

COMPANY NUMBER (846141-D)

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

REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

HLA HOLDINGS SDN BHD
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DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

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

PRINCIPAL ACTIVITY

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

FINANCIAL RESULTS

	RM'000
Net profit for the financial year	<u><u>120,561</u></u>

DIVIDEND

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

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

RESERVES AND PROVISIONS

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

SHARE CAPITAL

During the financial year, there was no issuance of new ordinary shares. As at 30 June 2019, the issued and paid-up share capital of the Company comprise of 312,500,000 ordinary shares.

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DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

DIRECTORS

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

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

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

Please refer to Note 4 for the names of subsidiaries.

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DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (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:

	Director's direct interest			
	Number of ordinary shares/ ordinary shares issued or to be issued or acquired arising from the exercise of options*			
	At 1/7/2018	Acquired	Sold	At 30/6/2019
Interest of				
Ms Loh Guat Lan in:				
Hong Leong Financial	460,000	800,000	(668,000)	592,000
Group Berhad ("HLFG")	6,200,000 *	-	(800,000)	5,400,000 *
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 14(c) to the financial statements) by reason of a contract made by the Company or its related corporations with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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

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DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

DIRECTORS' BENEFITS (CONT'D)

During the financial year, Directors and Officers of the Company 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 Company subject to the terms of the policy. The total amount of Directors' & Officers' Liability Insurance effected for the Directors and Officers of the Group was RM10 million.

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 interest of other stakeholders.

The Board also reviewed the manner in which the Bank Negara Malaysia ("BNM") policy document on Corporate Governance ("BNM CG Policy") 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 has established functions which are reserved for the Board and those which are delegated to management. The key roles and responsibilities of the Board are set out in the Board Charter, which was reviewed periodically by the Board. The Board Charter is published on the Company's website. The key roles and responsibilities of the Board broadly cover formulation of corporate policies and strategies; overseeing and evaluating the conduct of the 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 as specified in the guidelines and circulars issued by BNM from time to time.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

A. Board (cont'd)

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

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.

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

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

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

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

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

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

A. 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 currently comprises four (4) Directors. The four (4) Directors are made up of one (1) Executive Director and three (3) Independent Non-Executive Directors.

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

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

Based on the review of the Board composition in July 2019, the Board is of the view that the current size and composition of the Board are appropriate and effective for the control and direction of the Group's strategy and business. The composition of the Board also fairly reflects the investment of shareholders in the Company.

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DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

A. Board (cont'd)

III Board Meetings

The Board met five (5) times during the financial year ended 30 June 2019 with timely notices of issues to be discussed. Details of attendance of each director are 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	5/5

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DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

A. Board (cont'd)

Directors' Profile

YBHG DATO' SIOW KIM LUN @ SIOW KIM LIN

Chairman/Non-Executive/Independent
Age 69, 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 the Chairman of HLAH and was appointed to the Board of HLAH on 1 July 2015. He is also a member of the GBAC, GBRMC and NRC of HLAH.

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

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DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

A. Board (cont'd)

Directors' Profile (cont'd)

MS LOH GUAT LAN

GMD/CEO/Non-Independent
Age 54, Female, Malaysian

Ms Loh Guat Lan holds a Bachelor of Science in Human Development (Major in Food Nutrition) and is the fellow member of Life Management Institute (FLMI), Customer Service Management (CSM) and Life Office Management (LOMA). She is also a Certified Financial Planner (CFP) and Registered Financial Planner (RFP). Ms Loh 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 GMD/CEO of HLA on 1 September 2009. Prior to joining HLA, she was in the employment of American International Assurance Company Limited where her last position was Vice President & Senior Director of Agency (Malaysia).

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

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

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DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

A. Board (cont'd)

Directors' Profile (cont'd)

MS LIM TAU KIEN

Non-Executive Director/Independent
Age 63, Female, Malaysian

Ms Lim Tau Kien graduated with a Bachelor of Accountancy from the University of Glasgow, Faculty of Law and is a Chartered Accountant registered with the Institute of Chartered Accountants of Scotland.

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

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

Ms Lim is also a Director of GLM REIT Management Sdn Bhd, the Manager of Tower Real Estate Investment Trust, a Director of Malaysian Pacific Industries Berhad, a company listed on the Main Market of Bursa Securities, and also a Director of UEM Group Berhad, a public company.

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DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

A. Board (cont'd)

Directors' Profile (cont'd)

MS KOID SWEE LIAN

Non-Executive Director/Independent
Age 61, Female, Malaysian

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

Ms Koid was a career officer of BNM for more than 30 years until her retirement in 2013 and had held various senior positions including Deputy Director of Legal Department, Head of Financial Intelligence Unit and her last position with BNM being the Director of Consumer and Market Conduct Department. Ms Koid had also served as the Head of Financial Intelligence Unit and was appointed as the inaugural Secretary to the National Coordinating Committee to Counter Money Laundering. During the period from 2006 to 2011, Ms Koid was the Director of Consumer and Market Conduct Department.

Ms Koid was a member of an international team of experts from the Financial Action Task Force and Asia Pacific Group on Anti-Money Laundering that conducted a joint mutual evaluation of the USA's Anti-Money Laundering 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 Anti-Money Laundering/Anti-Terrorist Financing, 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.

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

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

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

A. 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 30 June 2019, the Directors received regular briefings and updates on the Company's businesses, operations, risk management and compliance, internal controls, corporate governance, finance and any changes to relevant legislation, rules and regulations from in-house professionals. The Company also organised an in-house programme for its Directors and senior management.

