (cont'd)**

- To decide on the appointment, remuneration, appraisal, transfer and dismissal of the Head of Insurance Audit, and to provide oversight on the adequacy of resources and remuneration of the internal auditors. This includes a regular review to determine whether the internal audit function has appropriate standing within the Group to undertake its activities independently and objectively.
- To engage privately with the Head of Insurance Audit on a regular basis (and in any case at least twice annually) to provide the opportunity for the Head of Insurance Audit to discuss issues faced by the internal audit function.
- To review the Audit Charter of the Company and its subsidiaries and recommend for respective Board's approval.
- Other audit functions as may be agreed to by the GBAC and the Board of the Company and its subsidiaries.

**Group Governance**

- 1) Noted that:
  - a) HLFPG as an apex entity has overall responsibility for ensuring the establishment and operation of a clear governance structure within HLFPG Group.
  - b) HLFPG Board's responsibility is to promote the adoption of sound corporate governance principles throughout the HLFPG Group.
  - c) HLFPG's audit, risk and compliance functions may propose objectives, strategies, plans, governance framework and policies for adoption and implementation HLFPG Group-wide.
  - d) The respective subsidiaries' board and senior management must validate that the objectives, strategies, plans, governance framework and policies set at HLFPG level are fully consistent with the regulatory obligations and the prudential management of the subsidiary and ensure that entity specific risks are adequately addressed in the implementation of HLFPG Group-wide policies.

**DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)**

**CORPORATE GOVERNANCE (CONT'D)**

**B. Accountability and Audit (cont'd)**

**GBAC of HLAH (cont'd)**

**Group Governance (cont'd)**

- 2) The GBAC shall validate that the objectives, strategies, plans, governance framework and policies set at HLFM level are fully consistent with the regulatory obligations and the prudential management of the subsidiary and to check that the entity specific risks are adequately addressed in the implementation of Group-wide policies.
- 3) HLAH, as the financial holding company of the insurance and Takaful entities of the HLFM Group ("Insurance Group") shall align the responsibilities as set out in item (1) and (2) above for the Insurance Group.

During the financial year ended 30 June 2018, four (4) GBAC meetings were held and the attendance of the members was as follows:

<u>Members</u>	<u>Attendance</u>
Ms Lim Tau Kien	4/4
YBhg Dato' Siow Kim Lun @ Siow Kim Lin	4/4
YM Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin	4/4
Ms Shalet Marian	4/4
Mr Martin Giles Manen	3/3

Before the establishment of GBAC, three (3) BARMC meetings were held during the financial year ended 30 June 2018 until the BARMC was disbanded on 13 December 2017 and the attendance of the members was as follows:

<u>Members</u>	<u>Attendance</u>
Ms Lim Tau Kien	3/3
YBhg Dato' Siow Kim Lun @ Siow Kim Lin	3/3
Ms Koid Swee Lian	3/3

**Internal Controls and Operational Risk Management**

The Board of the Company and its subsidiaries has overall responsibility for maintaining a system of internal controls, which provides reasonable assessment of effective and efficient operations, internal financial controls and compliance with laws and regulations.

**DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)**

**CORPORATE GOVERNANCE (CONT'D)**

**B. Accountability and Audit (cont'd)**

**GBAC of HLAH (cont'd)**

**Internal Controls and Operational Risk Management (cont'd)**

The Company and its subsidiaries have established authority limits and internal controls to manage operational risks. Authority limits and the system of internal controls are reviewed regularly to ensure continuous improvement in the control environment.

The Company and its subsidiaries have put in place adequate security controls for its Information Technology systems and have in place business resumption and contingency plans that can ensure continued operation of critical functions.

**Corporate Independence**

The Company and its subsidiaries have 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 15 to the financial statements.

**Management Accountability**

The Company and its subsidiaries operate in an organisational structure and environment which are constantly being reviewed and enhanced to ensure that it remains appropriate for the operating environment. Human resource procedures of the Company and its subsidiaries provide for the setting of goals and training of each employee. The Company and its subsidiaries conduct formal appraisals for each employee on an annual basis.

The Company and its subsidiaries have an office of Corporate Communications to guide its communication policy.

**Relationship with Auditors**

The external auditors are appointed on the recommendation by the GBAC, which determines the remuneration of the external auditors. The external auditors meet with the GBAC to:

- a) Present the scope of the audit before the commencement of audit; and
- b) Review the results of the financial year as well as the Internal Control letter after the conclusion of the audit.



**DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)**

**CORPORATE GOVERNANCE (CONT'D)**

**B. Accountability and Audit (cont'd)**

**GBRMC of HLAH**

The GBRMC was established under HLAH effective from 13 December 2017, subsequent to the approval by BNM on 28 September 2017 for the centralisation of the Risk Management Committees of HLAH, HLA and HLMT at HLAH. The BARMC of HLAH was disbanded on 13 December 2017 with the establishment of GBAC and GBRMC under HLAH.

