Hong Leong Capital Berhad

Annual Report **2020**

Corporate

Financials

Additional Information

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To be the foremost Integrated Financial Services Group providing unrivalled value to our clients

Introduction

Hong Leong Capital Berhad ("HLCB") is an investment holding company of the investment banking and asset management business group under Hong Leong Financial Group. It aims to be a leading regional financial services institution providing diversified clients with a full range of value propositions and financial solutions in the areas of investment banking, stockbroking, futures broking, nominees and custodian services, unit trust and fund management and related financial services, and investment management services. These segments are serviced by HLCB's key operating subsidiaries, namely Hong Leong Investment Bank Berhad ("HLIB") and Hong Leong Asset Management Berhad ("HLAM").

HLIB has two main divisions, namely the Investment Banking division and the Stockbroking division. The core activities of the Investment Banking division include arranging and structuring of debt financing and equity fund raising and other corporate related advisory work. The Investment Banking division also offers debt and equity underwriting, deposit taking, treasury related solutions as well as trading and distribution services.

The Stockbroking division of HLIB provides the complete range of broking services for a wide range of clients, ranging from institutional and retail, to high net worth investors. Supported by a dedicated client centric sales team committed to providing timely advice and good trade execution, as well as a research team of professional industry specialists, HLIB strives to deliver groundbreaking insights and fresh perspectives on investing ideas.

HLAM, is an established asset management company with more than 20 years' experience offering and managing a broad spectrum of investment solutions through equities, fixed income, money market and mixed assets for segregated customized portfolio and unit trust funds for, amongst others, state governments, insurance companies, endowments, family offices, corporations, and high net worth individuals.

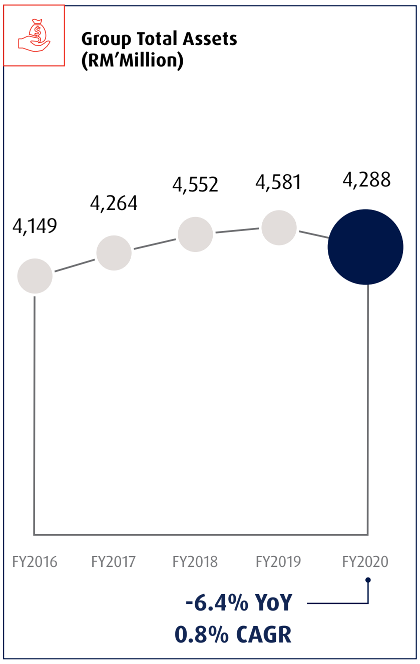
Supported by strong business acumen, its firm foundation of values, efficient customer support, and distribution and communications channels, HLCB, together with HLIB and HLAM, are focused on assisting its wide range of clients in achieving superior long term risk-adjusted returns.

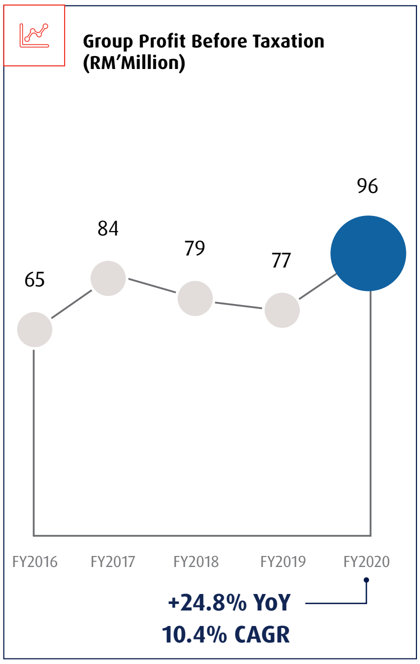
Our Core Values

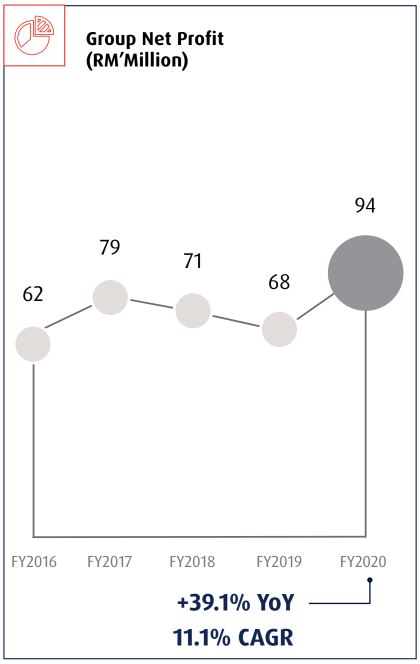
HLCB strongly believes that its core values form its foundation and framework. Its values build its character; they are the binding cord that holds its people together, the driving force towards the successful accomplishment of the Group's vision. Our long term goal has always been creating sustainable value towards the Group and focus on improving the well-being of our stakeholders in all aspects.

QUALITY	**HUMAN RESOURCE**	**ENTREPRENEURSHIP**	**UNITY**
To consistently provide goods and services of the highest quality at affordable prices	To enhance the quality of human resources as the essence of management excellence	To pursue management vision and foster entrepreneurship	To ensure oneness in purpose, harmony and friendship in the pursuit of prosperity for all
INNOVATION	**PROGRESS**	**HONOUR**	**SOCIAL RESPONSIBILITY**
To nurture and be committed to innovation	To improve existing operations and to position for expansion and new opportunities	To conduct business with honour	To create wealth for the betterment of society

Five Year Group **Financial Highlights**

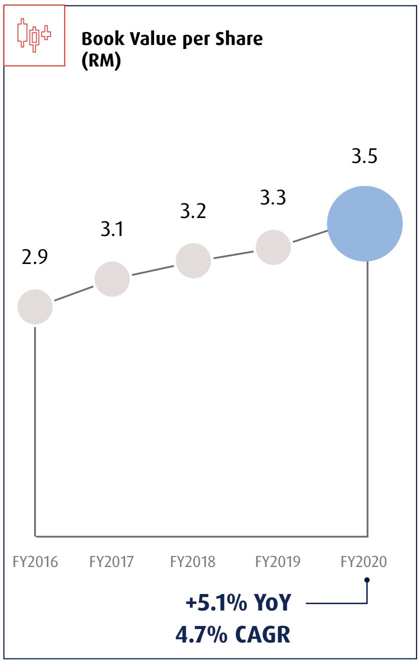


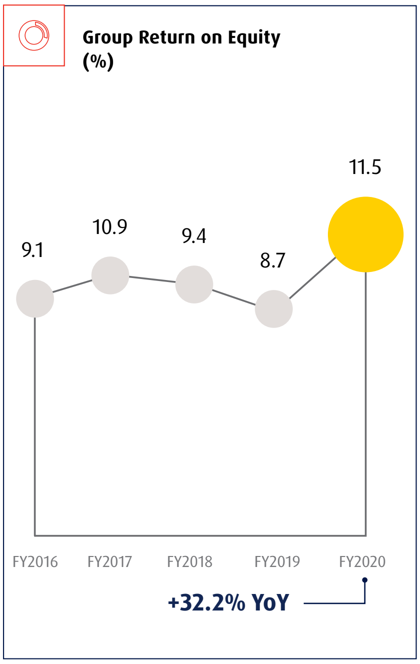


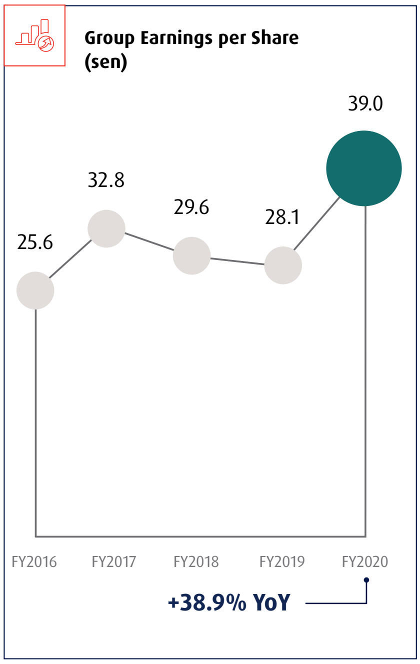


The Group	FY2016 RM'Million	FY2017 RM'Million	FY2018 RM'Million	FY2019 RM'Million	FY2020 RM'Million
Statements of Financial Position					
Total Assets	4,149	4,264	4,552	4,581	**4,288**
Net Loans	372	237	228	205	**316**
Total Liabilities	3,449	3,519	3,786	3,784	**3,448**
Deposits from Customers	1,032	649	1,083	748	**738**
Shareholders' Funds	700	745	766	798	**840**
Commitments and Contingencies	8,732	7,931	8,853	11,470	**6,967**
Statements of Income					
Revenue	173	202	196	199	**233**
Profit Before Taxation	65	84	79	77	**96**
Net Profit	62	79	71	68	**94**
Key Performance Indicators					
Book Value per Share (RM)	2.9	3.1	3.2	3.3	**3.5**
Earnings per Share (sen)	25.6	32.8	29.6	28.1	**39.0**
Net Dividend per Share (sen)	12.0	19.0	19.0	22.0	**23.0**

Five Year Group Financial Highlights







The Group	FY2016 %	FY2017 %	FY2018 %	FY2019 %	FY2020 %
Financial Ratios					
Profitability Ratios					
Return on Equity	9.1%	10.9%	9.4%	8.7%	**11.5%**
Return on Average Assets	1.6%	1.9%	1.6%	1.5%	**2.1%**
Cost/Income Ratio	62.7%	58.4%	59.5%	61.5%	**57.9%**
Asset Quality/Loan Ratios					
Gross Loans to Deposits Ratio	36.2%	36.5%	21.1%	27.9%	**43.3%**
Gross Impaired Loans Ratio	0.2%	4.9%	3.0%	3.3%	**2.0%**

Chairman's **Statement**

"

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of Hong Leong Capital Berhad ("HLCB" or "the Group") for the financial year ended 30 June 2020 ("FY2020").

"

OVERALL BUSINESS ENVIRONMENT

The first half of our Financial Year 2020 saw the global business environment fraught with challenges arising from escalating trade tensions between the United States ("US") and China, uncertainty on Britain's future with the European Union, geopolitical stress in the Middle East and social unrest in Hong Kong. In particular, the fractured trade negotiations between the US and China resulted in the moderation of domestic manufacturing activity. Nevertheless, growth remained anchored by private consumption growth, supported by continued income and employment growth.

However, in the second half of our Financial Year 2020, the COVID-19 virus infection had quickly evolved into a global pandemic that endangered lives and overwhelmed healthcare facilities around the world. In response, governments around the world imposed containment measures to stem the spread of the virus but not without the consequential effect of triggering an unprecedented shock to economic activity. Global supply chains were disrupted, international travel was halted, and movement restriction depressed manufacturing output, international trade flows and domestic economic activities. In Malaysia, the situation was similar with the Movement Control Order ("MCO"), which was implemented on 18 March 2020 and enforced with strict social distancing measures and temporary closure of non-essential businesses leading to a halt in most parts of our economy. Conditional MCO and Recovery MCO were subsequently implemented on 4 May 2020 and 10 June 2020 respectively where a range of businesses and activities were allowed to resume operations. Malaysia's Gross Domestic Product ("GDP") contracted by 17.1% in the second quarter of year 2020. The government moved swiftly and introduced a range of supportive policy measures to fiscally pump prime the economy. This included a major economic stimulus bill totaling RM295 billion in the form of a 6 months loan moratorium for individuals and small and medium enterprises ("SMEs"), wage subsidy program for eligible employees and cash handouts to low and middle income households. Bank Negara Malaysia also adopted a softer monetary stance by reducing the Overnight Policy Rate by a total of 100 basis points to 2.0% by June 2020 and further injected liquidity into the financial system through reduction in the Statutory Reserve Requirement, reverse repurchase agreements and outright purchase of government securities.

Our Malaysian bond market which started off well, with net inflow of RM20.9 billion in the second half of 2019 quickly reversed in the first half of 2020, recording net outflows of RM5.3 billion, as fears of a pandemic-induced global recession the first half of 2020 at 1,501 points. This strong recovery in the

Chairman's Statement

KLCI was aided by positive share price momentum particularly in glove manufacturer stocks, implementation of economic stimulus measures and the subsequent easing of lockdown measures globally. While foreigners were net sellers to the tune of The Malaysian stock market, as referenced by the FTSE Bursa Malaysia Kuala Lumpur Composite Index ("KLCI"), ended 2019 at 1,589 points, a decline of 83 points or 5.0% from the end of first half 2019. Foreign investors net sold RM6.5 billion in Malaysian equites during this period. With the COVID-19 outbreak spreading into a global pandemic and concerns on the negative economic ramifications from lockdown measures across the globe, the KLCI plunged to a decade low of 1,220 on 19 March 2020, registering a decline of 23.2% since end of 2019. However, from its decade low, the KLCI managed to stage an unprecedented 281 point recovery to end the first half of 2020 at 1,501 points. This strong recovery in the KLCI was aided by positive share price momentum particularly in glove manufacturer stocks, implementation of economic stimulus measures and the subsequent easing of lockdown measures globally. While foreigners were net sellers to the tune of RM16.3 billion in the first half of 2020, this was well absorbed by domestic institutional investors alongside our rejuvenated retail investors which saw its participation rate on the local bourse hitting a decade high.

During this period, our priority was to act swiftly to protect the Group's franchise, our customers, employees and all our stakeholders. Work arrangements were reorganised quickly to safeguard our employees while ensuring services to customers were not disrupted. As an essential service provider and a financial intermediary to the capital markets, we are pleased to report that our strategic priorities over the years to continuously digitalise our businesses had helped the Group sustain our business momentum through the MCO.

On the asset management front, a significant development in the industry is the introduction of the EPF i-Invest channel in June 2020. This platform allows an EPF member to invest in any EPF Approved fund via the EPF-Members Investment Scheme. We are excited that this digital portal will provide our asset management the opportunity to tap into the entire pool of EPF members, allowing quicker visibility, reach and response time.

REVIEW OF THE YEAR'S FINANCIAL PERFORMANCE

Despite the challenging and volatile economic environment especially throughout the second half of the financial year, we are pleased to report that the Group achieved a profit before taxation ("PBT") of RM95.8 million for FY2020, reflecting a commendable 24.8% growth from our previous financial year.

Our investment bank, Hong Leong Investment Bank Berhad ("HLIB"), recorded a PBT of RM64.9 million in the current financial year as compared to RM48.0 million in FY2019. Riding on an unprecedented surge in retail trading volume and value, our Stockbroking business had an exceptional year, contributing 69.7% of HLIB's current year profit while Investment Banking business contributed the remaining 30.3%.

The Stockbroking business of HLIB achieved revenue of RM102.3 million and a PBT of RM45.2 million in FY2020. Brokerage income accounted for 74.8% of total revenue earned by the Stockbroking business in FY2020. Year on year ("YoY"), the net brokerage income earned in FY2020 is 45.9% higher than the previous financial year. The growth in revenue was in line with higher traded volumes recorded by Bursa Malaysia of RM639.8 billion, an increase of 15.9% YoY. In line with the surge in retail trading value, our share of the market also moved higher to 4.4% as compared to the previous financial year of 3.9%. We are pleased to highlight that our focus to continuously improve our online trading platform has contributed to the commendable growth in our Broking business. Towards the end of the financial year during the MCO period from March 2020 to June 2020, online orders surged by 115% whilst new accounts opened grew 38% compared to the corresponding period in the last financial year.

Our Investment Banking business achieved revenue of RM67.6 million and a PBT of RM19.7 million in FY2020; with a 3.8% increase and 21.8% reduction YoY respectively. Our Treasury & Markets division continued to deliver the highest revenue with a revenue growth of 5.6% in FY2020 despite the volatile market environment as well as the COVID-19 pandemic. Our Debt Markets division staged a healthy recovery, recording strong revenue growth of 72.6% amidst a more subdued capital market. However, our Equity Markets division continued to operate amidst a significant reduction in capital raising activities in the Malaysian market. Nonetheless, we are cautiously optimistic that market conditions are gradually becoming more conducive as our government continues to provide support to facilitate investments and consumption.

Our Asset Management business recorded a PBT of RM27.7 million for FY2020, an increase of 26.8% YoY. The higher PBT was achieved on the back of a 13.4% YoY rise in revenue, attributable mainly to better net management fee rates and growth in our average assets under management ("AUM"). Our average AUM size touched RM18.3 billion in FY2020. Amidst volatile market conditions, our investors continued to favour fixed income and money market funds although we also recorded modest growth in AUM for our equity and balanced funds.

As part of the Group's commitment to preserve value and achieve long-term sustainable growth to our shareholders, we are pleased to report that our Return on Equity improved from 8.7% to 11.5% in FY2020. The total capital ratio of our key operating subsidiary, HLIB, remained healthy at 46.1% as at 30 June 2020. With improved earnings and a healthy capital position, the Group is recommending a final dividend of 23.0 sen per share for FY2020 which is 4.5% higher than the dividend payout for the previous financial year.

SUSTAINABILITY

We believe in the importance of building a sustainable financial services Group. This is about how, at the core of everything we do, we stand guided by the right decisions that will hold us in good stead today and in the future. We embrace this in a variety of ways; to maintain focus on operational excellence

Chairman's Statement

and on the momentum we have built in managing efficiency and productivity. We have also made continued progress towards improving efficiencies of our Group operating expenses whilst investing in new business initiatives and technologies. We conduct regular reviews of our end-to-end process flows to further automate and streamline these processes to eliminate unnecessary costs. HLIB has consistently sought to maintain a judicious cost to income ratio ("CTI") and our CTI continues to be one of the lowest among the investment banks in Malaysia.

At the core of sustainability, we emphasise the need to uphold the strictest governance and integrity within our culture. Our group adopts a zero tolerance stance towards corrupt and bribery practices. Aside from the various policies which we had put in place, like the Code of Conduct and Ethics, Anti Bribery and Corruption, Gifts and Entertainment, Donation and Whistleblowing, programs and training are continuously being provided to educate and reinforce our staff to reaffirm our commitment. We have a diverse and experienced Board of Directors who provides independent oversight over the planning, execution and conduct of our business. Our Board constantly looks for ways to ensure its diversity and strength, and monitors corporate governance and best practices to adapt and improve when necessary.

Our approach to sustainability is also built upon our commitment to ensure that our policies, practices, products and programs are collectively aligned to our Group values and purpose. We have done this in part by creating simple, safe, transparent and easy-to-use financial solutions that give people greater control of their finances. Another way we think about sustainability is the work we do to strengthen our local economies, by working with and investing in them.

To ensure that the Group maintains sustainable growth, we strongly value our people and give all our employees the support they need to build their careers and grow with us. We have a diverse and inclusive workplace that reflects the diversity of the communities in which we serve. Through our recruitment programs and partnerships, we are investing in the future by bringing the best and brightest to work at Hong Leong. As we think about all the ways we pursue sustainability, our focus is to use our size and scale in ways that contribute positively to our communities, create opportunities for our customers and employees and to grow our company responsibly.

Finally, we firmly believe that every sustainable enterprise needs to take initiative and responsibility to address the environmental changes via a proper Environmental Sustainability framework and reinforce with the same culture within the Group.

OUTLOOK

Going forward, the global and domestic economy is expected to start recovering in the second half of 2020 as economies gradually reopen. However, we believe the pace of recovery will remain dependent on the availability of a medical solution. Beyond the COVID-19 outbreak, other downside risks persist as the US goes through its presidential election year and the trade

dynamics between US and China remain unresolved which will impact the rest of the world. Nevertheless, we expect Malaysia to weather the crisis from a position of strength owing to its diverse economic structure, sound macro fundamentals, strong institutions and policy flexibility.

We view the COVID-19 outbreak and consequential MCO as a catalyst to sharpen our businesses continuity measures and to further accelerate innovating the way we do business. In today's environment, digitalisation does not only contribute to productivity, efficiency and the broadening of socio-economic development, but also serves as a vital test for a long-term move to an innovative culture involving a change to workplace norms. The Group will continue to be proactive in harnessing digital technologies to build an operating environment that our stakeholders expect. We will therefore continue to invest in technology to further enhance our efficiency and productivity as well as adjust to the new normal.

The Group remains committed in its journey to deliver long-term sustainable growth as well as increase shareholder value. To achieve this, we will continue to execute our business strategies, sharpen our business continuity measures, keep improving on our digital solutions as well as manage cost efficiency and drive productivity.

ACKNOWLEDGEMENTS

I would like to take this opportunity to express my appreciation and gratitude to the Board of Directors, management as well as our staff for their stewardship, dedication and commitment.

My sincere appreciation also goes to our regulators, shareholders, customers and business partners and all other stakeholders. We appreciate and look forward to their continued support.

TAN KONG KHOON
Chairman

11 September 2020

Management Discussion & Analysis

We are pleased to present the Management Discussion and Analysis for the financial year ended 30 June 2020 ("FY2020"). In this report, we would like to provide a review of our Group's business operations and financial performance during FY2020.

Despite the challenging and volatile economic environment especially throughout the second half of the financial year, the Group achieved a profit before taxation ("PBT") of RM95.8 million for FY2020, reflecting a commendable 24.8% year-on-year ("YoY") growth. We will continue to strive towards increasing our market penetration with the objective of achieving long-term sustainable growth and to be the foremost integrated financial services group.

A. INTRODUCTION

Hong Leong Capital Berhad ("HLCB" or "the Group") is an investment holding company of the investment banking business and asset management business group under Hong Leong Financial Group. It aims to be a leading regional financial services institution providing diversified clients with a full range of value propositions and financial solutions in the areas of investment banking, stockbroking, futures broking, nominees and custodian services, unit trust and fund management and related financial services, and investment management services. These segments are serviced by HLCB's two key operating subsidiaries, namely Hong Leong Investment Bank Berhad ("HLIB") and Hong Leong Asset Management Bhd ("HLAM") and its subsidiary, Hong Leong Islamic Asset Management Sdn Bhd ("HLISAM").