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

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

A. Board (cont'd)

Directors' Training (cont'd)

During the financial year ended 30 June 2019, the Directors of the Company, collectively or on their own, attended various training programmes, seminars, briefings and/or workshops including:

- ICLIF - Accelerate Workshop Series : Resolving Conflict in the Boardroom
- Aram Global - Corporate Liability Provision
- Tricor Knowledge House - Corporate Governance
- Malaysian Institute of Corporate Governance (MICG) - Pathway to a Governance Practitioner Programme
- Briefing on Cyber Risk Awareness
- Global Life Insurance Executive Seminar 2018
- Women in Economy : Rethinking Entrepreneurship for Today's Woman
- Forum on Adequate Procedures for Corporate Liabilities of the MACC Amendment Act
- Malaysian Insurance Institute (MII) Summit 2018 : Innovation in a Disruptive Era
- Bursa Malaysia - Independent Directors' Program : The Essence of Independence
- 3rd Asean Insurance Summit, The Fourth Industrial Revolution And Its Impact On The Asean Insurance Industry
- Institute of Corporate Directors Malaysia ("ICDM") - Will the Business Judgement Rule Help Directors Sleep Better At Night?
- KPMG - Audit Committee Institute Breakfast Round Table on Money Laundering & Tax Risk Management
- ICDM - 'Revisiting the Misconception of Board Remuneration by Mark Reid'
- Corporate Liability under the MACC Act 2018
- Directors' Duties & Powers - Recent Developments in the Law and How It Affects You
- World Bank & SC - Islamic Finance - Financial Inclusion
- Malaysian Institute of Accountants (MIA) - Integrated Reporting
- ICLIF - CG Watch : How Does Malaysia Rank?

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

B. Board Committees

Board Committees have been established by the Board to assist in the discharge of its duties.

(a) GBAC of HLAH

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

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

Ms Lim Tau Kien	(Chairman of GBAC and Independent Non-Executive Director of HLAH)
YBhg Dato' Siow Kim Lun @ Siow Kim Lin	(Chairman, Independent Non-Executive Director of HLAH and Independent Non-Executive Director of HLA)
YM Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin	(Chairman, Independent Non-Executive Director of HLMT and Independent Non-Executive Director of HLA)
Ms Shalet Marian	(Independent Non-Executive Director of HLA)
Mr Martin Giles Manen	(Independent Non-Executive Director of HLMT)

Secretary

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

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

B. Board Committees (cont'd)

(a) GBAC of HLAH (cont'd)

Terms of Reference

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

External Audit

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

Financial Reporting

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

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

B. Board Committees (cont'd)

(a) GBAC of HLAH (cont'd)

Terms of Reference (cont'd)

Related Party/Connected Party Transactions

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

Internal Audit

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

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

B. Board Committees (cont'd)

(a) GBAC of HLAH (cont'd)

Terms of Reference (cont'd)

Internal Audit (cont'd)

- To decide on the appointment, remuneration, appraisal, transfer and dismissal of the Head of Insurance Audit, and to provide oversight on the adequacy of resources and remuneration of the internal auditors. This includes a regular review to determine whether the internal audit function has appropriate standing within the Group to undertake its activities independently and objectively.
- To engage privately with the Head of Insurance Audit on a regular basis (and in any case at least twice annually) to provide the opportunity for the Head of Insurance Audit to discuss issues faced by the internal audit function.
- To review the Audit Charter of HLAH and its subsidiaries and recommend for respective Board's approval.
- To satisfy itself that the internal audit function is effective by establishing a mechanism to assess its performance and effectiveness.
- To ensure that the terms and scope of the engagement, the working arrangements with the internal auditors and reporting requirements are clearly established when engaging external experts, where the internal audit function lacks the expertise needed to perform the audit of specialized areas.
- Other audit functions as may be agreed to by the GBAC and the Board of HLAH and its subsidiaries.

Group Governance

- Noted that:
 - a) HLFG as an apex entity has overall responsibility for ensuring the establishment and operation of a clear governance structure within HLFG Group.
 - b) HLFG Board's responsibility is to promote the adoption of sound corporate governance principles throughout the HLFG Group.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

B. Board Committees (cont'd)

(a) GBAC of HLAH (cont'd)

Group Governance (cont'd)

- Noted that: (cont'd)
 - c) HLFG's audit, risk and compliance functions may propose objectives, strategies, plans, governance framework and policies for adoption and implementation HLFG Group-wide.
 - d) The respective subsidiaries' board and senior management must validate that the objectives, strategies, plans, governance framework and policies set at HLFG level are fully consistent with the regulatory obligations and the prudential management of the subsidiary and ensure that entity specific risks are adequately addressed in the implementation of HLFG Group-wide policies.
- The GBAC shall validate that the objectives, strategies, plans, governance framework and policies set at HLFG level are fully consistent with the regulatory obligations and the prudential management of the subsidiary and to check that the entity specific risks are adequately addressed in the implementation of HLFG Group-wide policies.
- HLAH, as the financial holding company of the Insurance and Takaful entities of the HLFG Group ("Insurance Group") shall align the responsibilities as set out in item (1) and (2) above for the Insurance Group.

Authority

The GBAC is authorised by the Board of HLAH and its subsidiaries to review any activity of the Group within its TOR. It is authorised to seek any information it requires from any Director or member of management and all employees are directed to co-operate with any request made by the GBAC.

The GBAC is authorised by the Board of HLAH and its subsidiaries to obtain independent legal or other professional advice if it considers necessary.

Meetings

The GBAC meets at least six (6) times a year and additional meetings may be called at any time as and when necessary. All meetings to review the quarterly reports and annual financial statements are held prior to such quarterly reports and annual financial statements being presented to the Board of HLAH and its subsidiaries for approval.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

B. Board Committees (cont'd)

(a) GBAC of HLAH (cont'd)

Meetings (cont'd)

The Group Managing Director/Chief Executive Officer, Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Chief Internal Auditor, Chief Compliance Officer, Head of Insurance Audit, other senior management and external auditors may be invited to attend the GBAC meetings, whenever required.

At least twice a year, the GBAC will have separate sessions with the external auditors without the presence of Executive Directors and management.

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

Majority with at least one representative from each of the BNM regulated entities in the HLAH Group in Malaysia, who shall be independent and non-executive, shall constitute a quorum.

After each GBAC meeting, the GBAC shall report and update the Board of each of the BNM regulated entities in the HLAH Group in Malaysia on significant issues and concerns discussed during the GBAC meetings and where appropriate, make the necessary recommendations to the Board of each of the BNM regulated entities in the HLAH Group in Malaysia.

Activities

The GBAC carried out its duties in accordance with its TOR.

