

COMPANY NUMBER (846141-D)

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

REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

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

CONTENTS	PAGES
DIRECTORS' REPORT	1 to 26
STATEMENT BY DIRECTORS	27
STATUTORY DECLARATION	28
INDEPENDENT AUDITORS' REPORT	29 to 32
STATEMENT OF FINANCIAL POSITION	33
STATEMENT OF COMPREHENSIVE INCOME	34
STATEMENT OF CHANGES IN EQUITY	35
STATEMENT OF CASH FLOWS	36 to 37
NOTES TO THE FINANCIAL STATEMENTS	38 to 64

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

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

The Directors have pleasure in presenting their report together with the audited financial statements of the Company for the financial year ended 30 June 2017.

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 losses for the financial year (3,862)

DIVIDEND

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

RM'000

In respect of the financial year ended 30 June 2016:

Final dividend paid on 28 October 2016:

- Single-tier dividend of 27.84 sen per share 87,000

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

RESERVES AND PROVISIONS

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

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

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

SHARE CAPITAL

During the financial year, there was no issuance of new ordinary shares. As at 30 June 2017, the issued and paid-up share capital of the Company comprise of 312,500,000 ordinary shares.

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. Consequently, any amount standing to the credit of the capital redemption reserve account of RM1,500,000 becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Companies Act, 2016. Notwithstanding this provision, the Company may within 24 months from the commencement of the Companies Act, 2016, use the amount standing to the credit of its capital redemption reserve account of RM1,500,000 for the purposes as set out in Section 618 (4) of the New Companies Act, 2016. 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.

DIRECTORS

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

YBhg Dato' Siow Kim Lun @ Siow Kim Lin <i>(Appointed as Chairman with effect from 1 January 2017)</i>	(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 <i>(Appointed with effect from 8 May 2017)</i>	(Independent Non-Executive Director)
Mr. Tan Kong Khoon <i>(Resigned with effect from 1 January 2017)</i>	(Chairman, Non-Independent 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.

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

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (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 1/7/2016</u>	<u>Acquired</u>	<u>Sold</u>	<u>At 30/6/2017</u>
Interest of				
Ms Loh Guat Lan in:				
Hong Leong Financial	264,900	-	-	264,900
Group Berhad	5,081,823 *	-	-	5,081,823 *
Interest of				
YBhg Dato' Siow Kim Lun				
@ Siow Kim Lin in:				
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.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (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 2017 (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 Board Audit and Risk Management Committee ("BARMC"). 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 2017 (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.

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

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (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 2017, five (5) 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	5/5
Ms Loh Guat Lan	5/5
Ms Lim Tau Kien	5/5
Ms Koid Swee Lian (Appointed with effect from 8 May 2017)	1/1
Mr Tan Kong Khoon (Resigned with effect from 1 January 2017)	2/2

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 abstain from deliberating and voting 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.

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

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (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 67, 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. He is also a member of the Land Public Transport Commission.

YBhg Dato' Siow is the Chairman of HLA Holdings Sdn Bhd ("HLAH") and was appointed to the Board of HLAH on 1 July 2015. He is also a member of the BARMC and NRC of HLAH.

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

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (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 52, 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 and a Director of MSIG Insurance (Malaysia) Bhd, Hong Leong MSIG Takaful Berhad and Hong Leong Insurance (Asia) Limited.

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

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (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 61, Female, Malaysian

Ms Lim Tau Kien graduated from the University of Glasgow Faculty of Law and is a member of the Institute of Chartered Accountants of Scotland.

She 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 BARMC and NRC of HLAH.

She is currently also a Director of Hong Leong Financial Group Berhad, Malaysian Pacific Industries Berhad and Hengyuan Refining Company Berhad, companies listed on the Main Market of Bursa Malaysia Securities Berhad, and also of UEM Group Berhad, a public company.

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

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (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 59, 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 Bank Negara Malaysia ("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 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. 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 and is a member of the BARMC and NRC of HLAH.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (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 2017, the Directors received regular briefings and updates on the Group's businesses, operations, risk management, internal controls, corporate governance, finance and any changes to relevant legislation, rules and regulations from in-house professionals. The Company also organised an in-house programme for its Directors and senior management.