HLIB has two main business divisions, namely the Investment Banking Division and the Stockbroking Division. There are three business pillars within the Investment Banking Division namely Debt Markets, Equity Markets and Treasury & Markets that offer a wide range of activities which include arranging and structuring of debt financing, equity fund raising and other corporate-related advisory work. The Investment Banking Division also offers debt and equity underwriting, deposit taking, treasury related solutions as well as trading and distribution services. These services are provided through our head office at Menara Hong Leong, Kuala Lumpur ("MHL").

The Stockbroking Division of HLIB provides the complete range of retail and institutional stockbroking services, equity research, margin financing, nominees and custody services as well as futures and option broking services. These services are provided through a network of a head office at MHL, and 3 branches as well as locations based at 6 Hong Leong Bank hubs across Malaysia.

HLIB Investment Banking Division

Debt Markets

Core Activities

- Arranging and structuring of debt financing in the form of:
  - Corporate bond and Sukuk issuance
  - Syndicated loans
- Debt underwriting
- Lending that complement the corporate exercises undertaken by HLIB and to offer comprehensive investment banking packages to clients
- Agency services for corporate bonds, Sukuk and Syndicated loans

Equity Markets

Core Activities

- Arranging and managing equity fund raising:
  - Initial public offering
  - Rights issues
  - Restricted issues
  - Special issues
  - Private placements
- Corporate-related advisory works:
  - Equity underwriting
  - Merger and acquisition

Treasury and Markets

Core Activities

- Deposits-taking
- Trading and investment of:
  - Short-term money market investments
  - Fixed income
  - Interest rate instruments
- Treasury related solutions:
  - Interest rate hedging
  - Foreign exchange hedging
  - Pricing and distribution of primary bonds

HLIB Stockbroking Division

Institutional Sales

Core Activities

- Research, advisory and trade executions for Government Linked and Non-Government Linked Corporation Funds

Retail Business

Core Activities

- Provision of online trading platform for retail clients for the execution of equity, futures and option broking
- Provision of customer services support on technical and corporate actions
- Provision of margin financing to clients to trade or invest in listed equity
- Provision of nominees and custody services

Equity Derivative

Core Activities

- Index arbitrage activities capitalising on market inefficiencies between equity and futures market

Management Discussion & Analysis

HLAM is an established fund management company with more than 20 years' experience offering and managing a broad spectrum of investment solutions through equities, fixed income, money market and mixed assets for segregated customised portfolio and unit trust funds. At HLAM, the strength and pillar of the business success are based on the talent pool of people, quality of services and the drive towards advancing technology. HLAM also adopts the Group's strong values and guiding principles, and leverage on the Group's diversified regional businesses, resources and experience. Commitment and integrity are part of HLAM's principles in sustaining growth and aim to provide focused investments to preserve assets and generate added value and deliver returns over time for our clientele amongst others, state governments, insurance companies, endowments, family offices, corporations, and high net worth individuals. These services are provided through a network of a head office at Plaza Zurich, Kuala Lumpur, two branches located in Penang and Ipoh and two Satellite offices in Malacca and Johor Bahru.

HLAM on 28 June 2019 entered into a sale and purchase agreement ("SPA") with HL Management Co Sdn Bhd for the acquisition of the entire equity interest in Hong Leong Fund Management Sdn Bhd ("HLFM"). Pursuant to the acquisition, the name of HLFM was changed to HLISAM, now a wholly owned subsidiary of HLAM. HLISAM was issued with Islamic fund management license in November 2019 by the Securities Commission Malaysia to undertake the regulated activity of Islamic fund management business.

In view of the growing demand for Islamic products and services, HLISAM endeavours to expand into the Islamic fund management business to meet the demand and capture growth opportunities by offering its products and services. This is in tandem with the liberalisation of the Islamic capital market industry in Malaysia that has encouraged the Islamic fund management industry to continue to grow rapidly.

HLAM — Fund Management and Unit Trust Management

Investment	Product	Distribution
Core Activities		
○ Managing broad spectrum of investment portfolios comprising equities, fixed income, money market and mixed assets	○ Design innovative product solutions to a broad range of private mandate, institutional and retail clientele ○ Tailor made investment portfolios based on the risk scale ranging from cautious to dynamic	○ Distribute and promote range of products and investment portfolios for private mandate, institutional and retail clientele ○ Distribute and focus to build principled relationships by introducing investment solutions to preserve clients' assets, generate added value and deliver returns

HLISAM — Islamic Fund Management

Investment	Product	Distribution
Core Activities		
○ Managing broad spectrum of Shariah Compliant investment portfolios comprising Shariah Compliant equities, Islamic fixed income, Islamic money market and mixed assets	○ Design innovative Shariah Compliant product solutions to a broad range of private mandate, institutional and High Net-Worth clientele ○ Tailor made Shariah Compliant investment portfolios based on the risk scale ranging from cautious to dynamic	○ Distribute and promote range of Shariah Compliant products and investment portfolios for private mandate, institutional and High Net-Worth clientele ○ Distribute and focus to build principled relationships by introducing Shariah Compliant investment solutions to preserve clients' assets, generate added value and deliver returns

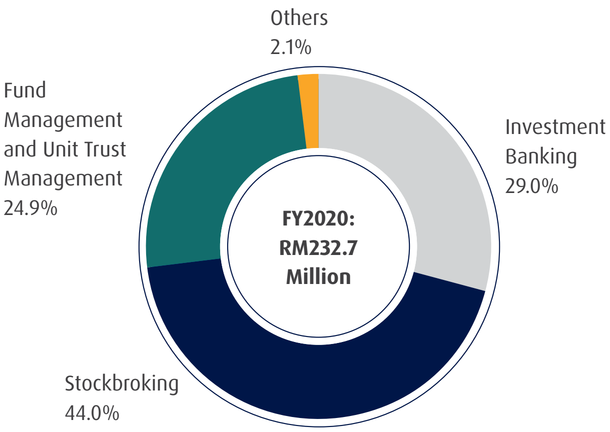
B. GROUP PERFORMANCE REVIEW

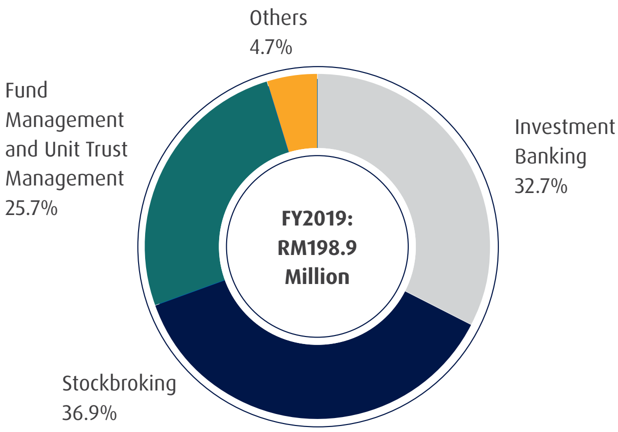
Despite the challenging and volatile economic environment especially throughout the second half of the financial year, the Group achieved a profit before taxation ("PBT") of RM95.8 million for FY2020, reflecting a commendable 24.8% year-on-year ("YoY") growth. The growth is mainly driven by higher profit contributions from the Stockbroking and Asset Management businesses which recorded higher PBTs by 98.4% YoY and 26.8% YoY respectively in FY2020.

FY2020	Investment Banking RM'000	Stockbroking RM'000	Fund Management and Unit Trust Management RM'000	Others RM'000	Total RM'000
Revenue	**67,560**	**102,347**	**57,897**	**4,921**	**232,725**
Overheads	**(47,748)**	**(55,041)**	**(30,229)**	**(1,746)**	**(134,764)**
Net allowance for impairment losses on loans and advances and other losses	**(122)**	**(2,089)**	**-**	**-**	**(2,211)**
PBT	**19,690**	**45,217**	**27,668**	**3,175**	**95,750**

FY2019	Investment Banking RM'000	Stockbroking RM'000	Fund Management and Unit Trust Management RM'000	Others RM'000	Total RM'000
Revenue	65,082	73,419	51,050	9,325	198,876
Overheads	(39,911)	(50,818)	(29,223)	(2,401)	(122,353)
Net allowance for impairment losses on loans and advances and other losses	14	195	-	-	209
PBT	25,185	22,796	21,827	6,924	76,732

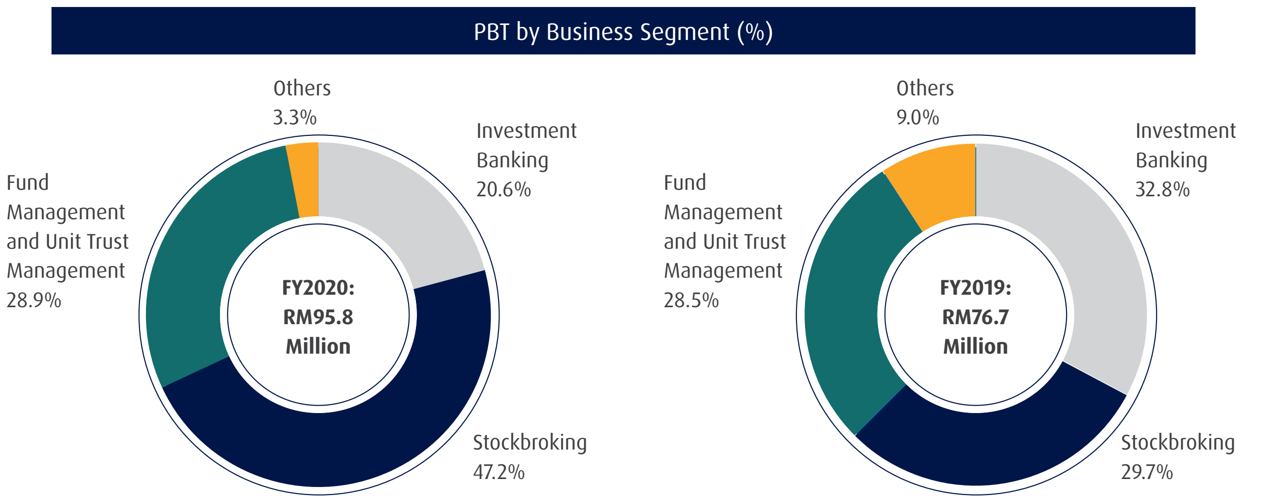
Revenue by Business Segment (%)





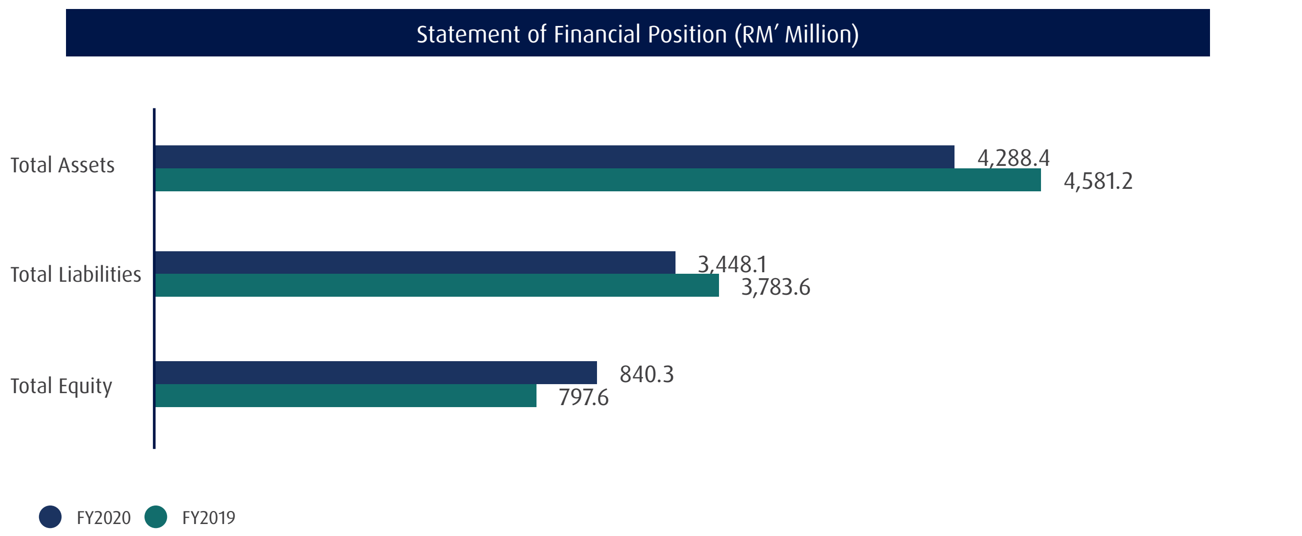
Stockbroking business and Investment Banking business remained as the main revenue contributors to the Group in FY2020.

Management Discussion & Analysis

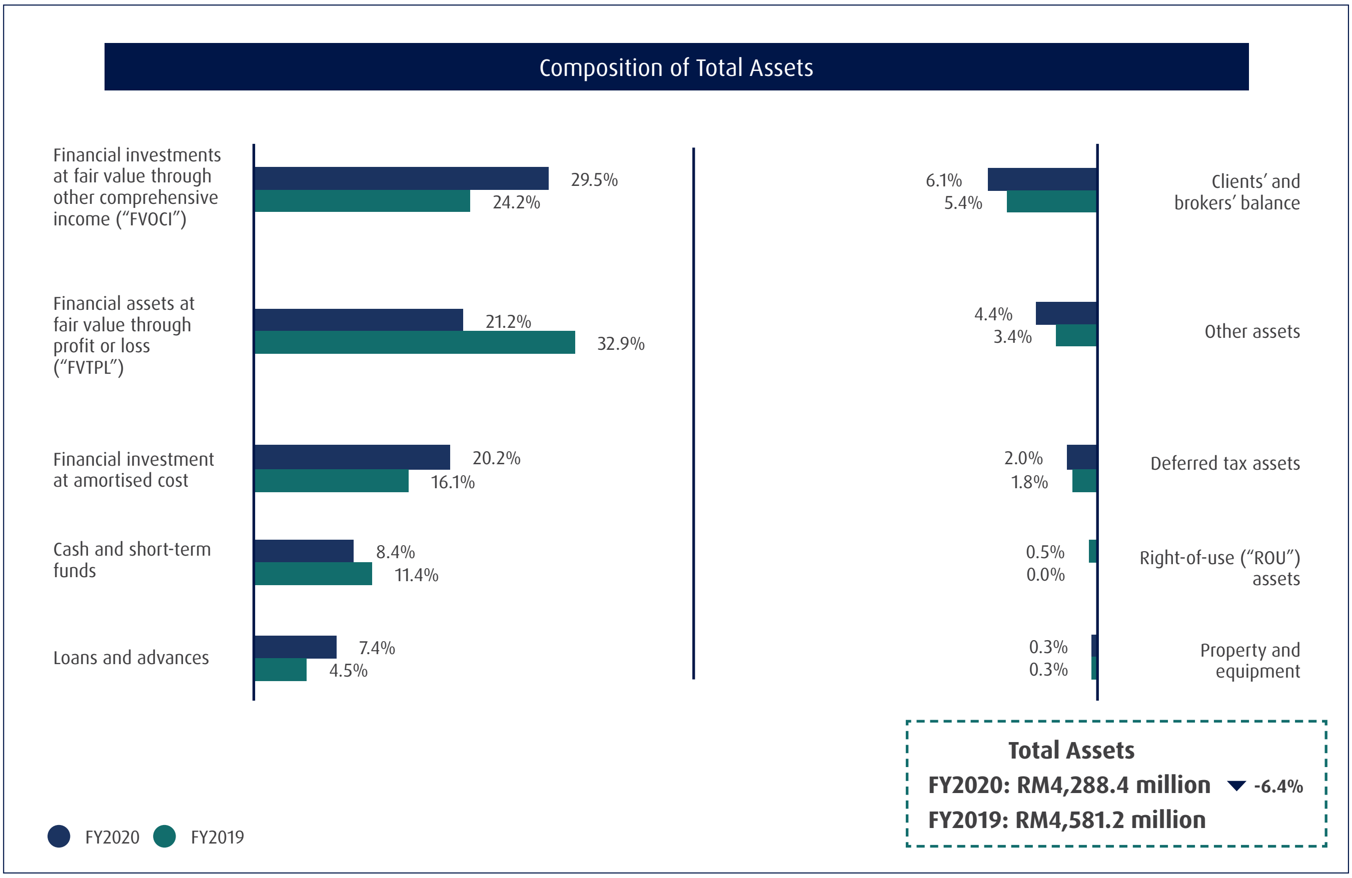


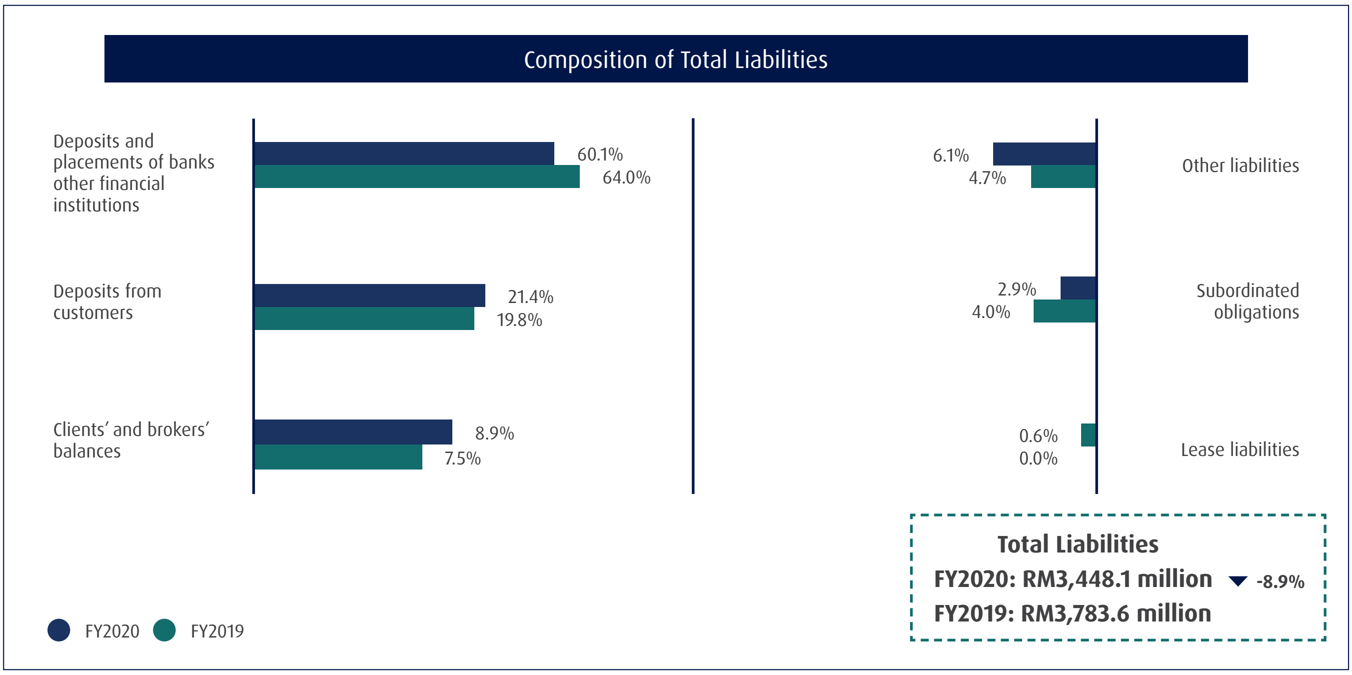
Stockbroking business recorded a commendable PBT growth in FY2020 by 98.4% YoY and contributed 47.2% of the total PBT to the Group.

SIMPLIFIED GROUP STATEMENT OF FINANCIAL POSITION



Management Discussion & Analysis





Kindly refer to page 3 for the summary of the Group's five years financial highlights.

Further details on the Group's performance review are analysed under the Segmental Review.

In December 2019, RAM Rating Services Berhad reaffirmed HLIB's AAA and P1 financial institution ratings with a stable outlook.

Management Discussion & Analysis

C. SEGMENTAL REVIEW

INVESTMENT BANKING BUSINESS

There are three business pillars within the Investment Banking Division namely Debt Markets, Equity Markets and Treasury & Markets that offer a wide range of activities which include arranging and structuring of debt financing and equity fund raising and other corporate-related advisory work. The Investment Banking Division also offers debt and equity underwriting, deposit-taking, treasury related solutions as well as trading and distribution services. These services are provided through our head office at Menara Hong Leong, Kuala Lumpur.

CORE ACTIVITIES OF INVESTMENT BANKING BUSINESS

DEBT MARKETS

Arranging and structuring of debt financing, such as corporate bonds and Sukuk issuance and syndicated loans as well as placement and underwriting of the debt instruments by undertaking the role of Principal Advisor, Lead Arranger and Lead Manager.

Lending that complement the corporate exercises undertaken by HLIB and to offer comprehensive investment banking packages to clients.

The team also offers agency services by undertaking the role of Facility Agent and/or Security Agent for the debt products.

EQUITY MARKETS

Advising on mergers and acquisitions, independent advisory, arranging and managing equity fund raising, such as initial public offerings, right issues, restricted issues, special issues and private placements as well as underwriting of equity.