The risk management and compliance system of the Company is overseen by the GBRMC which comprises the following members:

Ms Koid Swee Lian <i>(Appointed as GBRMC Chairman on 13 December 2017)</i>	(Chairman of GBRMC and Independent Non-Executive Director of HLAH)
YBhg Dato' Siow Kim Lun @ Siow Kim Lin <i>(Appointed as GBRMC member on 13 December 2017)</i>	(Chairman, Independent Non-Executive Director of HLAH and Independent Non-Executive Director of HLA)
YM Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin <i>(Appointed as GBRMC member on 13 December 2017)</i>	(Chairman, Independent Non-Executive Director of HLMT and Independent Non-Executive Director of HLA)
YBhg Datin Ngiam Pick Ngoh <i>(Appointed as GBRMC member on 13 December 2017)</i>	(Independent Non-Executive Director of HLA)
Dr Aznan bin Hasan <i>(Appointed as GBRMC member on 13 December 2017)</i>	(Independent Non-Executive Director of HLMT)

Prior to the establishment of GBRMC, the risk management and compliance system of the Company was overseen by the BARMC. The BARMC comprised the following members:

Ms Lim Tau Kien	(Chairman, Independent Non-Executive Director)
YBhg Dato' Siow Kim Lun @ Siow Kim Lin	(Independent Non-Executive Director)
Ms Koid Swee Lian	(Independent Non-Executive Director)

**DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)**

**CORPORATE GOVERNANCE (CONT'D)**

**B. Accountability and Audit (cont'd)**

**GBRMC of HLAH (cont'd)**

**Terms of Reference of GBRMC**

The primary functions and responsibilities of the GBRMC are set out in the terms of reference as follows:

**Risk Management**

- To review management's activities in managing principal risks such as credit, market, liquidity, operational, compliance, insurance and IT risks and the risk management process.
- To review management's reporting to the Board of the Company and its subsidiaries on measures taken to:
  - a) Identify and examine principal risks faced by the Company and its subsidiaries.
  - b) Implement appropriate systems and internal controls to manage these risks.
- To review management's major risk management strategies, policies and risk tolerance for Board of the Company and its subsidiaries' approval.
- To review management's overall framework on the Internal Capital Adequacy Assessment Process ("ICAAP"), annual risk appetite, Individual Target Capital Level ("ITCL") and Capital Management Plan for Board of the Company and its subsidiaries' approval.
- To review management's development and effective implementation of the ICAAP.
- To review management's stress testing governance including the evaluation on the capital stress test scenarios, parameters, key assumptions and results.
- To review management's periodic reports on risk appetite, risk exposure, risk portfolio composition, stress testing and risk management activities.
- To review the adequacy and effectiveness of management's internal controls and risk management process.

**DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)**

**CORPORATE GOVERNANCE (CONT'D)**

**B. Accountability and Audit (cont'd)**

**GBRMC of HLAH (cont'd)**

**Terms of Reference of GBRMC (cont'd)**

**Risk Management (cont'd)**

- To review the adequacy of risk management policies and frameworks in identifying, measuring, monitoring and controlling risk and the extent to which these are operating effectively.
- To review risk management function's infrastructure, resources and systems and that the staff responsible for implementing risk management systems perform those duties independently of the Group's risk taking activities.
- To receive reports from pertinent management committee.
- To review management's implementation of risk management as set out in BNM's policy document on Risk Governance, Approaches to Regulating and Supervising Financial Group and Corporate Governance.
- To review and advise on the appointment, remuneration, removal and redeployment of the Chief Risk Officer/Head of Risk Management ("CRO").
- To engage privately with the CRO on a regular basis (and in any case at least twice annually) to provide the opportunity for the CRO to discuss issues faced by the risk management function.
- To review management's implementation of the remuneration system on whether incentives provided by the remuneration system take into consideration risks, capital, liquidity and the likelihood and timing of earnings, without prejudice to the tasks of the Board Remuneration Committee.
- Other risk management functions as may be agreed to by the GBRMC and the Board of the Company and its subsidiaries.

**DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)**

**CORPORATE GOVERNANCE (CONT'D)**

**B. Accountability and Audit (cont'd)**

**GBRMC of HLAH (cont'd)**

**Terms of Reference of GBRMC (cont'd)**

**Compliance**

- To assist the Board of the Company and its subsidiaries in the oversight of the management of compliance risk by :
  - a) reviewing compliance policies and overseeing management's implementation of the same;
  - b) reviewing the establishment of the compliance function and the position of the Chief Compliance Officer/Head of Compliance ("CCO") to ensure the compliance function and CCO are provided with appropriate standing, authority and independence;
  - c) discussing and deliberating compliance issues regularly and ensuring such issues are resolved effectively and expeditiously;
  - d) reviewing annually the effectiveness of the Company and its subsidiaries' overall management of compliance risk, having regard to the assessments of senior management and internal audit and interactions with the CCO;
  - e) updating the Board of the Company and its subsidiaries on all significant compliance matters, including providing its views on (a) to (d) above.
  
- In relation to the role of the CCO, support the Board of the Company and its subsidiaries in meeting the expectations on compliance management as set out in BNM's policy document on Compliance by:
  - a) reviewing and advising on the appointment, remuneration, removal and redeployment of the CCO;
  - b) ensuring that CCO has sufficient stature to allow for effective engagement with the CEO and other members of senior management;
  - c) engaging privately with the CCO on a regular basis (and in any case at least twice annually) to provide the opportunity for the CCO to discuss issues faced by the compliance function;
  - d) ensuring that the CCO is supported with sufficient resources to perform his duties effectively;
  - e) where CCO also carries out responsibilities in respect of other control functions, the GBRMC shall be satisfied that a sound overall control environment will not be compromised by the combination of responsibilities performed by the CCO.

**DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)**

**CORPORATE GOVERNANCE (CONT'D)**

**B. Accountability and Audit (cont'd)**

**GBRMC of HLAH (cont'd)**

**Terms of Reference of GBRMC (cont'd)**

**Compliance (cont'd)**

- Other compliance functions as may be agreed to by the GBRMC and the Board of the Company and its subsidiaries.