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

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

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

Directors' Training (cont'd)

During the FYE 2017, the Directors of the Company, collectively or on their own, attended various training programmes, seminars, briefings and/or workshops including:

- How Effective Boards Engage on Sucession Planning for the CEO and Top Management
- Clarification of Audit Rating Methodology
- The Cyber Security Threat and How Board Should Mitigate Risks
- Sustainability Forum For Directors/CEOs: The Velocity of Global Change & Sustainability
- ACCA Malaysia Sustainability Awards (MaSRA) 2016: Luncheon and Awards Presentation Ceremony
- Hong Leong Bank Sustainability Reporting: Awareness Session
- Breakfast Talk with Asian Corporate Governance Association (ACGA) : Corporate Governance (CG) Watch 2016 - Ecosystems Matter
- Update on Companies Act, 2016
- 4th Industrial Revolution: Impact and Opportunities for Manufacturing and Financial Services

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

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

Nomination and Remuneration Committee ("NRC")

The NRC was established on 21 February 2017.

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 <i>(Appointed with effect from 8 May 2017)</i>	(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:
 - (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 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) Review annually the term of office and performance of the BARMC and each of its members to determine whether the BARMC and its members have carried out their duties in accordance with the Terms of Reference of the BARMC.
- (vii) 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.
- (viii) Ensure that the Board receives an appropriate continuous training programme.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (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.

There were no NRC meetings held during the financial year ended 30 June 2017.

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.

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.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

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

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

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 2017 (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

B. Accountability and Audit

Board Audit and Risk Management Committee ("BARMC")

The BARMC was established on 21 February 2017.

The financial reporting and internal control system of the Company is overseen by the BARMC, which comprises of 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 <i>(Appointed with effect from 8 May 2017)</i>	(Independent Non-Executive Director)

Terms of Reference

External Audit

- To make recommendations to the Board 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 ("the Group") 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 BARMC 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 Company's internal control framework.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

B. Accountability and Audit (cont'd)

Board Audit and Risk Management Committee ("BARMC") (cont'd)

Terms of Reference (cont'd)

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.

Related Party/Connected Party Transactions

- To review and update the Board on any related party transactions that may arise within the Group.
- To monitor compliance with the Board's 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 in meeting the expectations on internal audit management as set out in BNM's policy document, "Guidelines on Internal Audit Function of Licensed Institutions".
- 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 not only within the Company but also within the Group to undertake its activities independently and objectively.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

B. Accountability and Audit (cont'd)

Board Audit and Risk Management Committee ("BARMC") (cont'd)

Terms of Reference (cont'd)

Internal Audit (cont'd)

- 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 and recommend for Board approval.
- Other audit functions as may be agreed to by the BARMC and the Board.

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 on measures taken to:
 - a) Identify and examine principal risks faced by the Company.
 - 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's 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's 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.
- 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.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

B. Accountability and Audit (cont'd)

Board Audit and Risk Management Committee ("BARMC") (cont'd)

Terms of Reference (cont'd)

Risk Management (cont'd)

- 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.
- To engage privately with the Chief Risk Officer on a regular basis (and in any case at least twice annually) to provide the opportunity for the Chief Risk Officer 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 BARMC and the Board.

Compliance

- To assist the Board 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's 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 on all significant compliance matters, including providing its views on (a) to (d) above.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

B. Accountability and Audit (cont'd)

Board Audit and Risk Management Committee ("BARMC") (cont'd)

Terms of Reference (cont'd)

Compliance (cont'd)

- In relation to the role of the CCO, support the Board 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 BARMC shall be satisfied that a sound overall control environment will not be compromised by the combination of responsibilities performed by the CCO.
- Other compliance functions as may be agreed to by the BARMC and the Board.

During the financial year ended 30 June 2017, two (2) BARMC 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 (Appointed with effect from 8 May 2017)	2/2

Management Accountability

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

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

B. Accountability and Audit (cont'd)

Board Audit and Risk Management Committee ("BARMC") (cont'd)

Management Accountability (cont'd)

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

Corporate Independence

The Company has complied with BNM's Guidelines on Related Party Transactions (BNM/RH/GL-018-6) in respect of all its related party undertakings. All necessary disclosures have been made to the Board regularly and where required, prior Board approval has been obtained. All material related party transactions are disclosed in Note 15 to the financial statements, in accordance with MFRS 124 Related Party Disclosures.