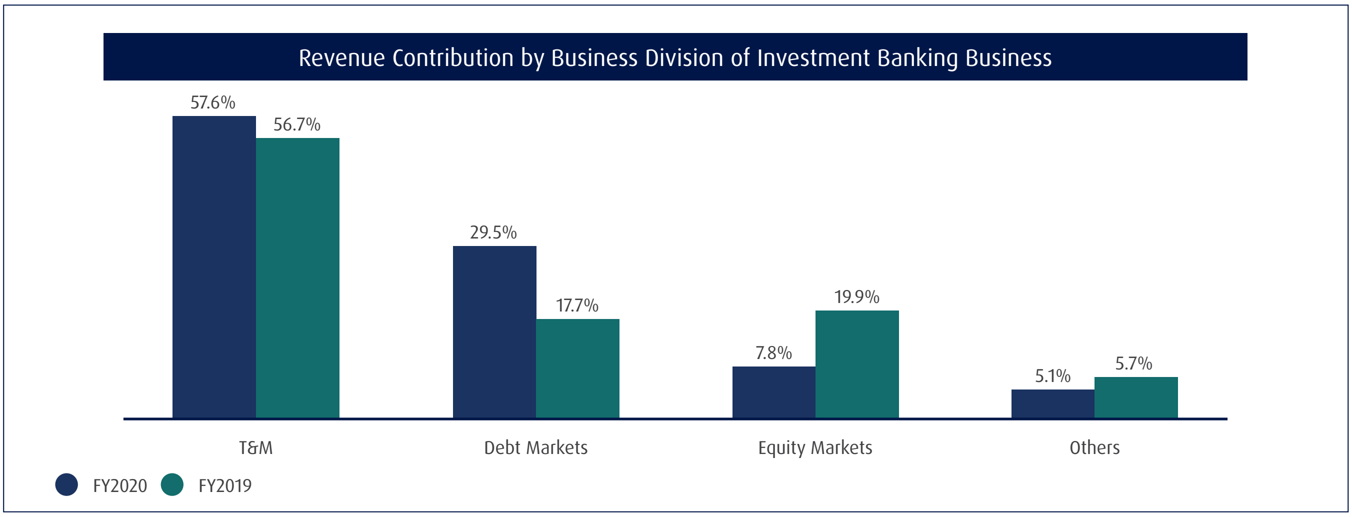
TREASURY & MARKETS ("T&M")

Deposit-taking, trading and investment of short term money market investments, fixed income and interest rate instruments. The team also provides treasury-related solutions such as providing interest rate and foreign exchange hedging as well as pricing and distribution of primary bonds.

FINANCIAL HIGHLIGHTS

	FY2020 RM'000	FY2019 RM'000
Net interest income	**28,527**	26,999
Fee income	**23,285**	23,393
Other income	**15,748**	14,690
Total revenue	**67,560**	65,082
PBT	**19,690**	25,185

Management Discussion & Analysis



Despite the challenging and volatile market environment in FY2020 brought by the concern over the adversely affected market caused by the COVID-19 pandemic and local political landscape, the Investment Banking business of HLIB achieved a revenue of RM67.6 million, and a PBT of RM19.7 million in FY2020; with a 3.8% increase and 21.8% reduction YoY respectively.

Our T&M division continued to deliver the highest revenue with a revenue growth of 5.6% in FY2020. Despite the cuts in Overnight Policy Rate ("OPR") by Bank Negara Malaysia ("BNM") during the financial year, the bond prices have been volatile due to concern over emerging markets and the local political landscape. As such, market timing has become more crucial for FY2020 as a buy-and-hold strategy would not be able to optimize the trading income. The team has made the right decision and trading calls to take advantage of market volatility.

Our Debt Markets staged a healthy recovery, recording strong revenue growth of 72.6% amidst a more subdued capital market. The revenue of Debt Markets constituted 29.5% of the total revenue of Investment Banking business in FY2020. There were some delays in completing the mandates in current financial year mainly due to external factors beyond the control of HLIB as well as deferment of some issuances to the next financial year due to market uncertainties caused by the protracted pandemic. In terms of the corporate loans portfolio, the credit risk of the corporate loans was not affected by the pandemic. The six month loan repayment moratorium starting from 1 April 2020 as announced by BNM in March 2020 had no impact to HLIB as the moratorium was only applicable to individuals and small and medium enterprises. As at reporting date, there were no borrowers that had requested for the moratorium from HLIB.

The Equity Markets continued to operate amidst a significant reduction in capital raising activities in the Malaysian market. Nonetheless, we are cautiously optimistic that market conditions are gradually becoming more conducive as our government continues to provide support to facilitate investments and consumption.

ACHIEVEMENTS AND AWARDS

Apart from the financials, the performance of Investment Banking business, in particular Debt Markets and Equity Markets are also measured by other business value creation including branding, market positioning, product superiority and control of market demonstrated by league table rankings and awards.

League Table Achievements by Debt Markets in FY2020

Bond Pricing Agency Malaysia Top Lead Arranger League Table

Full Year 2019

- Ranked 3rd for conventional Private Debt Securities ("PDS") by amount issued
- Ranked 3rd for conventional PDS and Sukuk by number of facility issued

1H-Year 2020

- Ranked 1st for Sukuk by facility limit
- Ranked 1st for Sukuk by number of facility issued
- Ranked 2nd for conventional PDS by facility limit
- Ranked 2nd for conventional PDS and Sukuk by facility limit
- Ranked 2nd for conventional PDS and Sukuk by number of facility issued

Management Discussion & Analysis

Awards Won by Debt Markets

Awards won by Debt Markets are as follows:

JOINT PRINCIPAL ADVISERS, JOINT LEAD ARRANGERS AND JOINT LEAD MANAGERS

- 13th Annual Alpha Southeast Asia Deal & Solution Awards 2019
  - Best Islamic Asset Backed Securitisation-Backed Sukuk

TOP LEAD MANAGER

- RAM Award of Distinction 2019
  - Lead Manager Award by Number of Issues – Joint 2nd Ranking

Awards Won by Equity Markets

Awards won by Equity Markets are as follows:

CORPORATE FINANCE HOUSE

- 13th Annual Alpha Southeast Asia Best Financial Institutions Awards 2019
  - Best Small To Mid-Cap Corporate Finance House

JOINT BOOKRUNNERS AND JOINT UNDERWRITERS

- 13th Annual Alpha Southeast Asia Deal & Solution Awards 2019
  - Best Equity Deal/Initial Public Offering Malaysia

BOOKRUNNERS AND UNDERWRITERS

- The Asset Triple A Country Awards
  - Best Initial Public Offering

OUTLOOK AND MOVING FORWARD

Looking forward into the new financial year, the economic slowdown caused by COVID-19 will weigh down business activities. This will have large impact over investment banking activities particularly in relation to fund raising activities. However, the current low interest environment will encourage debt refinancing exercise and also expansion for sectors that are relatively less affected by the pandemic.

BNM cut the OPR by 25 basis points ("bps") to 1.75% during its 7 July 2020 Monetary Policy Committee ("MPC") meeting. Calendar year 2020 to date, BNM has reduced its OPR by 1.25%. While the OPR is currently at a record low, further easing cannot be ruled out as the latest MPC statement is somewhat dovish. At the moment, there is a disparity between the economic fundamental and asset prices (both bond and equity prices). The recent rally in both bond and equity prices is attributed to the forward-looking view whereby investors are anticipating a gradual recovery across business segments.

Moving into FY2021, apart from focusing on the completion of the existing active mandates carried forward from FY2020, Debt Markets will also continue to pursue new deals based on the new marketing and business strategies with clearly defined target segments and business potentials to strengthen the deal flows.

Equity Markets ended the FY2020 with a number of mandates outstanding due to the deferment or termination of corporate exercise resulting from the COVID-19 pandemic. The team will actively procure for new mandates as they keep abreast of situational mergers and acquisitions as well as equity fund raising requirements and continue to focus on providing value-added corporate advisory services to clients. Targeting corporate exercises that provide opportunity for multiple revenue streams via placement and underwriting activities will also be one of the focuses of Equity Markets in FY2021.

STOCKBROKING BUSINESS

The Stockbroking Division of HLIB provides the complete range of retail and institutional stockbroking services, equity research, margin financing, nominees and custody services as well as futures and option broking services. These services are provided through a network of a head office at MHL, 3 branches as well as locations based at 6 Hong Leong Bank hubs across Malaysia.

CORE ACTIVITIES OF STOCKBROKING BUSINESS

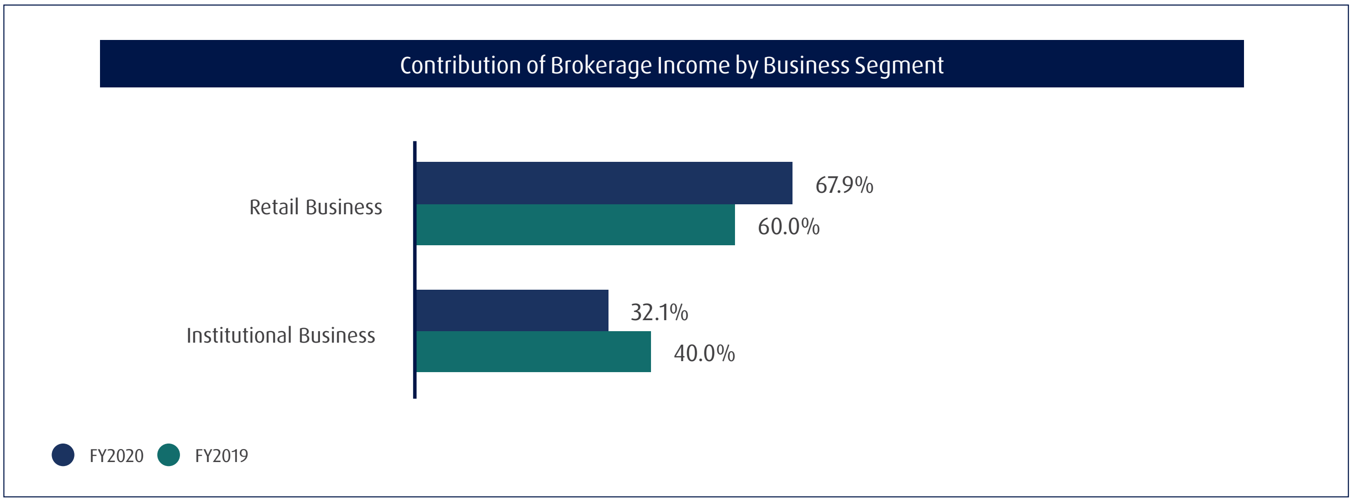
Our Stockbroking business is carried out via our Institutional Sales and Retail Business teams. The Institutional Sales desk focuses on providing quality research, advisory and trade execution ideas for our institutional clients while our Retail Business team offers equity, futures and option broking services including the provision of margin financing and customer service support on technical and corporate actions to individual clients. Our Broking team also provides nominees and custody services to support and complement our primary businesses.

FINANCIAL HIGHLIGHTS

	FY2020 RM'000	FY2019 RM'000
Net Interest Income	**16,922**	14,262
Non Interest Income	**85,425**	59,157
Total revenue	**102,347**	73,419
PBT	**45,217**	22,796

The stockbroking business of HLIB achieved a revenue of RM102.3 million and a PBT of RM45.2 million in FY2020; with a 39.4% increase and a 98.4% increase YoY respectively. Brokerage income accounted for 74.8% of total revenue earned by the Stockbroking business in FY2020. YoY, the net brokerage income earned in FY2020 was 45.9% higher than the previous financial year. The growth in revenue was in line with higher traded volumes recorded by Bursa Malaysia of RM639.8 billion, an increase of 15.9% YoY. In line with the surge in retail trading value, our share of the market also moved higher to 4.4% as compared to the previous financial year of 3.9%.

Management Discussion & Analysis



Our Retail segment continued to record a higher contribution of 67.9% while Institutional segment contributed 32.1% in FY2020 (FY2019: 60% and 40% respectively). The drop in contribution from Institutional business was due to both increased participation by local retail clients and subdued activity from institutional clients.

Margin income decreased by 10.5% in FY2020 as compared to previous financial year mainly due to lower margin loan drawdown during the financial year.

ACHIEVEMENTS AND AWARDS

HLIB was named the 2nd runner up for Best Retail Equities Participation Organisation – Investment Bank in the Bursa Excellence Award 2019.

OUTLOOK AND MOVING FORWARD

The outlook ahead remains positive as the market daily average is sustaining at high level of around RM5.0 billion to RM7.0 billion from retail participation. Nevertheless, we remain cautious as global spread of COVID-19 continues, which may dampen economic growth.

Moving forward, we continue to look into digitalisation as well as enhancing our technology infrastructure and back office operations to enhance customers' experience. The high daily market volume had required immediate remedial actions to add capacity to our online trading platform and we continue to strengthen our IT infrastructure. We are also in the process of enhancing the online trading platform for remisiers and dealers so that they can work from home in the event of any emergency such as the imposition of another MCO. Due to a very high number of new client applications, account opening has taken longer time to process than usual. In order to address this, we have increased our workforce and have plans to automate some of the processes going forward.

Management will work to meet the demand of this new market environment, whilst continuing to manage the risk and uncertainty that accompanies it.

FUND MANAGEMENT AND UNIT TRUST MANAGEMENT BUSINESS

HLAM is an established fund management company with more than 20 years' experience offering and managing a broad spectrum of investment solutions through equities, fixed income, money market and mixed assets for segregated customised portfolio, unit trust and wholesale funds. At HLAM, the strength and pillar behind the success of the business are its talent pool of people, quality of services and the continuous incorporation of technology. HLAM also adopts the Group's values and guiding principles whilst leveraging on the Group's diversified regional businesses, resources and experience. Commitment and integrity are part of HLAM's principles in sustaining growth and we aim to provide focused investments to preserve assets, generate added value and deliver returns over time. Our clientele includes amongst others, state governments, insurance companies, endowments, family offices, corporations and high net worth individuals. These services are provided through a network of a head office at Plaza Zurich, Kuala Lumpur, two branches located in Penang and Ipoh, and two Satellite offices in Malacca and Johor Bahru.

HLISAM is a wholly owned subsidiary of HLAM and was issued with Islamic fund management license in November 2019 by the Securities Commission Malaysia to undertake the regulated activity of Islamic fund management business. In view of the growing demand for Islamic products and services, HLISAM endeavours to expand into the Islamic fund management business to meet the demand and capture growth opportunities by offering its products and services. This is in tandem with the liberalisation of the Islamic capital market industry in Malaysia that has encouraged the Islamic fund management industry to continue to grow rapidly.

The fund management and unit trust management business activities are operated under HLAM and HLISAM with three main business pillars outlined as below:

INVESTMENT

Managing a broad spectrum of investment portfolios comprising equities, fixed income, money market and mixed assets.

PRODUCT

Design innovative product solutions to a broad range of private mandate, institutional and retail clientele and tailor made investment portfolios based on the risk scale ranging from cautious to dynamic.

DISTRIBUTION

Distribute and promote a range of products and investment solutions for private mandate, institutional and retail clientele and to build principled relationships by introducing investment solutions to cater to clients' risk preferences and return requirements.

FINANCIAL HIGHLIGHTS

	FY2020 RM'000	FY2019 RM'000
Net revenue	**57,897**	51,050
PBT	**27,668**	21,827

The fund management and unit trust management business recorded a PBT of RM27.7 million for FY2020, an increase of 26.8% YoY. The higher PBT was achieved on the back of a 13.4% YoY rise in revenue, attributable mainly to better net management fee rates and growth in our average assets under management ("AUM"). Our average AUM size touched RM18.3 billion in FY2020. Amidst volatile market conditions, our investors continued to favour fixed income and money market funds although we also recorded modest growth in AUM for our equity and balanced funds.

ACHIEVEMENTS AND AWARDS

HLAM continued its winning streak by receiving the Best Equity Group (Provident) award and eleven fund awards in the Refinitiv Lipper Fund Awards 2020:

Fund		Award
1	**Hong Leong Value Fund** *(formerly known as Hong Leong Penny Stock Fund)*	Best Fund over 5 years: Equity Malaysia Income (Malaysia Provident)
2	**Hong Leong Value Fund** *(formerly known as Hong Leong Penny Stock Fund)*	Best Fund over 10 years: Equity Malaysia Income (Malaysia Provident)
3	**Hong Leong Growth Fund**	Best Fund over 3 years: Equity Malaysia Diversified (Malaysia Provident)
4	**Hong Leong Growth Fund**	Best Fund over 5 years: Equity Malaysia Income (Malaysia Provident)
5	**Hong Leong Dividend Fund**	Best Fund over 3 years: Equity Malaysia Income (Malaysia Provident)
6	**Hong Leong Dividend Fund**	Best Fund over 5 years: Equity Malaysia Income (Malaysia Provident)

Management Discussion & Analysis

7	**Hong Leong Asia-Pacific Dividend Fund**	Best Fund over 3 years: Equity Asia Pacific ex-Japan (Malaysia)
8	**Hong Leong Dana Makmur Fund**	Best Fund over 3 years: Equity Malaysia (Malaysia Islamic)
9	**Hong Leong Dana Makmur Fund**	Best Fund over 5 years: Equity Malaysia (Malaysia Islamic)
10	**Hong Leong Dana Makmur Fund**	Best Fund over 3 years: Equity Malaysia (Global Islamic)
11	**Hong Leong Dana Makmur Fund**	Best Fund over 5 years: Equity Malaysia (Global Islamic)

As at 30 June 2020, the Funds continue to deliver consistently strong risk-adjusted return relative to its peers:

Fund	5-Yr Growth, MYR (%)	Rank in 5-Yr Fund Category	Fund Category
Hong Leong Dividend Fund	33.18%	1/12	Equity Malaysia Income (Malaysia Pension), 5 years
Hong Leong Balanced Fund	28.55%	5/21	Mixed Asset MYR Bal – Malaysia (Malaysia Pension), 5 years
Hong Leong Value Fund *(formerly known as Hong Leong Penny Stock Fund)*	18.74%	3/63	Equity Malaysia (Malaysia Pension), 5 years

Source: Lipper

OUTLOOK AND MOVING FORWARD

There are uncertainties on how strong the recovery of global economy will be and with some sectors of the economy that were hit hardest by the imposition of MCO, we are of the view that the global economy is expected to gradually recover in the second half of 2020 as economies reopen. The speed of global economy recovery and return to some form of normality will be uneven as they are largely dependent on when the lock down measures are relaxed, together with Government's support from its' own fiscal stimulus package.

We will continue to monitor the market closely and will be particularly focused on earnings and companies' fundamentals. Expectations are for a long period of low interest rates as a result of the COVID-19 pandemic. HLAM will focus on high dividend yield stocks and export -centric sectors, for example, electronics and electrical (E&E) and healthcare sector which are expected to be less susceptible to global macro uncertainties and are beneficiary from possible supply chain diversions from the US-China trade tension, whilst HLISAM will focus on Islamic asset management business growth by managing a range of Islamic investment solutions through equities and fixed income instruments.

HLAM and HLISAM are committed to deliver fund performance through a robust investment process with investment strategies consistently executed by a competent and experienced investment team. The team employs bottom-up stock picking approach which is key to fund outperformance in the local stock market. Fundamental-based investment strategy is strictly observed to avoid occurrence of emotional investing that may lead to bad investment decisions. In the current environment of rapidly evolving political and economic landscape, increased effort will be deployed to obtain business updates and outlook from companies in order to make sound investment decisions.

D. CORPORATE HIGHLIGHTS

CAPITAL STRUCTURE AND BORROWINGS

On 6 November 2019, HLIB fully redeemed its first issuance of RM50.0 million nominal value Tier 2 Subordinated Notes ("Sub-Notes") out of its RM1.0 billion Multi-Currency Sub-Notes Programme issued on 6 November 2014.

This first issuance of RM50.0 million nominal value Sub-Notes with a maturity in Year 2024, was callable on any coupon payment falling on or after the 5th anniversary of the issue date. The Sub-Notes had a coupon rate of 5.30% per annum.

Subsequently, on 14 June 2019, the Bank issued a second tranche of RM100.0 million nominal value 10-year non-callable 5 years Sub-Notes callable on 14 June 2024 (and thereafter) and due on 14 June 2029 out of its RM1.0 billion Multi-Currency Sub-Notes Programme. The coupon rate for this second tranche of the Sub-Notes is 4.23% per annum, which is payable semi-annually in arrears from the date of the issue.

The Sub-Notes qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of HLIB.

Other than the issuance of the Sub-Notes, there is no subsequent issuance and HLCB Group does not have any other borrowings as at 30 June 2020.

CAPITAL RATIOS AND LIQUIDITY COVERAGE RATIOS

The total capital ratio of our key operating subsidiary, HLIB, has strengthened from 41.224% in FY2019 to 46.139% in FY2020, mainly attributed to lower risk weighted assets arising from lower market risk exposure as at 30 June 2020.

HLIB's liquidity coverage ratio is well above the minimum requirement set by BNM of 100%, which stood at a healthy level of 153.1% as at 30 June 2020.

As part of the BNM's measures to ease compliance and operational burden on banking institutions arising from the COVID-19 pandemic, BNM had on 25 March 2020 announced that banking institutions will be allowed to draw down on capital and liquidity buffers which were built up over the years to support lending activities. To this effect, banking institutions may drawdown on the capital conservation buffer of 2.5% and operate below the minimum liquidity coverage ratio of 100%. Banking institutions are expected to restore their buffers within a reasonable period after 31 December 2020. Despite the flexibility given by BNM, HLIB continues to maintain the capital conservation buffer of 2.5% and operates above the minimum liquidity coverage ratio of 100% as the outbreak has not significantly impacted the business of HLIB as at reporting date.

E. OUTLOOK OF THE GROUP

The recovery of the global and domestic economy is expected to start in the second half of 2020 as businesses and activities were allowed to gradually resume operations. However, we believe the pace of recovery will remain dependent on the availability of a medical solution. Beyond the COVID-19 outbreak, other downside risks persist as the United States ("US") goes through its presidential election year and the trade tension between US and China remain unresolved which will have impact to the global economy. Nevertheless, we expect Malaysia to weather the crisis from a position of strength owing to its diverse economic structure, sound macro fundamentals, strong institutions and policy flexibility.