**Group Governance**

- 1) Noted that:
  - a) HLFG as an apex entity has overall responsibility for ensuring the establishment and operation of a clear governance structure within HLFG Group.
  - b) HLFG Board's responsibility is to promote the adoption of sound corporate governance principles throughout the HLFG Group.
  - c) HLFG's audit, risk and compliance functions may propose objectives, strategies, plans, governance framework and policies for adoption and implementation HLFG Group-wide.
  - d) The respective subsidiaries' board and senior management must validate that the objectives, strategies, plans, governance framework and policies set at HLFG level are fully consistent with the regulatory obligations and the prudential management of the subsidiary and ensure that entity specific risks are adequately addressed in the implementation of HLFG Group-wide policies.
- 2) The GBRMC shall validate that the objectives, strategies, plans, governance framework and policies set at HLFG level are fully consistent with the regulatory obligations and the prudential management of the subsidiary and to check that the entity specific risks are adequately addressed in the implementation of Group-wide policies.
- 3) HLAH, as the financial holding company of the insurance and Takaful entities of the HLFG Group ("Insurance Group") shall align the responsibilities as set out in item (1) and (2) above for the Insurance Group.

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

**DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)**

**CORPORATE GOVERNANCE (CONT'D)**

**B. Accountability and Audit (cont'd)**

**GBRMC of HLAH (cont'd)**

During the financial year ended 30 June 2018, three (3) GBRMC meetings were held and the attendance of the members was as follows:

<u>Members</u>	<u>Attendance</u>
Ms Koid Swee Lian	3/3
YBhg Dato' Siow Kim Lun @ Siow Kim Lin	3/3
YM Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin	3/3
YBhg Datin Ngiam Pick Ngoh	3/3
Dr Aznan bin Hasan	3/3

Before the establishment of GBRMC, three (3) BARMC meetings were held during the financial year ended 30 June 2018 until the BARMC was disbanded on 13 December 2017 and the attendance of the members was as follows:

<u>Members</u>	<u>Attendance</u>
Ms Lim Tau Kien	3/3
YBhg Dato' Siow Kim Lun @ Siow Kim Lin	3/3
Ms Koid Swee Lian	3/3

**DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (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 prepared, 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 including the values of current assets as shown in the accounting records of the Company had been written down to an amount which the current assets might be expected so to realise.
- (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; or
  - (iii) which had arisen that would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

**DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (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 2018 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 EVENTS DURING THE FINANCIAL YEAR**

On 22 June 2018, the Company invested an additional capital of RM20,700,400 in HLAS.



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

**DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)**

**SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR**

Significant events subsequent to the financial year are disclosed in Note 19 to the financial statements.

**IMMEDIATE HOLDING AND ULTIMATE HOLDING COMPANIES**

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

**SUBSIDIARIES**

Details of subsidiaries are set out in Note 5 to the financial statements.

**DIRECTORS' REMUNERATION**

Details of directors' remuneration and the total amount of indemnity given are set out in Note 15(c) to the financial statements.

**AUDITORS' REMUNERATION**

Details of auditors' remuneration are set out in Note 11 to the financial statements.

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

**DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)**

**AUDITORS**

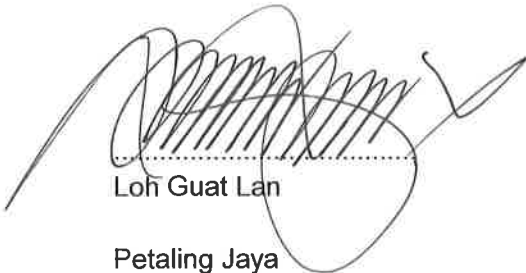
The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors.

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146) was registered on 2 January 2018 and with effect from that date, PricewaterhouseCoopers (AF 1146), a conventional partnership was converted to a limited liability partnership.

This report was approved by the Board of Directors on 18 September 2018. Signed on behalf of the Board of Directors.



.....  
Dato' Siow Kim Lun  
@ Siow Kim Lin



.....  
Loh Guat Lan


Petaling Jaya  
18 September 2018

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

**STATEMENT BY DIRECTORS PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016**

We, Dato' Siow Kim Lun @ Siow Kim Lin and Loh Guat Lan, two of the Directors of **HLA Holdings Sdn Bhd**, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 39 to 76 are drawn up so as to give a true and fair view of the financial position of the Company as at 30 June 2018 and financial performance of the Company for the financial year ended 30 June 2018 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 18 September 2018.

  
.....  
Dato' Siow Kim Lun  
@ Siow Kim Lin

  
.....  
Loh Guat Lan

Petaling Jaya  
18 September 2018

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

**STATUTORY DECLARATION PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016**

I, Ong Kheng Heng, 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 39 to 76 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 Selangor Darul Ehsan )  
this 18 September 2018 )



Before me:



Commissioner for Oath

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



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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of HLA Holdings Sdn Bhd (“the Company”) give a true and fair view of the financial position of the Company as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Company, which comprise the statement of financial position as at 30 June 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 39 to 76.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the “Auditors’ responsibilities for the audit of the financial statements” section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants (“By-Laws”) and the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

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*PricewaterhouseCoopers PLT (LLP0014401-LCA & 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*

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146) was registered on 02.01.2018 and with effect from that date, PricewaterhouseCoopers (AF 1146), a conventional partnership was converted to a limited liability partnership.



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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises Directors' Report, but does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.



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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Auditors' responsibilities for the audit of the financial statements (cont'd)

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

A handwritten signature in black ink, appearing to be 'P. Rajan', written over a horizontal line.

PRICEWATERHOUSECOOPERS PLT  
LLP0014401-LCA & AF 1146  
Chartered Accountants

A handwritten signature in black ink, appearing to be 'Manjit Singh', written over a horizontal line.