Internal Controls

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

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

Financial reporting

The Board has overall oversight responsibility for ensuring that accounting records are properly kept and that the Company's financial statements are prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards, the provision of the Companies Act, 2016 in Malaysia, the Financial Services Act, 2013 and relevant regulatory requirements.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (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; and
 - (iii) which had arisen which 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 2017 (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 2017 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 30 June 2016, the immediate holding company, Hong Leong Financial Group Berhad ("HLFG") announced that Bank Negara Malaysia has no objection for HLFG and the Company to commence negotiations with certain parties for the possible acquisition by them of the Company's equity interest in Hong Leong Assurance Berhad, a 70% subsidiary of the Company and Hong Leong MSIG Takaful Berhad, a 65% subsidiary of the Company, subject to the negotiations being concluded within 6 months from 23 June 2016.

On 4 November 2016, HLFG announced that HLFG and the Company could not reach an acceptable commercial agreement with the BNM approved negotiating parties and have mutually agreed to cease negotiations.

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

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR

There were no material events subsequent to the end of the financial year under review that have not been reported in the Report.

IMMEDIATE HOLDING AND ULTIMATE HOLDING COMPANIES

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

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 2017 (CONT'D)

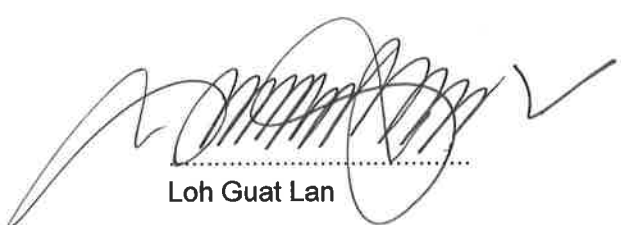
AUDITORS

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

This report was approved by the Board of Directors on 19 September 2017. Signed on behalf of the Board of Directors.



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



.....
Loh Guat Lan

Petaling Jaya
19 September 2017

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

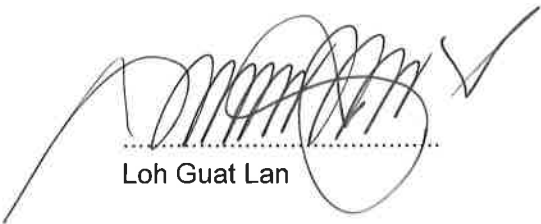
**STATEMENT BY DIRECTORS PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT,
2016**

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 33 to 64 are drawn up so as to give a true and fair view of the financial position of the Company as at 30 June 2017 and financial performance of the Company for the financial year ended 30 June 2017 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 19 September 2017.



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



.....
Loh Guat Lan

Petaling Jaya
19 September 2017

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 33 to 64 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 19 September 2017)



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 2017, 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 2017, 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 33 to 64.

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.



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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises 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 (CONTINUED)
(Incorporated in Malaysia)
(Company No. 846141-D)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the 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 (CONTINUED)
(Incorporated in Malaysia)
(Company No. 846141-D)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

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 'Riley', written over the printed name of the firm.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

A handwritten signature in black ink, appearing to be 'Manjit Singh', written over the printed name of the accountant.

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

Kuala Lumpur
19 September 2017

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

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Note	2017 RM'000	2016 RM'000
Non-current assets			
Property, plant and equipment	3	-	286
Intangible assets	4	467	-
Investment in subsidiaries	5	578,846	557,812
Investment in associated company	6	618,646	618,646
Available-for-sale financial assets	7	2,301	19,904
		<u>1,200,260</u>	<u>1,196,648</u>
Current assets			
Amount due from associated company	15	-	29,983
Tax recoverable		-	25,998
Cash and cash equivalents		10	7
		<u>10</u>	<u>55,988</u>
Current liabilities			
Other payables and accruals		439	359
Amount due to holding company	15	38,600	-
Amount due to related companies	15	744	925
Tax payable		2	-
Total current liabilities		<u>39,785</u>	<u>1,284</u>
Net assets		<u>1,160,485</u>	<u>1,251,352</u>
Shareholders' equity			
Share capital	8	314,000	312,500
Reserves	9	846,485	938,852
		<u>1,160,485</u>	<u>1,251,352</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 2017**