The COVID-19 pandemic has also spurred businesses in Malaysia to intensify their digitalisation efforts when the global economy is coming under siege by disrupted supply chains and shutdowns of businesses. A lot of attention has also been placed on how workplace technologies can help, with remote working, meeting and mobile technologies. Facilitating remote working and meeting in response to the outbreak has provided a massive push for digital transformation. Furthermore, digitalisation not only expanding in terms of product and service areas but a deepening of the markets resulting from the rapid expansion of other disruptive digital platforms. We view the COVID-19 outbreak and consequential MCO as a catalyst to sharpen our business continuity measures and to further accelerate innovating the way we do business. The Group will continue to be proactive in harnessing digital technologies to build an operating environment that our stakeholders expect. To acheive this, we will continue to invest in technology to further enhance our efficiency and productivity as well as to adjust to the new normal.

Enhancing and tightening cyber security will also be one of our focus moving into FY2021. As the Group is progressively changing its way of doing business to cope with the new normal and more focus put on serving our clients through digital channels which created a surge in demand for digital capabilities, products and services, there are new risks that our cyber security team need to address to support business continuity while protecting our business and clients.

Going forward, the Group will continue to execute our business strategies, sharpen our business continuity measures and continue to improve on our digital solutions as well as manage cost efficiency and drive productivity with the objective to deliver long-term sustainable growth as well as increase shareholder value.

F. APPRECIATION

Last but not least, we would like to take this opportunity to express our appreciation and gratitude to the Board of Directors, management as well as staff for their stewardship, dedication and commitment.

Our sincere appreciation also goes out to the regulators, shareholders, customers and business partners and all other stakeholders. We appreciate and look forward to their continued support.

Sustainability **Statement**

> Building a sustainable Group is about how, at the core of everything we do, we are guided by our principles to make the right decisions that will hold us in good stead today and in the future. As we think about all the ways we pursue sustainability, our focus is to use our size and scale in ways that contribute positively to our communities, create opportunities for our clients and employees, improving well-being of our stakeholders and to grow our Group responsibly.

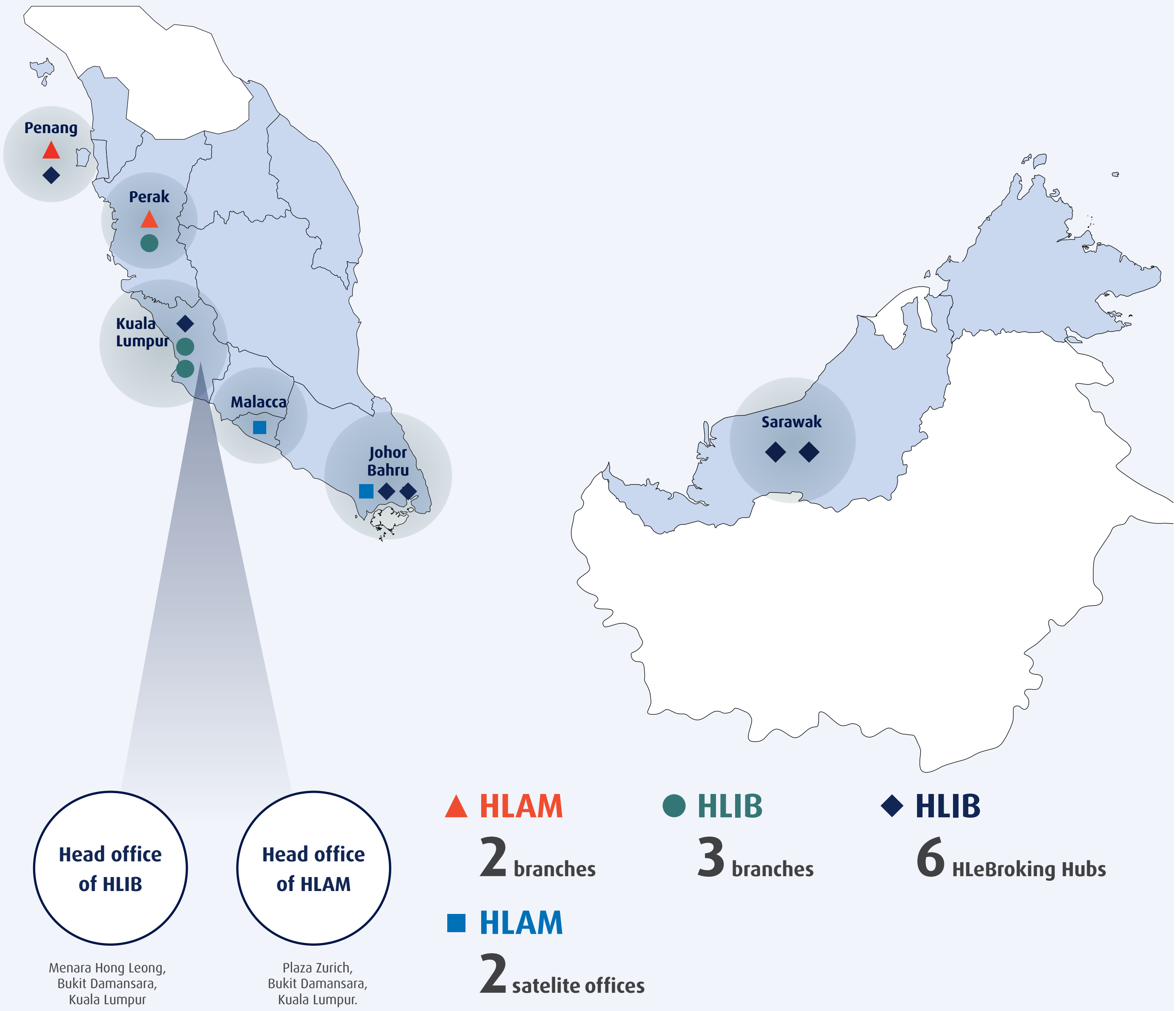
ABOUT THIS STATEMENT

This statement documents how we managed sustainability in addressing the Group's impact on Economic, Environment and Social ("EES") issues and integrate them into our businesses and operations. It also covers the risks and opportunities of these issues and how we strive to align our sustainable strategy to our Group's values and goals to create long-term growth. We have identified 9 issues that are most impactful to our business and stakeholders, which are highlighted under **How the Material Sustainability Matters are Identified.**

This statement has been prepared in accordance with the Bursa Malaysia Securities Berhad ("Bursa Malaysia") Listing Requirements relating to sustainability report and guided by the Bursa Malaysia Sustainability Reporting Guide, which outlines the sustainability reporting disclosure requirements issued by Bursa Malaysia.

COVERAGE

All data in this sustainability statement relates to the operations of Hong Leong Investment Bank Berhad ("HLIB") and Hong Leong Asset Management Bhd ("HLAM") in Malaysia as they represent our most material businesses.



OUR SUSTAINABILITY APPROACH

THE VALUES OF HONG LEONG GROUP

The Group is built on a strong heritage of value creation for our stakeholders and communities within which we operate. Over the years, we have taken a progressive approach in integrating sustainability into our businesses towards a stronger and more resilient group. We firmly believe that the core values form its foundation and framework. Its values build its character; they are the cord that holds its people together, the driving force towards successful accomplishment of the Group's vision.

Sustainability Statement

THE 8 CORE VALUES

QUALITY

To consistently provide goods and services of the highest quality at affordable prices

HUMAN RESOURCE

To enhance the quality of human resources as the essence of management excellence

ENTREPRENEURSHIP

To pursue management vision and foster entrepreneurship

UNITY

To ensure oneness in purpose, harmony and friendship in the pursuit of prosperity for all

INNOVATION

To nurture and be committed to innovation

PROGRESS

To improve existing operations and to position for expansion and new opportunities

HONOUR

To conduct business with honour

SOCIAL RESPONSIBILITY

To create wealth for the betterment of society

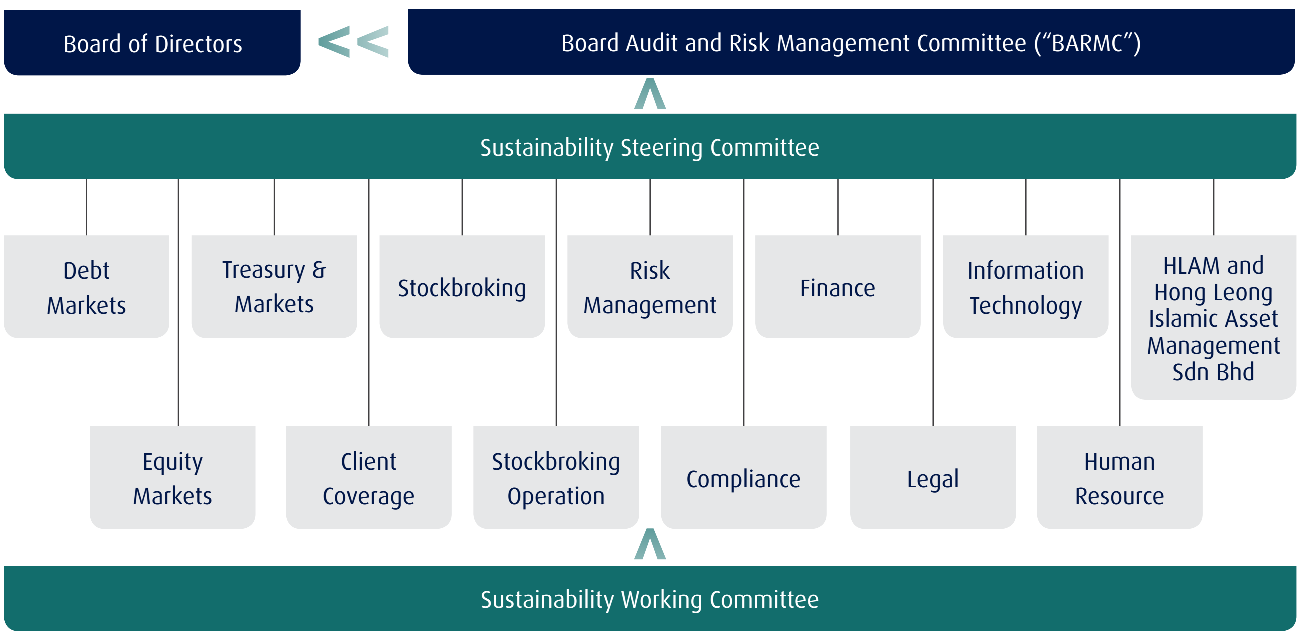
HOW OUR SUSTAINABILITY IS GOVERNED

HLCB Group's sustainability is governed by the highest governance level in the organisation – the Board of Directors and the Board Audit and Risk Management Committee ("BARMC") – collectively known as "Board". The Board is committed to ensuring that sustainability is embedded in every level across the organisation and adequate resources, systems and processes are in place for managing sustainability matters.

The Sustainability Steering Committee ("Steering Committee") was established in June 2017 and led by the Chief Operating Officer of HLCB Group and it comprises all the heads of business divisions and the relevant support departments. Sustainability related matters will be tabled to the Board for approval or notation as and when required.

A Sustainability Working Committee ("Working Committee") was established concurrently in June 2017, which reports to the Steering Committee. The Working Committee comprises representatives from various business and support departments.

OUR SUSTAINABILITY GOVERNANCE STRUCTURE



Roles and Responsibilities of Steering Committee

01 Advising the Board and recommending to it, the business strategies in the area of sustainability.

02 Oversee and monitor on behalf of the Board the implementation of sustainability strategies.

03 Review and endorse adoption of all sustainability related strategies/policies/initiatives as well as monitoring the effectiveness of its adoption.

04 Recommending to the Board for its approval on the material sustainability matters identified as well as overseeing the management of the material sustainability matters.

05 Oversee the overall management of stakeholder engagements.

06 Monitor and oversee management processes to ensure compliance with the policies/standards.

07 Review and endorse the Sustainability Report, and recommending it for the Board's approval.

Roles and Responsibilities of Working Committee

01 Active participation in the planning, coordinating and implementation of the initiatives relevant to the sustainability matters.

02 Develop & recommend the plans, milestones, timeline, deliverables & outcomes of the project to the Steering Committee.

03 Monitor and tracking of progress and milestones of the initiatives under the sustainability strategies and address/resolve issues that may arise.

04 Serve as a forum to gather input from each department or function.

05 Involve in the identification of material sustainability matters and materiality assessment processes.

06 Provide progress updates to the Steering Committee to ascertain their guidance and inputs to ensure smooth and successfully implementation of the initiatives.

Sustainability Statement

HOW THE MATERIAL SUSTAINABILITY MATTERS ARE IDENTIFIED

Our material sustainability matters are key issues that have the greatest impact on our daily operations and business growth. These issues influence the way the Board executes our sustainability strategy and the initiatives that we roll out.

We have identified 9 key issues and divided them into the 3 EES pillars. This was done through studying the impact, risks and opportunities the issues have on our business and operations. The identification process included conducting a survey involving our employees and engaging regularly with external stakeholders.

HLCB Group

Nine Material Matters

Economic	Environmental	Social	
• Innovation	• Managing the Environmental Footprint	• Cyber Security and Data Privacy • Compliance • Ethics and Integrity	• Employee Experience • Client Experience • Fair Banking • Impact Investing

Please refer to page 29 **About Our Material Matters** for the definition of the material matters.

The process of identifying our materiality matters is as below:

Identification

We identified our material matters through a materiality assessment that has been reported by our holding company, Hong Leong Financial Group ("HLFG") and benchmarked them against industry best practice. We then engaged with internal stakeholders through interviewing three members of the Steering Committee including the Chief Operating Officer of HLCB Group, the Chief Financial Officer and the Chief Risk Officer of HLIB in FY2017. We also interviewed HLFG's Group Chief Financial Officer to validate the issues that are material to HLCB Group. In FY2020, we continued to engage with HLFG to identify changes to the material matters. There was no changes identified and the nine material matters of HLCB Group remained unchanged. The material matters identified are to be reviewed on annual basis.

To ensure a holistic approach towards our materiality matters, we also engaged with external stakeholders regularly, such as regulators and clients through meetings and surveys to identify key matters, opportunities and risks for HLCB Group.

Prioritisation

We prioritised the matters according to the significance of each matter to our business and stakeholders before plotting each matter on a materiality matrix. The matrix reflects each materiality's degree of importance to the businesses of the Group and our stakeholders as illustrated on page 28. In FY2020, an employee's Materiality Survey was conducted for all managers and Heads of Departments ("HODs") to further validate the prioritised issues. In the Materiality Survey, the employees were asked to rate the EES issues and identify the top three issues that were most important to them.

Validation

We presented the results of the Materiality Survey to the Steering Committee and BARMC, who validated the findings. BARMC then presented the findings to the Board of Directors for further concurrence.

Review

Every stakeholder's feedback is valuable to the Group. To ensure a holistic approach towards sustainability, we gathered feedback from our stakeholders to further strengthen our commitment in delivering sustainable future.

OUR STAKEHOLDERS

The following are the stakeholders we have identified to be significant to our businesses and operations:

INTERNAL STAKEHOLDERS

- Board of Directors
- Employees
- BARMC

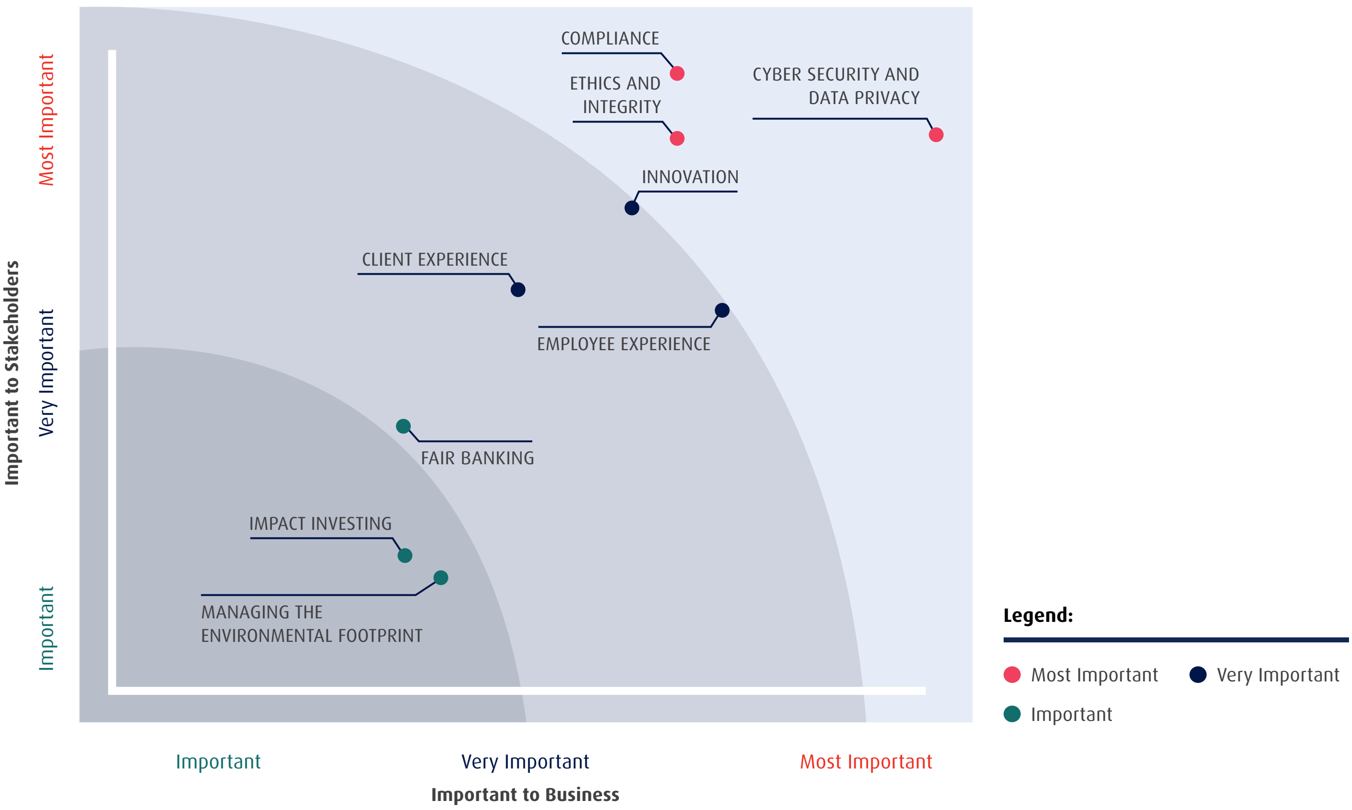
EXTERNAL STAKEHOLDERS

- Clients
- Investors
- Associations (Malaysian Investment Banking Association, Association of Stockbroking Companies Malaysia, Malaysian Futures Brokers Association, Malaysian Association of Asset Managers)
- Regulators (Bank Negara Malaysia ("BNM"), Securities Commission Malaysia ("SC"), Bursa Malaysia, Federation of Investment Managers Malaysia)
- Suppliers/Vendors
- Analysts
- Business Partners
- Community

Sustainability Statement

OUR MATERIALITY MATRIX

THE PRIORITISATION OF THE ISSUES IS AS SHOWN IN THE MATRIX BELOW:



Material Matters	Ranking FY2019	Ranking FY2020	↑ / ↓ / ↔
Cyber Security and Data Privacy	4	**1**	↑
Compliance	1	**2**	↓
Ethics and Integrity	2	**3**	↓
Innovation	5	**4**	↑
Employee Experience	6	**5**	↑
Client Experience	3	**6**	↓
Fair Banking	7	**7**	↔
Managing the Environmental Footprint	9	**8**	↑
Impact Investing	8	**9**	↓

According to the results of the recent Materiality Survey conducted, Cyber Security and Data Privacy was rated as the most important issue in FY2020 while this issue was ranked fourth in FY2019. The ranking of this issue has moved upward in FY2020 mainly driven by the focus on Cyber Security and Data Privacy which has become more important with the changed norm of more reliance on online platform and cyber space in conducting business in the financial services industry following from the COVID-19 pandemic that has impacted the world significantly coupled with growing risk of cyber security threats in today's environment.

Following from Cyber Security and Data Privacy, Compliance and Ethics and Integrity were ranked as the second and third most important issues in FY2020. The rankings are similar to the ranking assigned in FY2019 where both were within the top 3 most important issues. HLCB Group as a financial services provider, views compliance seriously and always strive to uphold integrity, transparency and ethical practice across the Group.

KEY HIGHLIGHTS OF THE TOP 3 ISSUES

Top 1 Issue - Cyber Security and Data Privacy

- Strive to protect the personal data confidentiality of our stakeholders.
- Installed Virtual Private Network ("VPN") to facilitate working from home during the Movement Control Order period, without compromising the cyber security.
- Various controls and measures rolled out with the aim to strengthen the Group's cyber security.

Top 2 Issue - Compliance

- Committed in achieving zero breach or violation of laws and regulatory requirements.
- Upholding and integrating regulatory intent in our daily business operations.
- Adopted three key lines of defence for an effective Compliance Risk Management.

Top 3 Issue - Ethics and Integrity

- Committed in promoting a culture to uphold integrity, transparency and ethical practice.
- Strict adherence to the Group's Code of Conduct and Ethics.
- Adopted zero tolerance policy against all forms of bribery and corruption.
- Establishment of Anti-Bribery and Corruption ("ABC") Policy, ABC Statement and other related policies.