MANJIT SINGH A/L HAJANDER SINGH  
02954/03/2019J  
Chartered Accountant

Kuala Lumpur  
18 September 2018



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

**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018**

	Note	2018 RM'000	2017 RM'000
<b>Non-current assets</b>			
Property, plant and equipment	3	-	-
Intangible assets	4	370	467
Investment in subsidiaries	5	599,546	578,846
Investment in associated company	6	618,646	618,646
Available-for-sale financial assets	7	11,849	2,301
		<u>1,230,411</u>	<u>1,200,260</u>
<b>Current assets</b>			
Amount due from subsidiary companies	15	80	-
Amount due from associated company	15	25,485	-
Cash and cash equivalents		344	10
		<u>25,909</u>	<u>10</u>
<b>Current liabilities</b>			
Other payables and accruals		595	439
Amount due to holding company	15	-	38,600
Amount due to related companies	15	751	744
Tax payable		1	2
<b>Total current liabilities</b>		<u>1,347</u>	<u>39,785</u>
<b>Net assets</b>		<u>1,254,973</u>	<u>1,160,485</u>
<b>Shareholders' equity</b>			
Share capital	8	314,000	314,000
Reserves	9	940,973	846,485
		<u>1,254,973</u>	<u>1,160,485</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 2018**

	Note	2018 RM'000	2017 RM'000
Revenue	10	96,699	102,325
Realised (losses)/gains		(2)	1
Other income		22	29
Finance costs		(461)	(190)
Other operating expenses		(1,765)	(1,447)
<b>Profit before taxation</b>	11	94,493	100,718
Taxation	12	(6)	(104,580)
<b>Net profit/(losses) for the financial year</b>		<u>94,487</u>	<u>(3,862)</u>
<b>Other comprehensive income:</b>			
<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 losses arising during the financial year			
	7	(1)	(4)
Gross fair value losses/(gains) transferred to Statement of Income			
	7	2	(1)
Net fair value gains/(losses)		<u>1</u>	<u>(5)</u>
<b>Total comprehensive income/(losses) for the financial year</b>		<u>94,488</u>	<u>(3,867)</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 CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

Note	Issued and fully paid ordinary shares		Non-distributable		Distributable	Total RM'000
	No. of Shares '000	Share capital RM'000	Available- for-sale reserve RM'000	Capital redemption reserve RM'000	Retained earnings RM'000	
<b>At 1 July 2016</b>	312,500	312,500	4	1,500	937,348	1,251,352
Total comprehensive losses for the financial year	-	-	(5)	-	(3,862)	(3,867)
Transfer pursuant to New Companies Act 2016	8	1,500	-	(1,500)	-	-
Dividend paid during the financial year	13	-	-	-	(87,000)	(87,000)
<b>At 30 June 2017</b>	<b>312,500</b>	<b>314,000</b>	<b>(1)</b>	<b>-</b>	<b>846,486</b>	<b>1,160,485</b>
<b>At 1 July 2017</b>	312,500	314,000	(1)	-	846,486	1,160,485
Total comprehensive income for the financial year	-	-	1	-	94,487	94,488
<b>At 30 June 2018</b>	<b>312,500</b>	<b>314,000</b>	<b>-</b>	<b>-</b>	<b>940,973</b>	<b>1,254,973</b>

*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 FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Operating activities</b>		
Net profit/(losses) for the financial year	94,487	(3,862)
Adjustments for:		
Dividend income	(96,696)	(102,318)
Interest income	(3)	(7)
Amortisation charge	97	16
Realised losses/(gains) on available-for-sale financial assets	2	(1)
Finance costs	461	190
Tax expense	6	104,580
Operating losses before working capital changes	<u>(1,646)</u>	<u>(1,402)</u>
<b>Changes in working capital:</b>		
Increase in other payables and accruals	156	80
Increase in amount due from subsidiary companies	(80)	-
Decrease in amount due to holding company	-	38,600
Increase/(Decrease) in amount due to related companies	7	(181)
Tax paid	(7)	(78,580)
Net cash outflow from operating activities	<u>(1,570)</u>	<u>(41,483)</u>
<b>Investing activities</b>		
Capital injection to subsidiary companies	(20,700)	(21,034)
Purchase of property, plant and equipment	-	(197)
Dividend income received	70,761	131,799
Interest income received	3	7
Purchase of available-for-sale financial assets	(17,237)	(31,248)
Proceeds from disposal of available-for-sale financial assets	8,138	49,349
Net cash inflow from investing activities	<u>40,965</u>	<u>128,676</u>

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

**STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D)**

	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Financing activities</b>		
Dividend paid	-	(87,000)
Repayment of loan from holding company	(38,600)	-
Settlement of finance costs	(461)	(190)
Net cash outflow from financing activities	<u>(39,061)</u>	<u>(87,190)</u>
Net increase in cash and cash equivalents	334	3
Cash and cash equivalents at beginning of the financial year	10	7
<b>Cash and cash equivalents at end of the financial year</b>	<u><u>344</u></u>	<u><u>10</u></u>
<b>Cash and cash equivalents comprise:</b>		
Cash and bank balances	-	-
Fixed and call deposits with maturity of less than 3 months		
- Licensed financial institutions	344	10
	<u>344</u>	<u>10</u>

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

	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Loan from holding company</b>		
Balance at the beginning of the financial year	38,600	-
<b>Cash changes:</b>		
- Drawdown of loan	-	78,600
- Repayment of loan	(38,600)	(40,000)
- Interest paid	(461)	(190)
<b>Non-cash changes:</b>		
- Accrued interest	461	190
Balance at the end of the financial year	<u><u>-</u></u>	<u><u>38,600</u></u>

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

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

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

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

The Company is an investment holding company. The principal activities of the subsidiary companies are disclosed in Note 5 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 18 September 2018.

### **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 in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 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.

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).

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

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

**(a) Basis of preparation (cont'd)**

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 revenues and expenses during the reported period. It also requires Directors to exercise their judgment in the process of applying the Company's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2(o).