	Note	2017 RM'000	2016 RM'000
Revenue	10	102,325	35,409
Realised gains		1	13
Other income		29	16
Finance costs		(190)	-
Other operating expenses		(1,447)	(1,309)
Profit before taxation	11	<u>100,718</u>	<u>34,129</u>
Taxation	12	(104,580)	(5)
(Net losses)/profit for the financial year		<u>(3,862)</u>	<u>34,124</u>
Other comprehensive income:			
<u>Item that may be subsequently reclassified to profit and loss:</u>			
Fair value changes on available-for-sale financial assets, net of deferred tax:			
Gross fair value (losses)/gains arising during the financial year			
	7	(4)	17
Gross fair value gains transferred to Statement of Income			
	7	(1)	(13)
Net fair value (losses)/gains		<u>(5)</u>	<u>4</u>
Total comprehensive (losses)/income for the financial year		<u>(3,867)</u>	<u>34,128</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 2017**

Note(s)	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	
At 1 July 2015	312,500	312,500	-	1,500	903,224	1,217,224
Total comprehensive income for the financial year	-	-	4	-	34,124	34,128
At 30 June 2016	312,500	312,500	4	1,500	937,348	1,251,352
At 1 July 2016	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	8,9	1,500	-	(1,500)	-	-
Dividend paid during the financial year	13	-	-	-	(87,000)	(87,000)
At 30 June 2017	312,500	314,000	(1)	-	846,486	1,160,485

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 2017

	2017	2016
	RM'000	RM'000
Operating activities		
(Net losses)/profit for the financial year	(3,862)	34,124
Adjustments for:		
Dividend income	(102,318)	(35,406)
Interest income	(7)	(3)
Amortisation charge	16	-
Realised gains on available-for-sale financial assets	(1)	(13)
Finance costs	190	-
Tax expense	104,580	5
Operating losses before working capital changes	<u>(1,402)</u>	<u>(1,293)</u>
Change in working capital:		
Increase in other payables and accruals	80	320
Increase in amount due to holding company	38,600	-
(Decrease)/Increase in amount due to related companies	(181)	76
Tax (paid)/refund	(78,580)	13,806
Net cash (outflow)/inflow from operating activities	<u>(41,483)</u>	<u>12,909</u>
Investing activities		
Capital injection to subsidiary companies	(21,034)	(20,387)
Purchase of property, plant and equipment	(197)	(286)
Dividend income received	131,799	5,175
Interest income received	7	3
Purchase of available-for-sale financial assets	(31,248)	(41,542)
Proceeds from disposal of available-for-sale financial assets	49,349	21,903
Net cash inflow/(outflow) from investing activities	<u>128,676</u>	<u>(35,134)</u>

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

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (CONT'D)

	2017	2016
	RM'000	RM'000
Financing activities		
Dividend paid	(87,000)	-
Settlement of finance costs	(190)	-
Net cash outflow from financing activities	<u>(87,190)</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	3	(22,225)
Cash and cash equivalents at beginning of the financial year	7	22,232
Cash and cash equivalents at end of the financial year	<u><u>10</u></u>	<u><u>7</u></u>
Cash and cash equivalents comprise:		
Cash and bank balances	-	1
Fixed and call deposits with maturity of less than 3 months - Licensed financial institutions	10	6
	<u><u>10</u></u>	<u><u>7</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 8, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur.

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

The Company is an investment holding company. The principal activities of the subsidiary companies are disclosed in Note 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 19 September 2017.

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 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

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

(i) Standards, amendments to published standards and interpretations to existing standards that are applicable for the Company's financial year on or after 1 July 2016

- Amendments to MFRS 101 'Presentation of financial statements' - Disclosure initiative.
- Annual Improvements to MFRSs 2012 – 2014 Cycle.
- Amendments to MFRS 116 'Property, plant and equipment' and MFRS 138 'Intangible assets' (effective from 1 January 2016) clarify that the use of revenue-based methods to calculate the depreciation of an item of property, plant and equipment is not appropriate. This is because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

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

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to offset future periods.