ABOUT OUR MATERIAL MATTERS

DEFINITION OF MATERIAL MATTERS

Material Matters	Definition of Material Matters
CYBER SECURITY AND DATA PRIVACY	Cyber-attack continues to be a threat in the financial services industry amidst a highly regulated environment. HLCB Group takes proactive measures to tackle this issue by enhancing its cyber security systems. Our goal is to ensure zero confidentiality breaches in our daily business operations.
COMPLIANCE	Regulatory compliance plays a significant role in determining the reputation of an organisation. In HLCB Group, we strive to uphold the integrity of the Group by ensuring all employees abide by the laws and regulations through the efforts of our Compliance team.

Sustainability Statement

Material Matters	Definition of Material Matters
ETHICS AND INTEGRITY	Ethics and integrity is a key component in our organisation that is inculcated with values. It plays a pivotal role in our effort to build lasting relationships with our clients and establish a strong reputation for our organisation. In order to uphold ethics and integrity, we expect our employees to adhere to all the regulatory requirements including our Code of Conduct & Ethics.
INNOVATION	Innovation is a process when new ideas or solutions are formulated to generate growth in a business. In HLCB Group, creating new ideas and products is one of our key drivers to business growth and ensuring the continuing success of the Group. From time to time, HLCB Group innovates better solutions to fulfil the market needs and cater to the preferences of our clients. We embrace innovation to gain a competitive edge in this highly competitive financial services industry.
EMPLOYEE EXPERIENCE	Our employees are our greatest resource as they form the foundation of the Group. To ensure we nurture and retain the best talents, we have put in place robust initiatives for the wellbeing and development of our people.
CLIENT EXPERIENCE	We take cognizance that client experience is the deciding factor for us to remain competitive in our highly-competitive financial industry. We believe our clients want more than just innovative solutions and we are committed to going beyond providing financial products by adding value to our services.
FAIR BANKING	HLCB Group takes fair banking seriously in our business operations to ensure our clients trust the products and services that we provide. It helps us to retain the loyalty of our clients, which has a positive impact in our effort to create long-term business growth. Besides focusing on regulatory compliance and our Code of Conduct & Ethics, our fair banking practices include initiatives that ensure the quality of our products and services is not compromised.
MANAGING THE ENVIRONMENTAL FOOTPRINT	Managing the Environmental Footprint is a significant part in ensuring long-term business growth. This is due to the effects of climate change that could impact the economy and the financial markets. To ensure our business have a positive impact on the environment, HLCB Group is committed to contributing responsibly to the environment through preserving natural resources while reducing operational cost.
IMPACT INVESTING	We are aware of the significant impact our lending and investing practices have on the environment and society and strive to promote sustainable development in our policies.

SOCIAL – CYBER SECURITY AND DATA PRIVACY

In view of the COVID-19 pandemic, the Group is aware of the increasing importance to adopt digitalisation into our operations as well as enhancing our technology infrastructure. Consequently, cyber security threats will continue to be a growing risk to the financial services industry as cyberattacks get increasingly more sophisticated. In HLCB Group, we strive to protect the personal data confidentiality of our stakeholders – from clients to business counterparts and any other parties the Group engages with, through enhanced cyber security systems.

As further standard operating procedures ("SOPs") was announced during the Movement Control Order ("MCO") period, the Group has put in place several measures in order to accommodate our compliance to the MCO announcement without jeopardizing the security of our systems. In order to comply with the stay at home order, the Group Information Technology ("Group IT") had installed the Virtual Private Network ("VPN") on work computers to enable employees to access the Group's network securely while working from home.

In addition to that, our Group IT also plays a crucial role in preventing cyberattacks. There are various controls and preventive measures rolled out by the Group IT with the aim to strengthen the Group's cyber security. The Group has continuously deployed many controls and preventive measures such as:

- Restriction of workstation's personal computer ("PC") to prevent any changes of PC settings that could jeopardise the operating system's security and integrity.
- Enforced server message block ("SMB") protocol to all PCs to prevent man-in-the- middle attacks.
- Implemented web filtering and internet browsing control as well as removing Network Discovery Protocol from all network switches and PCs to prevent sensitive PC information from being obtained via network scanning.
- Workstations and devices are installed with antivirus software to prevent uninvited threats from emails and external storage or through the network.
- Deployed network and firewall control for infrastructure control.
- Scheduled systems and applications for maintenance and updates to ensure its security is invulnerable.
- Implemented data integrity tool in May 2020 to monitor, detect and protect systems against unwanted changes.

Besides strengthening our software and infrastructure, it is also crucial to address the human factors when managing threats to cyber security. The following measures were put in place by our Group IT in order to mitigate the risk of human error:

- Email alerts and cyber security awareness program are conducted regularly to caution and update employees against the rapid and ever-changing data security threat environment.
- Input/Output port access is blocked for all desktops and laptops and requests for access have to be reviewed and approved.
- Access to folders and sensitive information is restricted and any request need to be reviewed and approved to ensure compliance with banking secrecy requirement under the Financial Services Act.
- All access to systems within the Group is controlled by login credential. The access matrix to the systems is reviewed on a regular basis.
- Employees are also encouraged to practice good cyber hygiene by changing the passwords to their PC regularly and to lock their PC before leaving their workstations.

Apart from that, our Group IT has always worked closely with internal and external parties in its continuous efforts to enhance the cyber security for our systems, web portals and mobile application. Throughout the FY2020, we have engaged in numerous penetration tests on web portal and corporate website with the aim to provide assurance and safety to our clients. The penetration tests are an authorised simulated cyberattacks on system performed to evaluate the security of the system to identify vulnerabilities, including the potential for unauthorised parties to gain access to the system's features and data.

Sustainability Statement

SOCIAL – CYBER SECURITY AND DATA PRIVACY (CONTINUED)

In our commitment to ensure data privacy protection for our clients, we have put in place measures such as maintaining appropriate physical, electronic and process controls to safeguard and meet the confidentiality requirements under the Financial Services Act 2013 ("FSA"), Capital Markets and Services Act 2007 ("CMSA"), Personal Data Protection Act 2010 ("PDPA"), Personal Data Protection Code of Practice for the Banking and Financial Sector and other regulations issued by BNM, SC and Bursa Malaysia.

The Group has also established a Personal Data Protection Policy, which aims to regulate the processing, collection, recording, holding, storing, using, disposing or disclosing of personal data. In addition, the Group also undertakes on-going compliance assessments on processes with regards to confidentiality as one of the proactive measures.

Our Internal Audit team is also committed to assist the Group in audits which focus on privacy risk and data security as well as identifying control and policies weaknesses. Throughout FY2020, the team conducted an IT audit which relates to cyber security. The risk based audit focuses on the review of operational activities and controls enforced by Group IT Security in respect of cyber security measures for safeguarding the IT infrastructure. The independent assessment on data privacy protection and cyber security will continue strengthening the Group's capability to protect the security and privacy of all internal and external stakeholders.

Efforts have also been taken to keep our employees abreast with the latest information on data privacy and confidentiality obligations through mandatory training on latest privacy laws and statutory confidentiality obligations under the relevant laws and regulations. This helps to create awareness among the employees on the regulatory requirements and importance of protecting clients' personal data. All employees are expected to adhere to the confidentiality obligations imposed under the FSA, CMSA, PDPA and other regulations at all times.

As a financial services provider, we are aware that cyber security and safeguarding clients' personal data is of utmost importance. Any compromise of cyber security and data privacy will affect the reputation and integrity of the Group negatively. We may lose the trust of our clients as well as other stakeholders and potentially expose the Group to violations of laws and regulatory requirements. Due to the solid cyber security we have put in place, there were no instances of data breaches of clients' privacy or cyberattacks in the financial year.

Moving forward, the Group will continue to monitor the development of the global situation and carry on our effort to put in place solid cyber security measures to mitigate cyber security threats. As the Group is progressively changing its way of doing business to cope with the new normal and more focus will be put on serving our clients through digital channels which created a surge in demand for digital capabilities, products and services, there are new risks that our Group IT need to address to support the business continuity while protecting our business and clients as well as ensuring zero confidentiality breaches.

The Internal Audit team shall also focus on thematic audit related to cyber security and data privacy; embracing new norms by looking at ways to perform audit works remotely, leveraging intergroup resources in view of the current pandemic to deliver value added services to the internal and external stakeholders.

Sustainability Statement

SOCIAL – COMPLIANCE

HLCB Group views regulatory compliance seriously to maintain the integrity of the Group and capital markets. The Group is committed in achieving zero breach or violation of laws and regulatory requirements by upholding and integrating regulatory intent in our daily business operations as we continue to create sustainable value for our shareholders and stakeholders. Ongoing measures are in place to ensure the Group complies with all applicable laws and regulations including those set out by the financial regulatory bodies such as BNM, SC and Bursa Malaysia.

In our efforts to ensure strict adherence to compliance, the Group continues to improve the compliance monitoring and advisory in order to instil a strong compliance culture that is driven by a strong tone from the top to all the employees. Further to that, continuous efforts are also put in place to enhance the compliance programs and financial crime risk management to ensure the Group is constantly complying with regulatory requirements. The Group will accomplish this by ensuring the operations are managed in a sound environment to safeguard the Group from non-compliance with regulations and by preventing financial crimes that will expose HLCB Group to fines, penalties, and reputational risk.

To strengthen our commitment in upholding the integrity of the Group, the Group continued emphasizing the importance and the need for all employees to manage compliance risk. The diagram below highlights the three key lines of defence which outlined in the Compliance Policy for an effective compliance risk management:

Apart from having three key lines of defence, the compliance function plays a vital role in evaluating the effectiveness of the Group's overall management of compliance risk. Our Compliance team has carried out periodic assessment, monitoring, and reporting of compliance risk to the senior management, the Board Committee and the Board. It has also ensured that corrective measures are undertaken to manage and mitigate compliance risk.

To further strengthen the compliance culture and raising awareness among employees, the Compliance team has continued to undertake the initiative to disseminate new or updated laws and regulations to all departments and engage with the compliance representatives from each department through periodic discussion sessions. Furthermore, employees are also reminded annually of the Group's key policies which include Compliance Policy, Anti-Money Laundering, Counter Financing of Terrorism & Targeted Financial Sanctions ("AML/CFT&TFS") Policy, Material Information Policy, Anti-Bribery and Corruption ("ABC") Policy, Whistleblowing Policy and Code of Conduct & Ethics.

In addition, the Group has also continuously invested in employees' development, where the employees are required to attend regulatory compliance training conducted by both internal and external trainers. In particular, all employees have attended the annual mandatory trainings related to AML/CFT&TFS, confidentiality requirements, Personal Data Protection Act and the latest corporate liability provision on bribery and corruption. This is to ensure that all employees across the Group stay abreast and comply with the latest laws and regulations.

Compliance to internal and external laws and regulations has also been made as one of the Key Results Areas ("KRA") in the employee annual performance appraisal. Indeed, employees are not only required to adhere to the laws and regulations, they are also encouraged to explore new ideas to improve the compliance process. As a result, this will create a strong compliance awareness and culture, which are essential aspects for ensuring business sustainability in the highly regulated and compliance-centric financial services industry.

Group compliance has continuously shared all of the compliance policies and other compliance matters in a common folder for all employees' reference. Also, in order to facilitate easy access to policies and SOPs, each department will also continue to maintain a shared folder to store their respective department policies and SOPs.

Sustainability Statement

SOCIAL – COMPLIANCE (CONTINUED)

Furthermore, the Internal Audit team as a third line of defence for the Group plays a role to provide risk based and objective assurance to the Board and management that the Group's business activities are conducted in compliance with the laws, rules and regulations as well as internal policies, guidelines and procedures. Hence, assessment on the Group's compliance with the applicable laws and regulation, internal policies, guidelines and procedures is always one of the key audit objectives in all audit assignments conducted. Any non-compliance issues will be highlighted for management's attention for immediate remedial action in order to mitigate compliance risk.

Taking risk is inherent to the financial business, but such risk-taking needs to be made in an informed and disciplined manner, and within a pre-determined risk appetite and tolerance.

The roles of Risk Management are reflected in key risk management objectives in the context of Economic, Environmental and Social Governance:

Support achievement of the Group strategy and protect capital, liquidity, earnings and reputation by monitoring that risks are taken within the Group's risk tolerance

Enhance value creation by embedding disciplined risk taking in the organisation's culture and contributing to an optimal risk-return profile where risk reward trade-offs are transparent, understood, and risks are appropriately rewarded

Encourage openness and transparency to enable effective risk control functions

Encourage collective organisational effort to protect Group's reputation and brand by promoting a sound culture of risk awareness, and disciplined and informed risk taking

To reinforce the inculcation of risk culture and raising awareness among employees, Risk Management team continuously undertakes the initiative to disseminate risk matter related updates to all departments via the respective embedded risk representatives periodically. Furthermore, stakeholders are also updated periodically of the various key risk policies which include Risk Limit Policy, Operational Risk Management Policy, Risk Management in Technology Policy, Core Market Risk Policy, Valuation Policy, Underwriting Policy, Market Surveillance Policy, Liquidity Policy, Supplementary Market Risk Policy, New Product & Services Process Policy and many other risk policies.

As one of the most trusted financial service provider, we are focused to achieve regulatory compliance in our operations. We are well aware that any violation of the laws and regulations will not only lead to fines and penalties, but will also affect the reputation of the Group and impact the long term relationships we have built with our clients and the regulators negatively as well as potential revocation of applicable licences. Thus far, there have been no fines or penalties imposed by regulators due to non-compliance with laws and regulations during the financial year.

Moving forward, we will continue to uphold integrity of the Group and ensure strict adherence to the applicable laws and regulations to preserve the reputation of the Group.

SOCIAL – ETHICS & INTEGRITY

The Group is committed to continue promoting a culture that inculcates a sense of responsibility in our employees to uphold integrity, transparency and ethical practice. The Group believes that integrity and ethical practices is a priority in our business conduct. Thus, every employee has a role in cultivating a compliance culture to prevent corruption and non-compliance by acting with personal integrity and making ethical choices in their position and function.

The Code of Conduct and Ethics of the Group is guided by Hong Leong Group's corporate mission, other standards and best practices in the financial industry such as the Financial Services Professional Board ("FSPB") standards and other regulations issued by BNM, SC and Bursa Malaysia.

To ensure ethics and integrity are upheld at all times, our employees are required to adhere to the values, principles, standards and norms of behaviour as outlined in the Group's Code of Conduct and Ethics as well as the respective policies and SOPs. All employees are required to sign and abide by the Group's Code of Conduct and Ethics upon commencement of employment and make an annual declaration of compliance to the Group's Code of Conduct and Ethics.

To further strengthen the Group's commitment to a high standard of ethical behaviour and in line with the Group's practice of adopting zero tolerance policy against all forms of bribery and corruption, many initiatives were established to ensure the Group has adequate policies and procedures to comply with the Corporate Liability Provision, which is an extension to the Malaysian Anti-Corruption Commission Act 2009. Aside from the existing policies and procedures such as the Code of Conduct and Ethics, Gifts and Entertainment, Donation and Whistleblowing which the Group had put in place, the Group had also established the ABC Policy, ABC Statement and other related policies in FY2020. The Group's ABC Policy and ABC Statement are set to enforce practices and systems that ensure corruption and bribery are prevented at all levels of the Group and are made available in the Group's shared folder and Group's website. In FY2020, an external consultant was also engaged to perform assessment on the Group's existing policies, processes and systems to ensure compliance with the Corporate Liability Provision. Additionally, each employee's computer has been configured to display the Group's commitment to "zero-tolerance policy against all forms of bribery and corruption" for the purpose of raising awareness amongst the employees.

Furthermore, all our employees have attended the mandatory face-to-face training on bribery and corruption in 2019. However, due to the outbreak of COVID-19 which started in the second quarter of 2020 and the requirement to adhere to the SOPs set by the Government such as maintaining social distancing, the Group's Compliance has continued its effort to conduct e-learning and requiring employees to participate in discussions related to ABC with the aim of creating awareness across the Group.

The Group's existing Whistleblowing Policy that was published in the Group's website since 2017 will further reinforce the Group's commitment in maintaining high standards of integrity, corporate governance, and transparency in doing business. This provides an avenue to any person including the employees to raise any concerns about any improper conduct or wrongful act that may adversely impact the Group, including but not limited to any criminal offences, fraud, corruption, bribery, blackmail and failure to comply with legal or regulatory obligations.

All new employees who have less than two years of working experience in any industry are required to attend a training related to ethics in banking. This is to ensure they understand professionalism, values and behaviour expected from them in applying ethical decision in their daily operations.

In addition, the Group has also set apart key behaviour scoring in the annual appraisal by addressing the expected level of desired behaviour for all employees, so as to increase awareness of desired behaviour and attitude to ensure strong adherence to ethics and integrity in all dealings.

Apart from this, adequate segregation of duties among employees is practiced across the Group to ensure that conflicts of interests and unethical behaviour do not arise in all business dealings. All employees shall demonstrate the highest standards of business conduct by always doing the right thing and are encouraged to report any unethical behaviour.

We acknowledge that any compromise of ethics and integrity will expose the Group to violation of laws and regulations and erodes the public's trust which could significantly detrimental to the Group. The Group could incur financial losses due to legal action or fines and penalties imposed by regulators. Due to our proactive initiatives in upholding ethics and integrity, there was no financial losses incurred arising from unethical behaviour or misconduct during the financial year.

Hence, the Group will continue to take proactive measures to uphold the ethical culture within the Group.

Sustainability Statement

ECONOMIC – INNOVATION

In a highly competitive financial services industry, we embrace innovation as one of our key drivers for sustainable business growth. A tenet of our sustainability efforts is to provide innovative solutions and to instil innovation at every level of our business – from people to process, products and services. We believe in growing and changing in line with market conditions as the needs and demands of our clients evolve rapidly.

As an award-winning financial solutions provider, the Group adopts a client-centric approach to remain competitive. We tailor innovative solutions and products with unique value propositions to meet the specific needs of our clients and equip them with sound knowledge on various sectors of the industry. This is done through collaborations with regulatory authorities and key industry players. Our team also works closely with local regulatory authorities to innovate and propose new financial products that are yet to be available in the Malaysian market as well as to modify or enhance existing financial instruments to meet market demands. Such integrated approach enables us to understand our clients' financial knowledge and needs while engaging actively with pertinent partners.

GOING BEYOND FINANCIAL SERVICES

We recognise that one of the key enablers to sustainable growth is to go beyond providing financial products and services. One of our value added services in keeping our clients abreast with latest developments is through strategic collaborations with pertinent partners such as BNM and Bursa Malaysia. These collaborations have benefited our clients in various ways such as allowing them to gain access to industry specialists, a key advantage that further validates our value-added service.

The Institutional Business under Stockbroking division of HLIB, in collaboration with Bursa Malaysia has rolled out its first series of Bursa – HLIB Stratum Focus Series forums ("Stratum Focus Series") in September 2015. The Stratum Focus Series is a thematic sectoral conference aimed at providing value-added knowledge to the industry and facilitating the exchange of knowledge and policy insights between government agencies as well as the investment community. The themes are chosen based on both domestic and global trends that may change the dynamic of a sector and create an investment opportunity. This also forms part the Group's corporate responsibility to educate and instil the necessary knowledge to our institutional clients. Notable independent market researchers, regulators and practitioners are engaged to speak on the selected topics in the Stratum Focus Series. We believe the Stratum Focus Series would enable our institutional clients to make informed investment decisions.

Thus far, ten series of forums have been conducted as at June 2020 since the first series rolled out in 2015 and the topics were:

September 2015	Series I: Healthcare – Aging
February 2016	Series II: Malaysia Energy Sector – Powering the Future
September 2016	Series III: Fintech – Challenging The Status Qou
March 2017	Series IV: E-Commerce – Reinventing Retailing
November 2017	Series V: Healthcare – Healthcare Tourism
March 2018	Series VI: Oil and Gas – Rising from the Turmoil
November 2018	Series VII: Industry 4.0: Humanising Machines, Disrupting Economies
April 2019	Series VIII: Sarawak – Journey in Transformation
November 2019	Series IX: Visit Malaysia Year 2020 and Beyond
February 2020	Series X: Digitalisation – Shaking Things Up!

The Institutional Business has also rolled out its first Chief Executive Officer ("CEO") and Leader Series in January 2020. This is a small discussion session with industry leaders where our institutional clients are able to get information or insights in various industries and companies during the discussion session. Thus far, there were two CEO and Leader Series held in FY2020:

January 2020	Coffee with the CEO: Series I with Encik Nan Yusri bin Nan Rahimy, Group Managing Director of Deleum Berhad
February 2020	Coffee with CEO: Series II with Ms Sherene Azli, CEO of Malaysia Healthcare Travel Council (MHTC)

Other than the Stratum Focus Series and CEO and Leader Series, other events held by the Institutional Business in FY2020 were:

September 2019	REITS Outlook and KLCC Stapled Group Visit
September 2019	Property Outlook Talk 2019
October 2019	FinTech Event: A Dive into Digital Disruption
May 2020	COVID-19: Where to from here for Malaysia (held via conference call)

The attendances of the events and forums have been encouraging and we have been receiving positive feedback from the attendees.