**(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 2017**

- Amendments to MFRS 107 'Statement of Cash Flows – Disclosure Initiative'
- Amendments to MFRS 112 'Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses'

Other than amendments to MFRS 107 requiring additional disclosure of changes in liabilities arising from financing activities, the adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

## **NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

### **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**

###### 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'.

###### Classification and measurements

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 ("FVTPL") and fair value through other comprehensive income ("FVOCI"). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in other comprehensive income ("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:

- For financial liabilities classified as FVTPL, the fair value changes due to own credit risk should be recognised directly to OCI. There is no subsequent recycling to profit or loss.

The combined application of the entity's business model and the cash flow characteristics of the financial assets do not result in the significant change in the classification of financial asset when compared to the existing classification of financial assets in the statement of financial position as at 30 June 2018.

However, the Company has identified financial investments currently held at available-for-sale ("AFS") which fail the solely for the payment of principal and interest ("SPPI") test to be reclassified as FVTPL accordingly on 1 July 2018.



## **NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

### **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 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 'Financial Instruments: Recognition and Measurement'. (cont'd)

##### Classification and measurements (cont'd)

The Company do not expect a significant impact arising from the changes in classification and measurement of the financial assets.

There will be no significant changes to the Company's accounting for financial liabilities as it largely retains the MFRS 139 requirements. All the financial liabilities, except for derivatives financial liabilities and financial liabilities designated at FVTPL, will remain as amortised cost as there has not been significant change in the requirements for financial liabilities under MFRS 9.

##### Impairment of financial assets

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 new impairment model requires the recognition of impairment allowances based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under MFRS 139. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, lease receivables, loan commitments, financial guarantee contracts and other loan commitments.

## **NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

### **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 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 'Financial Instruments: Recognition and Measurement'. (cont'd)

##### Impairment of financial assets (cont'd)

Under MFRS 9, impairment will be measured on each reporting date according to a three-stage ECL impairment model:

- Stage 1 – from initial recognition of a financial assets to the date on which the credit risk of the asset has increased significantly relative to its initial recognition, a loss allowance is recognised equal to the credit losses expected to result from defaults occurring over the next 12 months (12-month ECL).
- Stage 2 – following a significant increase in credit risk relative to the initial recognition of the financial assets, a loss allowance is recognised equal to the credit losses expected over the remaining life of the financial asset (Lifetime ECL).
- Stage 3 – When a financial asset is considered to be credit-impaired, a loss allowance equal to full lifetime expected credit losses is to be recognised (Lifetime ECL).

As all financial assets within the scope of MFRS 9 impairment model will be assessed for at least 12-month ECL, and the population of financial assets to which full lifetime ECL applies is larger than the population of impaired loans for which there is objective evidence of impairment in accordance with MFRS 139, the total allowance for credit losses is expected to increase under MFRS 9 relative to the allowance for credit losses under MFRS 139.

In addition, changes in the required credit loss allowance, including the impact of movements between Stage 1 (12-month ECL) and Stage 2 (lifetime ECL) and the application of forward looking information, will be recorded in profit or loss, allowance for credit losses will be more volatile under MFRS 9.

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

**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 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 'Financial Instruments: Recognition and Measurement'. (cont'd)

Impairment of financial assets (cont'd)

The assessment of credit risk and the estimation of ECL are required to be unbiased, probability-weighted and should incorporate all available information which is relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should also take into account the time value of money.

Disclosure

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Company's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

The Company will apply the new rules retrospectively from 1 July 2018, with the practical expedients permitted under the standard. Comparatives for 2018 will not be restated.

The Company is in finalisation stages of the MFRS 9 implementation with a view to ensure full compliance by 1 July 2018.

## **NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

### **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 15 'Revenue from contracts with customers' (effective from 1 January 2018) replaces MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations.

The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue is recognised when a customer obtains control of goods or services, that is, when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

A new five-step process is applied before revenue can be recognised:

- Identify contracts with customers;
- Identify the separate performance obligations;
- Determine the transaction price of the contract;
- Allocate the transaction price to each of the separate performance obligations; and
- Recognise the revenue as each performance obligation is satisfied.

Key provisions of the new standard are as follows:

- Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
- If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc.), minimum amounts of revenue must be recognised if they are not at significant risk of reversal.

## **NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

### **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 15 'Revenue from contracts with customers' (effective from 1 January 2018) replaces MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations. (cont'd)

Key provisions of the new standard are as follows: (cont'd)

- The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
- There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to name a few.
- As with any new standard, there are also increased disclosures.
- Annual Improvements to MFRS 128 'Investments in Associates and Joint Ventures' (effective from 1 January 2018). The amendments allow:
  - (i) venture capital organisations, mutual funds, unit trusts and similar entities to elect, on an individual basis, measuring their investments in associates and joint ventures at fair value through profit or loss.
  - (ii) an entity that is not an investment entity to retain the fair value measurement applied by its associates or joint ventures (that are investment entities) when applying equity method.

The Company is in the process of finalising the financial implication arising from the adoption of this new standard and expects no significant impact to the fees and other income for the Company.

## **NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

### **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)

- IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration' (effective from 1 January 2018) applies when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. MFRS 121 requires an entity to use the exchange rate at the 'date of the transaction' to record foreign currency transactions.

IC Interpretation 22 provides guidance how to determine 'the date of transaction' when a single payment/receipt is made, as well as for situations where multiple payments/receipts are made.

The date of transaction is the date when the payment or receipt of advance consideration gives rise to the non-monetary asset or non-monetary liability when the entity is no longer exposed to foreign exchange risk.

If there are multiple payments or receipts in advance, the entity should determine the date of the transaction for each payment or receipt.

An entity has the option to apply IC Interpretation 22 retrospectively or prospectively.

###### Financial year beginning on/after 1 July 2019

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

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

IC Interpretation 23 will be applied retrospectively.