During the financial year ended 30 June 2019, five (5) GBAC meetings were held and the attendance of the members was as follows:

<u>Members</u>	<u>Attendance</u>
Ms Lim Tau Kien	5/5
YBhg Dato' Siow Kim Lun @ Siow Kim Lin	5/5
YM Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin	5/5
Ms Shalet Marian	5/5
Mr Martin Giles Manen	5/5

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

B. Board Committees (cont'd)

(b) GBRMC of HLAH

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

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

Ms Koid Swee Lian	(Chairman of GBRMC and Independent Non-Executive Director of HLAH)
YBhg Dato' Siow Kim Lun @ Siow Kim Lin	(Chairman, Independent Non-Executive Director of HLAH and Independent Non-Executive Director of HLA)
YM Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin	(Chairman, Independent Non-Executive Director of HLMT and Independent Non-Executive Director of HLA)
YBhg Datin Ngiam Pick Ngoh	(Independent Non-Executive Director of HLA)
Encik Zulkiflee bin Hashim <i>(Appointed with effect from 28 May 2019)</i>	(Independent Non-Executive Director of HLMT)
Dr Aznan bin Hasan <i>(Resigned with effect from 16 April 2019)</i>	(Independent Non-Executive Director of HLMT)

Secretary

The Secretary to the GBRMC is the Chief Risk Officer of HLA.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

B. Board Committees (cont'd)

(b) GBRMC of HLAH (cont'd)

Terms of Reference of GBRMC

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

Risk Management

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

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

B. Board Committees (cont'd)

(b) GBRMC of HLAH (cont'd)

Terms of Reference of GBRMC (cont'd)

Risk Management (cont'd)

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

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

B. Board Committees (cont'd)

(b) GBRMC of HLAH (cont'd)

Terms of Reference of GBRMC (cont'd)

Compliance

- To assist the Board of HLAH and its subsidiaries in the oversight of the management of compliance risk by :
 - a) reviewing compliance policies and overseeing management's implementation of the same;
 - b) reviewing the establishment of the compliance function and the position of the Chief Compliance Officer/Head of Compliance ("CCO") to ensure the compliance function and CCO are provided with appropriate standing, authority and independence;
 - c) discussing and deliberating compliance issues regularly and ensuring such issues are resolved effectively and expeditiously;
 - d) reviewing annually the effectiveness of HLAH and its subsidiaries' overall management of compliance risk, having regard to the assessments of senior management and internal audit and interactions with the CCO;
 - e) updating the Board of HLAH and its subsidiaries on all significant compliance matters, including providing its views on (a) to (d) above.

- In relation to the role of the CCO, support the Board of HLAH and its subsidiaries in meeting the expectations on compliance management as set out in BNM's policy document on Compliance by:
 - a) reviewing and advising on the appointment, remuneration, removal and redeployment of the CCO;
 - b) ensuring that CCO has sufficient stature to allow for effective engagement with the CEO and other members of senior management;
 - c) engaging privately with the CCO on a regular basis (and in any case at least twice annually) to provide the opportunity for the CCO to discuss issues faced by the compliance function;
 - d) ensuring that the CCO is supported with sufficient resources to perform his duties effectively;
 - e) where CCO also carries out responsibilities in respect of other control functions, the GBRMC shall be satisfied that a sound overall control environment will not be compromised by the combination of responsibilities performed by the CCO.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

B. Board Committees (cont'd)

(b) GBRMC of HLAH (cont'd)

Terms of Reference of GBRMC (cont'd)

Compliance (cont'd)

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

Group Governance

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

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

B. Board Committees (cont'd)

(b) GBRMC of HLAH (cont'd)

Authority

The GBRMC is authorised by the Board of HLAH and its subsidiaries to review any activity of HLAH and its subsidiaries within its TOR. It is authorised to seek any information it requires from any Director or member of management and all employees are directed to co-operate with any request made by the GBRMC.

The GBRMC is authorised by the Board of HLAH and its subsidiaries to obtain independent legal or other professional advice if it considers necessary.

Meetings

The GBRMC meets at least six (6) times a year and additional meetings may be called at any time as and when necessary.

The Group Managing Director/Chief Executive Officer, Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Chief Internal Auditor, Chief Compliance Officer, Head of Insurance Audit, and other senior management may be invited to attend the GBRMC meetings, whenever required.

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

Majority with at least one representative from each of the BNM regulated entities in the HLAH Group in Malaysia, who shall be independent and non-executive, shall constitute a quorum.

After each GBRMC meeting, the GBRMC shall report and update the Board of each of the BNM regulated entities in the HLAH Group in Malaysia on significant issues and concerns discussed during the GBRMC meetings and where appropriate, make the necessary recommendations to the Board of each of the BNM regulated entities in the HLAH Group in Malaysia.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

B. Board Committees (cont'd)

(b) GBRMC of HLAH (cont'd)

Activities

The GBRMC carried out its duties in accordance with its TOR.

During the financial year ended 30 June 2019, five (5) GBRMC meetings were held and the attendance of the members was as follows:

<u>Members</u>	<u>Attendance</u>
Ms Koid Swee Lian	5/5
YBhg Dato' Siow Kim Lun @ Siow Kim Lin	5/5
YM Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin	5/5
YBhg Datin Ngiam Pick Ngoh	5/5
Encik Zulkiflee bin Hashim (Appointed with effect from 28 May 2019)	*
Dr Aznan bin Hasan (Resigned with effect from 16 April 2019)	4/4

Note:

* The GBRMC meetings were held before Encik Zulkiflee bin Hashim's appointment.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

B. Board Committees (cont'd)

(c) NRC

The composition of the NRC is as follows:

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

Secretary

The Secretary(ies) of the Company or such other person as nominated by the Board will be the Secretary(ies) of the NRC.

Terms of Reference

The primary functions and responsibilities of the NRC are set out in the TOR as follows:

The nomination responsibilities of NRC are as follows:

- (i) Support the Board in carrying out its functions in the following matters concerning the Board, senior management and company secretary(ies):
 - (a) appointments and removals;
 - (b) composition;
 - (c) performance evaluation and development; and
 - (d) fit and proper assessments.
- (ii) Recommend to the Board the minimum criteria and skill sets for appointments to the Board, Board Committees and for the position of Chief Executive Officer.
- (iii) Review and recommend to the Board all Board and Board Committees appointments, re-appointments and removals including of the Chief Executive Officer.
- (iv) Review annually the overall composition of the Board in terms of the appropriate size and skills, and the balance between executive directors, non-executive directors and independent directors, and mix of skills and other core competencies required.
- (v) Assess annually the performance and effectiveness of the Board, Board Committees and each individual director.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

B. Board Committees (cont'd)

(c) NRC (cont'd)

Terms of Reference (cont'd)

The nomination responsibilities of NRC are as follows: (cont'd)

- (vi) Oversee the appointment, management of succession planning and performance evaluation of key senior management officers and recommend if they are found ineffective, errant and negligent in discharging their responsibilities.
- (vii) Ensure that the Board receives an appropriate continuous training programme.