ECONOMIC – INNOVATION (CONTINUED)

HLIB's collaboration with other industry players continue to benefit our clients with privileges such as gaining access to exclusive events held by regulators, industry specialists and research houses. Following are some of the events which HLIB's institutional clients were invited to in FY2020:

- Communications and Multimedia Contemporary Event 2019 by Malaysian Communications and Multimedia Commission
- ASEAN+3 Regional Economic Outlook (AREO) 2019: Building Capacity and Connectivity for the New Economy
- insigHT 2019 Conference by Malaysia Healthcare Travel Council (MHTC)
- Workshop on Awareness & Benefits of Cogeneration by Malaysian Gas Association (MGA)
- AI & IoT in the 5G Era: Trends & Opportunities in Asia Pacific
- Belt and Road Economics - Opportunities and Risks of Transport Corridors
- MGA Industry Talk - "Outlook of Malaysia Oil & Gas industry"
- ISIS PRAXIS Conference: "Malaysia Beyond 2020"
- 5G International Conference 2020
- RAM Business Confidence Index
- Moody's Investors Service - APAC Webinar Series
- IDEAS Malaysia - "Post COVID-19 Recovery Plan"
- MGA Industry Talk - Collaboration event with Boston Consulting Group
- Malaysia Australia Business Council and Deloitte Live Webinar via LIVE Webcast
- Rehda Malaysia Webinar: COVID-19 & Its Impact
- Meeting with S&P Global via Conference Call
- Meeting with Ministry of International Trade and Industry (MITI)

In addition, the Institutional Business team worked closely together with the Group's Research team on site visits to gain better insights and understanding on the technical and operational aspects of the investee companies in order to form better trading strategy and ideas. The team also provides its clients with in-depth analysis of listed companies and assists them in making investment decisions through regular meetings.

Thematic research write-ups and idea generation reports are also one of the many other value-added services provided to our clients. Our Research team consistently strive to generate thematic reports with unique and different contents as compared to our peers.

EMBRACING DIGITALISATION

In line with the Group's efforts to instil innovation and embrace digitalisation at all levels of our business, we work closely with our Group IT team and vendors to provide solutions and innovative ideas for our clients as well as enhancing cyber security which comply with the Group's governance and IT security policy. In FY2020, the Group invested RM1.7 million on IT capital expenditure, which represented 77.3% of the Group's total capital expenditure spent during the financial year. The amounts spent are mainly on enhancement of HLeBroking mobile application and website, enhancement on cyber security and automation of manual processes to achieve higher efficiencies.

The Institutional Business team embraces digitalisation with the introduction of Direct Market Access ("DMA") trading in July 2020, an electronic trading solution that allows for real-time execution of trade orders with lower cost by investors. DMA trading solution provides extremely fast order execution, and this enables investors to take advantage of the short-lived trading opportunities. We believe this would facilitate the need for market efficiency and an effective trading platform.

ECONOMIC – INNOVATION (CONTINUED)

As for the Stockbroking Retail Business division, the first phase of the enhanced HLeBroking mobile application has been successfully launched in January 2020 with the aim to deliver a new level of trading experience to our clients. The new application enables us to increase touch points with clients and allows clients to stay updated with the position of their latest shareholdings. The diagram below highlights some of the key new features included in the first phase of our enhanced mobile application:

ENHANCED/NEW FEATURES

- 5 days net trade flows
- Stock ideas (stock of the day, top pick and high dividend)
- Research reports
- Price alert
- Push notification
- Informative stock details
- Daily news by The Star/The Edge
- Stock order history up to 3 days
- Events and campaigns details

Positive feedbacks have been received from clients on the new enhanced mobile application. This is further supported by the high number of downloads in Google Playstore and Apple App Store since the launching in January 2020. The number of downloads of the new enhanced HLeBroking mobile application has increased by 153% from 5,355 in January 2020 to 13,547 in June 2020.

The second phase of the enhanced HLeBroking mobile application is focusing on the addition of other new features such as biometric authentication for login and stocks order placement, odd lot order placement and funds deposits and withdrawal, and is targeted to roll out by FY2021.

As for the asset management business under HLAM, the business has embarked on the implementation of a fully integrated Online Transaction Platform ("OTP") to improve on the functionality and features of HLAM's current e-portals, where clients and business partners are able to have greater investment experience, flexibility and accessibility. We recognise the importance and the demand for a fully integrated web-based platform today while straight-through processes are essential for speedy and real-time decision making and reporting. All this helps to reduce manual intervention and enhance the accuracy and reliability of data.

Some of the features available in the OTP are:

- Allows investors to have accessibility to "almost" real-time information, anytime and anywhere, via "straight-through processing", which leads towards quick investment decisions.
- Enables investors to perform online transaction functions such as placing an online sales order, redemption, fund switching as well as requests for change of address.
- Includes an automation with user-friendly guidance for investors to comprehend and complete transactions, enhancing the speed of processing for "hassle-free" transactions.

The implementation project of the OTP was kicked off in March 2019 with two modules targeted to be rolled out separately. The first module of the project which focuses on the Cash Plan Investment was initially targeted to roll out by October 2019. However, the launching of the Cash Plan Investment module was delayed to October 2020 due to unforeseen circumstances.

The second module of the project which enables Employees Provident Fund ("EPF") members to invest into HLAM's EPF approved funds through EPF-Members Investment Scheme ("EPF-MIS") via the OTP was successfully launched in June 2020. This initiative is in line with EPF-MIS online platform project, an initiative by EPF to improve service offer and maximise the members' investments.

HLAM has also implemented video conferencing for training since January 2020. These digital trainings were conducted giving more flexibility especially during the COVID-19 outbreak and imposition of MCO for both employees and distributors. With trainings being conducted via video conferencing and/or webinar, no printed training materials are required to be distributed to participants. All training materials were shared on the screen or can be accessed by the participants via QR Code provided by HLAM.

ECONOMIC – INNOVATION (CONTINUED)

To further support the Group's efforts in digitalisation to improve efficiency of processes, the Finance regulatory reporting team has embarked on an exercise to automate the regulatory reporting process in the third quarter of FY2019 to improve the existing regulatory reporting process by reducing manual intervention in data sourcing and report production. The first stage of the automation exercise was successfully rolled out in July 2019. The impact for the first stage of the automation exercise can be seen from the improved time-efficiency of the report preparation, as well as improved reporting quality with minimum manual intervention in data sourcing.

The second stage of automation exercise has commenced in the third quarter of FY2020. The second stage will focus on the integration of data from various sources and the flow of data into the regulatory reporting templates. The exercise is expected to minimise errors due to manual intervention as well as improving the data accuracy. The completion of second stage is expected to be progressively achieved in the third quarter of FY2021.

MARKET RECOGNITION

In recognition of our innovative capability in deals structuring, our Debt Markets and Equity Markets teams were awarded the following accolades during the financial year.

- **13th Annual Alpha Southeast Asia Best Financial Institutions Awards 2019**
  Best Small To Mid-Cap Corporate Finance House
  (HLIB's role: Corporate Finance House)
- **13th Annual Alpha Southeast Asia Deal & Solution Awards 2019**
  Best Equity Deal/Initial Public Offering Malaysia
  (HLIB's role: Joint Bookrunners and Joint Underwriters)
- **13th Annual Alpha Southeast Asia Deal & Solution Awards 2019**
  Best Islamic Asset Backed Securitisation-Backed Sukuk
  (HLIB's role: Joint Principal Advisers, Joint Lead Arrangers and Joint Lead Managers)
- **The Asset Triple A Country Awards**
  Best Initial Public Offering
  (HLIB's role: Bookrunners and Underwriters)

NURTURING OUR EMPLOYEES AND INSTIL INNOVATION

Employee development is also crucial to ensure the Group remains competitive in the market. We are committed to nurturing our employees to be at the forefront of financial services industry trends and developments. To achieve this, our employees attend training programmes regularly to keep abreast with the industry's recent developments and needs.

The Group Human Resources ("HR") has introduced a program called Innovation Lab 2.0 - The Big Word "Innovation" since August 2019. The main objective of this program is to continue to encourage innovation thinking amongst the employees in the Group as it is extremely crucial to ensure that the Group stays relevant in the competitive market. This program focuses mainly on Investment Banking Operations division, Stockbroking Operations division and Shared Services division. By having different automation solution and system enhancement, it would reduce manual/repetitive work and free up time for more value-creating tasks.

IMPROVING OPERATIONAL EFFICIENCIES

Innovation to improve processes and procedures from time to time to achieve operational efficiencies, increase productivity and to meet clients' expectation is equally important for the Group. One of the many efforts to improve efficiencies is the creation of contract playbooks for certain documentations to improve the turnaround time for vetting of documents and agreements.

It is through concerted efforts to drive innovation and digitalisation that we expect to see competitive enhancement and continuous improvements in efficiency, cost optimisation and productivity maximisation. Lack of continuous innovation will lead to the Group losing its competitive advantage in the market and risk dampening the market standing of the Group.

Sustainability Statement

SOCIAL – EMPLOYEE EXPERIENCE

Employees are the most valuable resource for HLCB Group to achieve its goals and visions. As we aspire to be the foremost integrated financial services provider, we aim to shape a competitive and engaging workforce that is also knowledgeable and professional. By cultivating a high-performing team, we are able to deliver world-class business outcomes.

In order to enhance the quality of our employee and to ensure the Group's sustainability, we have developed initiatives to retain the best talent through talent development and management programmes, employee wellness programme, team building exercise, leadership feedback session and corporate social responsibilities ("CSR") activities.

EMPLOYEE DEVELOPMENT

In FY2020, the Group continued its effort to build a sustainable workforce with the aim to attract, retain and invest in the talent pool to ensure adequate resources were provided to cultivate a high performance workforce. The programmes and initiatives that were engaged during the financial year are listed below:

TALENT DEVELOPMENT PROGRAMMES

In order to identify and manage young talent, the Group had introduced the HiPo ("High Potential") Programme in 2016. This programme was introduced as one of our talent management strategies and it is aimed at building a succession pipeline.

To ensure the skillset of our workforce remains relevant, the Group prioritises in continuous learning and development opportunities for our employees. The Group continues to adopt the 70-20-10 Model in providing and supporting the developments of our employees.

The 70-20-10 Model:

01 70% On-The-Job Learning

- Ensure employees receive on-the-job training and are well-exposed to various job factors such as clients, products and industrial updates.

02 20% Learning Through Others

- Employees learn through the social and collaborative interaction with peers, role models and mentors.

03 10% Formal Learning

- All licensed employees are required to fulfill their annual Continuing Professional Education ("CPE") requirements by attending CPE accredited programmes organised by relevant authorities.
- All employees are given the opportunities to attend wide range of development programmes which covers functional, technical, leadership and soft skills.

The Group also conducts annual appraisal to identify the specific needs and development areas of each employee.

In December 2019, the Group had also participated in the Iltizam Professional Development Program 2020. This program is part of Ekuinas corporate social initiatives which provides Malaysian graduates with on-the-job training to enhance their employability. They will also learn to brand themselves and develop soft skills. Graduates will have the opportunity to develop and learn professional skills internally as well as with partner companies.

COMPETENCY STRUCTURE

The Group had continued to maintain the Competency Structure in order to identify the attributes of our employees and assist them to achieve a high level of professionalism as part of our talent development programme. This structure is part of our talent management programme and was designed based on the expected demands for the three key traits of employees in the market workforce:

01 Leader

- Leaders are expected to embrace continuous improvement in thoughts and tactics and build a dynamic workforce that aligns with long-term business needs.

02 People Manager

- People managers strive for efficiency and effectiveness as well as reinvention of business or operational capability.

03 Contributor

- Contributors are employees such as technical managers and executives who are able to identify opportunities, challenges, areas of improvement, and can utilise their skills and knowledge creatively.

SOCIAL – EMPLOYEE EXPERIENCE (CONTINUED)

EMPLOYEE WELLBEING AND BENEFITS

COVID-19 pandemic has brought unprecedented challenges to companies around the world. The Group has been acting swiftly to safeguard the wellbeing of employees and migrate to a new way of working. To ensure the safety of the work environment for our employees, early mitigation steps and appropriate public safety measures were enforced across the Group in order to join in the effort of curbing the spread of the COVID-19 outbreak. The Group also ensure strict adherence to the SOPs that was put in place by the Government during the period of MCO. Some of the measures taken were:

- Activation of split operations. Some of the employees are transferred temporarily to different branches.
- Reducing the number of employees present at work by allowing part of the employees to work from home.
- Email circulation on the current global situation regarding COVID-19 to create awareness among employees.
- Reminders and social distancing guidelines were posted at the entrance of all our offices.
- Employees were required to self-register via the *MySejahtera* mobile application and body temperatures were measured before entering offices.
- Face masks and hand sanitizers were provided to employees.
- Ensuring social distancing guidelines such as putting on face mask and keeping one meter distance when interacting with each other were observed in the workplace.
- Appropriate sanitisation and cleaning of offices were carried out.
- Movement between office branches were restricted.
- Face-to-face meetings were restricted.

Besides that, employees were also required to stay at home and to report to the Group HR if they are experiencing flu-like symptoms. With all the preventive measures put in place, the Group is able to ensure minimal disruption to our business operations while safeguarding the wellbeing of our employees. While the impact of COVID-19 is still unfolding, we strive to maintain a competitive and engaging workforce by creating a safe work environment during these trying times.

Apart from taking care of our employees' wellbeing, we understand that talent retention depends very much on employee satisfaction. In order to stay competitive, the Group goes beyond providing the basic remuneration and benefit packages by including loan subsidies, medical benefits, mobile phone subsidy and ample leave for employees. Apart from employee benefits, the Group goes one step further by extending the care of our employees to their families. As a financial services provider that believes in giving back to society, the Group also offers the Hong Leong Group Scholarship Awards to the qualified employees' children who wish to continue their tertiary education.

A CONDUCIVE WORKING ENVIRONMENT

GREETING CARD DESIGN CONTEST

This contest aimed to pull in all employees to celebrate traditional festivals and to inculcate their sense of belonging. The greeting card design contests have successfully attracted employees from all levels and various demographics to participate and showcase their talents and build the Hong Leong spirit. All winning greeting card designs were announced and endorsed by the Group where employees are encouraged to send the greeting cards to our vendors, clients, counterparts and etc.

EMPLOYEE CORPORATE SOCIAL RESPONSIBILITY ("CSR")

Engaging with external stakeholders such as local communities will have a positive impact in our efforts to create awareness about sustainable value. During the financial year, our employees continued to impact society by actively giving back to communities through charity programmes.

For instance, the Group had participated in the Bursa Bull Charge 2019, an annual premier capital market charity run organised by Bursa Malaysia. The event aims to raise funds to promote financial literacy and entrepreneurship as well as to improve the living environment and lives of the underprivileged communities. The Group had donated a total of RM17,599 with the participation of three teams comprising 12 of our employees in the Bursa Bull Charge 2019.

SOCIAL – EMPLOYEE EXPERIENCE (CONTINUED)

EQUAL EMPLOYMENT OPPORTUNITY

As an equal opportunity employer, we do not discriminate against race, gender, age or cultural affiliation in our efforts to hire and nurture the best talent.

DEMOGRAPHIC OF THE GROUP'S WORKFORCE

Description	FY2018 Number of employees	FY2019 Number of employees	FY2020 Number of employees
By Category			
Executive	264	277	**266**
Manager	139	161	**165**
Senior Manager and Head of Departments	39	33	**33**
Total	442	471	**464**
By Age Group			
Under 30 years old	131	141	**130**
30-50 years old	238	247	**238**
Over 50 years old	73	83	**96**
Total	442	471	**464**
By Gender			
Female	251	264	**251**
Male	191	207	**213**
Total	442	471	**464**

The Group strives for a balance gender representation and currently has 54% female employees and 46% male employees.

ENSURING A PRODUCTIVE WORKFORCE

In FY2020, the Group has successfully recruited 49 new employees mainly for headcount replacement to maintain a productive and competitive workforce.

TOTAL NUMBER OF NEW HIRES

	FY2018 Number of employees	FY2019 Number of employees	FY2020 Number of employees
By Gender			
Female	62	41	**23**
Male	27	25	**26**
Total number of new hires	89	66	**49**

We are aware that attracting and retaining talent will be challenging for us if we fail to recognise the pursuits of our employees and help them grow and develop. Lack of support for employees will lower their morale and productivity, eventually affecting the sustainability of the Group and long-term growth.

The Group has always exerted effort to leverage employee experience to make HLCB Group the best workplace to develop one's career. We recognise that excellent employee experience will continue to attract and retain talent pool. The group will continually strive to build a competitive, engaged, knowledgeable and professional workforce. Engagement and development programmes will be our key focus in the coming years with the aim to cultivate a high performing team to drive and deliver world-class business outcomes.

SOCIAL – CLIENT EXPERIENCE

We take cognizance that client experience is the deciding factors for us to remain competitive in the highly competitive financial services industry. We believe our clients not only seek innovative solutions but also a positive client experience. Thus, we engage actively with our clients throughout the transaction lifecycle and beyond with continuous effort in balancing clients' needs with regulatory requirements. Continuous clients' engagements also enable us to identify financing gaps, structure solutions and understand their business operating environment to meet their needs while delivering services that build trust. We engage with our clients through meetings, workshops, seminars, events and luncheons to increase our interactions with clients. A positive client experience will increase client satisfaction, retain client loyalty as well as preserve and boost the Group's reputation and branding.

ENSURING VALUE-ADDED SERVICES

In FY2020, the Institutional Business continued collaborating regularly with government agencies, corporate bodies and rating agencies such as BNM, Ministry of Finance and Bursa Malaysia. This has continued to benefit our institutional clients and helped us gain a competitive edge in the industry. In particular, we are able to provide insightful information covering the latest developments in selected industries and markets by giving clients access to exclusive events or seminars held by regulators and research houses as well as access to senior management of industry leading businesses. Kindly refer to **Economic-Innovation** for more details of events or seminars held by Institutional Business on page 36. Additionally, site visits are also conducted to both listed and non-listed companies to provide valuable insights to form better trading strategy and ideas.

In the Retail Business division, we often organise workshops and events held with a strong focus on investor education, and to provide greater levels of client engagement and acquisition.

Following are the workshops and events held by the Retail Business division during the financial year:

BURSA HANDHOLDING SESSION FOR NEW ACCOUNTS HOLDERS (KLANG)

- The Beginner's Guide To Value Investing
- Shared about Value Investment Maverick which included Principles of Value Investing, The 3 Proven steps in Value Investing, 6 quantitative criteria to pick undervalued stocks, case study of value company, how to use Bursa Marketplace Screener to find undervalued companies.

ENTRY & EXIT SIGNALS SEREMBAN WORKSHOP@BURSA

- Provided an insightful overview of the current volatile market activities and potential trading opportunities arising from it by utilising Technical Charting signals.
- Shared on Malaysian REITs: A Defensive Investment in Volatile Times.

ETFs: THE NEXT BIG THING (MEGA EVENT)

- Invited experienced internal & external speakers to share on local & foreign market outlooks, Exchange-Traded Funds (ETFs) available in Malaysia, Singapore and Hong Kong and conducted an interactive panel discussion.

BURSA HANDHOLDING SESSION FOR NEW ACCOUNTS HOLDERS (KUALA LUMPUR)

- The Beginner's Guide To Value Investing.
- Shared about Value Investment Maverick which included Principles of Value Investing, The 3 Proven Steps in Value Investing, 6 quantitative criteria to pick undervalued stocks, case study of value company, how to use Bursa Marketplace Screener to find undervalued companies.

Sustainability Statement

SOCIAL – CLIENT EXPERIENCE (CONTINUED)

BURSA MALAYSIA INVESTMENT DEBATE CHALLENGE 2019 @ ASIA PACIFIC UNIVERSITY OF TECHNOLOGY AND INNOVATION ("APU")

- This event is to support and advocate financial literacy among university students.
- HLIB is the 2nd Runner-Up Sponsor of RM3,000 cash prize to INTI Penang's winners for Bursa Malaysia Investment Debate Challenge 2019.

SHARPEN YOUR INVESTMENT SKILL ON ETFs, THE NEXT BIG THING!

- A follow-up session for ETFs: The Next Big Thing (Mega Event) previously held.
- CSOP Asset Management from Hong Kong conducted a follow-up session in Penang, Perak and Kuala Lumpur. They also updated clients on Hong Kong's market outlook and guided clients on some useful & important ETF trading strategies.

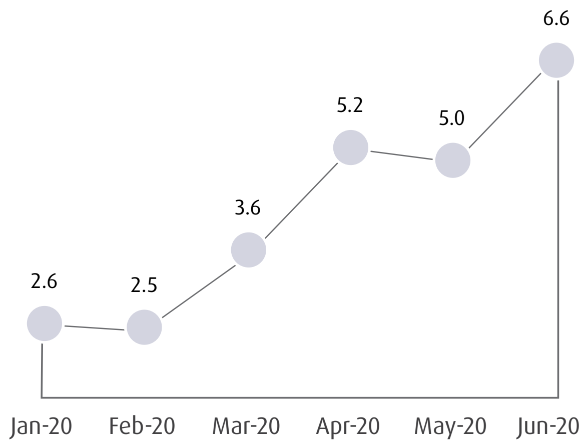
MARKET OUTLOOK 1H20: CHOOSE THE BEST "CHEESE" TO INVEST WORKSHOP@BURSA

- Conducted the first half of 2020 market outlook, shared professional perspectives for Malaysia's equity market direction, provided some short to long term stock selections and had an interactive discussion with the participants.

Due to the COVID-19 pandemic and imposition of the MCO, workshops and events that were planned to be held in March 2020 to June 2020 have been cancelled.

Other than the workshops and events organised during the financial year as mentioned above, our Retail Business division has also launched the first phase of its enhanced HLeBroking mobile application in January 2020 with the aim to deliver a new level of trading experiences to our clients. The enhanced HLeBroking mobile application enables us to increase touch point with clients and allowing clients to stay updated with the position of their latest shareholdings. With the enhanced version of the HLeBroking mobile application, we are able to deliver timely updates to our clients such as weekly stock ideas, important notices, stock entitlement, stock price alert and stock order matched via push notification. We have seen an increase in the quantity of mobile trades matched by 157% in June 2020 since the launching in January 2020. Kindly refer to **Economic-Innovation** for more details of the enhanced HLeBroking mobile application on page 36.