NOTES TO THE FINANCIAL STATEMENTS

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

(a) Basis of preparation (cont'd)

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

Financial year beginning on/after 1 July 2017

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

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

The amendments shall be applied retrospectively.

Financial year beginning on/after 1 July 2018

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

(a) Basis of preparation (cont'd)

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

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

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

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

- MFRS 15 'Revenue from contracts with customers' (effective from 1 January 2018) replaces MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

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

- 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.

NOTES TO THE FINANCIAL STATEMENTS

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

(a) Basis of preparation (cont'd)

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

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

An entity shall apply the amendments retrospectively for annual periods beginning on or after 1 January 2018. Early application is permitted.

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

All other new amendments to published standards and interpretations to existing standards issued by MASB effective for financial periods subsequent to 1 July 2017 are not relevant to the Company.

(iii) Changes in regulatory requirements

(a) Companies Act, 2016

The Companies Act, 2016 ("New Act") was enacted to replace the Companies Act, 1965 with the objective of creating a regulatory structure that will facilitate business and promote accountability as well as protection of corporate directors and shareholders, taking into consideration the interest of other stakeholders. The New Act was passed on 4 April 2016 by Dewan Rakyat and on 29 April 2016 by Dewan Negara and gazetted on 15 September 2016. On 26 January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism announced that the date on which the New Act comes into operation (except Section 241 and Division 8 of Part III of the New Act) would be 31 January 2017.

NOTES TO THE FINANCIAL STATEMENTS

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

(a) Basis of preparation (cont'd)

(iii) Changes in regulatory requirements (cont'd)

(a) Companies Act, 2016 (cont'd)

Amongst the key changes introduced in the New Act which will affect the financial statements of the Company upon the commencement of the New Act on 31 January 2017 are:

- (1) Removal of the authorised share capital;
- (2) Shares of the Company will cease to have par or nominal value; and
- (3) The Company's capital redemption reserve will be part of the Company's share capital.

During the financial year, the Company had transferred a total RM1,500,000 from its capital redemption reserve to the share capital pursuant to the New Act.

The adoption of the New Act does not have any financial impact on the Company for the current financial year as any accounting implications will only be applied prospectively, if applicable, and the effect of adoption mainly will be on disclosures to the financial statements for the year ended 30 June 2017.

(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.

NOTES TO THE FINANCIAL STATEMENTS

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

(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 for its intended use. 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.

(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 Hong Leong Financial Group Berhad, a Malaysian-incorporated company which produces consolidated financial statements available for public use that comply with Malaysian Financial Reporting Standards. The consolidated financial statements are obtainable at its office at Level 8 Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur.

NOTES TO THE FINANCIAL STATEMENTS

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

(d) Investment in subsidiaries/basis of consolidation (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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

(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.

(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.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

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

(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

3 . PROPERTY, PLANT AND EQUIPMENT

	Capital work in progress	
	2017	2016
	RM'000	RM'000
Cost		
At 1 July	286	-
Addition	197	286
Reclassification (Note 4)	(483)	-
At 30 June	<u>-</u>	<u>286</u>
Net carrying amount	<u>-</u>	<u>286</u>

4 . INTANGIBLE ASSETS

	Computer Software	
	2017	2016
	RM'000	RM'000
Cost		
At 1 July	-	-
Reclassification (Note 3)	483	-
At 30 June	<u>483</u>	<u>-</u>
Accumulated amortisation		
At 1 July	-	-
Charge for the year	16	-
At 30 June	<u>16</u>	<u>-</u>
Net carrying amount	<u>467</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

5. INVESTMENT IN SUBSIDIARIES

	2017	2016
	RM'000	RM'000
Unquoted shares, at cost	578,846	557,812

The subsidiaries are listed below:

<u>Name of company</u>	<u>Place of incorporation</u>	<u>Principal activities</u>	<u>Effective Interest (%)</u>	
			2017	2016
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 Hong Leong Financial Group Berhad, a Malaysian-incorporated company which produces consolidated financial statements available for public use that comply with Malaysian Financial Reporting Standards. The consolidated financial statements are obtainable at its office at Level 8 Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur.