The remuneration responsibilities of NRC are as follows:

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

During the financial year ended 30 June 2019, one (1) NRC meeting was held and the attendance of the members was as follows:

<u>Members</u>	<u>Attendance</u>
Ms Lim Tau Kien	1/1
YBhg Dato' Siow Kim Lun @ Siow Kim Lin	1/1
Ms Koid Swee Lian	1/1

The Group's remuneration scheme for Executive Directors is linked to performance, service seniority, experience and scope of responsibility and is periodically benchmarked to market/industry surveys conducted by human resource consultants. Performance is measured against profits and targets set in the Group's annual plan and budget.

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

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

B. Board Committees (cont'd)

(c) NRC (cont'd)

The fees of Directors are recommended and endorsed by the Board for approval by the shareholder of the Company at its Annual General Meeting.

Disclosure

The detailed remuneration of each Director during the financial year ended 2019 is set out in Note 14(c) to the financial statements.

Remuneration Policy

HLAH's remuneration strategy supports and promotes a high performance culture to deliver HLAH's vision to be a highly digital and innovative company. It also forms a key part of our Employer Value Proposition with the aim to drive the right behaviours, create a workforce of strong values, high integrity, clear sense of responsibility and high ethical standards.

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

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

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

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

C. Independence

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

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

If the intention is to continue in office, the NRC shall consider based on the assessment criteria and guidelines set out in the Fit and Proper Policy and make the appropriate recommendation to the Board. If the intention is to retire from office, an application shall be made to BNM to seek approval in accordance to BNM CG Policy.

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

The independent Directors have declared their independence, and the NRC and the Board have determined, at the annual assessment carried out, that the independent Directors, have continued to bring objective judgment to the Board deliberations and decision making. The tenure of all the independent directors on the Board does not exceed 9 years.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

D. Commitment

The Directors are aware of their responsibilities and devote sufficient time to carry out such responsibilities. Board meetings are scheduled a year ahead in order to enable full attendance at Board meetings. Additional meetings may be convened on an ad-hoc basis as and when necessary. Where appropriate, decisions are also taken by way of Directors' Circular Resolutions. Directors are required to attend at least 75% of Board meetings held in each financial year pursuant to the BNM CG Policy.

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

All Directors have access to the advice and services of a qualified and competent Company Secretary to facilitate the discharge of their duties effectively. The Company Secretary is qualified to act under Section 235 of the Companies Act 2016. She supports the effective functioning of the Board, provides advice and guidance to the Board on policies and procedures, relevant rules, regulations and laws in relation to corporate secretarial and governance functions and facilitates effective information flow amongst the Board, Board Committees and senior management. All Directors also have access to the advice and services of the internal auditors and in addition, to independent professional advice, where necessary, at the Company's expense, in consultation with the Chairman or the Chief Executive Officer of the Company.

At Board meetings, active deliberations of issues by Board members are encouraged and such deliberations, decisions and conclusions are recorded by the Company Secretary accordingly. A Director who has, directly or indirectly, an interest in a material transaction or material arrangement shall not be present at the Board meeting where the material transaction or material arrangement is being deliberated by the Board.

E. Internal Control Framework

The Board of the Company and its subsidiaries has overall oversight responsibility to ensure that the Company and its subsidiaries maintain an adequate system of internal controls and is equipped with adequate operations and procedures to ensure compliance with laws, regulations, internal guidelines and requirements to safeguard assets of the Company, its subsidiaries and stakeholders' interests.

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

CORPORATE GOVERNANCE (CONT'D)

E. Internal Control Framework (cont'd)

The Company's subsidiaries have established system of internal controls which provide reasonable but not absolute assurance that they would not be adversely affected by any event that could be reasonably foreseen as they strive to achieve their business objectives. It is noted that no system of internal controls can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities.

The Company's subsidiaries have well-defined organisational structures with clearly defined authorities, accountability and segregation of duties which provides reasonable assessment of adequate operations, internal financial controls and compliance with applicable laws and regulations.

F. Corporate Independence

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

G. Management Accountability

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

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

H. Relationship with Auditors

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

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

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (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 be realised 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 of the Company misleading; or
 - (iii) which had arisen that would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.
- (b) In the opinion of the Directors:
- (i) the results of the operations of the Company for the financial year ended 30 June 2019 were 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

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (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: (cont'd)

- (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 of the Company which would render any amount stated in the financial statements misleading.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (i) The Islamic Financial Services Act, 2013 ("IFSA") required all composite Takaful Operators to segregate their composite licences into separate Family Takaful and General Takaful licences by 1 July 2018. In compliance with this Act, the Company's Takaful business subsidiary, HLMT, had surrendered the General Takaful license and proceeded with an application for a single licence to continue its Family Takaful business and relinquished its composite Takaful license by 1 July 2018.

IFSA requires HLMT to continue to discharge its obligations under the General Takaful business which remain undischarged as at 1 July 2018 and cease underwriting new General Takaful business, including renewals business, before transferring the General Takaful business to an existing Takaful Operator. As a result, HLMT has successfully transferred out the General Takaful business to another Takaful Operator on 1 June 2019.

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

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONT'D)

(ii) On 5 July 2018 and 26 June 2019, the Company invested an additional capital of RM17,701,500 and RM33,701,800 in HLAS.

On 11 July 2018 and 26 September 2018, the Company invested an additional capital of RM32,500,000 and RM32,500,000 in HLMT.

SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR

Significant events subsequent to the financial year are disclosed in Note 18 to the financial statements.

IMMEDIATE HOLDING AND ULTIMATE HOLDING COMPANIES

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

SUBSIDIARIES

Details of subsidiaries are set out in Note 4 to the financial statements.

DIRECTORS' REMUNERATION

Details of directors' remuneration and the total amount of indemnity given are set out in Note 14(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 2019 (CONT'D)

AUDITORS

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

This report was approved by the Board of Directors on 13 September 2019. Signed on behalf of the Board of Directors.



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



.....
Loh Guat Lan

Petaling Jaya
13 September 2019

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 43 to 77 are drawn up so as to give a true and fair view of the financial position of the Company as at 30 June 2019 and financial performance of the Company for the financial year ended 30 June 2019 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 13 September 2019.