## **NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

### **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 2019 (cont'd)

- Annual Improvements to MFRSs 2015-2017 Cycle:

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

Amendments to MFRS 128 on long-term interests in associates and joint ventures clarify that an entity should apply MFRS 9 'Financial Instruments' (including the impairment requirements) to long-term interests in an associate or joint venture, which are in substance form part of the entity's net investment, for which settlement is neither planned nor likely to occur in the foreseeable future.

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

The amendments shall be applied retrospectively.

The adoption of the above new accounting standards, amendments to published standards and interpretations are not expected to give rise to any material financial impact to the Company except for the cumulative impact on the adoption of MFRS 9 which will be recognised in retained earnings as at 1 July 2018, and enhanced disclosures.

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

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

**(b) Property, plant and equipment and depreciation**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the carrying amount of the assets when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be reliably estimated. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year which they are incurred.

Capital work-in-progress are not depreciated. Depreciation on capital work-in-progress commences when the assets are ready for their intended use.

**(c) Intangible assets**

**Computer software**

Computer software licenses acquired separately are capitalised on the basis of the costs incurred to acquire and bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. These costs are amortised over their estimated useful lives which are estimated to be 5 years.

Costs that are directly associated with knowledge based software and computer applications which are unique to the requirements of the business are recognised as intangible assets. These software and applications are expected to generate economic benefits beyond one year. Direct attributable costs include the software development employee costs and an appropriate portion of relevant overheads to prepare the asset for its intended use. These costs are recognised as assets and amortised over their useful lives which are estimated to be 5 years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense when it is incurred.



## **NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

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

#### **(d) 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(h) to the financial statements).

These financial statements are the separate financial statements of the Company. The Company has applied the exemption in accordance with paragraph 4(a) of MFRS 10 to prepare the consolidated financial statements as the Company is a wholly-owned subsidiary of HLFM, a Malaysian-incorporated company which produces consolidated financial statements available for public use that comply with MFRS. The consolidated financial statements are obtainable at its office at Level 30, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur.

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

#### **(e) 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.

#### **(f) 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.

## **NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

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

#### **(f) Financial assets (cont'd)**

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 statement of comprehensive income 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 statement of comprehensive income.

#### **(g) 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 that are readily convertible to known amount of cash which are subject to an insignificant risk of changes in value.

#### **(h) 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 statement of comprehensive income 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 statement of comprehensive income immediately.

## **NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

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

#### **(h) Impairment of non-financial assets (cont'd)**

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.

#### **(i) Taxation**

Taxation on the statement of comprehensive income 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.

## **NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

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

#### **(j) Revenue recognition**

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

Interest income is recognised on accrual basis.

#### **(k) 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.

#### **(l) 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 statement of comprehensive income.

#### **(m) 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.

#### **(n) 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.

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

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

**(o) Critical accounting estimates and judgements in applying accounting policies**

The Company makes 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 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:

**(i) Impairment of investment in subsidiaries**

The Company assesses whether there is any indication that investment in subsidiaries are impaired at the end of each reporting period. Impairment is measured by comparing the carrying amount of an asset with its recoverable amount. The recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value-in-use.

The value-in-use is the net present value of the projected future cash flow derived from that asset discounted at an appropriate discount rate. Projected future cash flows are calculated based on industry trends, economic conditions and other available information.

During the year, after reviewing the business environment as well as the Company's strategies and past performance of its cash-generating units, management concluded that no provision for impairment loss is needed.

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

**3 . PROPERTY, PLANT AND EQUIPMENT**

	<b>Capital work in progress</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cost</b>		
At 1 July	-	286
Addition	-	197
Reclassification (Note 4)	-	(483)
At 30 June	<u>-</u>	<u>-</u>
Net carrying amount	<u>-</u>	<u>-</u>

**4 . INTANGIBLE ASSETS**

	<b>Computer Software</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cost</b>		
At 1 July	483	-
Reclassification (Note 3)	-	483
At 30 June	<u>483</u>	<u>483</u>
<b>Accumulated amortisation</b>		
At 1 July	16	-
Charge for the financial year	97	16
At 30 June	<u>113</u>	<u>16</u>
Net carrying amount	<u>370</u>	<u>467</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

**5. INVESTMENT IN SUBSIDIARIES**

	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Unquoted shares, at cost	<u>599,546</u>	<u>578,846</u>

The subsidiaries are listed below:

<b><u>Name of company</u></b>	<b><u>Place of incorporation</u></b>	<b><u>Principal activities</u></b>	<b><u>Effective Interest (%)</u></b>	
			<b>2018</b>	<b>2017</b>
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
*HL Assurance Pte Ltd	Singapore	General insurance business	100	100

\*Audited by other audit firm.

These financial statements are the separate financial statements of the Company. The Company has applied the exemption in accordance with paragraph 4(a) of MFRS 10 to prepare the consolidated financial statements as the Company is a wholly-owned subsidiary of HLF, a Malaysian-incorporated company which produces consolidated financial statements available for public use that comply with MFRS. The consolidated financial statements are obtainable at its office at Level 30, Menara Hong Leong, No. 6, Jalan Damansara, Bukit Damansara, 50490 Kuala Lumpur.