NOTES TO THE FINANCIAL STATEMENTS

6 . INVESTMENT IN ASSOCIATED COMPANY

	2017	2016
	RM'000	RM'000
Unquoted shares, at cost	618,646	618,646

Income and expenses of the associate is as follows:

	2017	2016
	RM'000	RM'000
Revenue	1,634,113	1,614,402
Profit after taxation	244,838	229,597
Other comprehensive income	6,483	9,670
Total comprehensive income	251,321	239,267

Assets and liabilities of the associate is as follows:

	2017	2016
	RM'000	RM'000
Non-current assets	4,021,068	3,721,657
Current assets	908,406	1,195,335
Total assets	4,929,474	4,916,992
Non-current liabilities	1,856,594	1,938,577
Current liabilities	223,767	297,337
Total liabilities	2,080,361	2,235,914

Details of the associate held are as follows:

<u>Name of company</u>	<u>Place of incorporation</u>	<u>Principal activities</u>	<u>Effective Interest (%)</u>	
			2017	2016
*MSIG Insurance (Malaysia) Berhad	Malaysia	General insurance business	30	30

*Audited by other audit firm.

NOTES TO THE FINANCIAL STATEMENTS

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017	2016
	RM'000	RM'000
At fair value:		
Unit trusts	2,301	19,904

(i) Fair value hierarchy

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

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

	2017	2016
	RM'000	RM'000
AFS financial assets		
Level 1	2,301	19,904

(ii) Carrying value of financial assets

	2017	2016
	RM'000	RM'000
At 1 July	19,904	-
Purchases	31,248	41,542
Dividend reinvested	502	248
Disposals	(49,348)	(21,890)
Fair value (losses)/gains recorded in:		
Other comprehensive income	(4)	17
Statement of income	(1)	(13)
At 30 June	2,301	19,904

NOTES TO THE FINANCIAL STATEMENTS

8. SHARE CAPITAL

	2017		2016	
	No. of Shares '000	Share capital RM'000	No. of Shares '000	Share capital RM'000
<u>Authorised capital:</u> *				
Ordinary shares of RM1.00 each	-	-	1,298,500	1,298,500
<u>Issued and fully paid capital:</u>				
At 1 July - ordinary shares of RM1.00 each	312,500	312,500	312,500	312,500
Transfer pursuant to Companies Act, 2016 *	-	1,500	-	-
At 30 June - ordinary shares with no par value (2016: par value of RM1.00 each)	312,500	314,000	312,500	312,500

* 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. Consequently, any amount standing to the credit of the capital redemption reserve account of RM1,500,000 becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Companies Act, 2016. Notwithstanding this provision, the Company may within 24 months from the commencement of the Companies Act, 2016, use the amount standing to the credit of its capital redemption reserve account of RM1,500,000 for the purposes as set out in Section 618 (4) of the New Act. 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.

NOTES TO THE FINANCIAL STATEMENTS

9 . RESERVES

	Note	2017 RM'000	2016 RM'000
Retained earnings	(a)	846,486	937,348
Capital redemption reserve	(b)	-	1,500
AFS reserve	(c)	(1)	4
		<u>846,485</u>	<u>938,852</u>

- (a) The Company can distribute dividends out of its entire retained earnings under the single-tier system.
- (b) Prior to 31 January 2017, the application of the capital redemption reserve account was governed by Section 61 of the Companies Act, 1965. In accordance with the transitional provisions set out in Section 618 (2) of the Companies Act, 2016, on 31 January 2017 the amount standing to the credit of the Company's capital redemption reserve account has become part of the Company's share capital (refer to Note 8). Notwithstanding this provision, the Company may within 24 months from the commencement of the Companies Act, 2016, use the amount standing to the credit of its capital redemption reserve account of RM1,500,000 for purposes as set out in Section 618 (4) of the New Act.
- (c) AFS reserve relates to the fair value changes of the AFS financial assets of the Company.