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



.....
Loh Guat Lan

Petaling Jaya
13 September 2019

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 43 to 77 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 13 September 2019)



Before me:



Commissioner for Oaths

3 Damansara Shopping Mall
3, Jalan SS20/27
47400 Petaling Jaya
Selangor Darul Ehsan



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

REPORT ON THE 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 2019, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Company, which comprise the statements of financial position as at 30 June 2019, and the statement of comprehensive income, statements of changes in equity and statements of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 43 to 77.

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 MEMBER 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 MEMBER 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 Group's or 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 of the Company represent the underlying transactions and events in a manner that achieves fair presentation.



INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF HLA HOLDINGS SDN BHD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 846161-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 member 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 stylized, handwritten signature in black ink, appearing to be 'Ruf', positioned above the firm's name.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

A stylized, handwritten signature in black ink, appearing to be 'Wong Hui Chern', positioned above the name.

WONG HUI CHERN
03252/05/2020 J
Chartered Accountant

Kuala Lumpur
13 September 2019

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

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	2019 RM'000	2018 RM'000
Non-current assets			
Intangible assets	3	274	370
Investment in subsidiaries	4	715,949	599,546
Investment in associated company	5	618,646	618,646
Available-for-sale financial assets	6	-	11,849
Fair value through profit or loss financial assets	7	5,391	-
		1,340,260	1,230,411
Current assets			
Amount due from subsidiary companies	14	20	80
Amount due from associated company	14	36,979	25,485
Cash and cash equivalents		23	344
		37,022	25,909
Current liabilities			
Other payables and accruals		701	595
Amount due to related companies	14	1,045	751
Tax payable		2	1
Total current liabilities		1,748	1,347
Net assets		1,375,534	1,254,973
Shareholders' equity			
Share capital	8	314,000	314,000
Reserves	9	1,061,534	940,973
		1,375,534	1,254,973

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 2019**

	Note	2019 RM'000	2018 RM'000
Revenue	10	123,337	96,699
Realised gains/(losses)		5	(2)
Fair value gains		1	-
Other income		17	22
Finance costs		(263)	(461)
Other operating expenses		(2,530)	(1,765)
Profit before taxation	11	120,567	94,493
Taxation	12	(6)	(6)
Net profit for the financial year		120,561	94,487
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 arising during the financial year			
	6	-	(1)
Gross fair value losses transferred to Statement of Income			
	6	-	2
Net fair value gains		-	1
Total comprehensive income for the financial year		120,561	94,488

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 2019**

	Note	Issued and fully paid ordinary shares		Non-distributable	Distributable		Total RM'000
		No. of Shares '000	Share capital RM'000	Available- for-sale reserve RM'000	Retained earnings RM'000		
At 1 July 2017		312,500	314,000	(1)	846,486		1,160,485
Total comprehensive income for the financial year		-	-	1	94,487		94,488
At 30 June 2018		312,500	314,000	-	940,973		1,254,973
At 1 July 2018		312,500	314,000	-	940,973		1,254,973
Effects due to adoption of MFRS 9	19	-	-	-	-		-
At 1 July 2018 (restated)		312,500	314,000	-	940,973		1,254,973
Total comprehensive income for the financial year		-	-	-	120,561		120,561
At 30 June 2019		312,500	314,000	-	1,061,534		1,375,534

* -RM 444.35 transferred from available-for-sale reserve to retained earnings.

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 2019

	2019	2018
	RM'000	RM'000
Operating activities		
Net profit for the financial year	120,561	94,487
Adjustments for:		
Dividend income	(123,329)	(96,696)
Interest income	(8)	(3)
Amortisation charge	96	97
Realised losses on available-for-sale financial assets	-	2
Realised gains on fair value through profit or loss financial assets	(5)	-
Fair value gains on fair value through profit or loss financial assets	(1)	-
Finance costs	263	461
Tax expense	6	6
Operating losses before working capital changes	<u>(2,417)</u>	<u>(1,646)</u>
Changes in working capital:		
Increase in other payables and accruals	106	156
Decrease/(increase) in amount due from subsidiary companies	60	(80)
Increase in amount due to related company	294	7
Tax paid	(5)	(7)
Net cash outflow from operating activities	<u>(1,962)</u>	<u>(1,570)</u>
Investing activities		
Capital injection to subsidiary companies	(116,403)	(20,700)
Dividend income received	111,226	70,761
Interest income received	8	3
Purchase of available-for-sale financial assets	-	(17,237)
Proceeds from disposal of available-for-sale financial assets	-	8,138
Purchase of fair value through profit or loss financial assets	(45,307)	-
Proceeds from disposal of fair value through profit or loss financial assets	52,380	-
Net cash inflow from investing activities	<u>1,904</u>	<u>40,965</u>

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

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONT'D)

	2019	2018
	RM'000	RM'000
Financing activities		
Drawdown of loan from holding company	47,000	-
Repayment of loan from holding company	(47,000)	(38,600)
Settlement of finance costs	(263)	(461)
Net cash outflow from financing activities	<u>(263)</u>	<u>(39,061)</u>
Net (decrease)/increase in cash and cash equivalents	(321)	334
Cash and cash equivalents at beginning of the financial year	344	10
Cash and cash equivalents at end of the financial year	<u>23</u>	<u>344</u>
Cash and cash equivalents comprise:		
Cash and bank balances	-	-
Fixed and call deposits with maturity of less than 3 months		
- Licensed financial institutions	23	344
	<u>23</u>	<u>344</u>

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

	2019	2018
	RM'000	RM'000
Loan from holding company		
Balance at the beginning of the financial year	-	38,600
Cash changes:		
- Drawdown of loan	47,000	-
- Repayment of loan	(47,000)	(38,600)
- Interest paid	(263)	(461)
Non-cash changes:		
- Accrued interest	263	461
Balance at the end of the financial year	<u>-</u>	<u>-</u>

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

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

NOTES TO THE FINANCIAL STATEMENTS

1 . PRINCIPAL ACTIVITY

The Company is a private limited company that is incorporated and domiciled in Malaysia. The registered office of the Company is located at Level 30, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur.

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 13 September 2019.

2 . SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial statements of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

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

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial investments available-for-sale ("AFS") and financial assets/financial liabilities at fair value through profit or loss ("FVTPL") (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 areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2(n).