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

**6 . INVESTMENT IN ASSOCIATED COMPANY**

	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Unquoted shares, at cost	618,646	618,646

Income and expenses of the associate is as follows:

	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Revenue	1,628,976	1,634,113
Profit after taxation	210,208	244,838
Other comprehensive (losses)/income	(16,921)	6,483
Total comprehensive income	193,287	251,321

Assets and liabilities of the associate is as follows:

	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Non-current assets	4,117,610	4,021,068
Current assets	1,162,287	908,406
Total assets	5,279,897	4,929,474
Non-current liabilities	2,016,669	1,856,594
Current liabilities	305,779	223,767
Total liabilities	2,322,448	2,080,361

Details of the associate held are as follows:

<b><u>Name of company</u></b>	<b><u>Place of incorporation</u></b>	<b><u>Principal activities</u></b>	<b><u>Effective Interest (%)</u></b>	
			<b>2018</b>	<b>2017</b>
*MSIG Insurance (Malaysia) Berhad	Malaysia	General insurance business	30	30

\*Audited by other audit firm.



**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

**7. AVAILABLE-FOR-SALE FINANCIAL ASSETS**

	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At fair value:</b>		
Unit trusts	11,849	2,301
	<u>11,849</u>	<u>2,301</u>

**(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).

	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>AFS financial assets</b>		
Level 1	11,849	2,301
	<u>11,849</u>	<u>2,301</u>

**(ii) Carrying value of financial assets**

	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 July	2,301	19,904
Purchases	17,237	31,248
Dividend reinvested	450	502
Disposals	(8,140)	(49,348)
Fair value losses recorded in other comprehensive income	(1)	(4)
Fair value losses/(gains) transferred to statement of income	2	(1)
At 30 June	<u>11,849</u>	<u>2,301</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

**8. SHARE CAPITAL**

	<b>2018</b>		<b>2017</b>	
	<b>No. of Shares '000</b>	<b>Share capital RM'000</b>	<b>No. of Shares '000</b>	<b>Share capital RM'000</b>
<b><u>Issued and fully paid capital:</u></b>				
At 1 July - ordinary shares	312,500	314,000	312,500	312,500
Transfer pursuant to Companies Act 2016 *	-	-	-	1,500
At 30 June - ordinary shares	<u>312,500</u>	<u>314,000</u>	<u>312,500</u>	<u>314,000</u>

\* The new Companies Act 2016, which came into effect on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

**9. RESERVES**

	<b>Note</b>	<b>2018 RM'000</b>	<b>2017 RM'000</b>
Retained earnings	(a)	940,973	846,486
AFS reserve	(b)	-	(1)
		<u>940,973</u>	<u>846,485</u>

- (a) The Company can distribute dividends out of its entire retained earnings under the single-tier system.
- (b) AFS reserve relates to the fair value changes of the AFS financial assets of the Company.

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

**10 . REVENUE**

	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Dividend income	96,696	102,318
Interest income	3	7
	<u>96,699</u>	<u>102,325</u>

**11 . PROFIT BEFORE TAXATION**

	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit before taxation is stated after charging:		
Audit fee *		
- Current financial year	38	48
- Overprovision in prior financial year	(10)	-
Management fees (Note 15(b))		
- Current financial year	861	717
- Overprovision in prior financial year	-	(4)
	<u>-</u>	<u>(4)</u>

\* There was no indemnity given or insurance effected for the auditors of the Company during the financial year.

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

**12 . TAXATION**

	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Current tax:</b>		
Current financial year	6	9
Under provision in prior financial years *	-	104,571
	<u>6</u>	<u>104,580</u>

\* Arising from additional one-off assessments issued by the Inland Revenue Board in respect of prior years' taxes to which the Company has filed an appeal.

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

	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit before taxation	<u>94,493</u>	<u>100,718</u>
Taxation at Malaysian statutory tax rate of 24% (2017:24%)	22,678	24,172
<b>Tax effect in respect of:</b>		
Expenses not deductible for tax purpose	534	393
Income not subject to tax	(23,206)	(24,556)
Over provision in prior financial years	-	104,571
Tax expense for the financial year	<u>6</u>	<u>104,580</u>

**13 . DIVIDEND**

The amount of dividend declared and paid by the Company since the end of the previous financial year was as follows:

	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
In respect of the financial year ended 30 June 2016:		
- Single tier dividend of 27.84 sen per share	-	87,000
	<u>-</u>	<u>87,000</u>

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.

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

**14 . EMPLOYEES INFORMATION**

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

**15 . SIGNIFICANT RELATED PARTY TRANSACTIONS**

**(a) Related parties relationships**

The related parties of, and their relationships with the Company, other than disclosed elsewhere in Note 5 and Note 6 are as follows:

<b><u>Related Parties</u></b>	<b><u>Relationship</u></b>
Hong Leong Company (Malaysia) Berhad ("HLCM")	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
Subsidiary companies of the Company as disclosed in Note 5	Subsidiary companies of the Company
Key Management Personnel	The key management personnel of the Company consists of: <ul style="list-style-type: none"><li>- All Directors of the Company</li><li>- Key management personnel of the Company who make certain critical decisions in relation to the strategic direction of the Company</li></ul>

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

**15 . SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)**

**(a) Related parties relationships (cont'd)**

The related parties of, and their relationships with the Company, other than disclosed elsewhere in Note 5 and Note 6 are as follows: (cont'd)

<u>Related Parties</u>	<u>Relationship</u>
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 significantly 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

**(b) Related party transactions and balances**

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

	<b>Immediate holding company RM'000</b>	<b>Subsidiary companies RM'000</b>	<b>Other related parties RM'000</b>
<b>2018</b>			
<b>Assets</b>			
Other receivables	-	80	-
Dividend receivables	-	-	25,485
Cash and cash equivalents	-	-	344
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Liabilities</b>			
Payables	-	-	751
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

**15 . SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)**

**(b) Related party transactions and balances (cont'd)**

The significant related party transactions and balances during the financial year are set as below: (cont'd)