Quantity of Mobile Trades Matched (Billion)



Furthermore, our clients' satisfaction is further supported by the increase in opening of new HLeBroking accounts by approximately 14% in FY2020 from FY2019.

SOCIAL – CLIENT EXPERIENCE (CONTINUED)

The Futures division consistently provides up-to-date information to our clients as well as providing one-on-one hands on guidance for using the futures trading platform. There was a roadshow held in October 2019 with the aim to educate and equip clients with the fundamental of futures trading. However, subsequent roadshows and events have been cancelled since the outbreak of COVID-19 and imposition of the MCO. To ensure our clients continue to get up-to-date information, the team has started monthly webinars on market outlook on indices, commodities and precious metals since July 2020 and we plan to continue with monthly webinars until the end of the year.

As for the asset management business operated under HLAM, the team is consistently looking for ways to enhance clients' experience. Regular visits and updates on funds are provided to distributors to ensure they are well equipped with the latest updates and required knowledge. Furthermore, HLAM has embarked on the implementation of a fully integrated OTP to improve the functionality and features of HLAM's current e-portal, where clients and business partners are able to have a greater investment experience, flexibility and accessibility. Kindly refer to **Economic-Innovation** for more details of the launching of the OTP on page 36.

Value-added services provided to our clients has been a differentiating factor for the Group which enables us to build good profiling, improve our business prospects and give us the edge against our peers.

MANAGING FEEDBACK AND COMPLAINTS

Apart from providing value added services, we are aware that feedback and complaints management is an essential component of enhancing clients' experience. Due to the highly competitive environment we operate in, we acknowledge that our reputation will be affected if we do not take feedback and complaints seriously. Therefore, we strive to manage all feedback and complaints promptly and efficiently to improve the level of clients' satisfaction as well as to retain client loyalty.

Clients' satisfaction is also a key determinant for the allocation of businesses to the Group. As a bank that adopts a client-centric approach, we are evaluated by our clients from all aspects. This includes value-added services that enhance clients' knowledge, research ideas, service efficiencies and effectiveness as well as innovative solutions while meeting the needs of the clients. Some clients assign ratings to our services either quarterly or bi-annually while others give feedback through informal discussions and during clients' engagement, especially for Investment Banking business. Gathering feedback is of the utmost importance as it helps us to gauge the level of clients' satisfaction towards our services and we are able to understand the areas that need improvement to enhance clients' experiences.

Apart from gathering feedback, managing complaints professionally is also crucial in ensuring client retention. The Group views complaints received positively and serve as guidance for the improvement of the quality of services provided to clients. All complaints received are dealt with constructively and resolved within a reasonable timeframe. Policies and procedures are in place for managing complaints lodged by clients. Our clients are able to lodge complaints through various channels such as via our websites, email or phone calls.

There are 63 complaints received by the Group during the financial year. Out of the 63 complaints received, there are 6 open complaints as at end of the financial year due to reply pending from clients in order for the cases to be closed. We work to deal with all complaints in a fair and professional manner within a reasonable timeframe.

Recent developments, with the rise of COVID-19 and the imposition of the MCO have precipitated drastic change to the business. This has challenged us to evolve quickly to meet the rising expectations of our clients, and we intend to continue to work tirelessly to improve our systems, processes and technology. Going forward, we seek to close the gap on any weaknesses unravelled within the business in recent months, and strive to provide an even better client experience to our clients in the coming year.

Sustainability Statement

SOCIAL – FAIR BANKING

As a financial services provider, we are responsible to uphold fair banking practices in the financial services industry. The Group takes fair banking seriously in our business conducts and operations and is committed to conduct business with honour and fairness. The Group has put in place policies that underpin fair banking practices, and abides by all the laws and regulations that govern the financial services industry. To this end, we ensure all employees within the Group comply with the Code of Conduct and Ethics, including regulatory requirements, and practise integrity and transparency in delivering our products and services to our clients.

Furthermore, the Group will continue practising zero tolerance against all forms of bribery and corruption. Employees are prohibited from offering or receiving gifts, entertainments or favours in any form that could compromise the decisions made, often in violation of the employee or their corresponding party's official duties. By practising zero tolerance against all forms of bribery and corruption, all clients will be treated fairly and this is of utmost importance in building trust and good reputation of the Group.

To further validate our commitment in fair banking, we emphasize on transparency when dealing with clients, agents or business partners. We ensure the scope of work, pricing and fees, terms and conditions as well as any associated risks are laid out in written documents with mutual agreement between both parties. When the pricing is subject to market forces, we state the indicative pricing and mechanisms for final determination of the prices to assure transparency and to avoid misrepresentation. In this regard, we ensure all products and solutions are fairly formulated and executed to meet each client's specific needs. In terms of engaging with professional parties for our clients, where possible, the Group always recommends to obtain a minimum of three quotations from different parties to be provided to clients for consideration and decision to ensure a fair and competitive marketplace.

As a financial services provider, we are aware that unfair banking practices will lead to reputational damages, loss of the Group's market standing and expose the Group to fines or penalties imposed by the regulators, thus impacting the Group's long-term growth. During the financial year, there is no penalty imposed on the Group by the regulators for any unfair banking practices.

Moving forward, we will continue to uphold fair banking practices by fostering high standards of responsible and professional conducts across the Group as well as promoting a culture where the interests of our clients are an integral part of the Group's strategy.

ENVIRONMENTAL – MANAGING ENVIRONMENTAL FOOTPRINT

Managing the Environmental Footprint is imperative to the sustainability of the financial industry as climate change could impact the economy and capital markets in the long term. As an integrated financial services provider, we aspire to play a pivotal role to ensure our daily operations contribute positively to the environment. To this end, the Group encourages every employee as well as client to play a part in reducing wastage and preserving natural resources by raising awareness among both the employees and clients.

At the beginning of the year 2020, the world has been impacted by COVID-19 pandemic which is currently still ongoing at the point of this writing, we are deeply aware that the spread of COVID-19 not only impacts public health but also has lasting effects towards the global economy. Therefore, it is imperative that we pay close attention to the environment as the impact of these events may change the way how businesses are conducted in the future.

In compliance with the SOPs of the MCO, the Group has taken robust steps to join in the effort of curbing the spread of COVID-19. For further information on our efforts, please refer to **Social-Employee Experience** on page 40.

GOING GREEN

In FY2020, ongoing initiatives were carried out throughout the Group to reduce energy and paper consumption with the aim to achieve higher cost and operational efficiency in our daily business operations. Measures such as ensuring all air-conditioner and lights were switched off after working hours, encourage employees to print less and e-storing of files in common drives were put in place across all the offices of the Group.

The following table shows our total energy consumption in Ringgit value from FY2018 to FY2020:

	FY2018 (RM'000)	FY2019 (RM'000)	FY2020 (RM'000)
Fuel Consumption	35	35	**27**
Electricity Consumption	472	497	**486**
Total Energy Consumption	507	532	**513**

Total energy consumption has reduced by 4% from FY2019 to FY2020. We believe it requires a collective effort throughout the organisation to achieve efficient energy consumption.

To further strengthen our commitment to conserving natural resources and to manage operational costs, the Group has carried out various initiatives and ongoing efforts to reduce paper consumption. This is also in line with Group's efforts in harnessing digitalisation.

REDUCE PAPER CONSUMPTION BY 5% ACROSS HLCB GROUP

A Group initiative was rolled out in March 2020 with a target to achieve at least 5% reduction on total paper consumption across the Group. Paper consumption reports were circulated via email to the respective HODs to create awareness on the total amount of paper consumed by the departments each month and serve as a reminder to reduce paper consumption. Since the implementation of this initiative, we received positive feedback from various departments as the monthly paper consumption report has enabled the departments to closely monitor the usages which subsequently contributed to the cost reduction of the departments.

As at the end of the financial year, we were able to observe a reduction of paper consumption of more than 5% throughout the Group.

Paper Consumption	FY2019	FY2020	Reduced by
In Ringgit Value (RM'000)	50	41	**-18%**
In Reams	4,514	4,267	**-5%**

DISCONTINUATION OF PRINTING OF CONTRACT NOTES AND STATEMENTS

The Stockbroking Retail business operated under HLIB has progressively rolled out the following initiatives to reduce paper consumption and increase cost and operational efficiency since 2008:

OCTOBER 2008 > Embarked on E-Contract Note. All contract notes were sent to clients via email.

Sustainability Statement

ENVIRONMENTAL – MANAGING ENVIRONMENTAL FOOTPRINT (CONTINUED)

JULY 2015

Introduced E-Statement where contract notes and statements are sent to clients via emails. This is mandatory for new online trading clients.

FEBRUARY 2018

Converted the rest of the existing online trading clients that previously opted to receive hard copy statements to E-Statement.

JULY 2019

Continued E-Statement effort by stop printing and mailing the physical foreign dividend advices to online trading clients. The foreign dividend advices are made available for viewing in the HLeBroking website. Estimated reduction in printing and postage cost by RM11,000 per year.

SEPTEMBER 2019

For online trading clients
Discontinued the emailing of E-Statement. Contract notes and statements were uploaded online for viewing and available for download via the HLeBroking website. As at to-date, 99% of the online trading clients have converted to access the contract notes and statements from HLeBroking website.

For offline trading clients
Introduced E-Statement for clients who have provided email addresses. As at to date, 19% of the offline trading clients have converted to E-Statement where contract notes and statements are sent via email.

Moving forward, the team will continue to encourage the rest of the offline trading clients to convert to E-Statement with the aim to completely phase out hard copy statements and contract notes.

INTRODUCTION OF E-REACTIVATION AND E-UPDATE DATA

The Stockbroking Retail business continued its efforts to reduce paper consumption by introducing "e-Reactivation" in August 2019 whereby clients are no longer required to submit their forms and relevant documents physically for trading account reactivation. Our clients are now able to conveniently submit an online trading account reactivation request via the HLeBroking website.

Besides that, we are also targeting to introduce "e-Update Data" by FY2021. "e-Update Data" provides the flexibility to our clients to update their personal data online via HLeBroking website.

DISCONTINUATION OF PRINTED PRESENTATION MATERIALS

Since early 2019, printed presentation materials are no longer provided to the participants in some of the events or trainings organised by the Group. The presentation materials are made available online or being distributed via email after the events.

INVESTING THROUGH ONLINE TRANSACTION PLATFORM

The asset management business operated under HLAM has embarked on the implementation of a fully integrated OTP in FY2019 to improve on the functionality and features of HLAM's current e-portals, where clients and business partners are able to have greater investment experience, flexibility and accessibility. One of the objectives of the implementation of the OTP is to promote a paperless environment amongst the investors, where the investors are able to invest via the online platform. Kindly refer to **Economic-Innovation** for more details of the launching of the OTP on page 36.

DISCONTINUATION OF CHEQUE PRINTING

In line with the Group's digitalisation initiatives and BNM's effort to reduce cheque printing, our Stockbroking business had in April 2020 ceased the printing of cheque for all clients and converted to e-payment mode. The drive for the conversion was greater during the MCO period, where dealers' representatives and employees were encouraged to work from home and had difficulty to deliver and bank in the cheques for clients.

With the conversion to e-payment mode, printing cost is expected to reduce by RM50,000 annually in addition to improving efficiency and friendlier to environmental.

We recognise that the Group will need to persevere with initiatives to manage our impact to the environment as contributing responsibly to the environment will lead to the long-term sustainability of the Group. Lack of attention in managing environmental footprint will brings negative impact to the environment which runs counter to our core value of being socially responsible.

SOCIAL – IMPACT INVESTING

Climate change is fast becoming a material source of structural change that has or may have significant impact to the financial system and wider economy. Its societal impacts are clearly seen from the recent catastrophic natural disasters and subtle yet noticeable changes in the environment such as rising temperatures. The costs of such natural disasters can significantly impact communities, business operations and the economic environment causing loss of livelihood, lower productivity and financial losses.

HLCB Group is aware of the significant impact of our financing and investing practices have on the environment and society. Sustainable financing and ethical investing consideration is rapidly growing and evolving as many investors look to incorporate environmental, social and governance ("ESG") factors into the investment decision making process. It is important for the Group to start collecting data for risk identification, controls and monitoring. The financing and investment decisions of the Group can signal the strategic orientation and influence the capital flows and behaviour of businesses and investors.

We are always mindful of the impact of our investment decisions, stock recommendations, professional advices given to our clients as well as the screening of clients and businesses to minimise engagement that could potentially result in adverse environmental or social impacts.

Our employees are encouraged to attend relevant trainings or seminars related to ESG financing and investing to beef up the capabilities in such area, in particular the renewable energy sector to cope with the rapid development and regulatory expectation in this segment of financing and investing. As at to-date, the Group has managed to secure mandates on green financing and are actively pursuing other ESG related financing proposals. The Group will also continue to look for investments opportunity in environmental friendly bonds and hopefully this will encourage the issuance of green bonds in the markets and hence nurture awareness among the investment community.

We believe that ESG financing and investing are essential to sustain the Group's competitive advantage and growth over long term. Therefore, it is vital for the Group to focus in this context which can directly impact the Group's positioning and reputation in the market.

Moving forward, we will continue to look into integration of ESG consideration into the Group financing and investing processes as well as promoting solutions which prioritise sustainability development and are aligned with our sustainability pledge.

Corporate **Information**

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Mr Tan Kong Khoon (Chairman)

Ms Tai Siew Moi

Ms Leong Ket Ti

Mr Peter Ho Kok Wai

GROUP COMPANY SECRETARY

Mr Jack Lee Tiong Jie
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HONG LEONG INVESTMENT BANK BERHAD

13th Annual Alpha Southeast Asia Deal & Solution Awards 2019

Best Islamic Asset Backed Securitisation - Backed Sukuk

Organised by **Alpha Southeast Asia**

RAM Award of Distinction 2019

Lead Manager Award by Number of Issues - Joint 2nd Ranking

Organised by **RAM**

13th Annual Alpha Southeast Asia Best Financial Institutions Awards 2019

Best Small To Mid-Cap Corporate Finance House

Organised by **Alpha Southeast Asia**

Awards & **Accolades**

13th Annual Alpha Southeast Asia Deal & Solution Awards 2019

Best Equity Deal/ Initial Public Offering Malaysia

Organised by **Alpha Southeast Asia**

The Asset Triple A Country Awards

Best Initial Public Offering

Organised by **Asset Publishing & Research Limited**

Bursa Excellence Award 2019

Best Retail Equities Participating Organisation - Investment Bank - 2nd Runner Up

Organised by **Bursa Malaysia**

HONG LEONG ASSET MANAGEMENT BHD

Refinitiv Lipper Fund Awards 2020

Best Equity Award - Malaysia Provident

Organised by **Refinitiv**

Refinitiv Lipper Fund Awards 2020

Best Fund over 5 years: Equity Malaysia Income (Malaysia Provident)

Hong Leong Value Fund (formerly known as Hong Leong Penny Stock Fund)

Organised by **Refinitiv**

Refinitiv Lipper Fund Awards 2020

Best Fund over 10 years: Equity Malaysia Income (Malaysia Provident)

Hong Leong Value Fund (formerly known as Hong Leong Penny Stock Fund)

Organised by **Refinitiv**

Refinitiv Lipper Fund Awards 2020

Best Fund over 3 years: Equity Asia Pacific ex-Japan (Malaysia)

Hong Leong Asia-Pacific Dividend Fund

Organised by **Refinitiv**

Refinitiv Lipper Fund Awards 2020

Best Fund over 5 years: Equity Malaysia Income (Malaysia Provident)

Hong Leong Growth Fund

Organised by **Refinitiv**

Refinitiv Lipper Fund Awards 2020

Best Fund over 3 years: Equity Malaysia Diversified (Malaysia Provident)

Hong Leong Growth Fund

Organised by **Refinitiv**

Refinitiv Lipper Fund Awards 2020

Best Fund over 5 years: Equity Malaysia Income (Malaysia Provident)

Hong Leong Dividend Fund

Organised by **Refinitiv**

Refinitiv Lipper Fund Awards 2020

Best Fund over 3 years: Equity Malaysia Income (Malaysia Provident)

Hong Leong Dividend Fund

Organised by **Refinitiv**

Refinitiv Lipper Fund Awards 2020

Best Fund over 5 years: Equity Malaysia (Malaysia Islamic)

Hong Leong Dana Makmur Fund

Organised by **Refinitiv**

Refinitiv Lipper Fund Awards 2020

Best Fund over 3 years: Equity Malaysia (Malaysia Islamic)

Hong Leong Dana Makmur Fund

Organised by **Refinitiv**

Refinitiv Lipper Fund Awards 2020

Best Fund over 5 years: Equity Malaysia (Global Islamic)

Hong Leong Dana Makmur Fund

Organised by **Refinitiv**

Refinitiv Lipper Fund Awards 2020

Best Fund over 3 years: Equity Malaysia (Global Islamic)

Hong Leong Dana Makmur Fund

Organised by **Refinitiv**

Board of Directors' Profile

MR TAN KONG KHOON

Position

Chairman / Non-Executive / Non-Independent

Nationality / Age / Gender

Singaporean / 63 / Male

Mr Tan Kong Khoon holds a Bachelor of Business Administration degree from Bishop's University, Canada and is an alumnus of the Harvard Business School Advanced Management Program. He is a Chartered Banker of the Asian Institute of Chartered Bankers.

Mr Tan is the President & Chief Executive Officer of Hong Leong Financial Group Berhad ("HLFG"). He was the Group Managing Director/Chief Executive Officer of Hong Leong Bank Berhad ("HLB") from 1 July 2013 to 4 February 2016. Prior to joining HLB, Mr Tan was the Group Executive, Consumer Banking Group of DBS Bank Ltd ("DBS") from 1 December 2010 to 15 April 2013 where he led and managed strategy formulation and execution for consumer banking globally across the DBS Group.

Mr Tan began his banking career with DBS in 1981. Since then, he has successfully built consumer banking franchises across multiple markets in Asia for Citibank, Standard Chartered Bank and ANZ Bank.

From March 2007 to December 2009, Mr Tan was the President and Chief Executive Officer of Bank of Ayudhya, the fifth largest financial group in Thailand listed on the Thailand Stock Exchange. The group businesses included commercial and investment banking, life and non-life insurance, stock broking, asset management and consumer finance subsidiaries.

Mr Tan was appointed to the Board of Directors ("Board") of Hong Leong Capital Berhad ("HLCB") on 24 February 2016. He is presently the Chairman of HLCB and a member of the Nomination and Remuneration Committee ("NRC") of HLCB.

Mr Tan is a Director of HLFG and HLB, both companies listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") and a Director of Hong Leong Assurance Berhad and Hong Leong Investment Bank Berhad, both public companies. He is also the Chairman of Hong Leong Bank (Cambodia) PLC and Chief Controller on the Board of Controllers of Hong Leong Bank Vietnam Limited.

MS TAI SIEW MOI

Position

Non-Executive Director / Independent

Nationality / Age / Gender

Malaysian / 62 / Female

Ms Tai Siew Moi graduated from University of Malaya with a Bachelor of Accounting Degree and holds a Masters Degree in Business Administration from Cranfield, United Kingdom. She is a Chartered Accountant registered with the Malaysian Institute of Accountants.

Ms Tai has 18 years experience in the derivatives broking industry. She held the position of Executive Director of the derivatives broking subsidiary of Hwang-DBS Group from 2006 to 2015. Thereafter, she held the position of Executive Vice President, Futures, heading the derivatives broking business of Affin Hwang Investment Bank Berhad till 2016.

Prior to joining Hwang-DBS Group, she held various management positions in the area of corporate affairs and corporate services with a few companies including public listed companies, handling corporate exercise like mergers and acquisitions, initial public offerings, rights issues, bonds and warrants issue. Prior to that, she was attached to a management consultants firm doing consultancy work which included project feasibility studies, accounting and internal control systems review. Earlier on in her career, she was attached with the Accountant General's Department of Malaysia as a Treasury Accountant.

Ms Tai was appointed to the Board of HLCB on 18 September 2017. She is the Chairman of NRC and a member of the Board Audit and Risk Management Committee ("BARMC") of HLCB.

Ms Tai is a member of the Market Participants Committee of Bursa Malaysia Berhad.

Board of Directors' Profile

MS LEONG KET TI

Position

Non-Executive Director / Independent

Nationality / Age / Gender

Malaysian / 57 / Female

Ms Leong Ket Ti graduated from University of Cambridge, England with a Bachelor of Arts (Hons) Cantab and holds a Degree in Economics.

Ms Leong has 28 years of experience in the banking industry, having been with JP Morgan Chase Bank Berhad ("JPMorgan") from February 1990 to January 2018 where she held various senior positions, the last being the Executive Director ("ED"), Malaysia Country Credit Officer from 2011 to 2018. As the ED, Malaysia Country Credit Officer of JPMorgan, she was responsible for a diverse portfolio of over 300 obligors across all businesses and industries. She also had a strong oversight role on regulatory issues and worked closely with the business/product partners in developing solutions to meet clients' needs.

Prior to her position as ED, Malaysia Country Credit Officer, Ms Leong was Vice President/ED, Leveraged Finance, Regional Client Credit Management of JPMorgan from 2005 to 2010 where she worked with their Investment Bank and Debt Capital Markets teams to structure and underwrite financing transactions.

From 2002 to 2005, Ms Leong served as Vice President & General Manager of JPMorgan Chase at Labuan, and from 2001 to 2002, she was the Vice President of Corporate Banking of JPMorgan Malaysia.

Ms Leong was appointed to the Board of HLCB on 15 November 2018. She is currently a member of the BARMC and NRC of HLCB.

Ms Leong is also a Director of HLFG, a company listed on the Main Market of Bursa Securities.