(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 2018

- MFRS 15 'Revenue from contracts with customers'
- Annual Improvements to MFRSs 2014 – 2016 Cycle: MFRS 128 'Investments in Associates and Joint Ventures'
- IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration'
- MFRS 9 'Financial Instruments'

This complete version of MFRS 9 replaces the entire MFRS 139. It amends the requirements on classification and measurement of financial assets and includes an expected credit losses model that replaces the incurred loss impairment model used under MFRS 139. It also includes the new hedging guidance that was issued in February 2014.

MFRS 9 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 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)

(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 2018 (cont'd)

- **MFRS 9 'Financial Instruments' (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.

As permitted by the transitional provisions of MFRS 9, the Company elected not to restate comparative figures and continued to be reported under the previous accounting policies governed under MFRS 139. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained profits and other reserves of the current financial year.

The details and the financial effects of the adoption of MFRS 9 are disclosed in Note 19.

Except for the adoption of MFRS 9 'Financial Instruments', the adoption of the above new standards and interpretation are not expected to have impact on the financial results of the Company.

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 2019

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

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

IC Interpretation 23 will be applied retrospectively.

NOTES TO THE FINANCIAL STATEMENTS

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

(a) Basis of preparation (cont'd)

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

Financial year beginning on/after 1 July 2019 (cont'd)

- Annual Improvements to MFRSs 2015-2017 Cycle:

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

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

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

The amendments shall be applied retrospectively.

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

NOTES TO THE FINANCIAL STATEMENTS

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

(b) Intangible assets

Computer software

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

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

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

(c) 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(g) 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 HLF, a Malaysian-incorporated company which produces consolidated financial statements available for public use that comply with MFRS. The consolidated financial statements are obtainable at its office at Level 30, Menara Hong Leong, No. 6, Jalan Damansara, Bukit Damansara, 50490 Kuala Lumpur.

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

(d) 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.

(e) Financial assets

Accounting policies applied from 1 July 2018

The Company classifies its financial assets as FVTPL if they are acquired principally for the purpose of selling in the short term, i.e. are held for trading. They are presented as current assets if they are expected to be sold within 12 months after the end of the reporting period; otherwise they are presented as non-current assets.

Financial assets at FVTPL are initially recognised at fair value, and transaction costs are expensed in statement of income. Financial assets at FVTPL are subsequently carried at fair value. Changes in the fair values of financial assets at FVTPL, including the effects of currency translation, interest and dividend income are recognised in statement of income in the period in which the changes arise.

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) is recognised in the statement of income as realised gain or loss.

NOTES TO THE FINANCIAL STATEMENTS

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

(e) Financial assets (cont'd)

Accounting policies applied until 30 June 2018

The Company classifies its financial assets as 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.

(f) Cash and cash equivalents

Cash and cash equivalents consist of cash, balances and deposits held at call with financial institutions with maturities of three months or less that are readily convertible to known amount of cash which are subject to an insignificant risk of changes in value.

(g) 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.

NOTES TO THE FINANCIAL STATEMENTS

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

(g) Impairment of non-financial assets (cont'd)

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.

(h) 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.

NOTES TO THE FINANCIAL STATEMENTS

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

(h) Taxation (cont'd)

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.

(i) Revenue recognition

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

Interest income is recognised on accrual basis.

(j) 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.

(k) 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.

NOTES TO THE FINANCIAL STATEMENTS

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

(l) 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.

(m) 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.

(n) Critical accounting estimates and judgments in applying accounting policies

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Company's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are outlined below:

(i) Impairment of investment in subsidiaries

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 . INTANGIBLE ASSETS

	Computer Software	
	2019	2018
	RM'000	RM'000
Cost		
At 1 July / At 30 June	483	483
	<u>483</u>	<u>483</u>
Accumulated amortisation		
At 1 July	113	16
Charge for the financial year	96	97
At 30 June	209	113
	<u>209</u>	<u>113</u>
Net carrying amount	274	370
	<u>274</u>	<u>370</u>

NOTES TO THE FINANCIAL STATEMENTS

4. INVESTMENT IN SUBSIDIARIES

	2019	2018
	RM'000	RM'000
Unquoted shares, at cost	715,949	599,546
At 1 July	599,546	578,846
Addition (Note 17)	116,403	20,700
At 30 June	715,949	599,546

The subsidiaries are listed below:

<u>Name of company</u>	<u>Place of incorporation</u>	<u>Principal activities</u>	<u>Effective Interest (%)</u>	
			2019	2018
Hong Leong Assurance Berhad	Malaysia	Life insurance business	70	70
*Hong Leong Insurance (Asia) Limited	Hong Kong	General insurance business	100	100
Hong Leong MSIG Takaful Berhad	Malaysia	Family takaful and general takaful business	65	65
RC Holdings Sdn Bhd	Malaysia	Investment holding	100	100
*HL Assurance Pte. Ltd.	Singapore	General insurance business	100	100

*Audited by other audit firm.

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

NOTES TO THE FINANCIAL STATEMENTS

5. INVESTMENT IN ASSOCIATED COMPANY

	2019	2018
	RM'000	RM'000
Unquoted shares, at cost	618,646	618,646

Income and expenses of the associate is as follows:

	2019	2018
	RM'000	RM'000
Revenue	1,634,128	1,628,976
Profit after taxation	205,086	210,208
Other comprehensive income/(losses)	28,988	(16,921)
Total comprehensive income	234,074	193,287

Assets and liabilities of the associate is as follows:

	2019	2018
	RM'000	RM'000
Non-current assets	4,339,920	4,117,610
Current assets	1,037,785	1,162,287
Total assets	5,377,705	5,279,897
Non-current liabilities	1,949,277	2,016,669
Current liabilities	360,167	305,779
Total liabilities	2,309,444	2,322,448

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>	
			2019	2018
*MSIG Insurance (Malaysia) Berhad	Malaysia	General insurance business	30	30

*Audited by other audit firm.