	<b>Immediate holding company RM'000</b>	<b>Subsidiary companies RM'000</b>	<b>Other related parties RM'000</b>
<b>2018</b>			
<b>Income</b>			
Dividend income	-	70,761	25,485
Money market interest	-	-	3
	<u>-</u>	<u>-</u>	<u>3</u>
<b>Expenditure</b>			
Management fees	149	-	712
Outsourcing fees	-	321	-
Loan interest	461	-	-
Logo fees	-	-	4
	<u>149</u>	<u>321</u>	<u>712</u>
<b>2017</b>			
<b>Assets</b>			
Cash and cash equivalents	-	-	10
	<u>-</u>	<u>-</u>	<u>10</u>
<b>Liabilities</b>			
Payables	38,600	-	744
	<u>38,600</u>	<u>-</u>	<u>744</u>
<b>Income</b>			
Dividend income	-	76,831	24,986
Money market interest	-	-	7
	<u>-</u>	<u>-</u>	<u>7</u>
<b>Expenditure</b>			
Management fees	-	-	713
Outsourcing fees	-	209	-
Loan interest	190	-	-
Logo fees	-	-	4
	<u>-</u>	<u>-</u>	<u>4</u>

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

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

**15 . 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:

	<b>Other remuneration RM'000</b>	<b>Director fees RM'000</b>
<b>2018</b>		
<b>Executive Director:</b>		
Ms. Loh Guat Lan	-	-
<b>Non Executive Directors:</b>		
Ms Koid Swee Lian	15	121
YBhg Dato' Siow Kim Lun @ Siow Kim	15	128
Ms Lim Tau Kien	16	130
	<u>46</u>	<u>379</u>
<b>2017</b>		
<b>Executive Director:</b>		
Ms. Loh Guat Lan	-	-
<b>Non Executive Directors:</b>		
Ms Koid Swee Lian	-	14
YBhg Dato' Siow Kim Lun @ Siow Kim	-	77
Ms Lim Tau Kien	-	76
	<u>-</u>	<u>167</u>



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

## **NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

### **15 . SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)**

#### **(c) Compensation of key management personnel (cont'd)**

Non-executive directors only received director's fees and meeting allowance as remuneration.

During the financial year, Directors and Officers of the Group are covered under the Directors' & Officers' Liability Insurance in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors and Officers of the Group subject to the terms of the policy. The total amount of Directors' & Officers' Liability Insurance effected for the Directors & Officers of the Group was RM10 million. The total amount of premium paid for the Directors' & Officers' Liability Insurance by the Group was RM67,688 and the apportioned amount of the said premium paid by the Company was RM7,667.

### **16 . 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.

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

**17 . 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:

	<b>AA to AAA</b>	<b>Not rated</b>	<b>Not subject to credit risk</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2018</b>				
AFS financial assets	-	-	11,849	11,849
Amount due from subsidiary companies	80	-	-	80
Amount due from associated company	-	25,485	-	25,485
Cash and cash equivalents	344	-	-	344
	<u>424</u>	<u>25,485</u>	<u>11,849</u>	<u>37,758</u>
<b>2017</b>				
AFS financial assets	-	-	2,301	2,301
Cash and cash equivalents	10	-	-	10
	<u>10</u>	<u>-</u>	<u>2,301</u>	<u>2,311</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

**17 . 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:

	<b>Carrying value RM'000</b>	<b>Up to 1 year RM'000</b>	<b>No maturity date RM'000</b>	<b>Total RM'000</b>
<b>2018</b>				
AFS financial assets	11,849	-	11,849	11,849
Amount due from subsidiary companies	80	80	-	80
Amount due from associated company	25,485	25,485	-	25,485
Cash and cash equivalents	344	344	-	344
Total financial assets	<u>37,758</u>	<u>25,909</u>	<u>11,849</u>	<u>37,758</u>
<b>2017</b>				
AFS financial assets	2,301	-	2,301	2,301
Cash and cash equivalents	10	10	-	10
Total financial assets	<u>2,311</u>	<u>10</u>	<u>2,301</u>	<u>2,311</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

**17 . 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:

	<b>Carrying value RM'000</b>	<b>Up to 1 year RM'000</b>	<b>Total RM'000</b>
<b>2018</b>			
Other payables and accruals	595	595	595
Amount due to related companies	751	751	751
Total financial liabilities	<u>1,346</u>	<u>1,346</u>	<u>1,346</u>
<b>2017</b>			
Other payables and accruals	439	439	439
Amount due to holding company	38,600	38,600	38,600
Amount due to related companies	744	744	744
Total financial liabilities	<u>39,783</u>	<u>39,783</u>	<u>39,783</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 2018 and 30 June 2017.

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

**17 . 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 2018. 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 2018 and 30 June 2017.

**(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 2018 and 30 June 2017.

**(d) 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.

**18 . SIGNIFICANT EVENT DURING THE FINANCIAL YEAR**

On 22 June 2018, the Company invested an additional capital of RM20,700,400 in HLAS.

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

**19 . SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR**

- (i) The Company's Takaful business subsidiary, HLMT, has ceased to be a composite licensed takaful operator effective 1 July 2018.

In accordance with the legislative requirements under Islamic Financial Services Act ("IFSA") 2013 Section 16(1), a licensed Takaful Operator can no longer operate under composite license. A licensed Takaful Operator must only carry a single license on either a Family Takaful business or General Takaful business. A composite licensed Takaful Operator is expected to complete the conversion exercise and operate under single license latest by 1 July 2018, as stated in BNM's Conversion to Single Takaful Business Guideline issued on 15 February 2016.

As part of HLMT's internal streamlining exercise, the transfer of General business to an existing licensed Takaful Operator is planned for completion by 30 December 2018, i.e. within six (6) months from 1 July 2018.

- (ii) On 5 July 2018 and 11 July 2018, the Company invested an additional capital of RM17,701,500 and RM32,500,000 in HLAS and HLMT respectively.