10 . REVENUE

	2017 RM'000	2016 RM'000
Dividend income	102,318	35,406
Interest income	7	3
	<u>102,325</u>	<u>35,409</u>

NOTES TO THE FINANCIAL STATEMENTS

11 . PROFIT BEFORE TAXATION

	2017	2016
	RM'000	RM'000
Profit before taxation is stated after charging:		
Audit fee *		
- Current financial year	48	57
Management fees (Note 15(b))		
- Current financial year	717	938
- Overprovision in prior financial year	(4)	-
Finance costs on loan from holding company	190	-
	<u>190</u>	<u>-</u>

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

12 . TAXATION

	2017	2016
	RM'000	RM'000
Current tax:		
Current financial year	9	5
Under provision in prior years *	104,571	-
	<u>104,580</u>	<u>5</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:

	2017	2016
	RM'000	RM'000
Profit before taxation	<u>100,718</u>	<u>34,129</u>
Taxation at Malaysian statutory tax rate of 24% (2016:24%)	24,172	8,191
Tax effect in respect of:		
Expenses not deductible for tax purpose	393	314
Income not subject to tax	(24,556)	(8,500)
Under provision in prior years	104,571	-
Tax expense for the financial year	<u>104,580</u>	<u>5</u>

NOTES TO THE FINANCIAL STATEMENTS

13 . DIVIDEND

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

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

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:

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

NOTES TO THE FINANCIAL STATEMENTS

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)

Related Parties

Relationship

Key Management Personnel

The key management personnel of the Company consists of:
- All Directors of the Company
- Key management personnel of the Company who make certain critical decisions in relation to the strategic direction of the Company

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

NOTES TO THE FINANCIAL STATEMENTS

15 . SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

(b) Related party transactions and balances

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

	Holding company	Subsidiary companies	Other related parties
	RM'000	RM'000	RM'000
2017			
Assets			
Cash and cash equivalents	-	-	10
Liabilities			
Payables	38,600	-	744
Income			
Dividend income	-	76,831	24,986
Money market interest	-	-	7
Expenditure			
Management fees	-	-	713
Outsourcing fees	-	209	-
Loan interest	190	-	-
Logo fees	-	-	4
2016			
Assets			
Other Receivables	-	-	29,983
Cash and cash equivalents	-	-	6
Liabilities			
Payables	-	-	925
Income			
Dividend income	-	5,176	29,983
Money market interest	-	-	1
Expenditure			
Management fees	-	-	938

NOTES TO THE FINANCIAL STATEMENTS

15 . SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

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

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

(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:

	2017	2016
	RM'000	RM'000
Executive Director:		
Ms. Loh Guat Lan	-	-
Non Executive Directors:		
Ms Koid Swee Lian	14	-
YBhg Dato' Siow Kim Lun @ Siow Kim Lin	77	30
Ms Lim Tau Kien	76	30
	<u>167</u>	<u>60</u>

Non-executive directors only received director's fees 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 RM5,444.

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

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:

	AA	Not rated	Not subject to credit risk	Total
	RM'000	RM'000	RM'000	RM'000
2017				
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>
2016				
AFS financial assets	-	-	19,904	19,904
Amount due from associated company	-	29,983	-	29,983
Cash and cash equivalents	7	-	-	7
	<u>7</u>	<u>29,983</u>	<u>19,904</u>	<u>49,894</u>

NOTES TO THE FINANCIAL STATEMENTS

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:

	Carrying value RM'000	Up to 1 year RM'000	No maturity date RM'000	Total RM'000
2017				
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>
2016				
AFS financial assets	19,904	-	19,904	19,904
Amount due from associated company	29,983	29,983	-	29,983
Cash and cash equivalents	7	7	-	7
Total financial assets	<u>49,894</u>	<u>29,990</u>	<u>19,904</u>	<u>49,894</u>

NOTES TO THE FINANCIAL STATEMENTS

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:

	Carrying value RM'000	Up to 1 year RM'000	Total RM'000
2017			
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>
2016			
Other payables and accruals	359	359	359
Amount due to related companies	925	925	925
Total financial liabilities	<u>1,284</u>	<u>1,284</u>	<u>1,284</u>

(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 2017 and 30 June 2016.

NOTES TO THE FINANCIAL STATEMENTS

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 2017. 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 2017 and 30 June 2016.

(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 2017 and 30 June 2016.

(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.

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

NOTES TO THE FINANCIAL STATEMENTS

18 . SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

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

On 4 November 2016, HLFG announced that HLFG and the Company could not reach an acceptable commercial agreement with the BNM approved negotiating parties and have mutually agreed to cease negotiations.