NOTES TO THE FINANCIAL STATEMENTS

6 . AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2019	2018
	RM'000	RM'000
At fair value:		
Unit trusts	-	11,849
	<u>-</u>	<u>11,849</u>

(i) Fair value hierarchy

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

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

	2019	2018
	RM'000	RM'000
AFS financial assets		
Level 1	-	11,849
	<u>-</u>	<u>11,849</u>

(ii) Carrying value of financial assets

	2019	2018
	RM'000	RM'000
At 1 July	11,849	2,301
Effects due to adoption of MFRS 9 (Note 7 (ii))	(11,849)	-
At 1 July (restated)	-	2,301
Purchases	-	17,237
Dividend reinvested	-	450
Disposals	-	(8,140)
Fair value losses recorded in other comprehensive income	-	(1)
Fair value losses transferred to statement of income	-	2
At 30 June	<u>-</u>	<u>11,849</u>

NOTES TO THE FINANCIAL STATEMENTS

7. FAIR VALUE THROUGH PROFIT OR LOSS FINANCIAL ASSETS

	2019	2018
	RM'000	RM'000
At fair value:		
Unit trusts	5,391	-

(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).

	2019	2018
	RM'000	RM'000
FVTPL financial assets		
Level 1	5,391	-

(ii) Carrying value of financial assets

	2019	2018
	RM'000	RM'000
At 1 July	-	-
Effects due to adoption of MFRS 9 (Note 6 (ii))	11,849	-
At 1 July (restated)	11,849	-
Purchases	45,307	-
Dividend reinvested	609	-
Disposals	(52,380)	-
Fair value gains	6	-
At 30 June	5,391	-

NOTES TO THE FINANCIAL STATEMENTS

8 . SHARE CAPITAL

	2019		2018	
	No. of Shares '000	Share capital RM'000	No. of Shares '000	Share capital RM'000
<u>Issued and fully paid capital:</u>				
At 1 July / At 30 June				
- ordinary shares	312,500	314,000	312,500	314,000

9 . RESERVES

	Note	2019 RM'000	2018 RM'000
Retained earnings	(a)	1,061,534	940,973
AFS reserve	(b)	-	- *
		<u>1,061,534</u>	<u>940,973</u>

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

* AFS reserve amounting to -RM 444.35

10 . REVENUE

	2019 RM'000	2018 RM'000
Dividend income	123,329	96,696
Interest income	8	3
	<u>123,337</u>	<u>96,699</u>

NOTES TO THE FINANCIAL STATEMENTS

11 . PROFIT BEFORE TAXATION

	2019	2018
	RM'000	RM'000
Profit before taxation is stated after charging:		
Audit fee *		
- Current financial year	38	38
- Overprovision in prior financial year	-	(10)
Management fees (Note 14(b))		
- Current financial year	1,438	861
- Overprovision in prior financial year	(6)	-
	<u> </u>	<u> </u>

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

12 . TAXATION

	2019	2018
	RM'000	RM'000
Current tax:		
Current financial year	6	6
	<u> </u>	<u> </u>

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:

	2019	2018
	RM'000	RM'000
Profit before taxation	120,567	94,493
	<u> </u>	<u> </u>
Taxation at Malaysian statutory tax rate of 24% (2018:24%)	28,936	22,678
Tax effect in respect of:		
Expenses not deductible for tax purpose	670	534
Income not subject to tax	(29,600)	(23,206)
	<u> </u>	<u> </u>
Tax expense for the financial year	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS

13 . EMPLOYEES INFORMATION

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

14 . SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Related parties relationships

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

<u>Related Parties</u>	<u>Relationship</u>
Hong Leong Company (Malaysia) Berhad ("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 4	Subsidiary companies of the Company
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

NOTES TO THE FINANCIAL STATEMENTS

14 . 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 4 and Note 5 are as follows: (cont'd)

<u>Related Parties</u>	<u>Relationship</u>
Related parties of key management personnel (deemed as related to the Company)	(ii) Entities that are controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly by key management personnel or its close family members

(b) Related party transactions and balances

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

	Immediate holding company RM'000	Subsidiary companies RM'000	Other related parties RM'000
2019			
Assets			
Other receivables	-	20	-
Dividend receivables	-	-	36,979
Cash and cash equivalents	-	-	23
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Liabilities			
Payables	-	-	1,045
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Income			
Dividend income	-	85,741	36,979
Money market interest	-	-	8
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS

14 . SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

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

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

	Immediate holding company RM'000	Subsidiary companies RM'000	Other related parties RM'000
2019			
Expenditure			
Management fees	386	-	1,046
Outsourcing fees	-	278	-
Loan interest	263	-	-
Logo fees	-	-	4
	<u> </u>	<u> </u>	<u> </u>
2018			
Assets			
Other Receivables	-	80	-
Dividend receivables	-	-	25,485
Cash and cash equivalents	-	-	344
	<u> </u>	<u> </u>	<u> </u>
Liabilities			
Payables	-	-	751
	<u> </u>	<u> </u>	<u> </u>
Income			
Dividend income	-	70,761	25,485
Money market interest	-	-	3
	<u> </u>	<u> </u>	<u> </u>
Expenditure			
Management fees	149	-	712
Outsourcing fees	-	321	-
Loan interest	461	-	-
Logo fees	-	-	4
	<u> </u>	<u> </u>	<u> </u>

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

NOTES TO THE FINANCIAL STATEMENTS

14 . SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

(c) Compensation of key management personnel

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

	Other remuneration RM'000	Director fees RM'000
2019		
Executive Director:		
Ms. Loh Guat Lan	-	-
Non Executive Directors:		
Ms Koid Swee Lian	11	125
YBhg Dato' Siow Kim Lun @ Siow Kim Lin	11	130
Ms Lim Tau Kien	10	135
	<u>32</u>	<u>390</u>
2018		
Executive Director:		
Ms. Loh Guat Lan	-	-
Non Executive Directors:		
Ms Koid Swee Lian	15	121
YBhg Dato' Siow Kim Lun @ Siow Kim Lin	15	128
Ms Lim Tau Kien	16	130
	<u>46</u>	<u>379</u>

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

NOTES TO THE FINANCIAL STATEMENTS

14 . SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

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

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

During the financial year, Directors and Officers of the Company 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 Company subject to the terms of the policy. The total amount of Directors' & Officers' Liability Insurance effected for the Directors and Officers of the Group was RM10 million.

15 . CAPITAL RISK MANAGEMENT

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

NOTES TO THE FINANCIAL STATEMENTS

16 . FINANCIAL RISKS

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

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

(a) Credit risk

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

Credit exposure by credit rating

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

	AA to AAA	Not rated	Not subject to credit risk	Total
	RM'000	RM'000	RM'000	RM'000
2019				
FVTPL financial assets	-	-	5,391	5,391
Amount due from subsidiary companies	20	-	-	20
Amount due from associated company	-	36,979	-	36,979
Cash and cash equivalents	23	-	-	23
	<u>43</u>	<u>36,979</u>	<u>5,391</u>	<u>42,413</u>
2018				
AFS financial assets	-	-	11,849	11,849
Amount due from subsidiary companies	80	-	-	80
Amount due from associated company	-	25,485	-	25,485
Cash and cash equivalents	344	-	-	344
	<u>424</u>	<u>25,485</u>	<u>11,849</u>	<u>37,758</u>

NOTES TO THE FINANCIAL STATEMENTS

16 . FINANCIAL RISKS (CONT'D)

(b) Liquidity risk

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

Maturity profile of financial assets

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

	Carrying value RM'000	Up to 1 year RM'000	No maturity date RM'000	Total RM'000
2019				
FVTPL financial assets	5,391	-	5,391	5,391
Amount due from subsidiary companies	20	20	-	20
Amount due from associated company	36,979	36,979	-	36,979
Cash and cash equivalents	23	23	-	23
Total financial assets	<u>42,413</u>	<u>37,022</u>	<u>5,391</u>	<u>42,413</u>
2018				
AFS financial assets	11,849	-	11,849	11,849
Amount due from subsidiary companies	80	80	-	80
Amount due from associated company	25,485	25,485	-	25,485
Cash and cash equivalents	344	344	-	344
Total financial assets	<u>37,758</u>	<u>25,909</u>	<u>11,849</u>	<u>37,758</u>

NOTES TO THE FINANCIAL STATEMENTS

16 . FINANCIAL RISKS (CONT'D)

(b) Liquidity risk (cont'd)

Maturity profile of financial liabilities

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

	Carrying value RM'000	Up to 1 year RM'000	Total RM'000
2019			
Other payables and accruals	701	701	701
Amount due to related companies	1,045	1,045	1,045
Total financial liabilities	<u>1,746</u>	<u>1,746</u>	<u>1,746</u>
2018			
Other payables and accruals	595	595	595
Amount due to related companies	751	751	751
Total financial liabilities	<u>1,346</u>	<u>1,346</u>	<u>1,346</u>

(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 2019 and 30 June 2018.

NOTES TO THE FINANCIAL STATEMENTS

16 . FINANCIAL RISKS (CONT'D)

(c) Market risk (cont'd)

(ii) Interest rate risk

Investment activities are inherently exposed to interest rate risk. Interest rate risk arises principally from changes in the level of interest rates. The Company has interest bearing asset as at 30 June 2019. 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 2019 and 30 June 2018.

(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 2019 and 30 June 2018.

(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.

NOTES TO THE FINANCIAL STATEMENTS

17 . SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (i) The Islamic Financial Services Act, 2013 ("IFSA") required all composite Takaful Operators to segregate their composite licences into separate Family Takaful and General Takaful licences by 1 July 2018. In compliance with this Act, the Company's Takaful business subsidiary, HLMT, had surrendered the General Takaful license and proceeded with an application for a single licence to continue its Family Takaful business and relinquished its composite Takaful license by 1 July 2018.

IFSA requires HLMT to continue to discharge its obligations under the General Takaful business which remain undischarged as at 1 July 2018 and cease underwriting new General Takaful business, including renewals business, before transferring the General Takaful business to an existing Takaful Operator. As a result, HLMT has successfully transferred out the General Takaful business to another Takaful Operator on 1 June 2019.

- (ii) On 5 July 2018 and 26 June 2019, the Company invested an additional capital of RM17,701,500 and RM33,701,800 in HLAS.

On 11 July 2018 and 26 September 2018, the Company invested an additional capital of RM32,500,000 and RM32,500,000 in HLMT.

18 . SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR

On 9 July 2019, the Company invested an additional capital of RM15,249,000 in HLAS.

NOTES TO THE FINANCIAL STATEMENTS

19 . FINANCIAL EFFECTS ARISING FROM ADOPTION OF MFRS 9 FINANCIAL INSTRUMENTS

With effect from the financial year beginning on/after 1 July 2018, the Company applies MFRS 9 'Financial Instruments', replacing MFRS 139 'Financial Instruments: Recognition and Measurement', and includes requirements for classification and measurement of financial assets and liabilities and impairment of financial assets.

The following table analyses the impact of transition on the Statements of Financial Position of the Company from MFRS 139 to MFRS 9 as at 1 July 2018:

	30.6.2018	Classification and measurement	1.7.2018
	RM'000	RM'000	RM'000
Non-current assets			
Intangible assets	370	-	370
Investment in subsidiaries	599,546	-	599,546
Investment in associated company	618,646	-	618,646
AFS financial assets	11,849	(11,849)	-
FVTPL financial assets	-	11,849	11,849
	1,230,411	-	1,230,411
Current assets			
Amount due from subsidiary companies	80	-	80
Amount due from associated company	25,485	-	25,485
Cash and cash equivalents	344	-	344
	25,909	-	25,909
Current liabilities			
Other payables and accruals	595	-	595
Amount due to related companies	751	-	751
Tax payable	1	-	1
Total current liabilities	1,347	-	1,347
Net assets	1,254,973	-	1,254,973
Shareholders' equity			
Share capital	314,000	-	314,000
Reserves	940,973	-	940,973
	1,254,973	-	1,254,973

NOTES TO THE FINANCIAL STATEMENTS

19 . FINANCIAL EFFECTS ARISING FROM ADOPTION OF MFRS 9 FINANCIAL INSTRUMENTS (CONT'D)

The following table analyses the impact of transition on the Statements of Financial Position of the Company from MFRS 139 to MFRS 9 as at 1 July 2018: (cont'd)

	RM'000
AFS financial assets	
Closing balance under MFRS 139 as at 30 June 2018	11,849
- redesignation to FVTPL financial assets	(11,849)
	-
Opening balance under MFRS 9 as at 1 July 2018	-
FVTPL financial assets	
Closing balance under MFRS 139 as at 30 June 2018	-
- redesignation from AFS financial assets	11,849
	11,849
Opening balance under MFRS 9 as at 1 July 2018	11,849
Reserves	
Closing balance under MFRS 139 as at 30 June 2018	940,973
- transfer from AFS reserve *	-
- transfer to retained earnings *	-
	940,973
Opening balance under MFRS 9 as at 1 July 2018	940,973

* -RM 444.35 transferred from AFS reserve to retained earnings.