MR PETER HO KOK WAI

Position

Non-Executive Director / Independent

Nationality / Age / Gender

Malaysian / 60 / Male

Mr Peter Ho Kok Wai is a Chartered Accountant and Member of the Malaysian Institute of Accountants, Fellow of the Institute of Chartered Accountants in England and Wales and a Member of the Malaysian Institute of Certified Public Accountants.

Mr Peter Ho forged his early career with Everett Pinto & Co., a central London Firm of Chartered Accountants, and qualified as a Chartered Accountant in 1984. Subsequently, in 1987, Mr Peter Ho joined KPMG, Kuala Lumpur ("KPMG KL"), where he progressed to Head of Department in 1992. He was transferred to KPMG, Ipoh in 1993 to head the branch and was admitted as Partner in 1995. He was transferred back to KPMG KL in 2005 where he headed the Technical Committee, Audit Function and Marketing Department. He has more than 27 years of auditing experience in a wide range of companies including public listed companies and multinationals, with particular emphasis in manufacturing, distribution and financial services. Mr Peter Ho retired from KPMG in December 2014.

Mr Peter Ho was appointed to the Board of HLCB on 20 December 2018. He is currently the Chairman of BARMC of HLCB.

Mr Peter Ho is an Independent Director of GuocoLand (Malaysia) Berhad, Hong Leong Industries Berhad, HPMT Holdings Berhad and Allianz Malaysia Berhad, companies listed on the Main Market of Bursa Securities. He is also an Independent Director of Allianz Life Insurance Malaysia Berhad, a public company, and serves as an Independent Director on the Board of First Resources Limited, a company listed on the Singapore Exchange limited.

Notes:

1. **Family Relationship with Director and/or Major Shareholder**
   None of the Directors has any family relationship with any other Director and/or major shareholder of HLCB.
2. **Conflict of Interest**
   None of the Directors has any conflict of interest with HLCB.
3. **Conviction of Offences**
   None of the Directors has been convicted of any offences (excluding traffic offences) in the past 5 years and there were no public sanctions or penalties imposed by the relevant regulatory bodies during the financial year ended 30 June 2020.
4. **Attendance of Directors**
   Details of Board meeting attendance of each Director are disclosed in the Corporate Governance Overview, Risk Management & Internal Control Statement in the Annual Report.

Key Senior **Management of the Group**

MS LEE JIM LENG

Position

Group Managing Director / Chief Executive Officer of Hong Leong Investment Bank Berhad ("HLIB"), a wholly-owned subsidiary of HLCB

Nationality / Age / Gender

Malaysian / 57 / Female

Ms Lee Jim Leng obtained a Bachelor of Business Administration degree in 1984 from the Acadia University, Canada and a Master of Business Administration in 1987 from the Dalhousie University, Canada.

Ms Lee has served as the Group Managing Director/Chief Executive Officer of HLIB since 24 November 2009.

Ms Lee has more than 20 years of experience in the financial industry, specialising mainly in investment banking. Prior to joining HLIB, she was the Managing Director of a local investment bank where she was responsible for the overall development of the bank's investment business in Malaysia. From 1999 to 2007, she was attached to a Singapore based regional bank and was tasked to spearhead their investment banking division in Malaysia and the ASEAN region.

MR CHONG POH CHOON

Position

Head, Treasury & Markets, HLIB, a wholly-owned subsidiary of HLCB

Nationality / Age / Gender

Malaysian / 42 / Male

Mr Chong Poh Choon is a Chartered Financial Analyst (CFA) charterholder. He holds a Bachelor of Business Administration (Hons) majoring in Finance; graduating with a first class honours from the Multimedia University.

Mr Chong joined HLIB on 16 September 2009 as Senior Vice President, Treasury & Markets. He was appointed as the Head of Treasury & Markets on 28 June 2017.

Prior to joining HLIB, he was with HwangDBS Investment Bank Berhad (now known as Affin Hwang Investment Bank Berhad) as Assistant Vice President, Treasury & Markets for two years. Prior to that, he was with United Overseas Bank (M) Berhad, Malaysian Rating Corporation Berhad and Ernst & Young.

Key Senior Management of the Group

MR HUI WENG YAN

Position

Head, Client Coverage, Investment Banking of HLIB, a wholly-owned subsidiary of HLCB

Nationality / Age / Gender

Malaysian / 48 / Male

Mr Hui Weng Yan graduated with Bachelor of Laws and Bachelor of Commerce degrees from the University of New South Wales, Australia in 1996. He is a Chartered Financial Analyst (CFA) charterholder and a member of CPA, Australia.

Mr Hui joined HLIB on 4 January 2010. He is presently the Head of Client Coverage, Investment Banking, a position he assumed on 1 November 2017.

Mr Hui has more than 20 years of experience in the investment banking industry in Malaysia. Prior to joining HLIB, he was attached to HwangDBS Investment Bank from 2003 to 2009, his last position being Senior Vice President & Co-Head of Corporate Finance.

MR LING YUEN CHENG

Position

Head, Debt Markets of HLIB, a wholly-owned subsidiary of HLCB

Nationality / Age / Gender

Malaysian / 52 / Male

Mr Ling Yuen Cheng holds a Master of Applied Finance and Bachelor of Economics (Accounting & Finance) from the Macquarie University, Sydney, Australia. He also procured his Chartered Financial Analyst (CFA) qualification in year 2001.

Mr Ling joined HLIB on 16 September 2009 as Co-Head of Debt Markets and was re-designated as the Head of Debt Markets since 1 March 2012.

Mr Ling has over 20 years of working experience in the banking industry. Prior to joining HLIB in September 2009, he was the Co-Head of Debt Markets in HwangDBS Investment Bank Berhad (now known as Affin Hwang Investment Bank Berhad). Prior to that, he was with United Overseas Bank (M) Berhad, OCBC Bank (Malaysia) Berhad, Kien Huat Realty Sdn Bhd and Southern Bank Berhad. Over his entire banking career, he was exposed to various areas including treasury operations, risk management, corporate banking, assets & liabilities management and investment banking related activities including debt origination, execution and placement.

Key Senior Management of the Group

MR PHANG SIEW LOONG

Position

Head, Equity Markets of HLIB,
a wholly-owned subsidiary of HLCB

Nationality / Age / Gender

Malaysian / 52 / Male

Mr Phang Siew Loong holds a Master of Business Administration from the Georgia State University, United States ("US") and a Bachelor of Science in Economics from the University of Louisiana in Lafayette, US (formerly known as University of Southwestern Lafayette).

Mr Phang joined HLIB on 11 October 2010 as Co-Head of Equity Markets. Mr Phang was re-designated as the Head of Equity Markets since 13 June 2017.

Prior to HLIB, Mr Phang was with Public Investment Bank for almost 10 years, his last position being the Head of Corporate Finance. Prior to that, he was with Affin Merchant Bank Berhad and Sime Merchant Bankers Berhad.

MR KWEK KON CHAO

Position

Chief Operating Officer of Stockbroking, HLIB,
a wholly-owned subsidiary of HLCB

Nationality / Age / Gender

Singaporean / 34 / Male

Mr Kwek Kon Chao holds Masters in Computer Science from the University of Oxford.

Mr Kwek joined HLIB on 9 October 2017 as Chief Operating Officer of Stockbroking.

Prior to HLIB, Mr Kwek was with Guoline eMarketing Sdn Bhd as Chief Executive Officer. Prior to that, he was with Morgan Stanley and subsequently with Thyrus Capital as an Investment Banking Analyst.

Key Senior Management of the Group

MR HOO SEE KHENG

Position

Chief Executive Officer / Executive Director, Hong Leong Asset Management Bhd ("HLAM"), a wholly-owned subsidiary of HLCB

Nationality / Age / Gender

Malaysian / 54 / Male

Mr Hoo See Kheng obtained a Bachelor of Commerce, majoring in Accounting and Finance from the University of New South Wales, Australia and a post-graduate diploma in System Analysis and Design from the Japan-Singapore Institute of Software Technology. Mr Hoo is also a member of the Malaysian Institute of Accountants and a Certified Information System Auditors, USA. He obtained his Capital Markets Services Representative's license from the Securities Commission on 22 October 1998.

Mr Hoo joined HLAM on 1 March 2014. He was appointed as an Executive Director of HLAM on 27 March 2014 and Chief Executive Officer on 12 May 2014.

Mr Hoo has more than 19 years of experience in the financial industry; mainly in areas of asset management and unit trust.

PUAN NOOR AINI BINTE SHAIK AWAB

Position

Chief Executive Officer, Hong Leong Islamic Asset Management Sdn Bhd ("HLISAM"), a wholly-owned subsidiary of HLAM, which is in turn a wholly-owned subsidiary of HLCB

Nationality / Age / Gender

Singaporean / 58 / Female

Puan Noor Aini Binte Shaik Awab holds a Diploma in Business Administration and Diploma in National Computer Studies, Singapore.

Puan Aini joined in April 2014 as the Chief Operations Officer of HLAM. She was appointed as Chief Executive Officer for HLISAM on 1 November 2019.

Puan Aini has more than 30 years of experience in the asset management industry. She started her career with Schroder Investment Management (Singapore) Ltd; and prior to joining HLAM, she was with UOB Asset Management (Malaysia) Berhad as Director, Administration & Special Projects. She was also formerly with Kenanga Investors Berhad as Senior Vice President II, Operations.

MR LAU YEW SUN

Position

Chief Financial Officer of HLIB, a wholly-owned subsidiary of HLCB

Nationality / Age / Gender

Malaysian / 54 / Male

Mr Lau Yew Sun is a certified public accountant under the Malaysian Institute of Certified Public Accountants. He holds a Bachelor of Accountancy (Hons) from the Universiti Utara Malaysia.

Mr Lau joined HLCB on 29 September 2009 as Group Financial Controller and is presently the Chief Financial Officer of HLIB, a position he assumed since 1 August 2017.

Prior to HLCB, he was the Chief Financial Officer of ECM Libra Financial Group Berhad/Acting Chief Operating Officer of Avenue Invest Berhad (ECM Libra) from 23 April 2007 to 28 September 2009.

Notes:

1. **Family Relationship with Director and/or Major Shareholder**
   None of the Key Senior Management has any family relationship with any Director and/or major shareholder of HLCB.
2. **Conflict of Interest**
   None of the Key Senior Management has any conflict of interest with HLCB.
3. **Conviction of Offences**
   None of the Key Senior Management has been convicted of any offences (excluding traffic offences) in the past 5 years and there were no public sanctions or penalties imposed by the relevant regulatory bodies during the financial year ended 30 June 2020.

Board Audit and Risk Management **Committee Report**

CONSTITUTION

The Board Audit Committee of Hong Leong Capital Berhad ("HLCB" or "the Company") had been established since 23 March 1994 and had been re-designated as the Board Audit and Risk Management Committee ("BARMC") on 29 August 2001.

COMPOSITION

MR PETER HO KOK WAI
(Chairman, Independent Non-Executive Director)

MS TAI SIEW MOI
(Independent Non-Executive Director)

MS LEONG KET TI
(Independent Non-Executive Director)

SECRETARY

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

TERMS OF REFERENCE

The terms of reference of the BARMC are published on the Company's website at www.hlcap.com.my.

AUTHORITY

The BARMC is authorised by the Board to review any activity of the Group within its terms of reference. 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 BARMC.

The BARMC is authorised by the Board to obtain independent legal or other professional advice if it considers necessary.

MEETINGS

The BARMC meets at least four (4) 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 for approval.

The Group Chief Operating Officer, Chief Executive Officer, Chief Risk Officer ("CRO"), Chief Compliance Officer/Head of Compliance ("CCO"), Head of Internal Audit, Chief Financial Officer, other senior management and external auditors may be invited to attend the BARMC meetings, whenever required. At least twice a year, the BARMC will have separate sessions with the external auditors without the presence of Executive Directors and management.

The BARMC will also engage privately with the CCO, Head of Internal Audit and CRO on a regular basis (and in any case at least twice annually) to provide the opportunity for the CCO, Head of Internal Audit and CRO to discuss issues faced by compliance, internal audit and risk management functions.

Issues raised, discussions, deliberations, decisions and conclusions made at the BARMC meetings are recorded in the minutes of the BARMC meetings. Where the BARMC is considering a matter in which a BARMC member has an interest, such member shall abstain from reviewing and deliberating on the subject matter.

Two (2) members of the BARMC, who shall be independent, shall constitute a quorum and the majority of members present must be Independent Directors.

After each BARMC meeting, the BARMC shall report and update the Board on significant issues and concerns discussed during the BARMC meetings and where appropriate, make the necessary recommendations to the Board.

Board Audit and Risk Management Committee Report

ACTIVITIES

The BARMC carried out its duties in accordance with its Terms of Reference.

During the financial year ended 30 June 2020 ("FY2020"), four (4) BARMC meetings were held and the attendance of the BARMC members were as follows:

Member	Attendance
Mr Peter Ho Kok Wai	4/4
Ms Tai Siew Moi	4/4
Ms Leong Ket Ti	4/4

HOW THE BARMC DISCHARGES THEIR RESPONSIBILITIES

FINANCIAL REPORTING

The BARMC reviewed the quarterly reports and financial statements of the Company and of the Group focusing particularly on:

(i) any changes in accounting policies and practices;

(ii) significant adjustments arising from the audit;

(iii) the going concern assumptions; and

(iv) compliance with accounting standards and other legal requirements.

The legal and regulatory environment was monitored and consideration given to changes in law, regulation, accounting policies and practices including the disclosure requirements under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

EXTERNAL AUDIT

The external auditors of the Group for the FY2020 is PricewaterhouseCoopers PLT ("PwC"). The BARMC discussed and reviewed with the external auditors, before the audit commenced for the financial year, the audit plan and timetable for the financial audit of the Group including the focus areas and approach to the current financial year's audit and any significant issues that can be foreseen, either as a result of the past year's experience or due to new accounting standards or other changes in statutory or listing requirements.

The BARMC reviewed the report and audit findings of the external auditors and considered management's responses to the external auditor's audit findings and investigations. The BARMC also had two (2) separate sessions with the external auditors without the presence of Executive Directors and management whereby matters discussed include key reservations noted by the external auditors during the course of their audit; whilst the BARMC Chairman maintained regular contact with the audit partner throughout the year.

The BARMC reviewed the external audit fees and their scope of services. The fees payable to PwC for the FY2020 amounted to RM445,110 of which RM73,800 was payable in respect of non-audit services. Non-audit services accounted for 17% of the total fees payable. The BARMC assessed the objectivity and independence of the external auditors prior to the appointment of the external auditors for ad-hoc non-audit services.

The BARMC also evaluated the performance of PwC in the following areas in relation to its re-appointment as auditors for the FY2020 and considered PwC to be independent:

(i) level of knowledge, capabilities, experience and quality of previous work;

(ii) level of engagement with BARMC;

(iii) ability to provide constructive observations, implications and recommendations in areas which require improvements;

(iv) adequacy in audit coverage, effectiveness in planning and conduct of audit;

(v) ability to perform the audit work within the agreed timeframe;

(vi) non-audit services rendered by PwC does not impede independence;

Board Audit and Risk Management Committee Report

(vii) ability to demonstrate unbiased stance when interpreting the standards/policies adopted by HLCB; and

(viii) risk of familiarity threat to ensure that the independence and objectivity of the external auditor was not compromised.

PwC, in accordance with professional ethical standards, have provided the BARMC with confirmation of their independence for the duration of the FY2020 and the measures used to control the quality of their work.

The BARMC has therefore recommended to the Board that PwC be re-appointed as the auditors. Resolution concerning the re-appointment of PwC will be proposed to shareholders at the 2020 Annual General Meeting.

RELATED PARTY TRANSACTIONS

The BARMC conducted quarterly review of the recurrent related party transactions ("RRPT") entered into by the Group to ensure that such transactions are undertaken on commercial terms and on terms not more favourable to the related parties than those generally available to and/or from the public.

The Group had put in place procedures and processes to monitor, track and identify the RRPT as well as to ensure that the RRPT are conducted on commercial terms consistent with the Group's usual business practices and policies and on terms not more favourable to the related parties than those generally available to and/or from the public, where applicable.

The BARMC reviewed the said procedures and processes on an annual basis and as and when required, to ensure that the said procedures are adequate to monitor, track and identify RRPT in a timely and orderly manner, and are sufficient to ensure that the RRPT will be carried out on commercial terms consistent with the Group's usual business practices and policies and on terms not more favourable to the related parties than those generally available to and/or from the public.

INTERNAL AUDIT

The BARMC reviews the adequacy of internal audit scope, internal audit plan and resources of the various internal audit functions within Internal Audit Department ("IAD").

During the financial year, BARMC noted that IAD had effectively carried out internal audits to all business entities of the Group and reviewed the IAD's reports on the audits performed on the investment banking business, stockbroking business and asset management business as set out under Internal Audit Function of this report.

The review of BARMC on the audit findings and recommendations of the IAD focused on the adequacy and integrity of internal control systems, business and compliance audits on the respective divisions. The management responses to IAD's findings were also presented for the BARMC's consideration. The BARMC also reviewed at every BARMC meeting the status update of management's corrective action plans for the resolution of internal audit's findings and recommendations. Recommendations were made by BARMC to ensure that the root causes raised by IAD in their audit reports were effectively resolved and that any outstanding audit findings be tracked for timely resolution.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The BARMC considered reports on risk management for the purpose of overseeing and reporting to the Board, on the proper functioning of Risk Management as part of its responsibilities to monitor the Group's compliance with the business objectives, policies, reporting standards and control procedures of the Group.

The CRO was invited to present to the BARMC the Risk Management Dashboard covering among others Credit Risk, Market Risk, Liquidity Risk, Operational Risk and IT Risk. The BARMC also considered and reviewed the processes put in place to identify, evaluate and manage significant risks encountered by the Group as well as the adequacy and integrity of internal control systems, including risk management and relevant management information system.

COMPLIANCE

The BARMC considered reports on compliance for the purpose of overseeing and reporting to the Board on the compliance functions of the Group as part of its responsibilities to monitor the Group's compliance with regulatory requirements and internal policies.

The CCO was invited to present to the BARMC the compliance reports and deliberations on significant compliance issues were made.

Board Audit and Risk Management Committee Report

INTERNAL AUDIT FUNCTION

The Internal Audit function is established at its subsidiary, Hong Leong Investment Bank Berhad. The provision of Internal Audit Function to Hong Leong Asset Management Bhd and its subsidiary, Hong Leong Islamic Asset Management Sdn Bhd is through their respective shared service agreements. IAD employs a risk-based assessment approach in auditing the Company's business and operational activities. All pertinent high risk areas of Anti-Money Laundering/Counter Financing of Terrorism ("AML/CFT") compliance and cyber risk management together with key operational areas in investment banking, stockbroking and asset management have been audited on an annual basis.

IAD provides an independent and objective assessment of Hong Leong Capital Group companies' activities, with the aim to add value as well as to improve the efficiency and effectiveness of the governance, operational processes, information systems, risk management and internal controls.

IAD utilises a risk-based, systematic and disciplined approach to evaluate and improve the effectiveness of the risk management, internal controls and governance processes and provides the BARMC with information, recommendations and reasonable assurance to assist them in the effective discharge of their responsibilities to the shareholders and stakeholders.

To this effect, the IAD function assesses the following areas:

(i) Risks are appropriately identified and managed.

(ii) Control environments are effective and sufficient.

(iii) Governance processes are adequate and effective, and interaction with the various governance groups occurs as needed.

(iv) Significant financial, managerial, and operating information is accurate, reliable, and timely.

(v) Employee's actions are in compliance with policies, standards, procedures, and applicable laws and regulations.

(vi) Resources are acquired economically, being used efficiently, and are adequately protected.

(vii) Programs, plans, and objectives are achieved.

(viii) Quality and continuous improvement are fostered in the organisation's control process.

(ix) Significant legislative or regulatory issues impacting the organisation are recognised and adequately addressed.

(x) Effectiveness and robustness of stress testing procedures and practices.

(xi) Adequacy and effectiveness in assessing the entity's capital in relation to its estimation of risk.

(xii) Compliance with internal and external policies, procedures, rules, guidelines, directives, laws and regulations.

(xiii) Compliance with Shariah rules and principles as determined by relevant Islamic authorities (for Islamic operations).

(xiv) Identification of opportunities and area of improvements in management control, profitability, and the organisation's image.

The cost incurred for the Internal Audit function in respect of the FY2020 was RM1,675,625.20.

This BARMC Report is made in accordance with the resolution of the Board.

Corporate Governance Overview, **Risk Management & Internal Control Statement**

“

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.

”

Finance Committee on Corporate Governance

The Board of Directors (“Board”) is pleased to present this statement with an overview of the corporate governance (“CG”) practices of the Group which support the three key principles of the Malaysian Code on Corporate Governance (“MCCG”) namely board leadership and effectiveness; effective audit and risk management; and integrity in corporate reporting and meaningful relationship with stakeholders.

The CG Report 2020 of the Company in relation to this statement is published on the Company’s website, www.hlcap.com.my (“the Company’s Website”).

A. 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 is 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 reviewing and approving corporate policies and strategies; overseeing and evaluating the conduct of the Group’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.

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, internal controls and risk management to the Board Audit and Risk Management Committee (“BARMC”). The Nomination and Remuneration Committee (“NRC”) is delegated the authority to, inter alia, assess and review Board, Board Committees and Chief Executive Officer (“CEO”) appointments and re-appointments and oversee management succession planning. Although the Board has granted such authority to the Board Committees, the ultimate responsibility and the final decision rest with the Board. The chairmen of the 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.

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

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 INEDs’ independent judgment or their ability to act in the best interest of the Company and its shareholders.

The Group continues to operate in a sustainable manner and seeks to contribute positively to the well-being of stakeholders. The Group takes a progressive approach in integrating sustainability into its businesses as set out in the Sustainability Statement in this Annual Report.

Corporate Governance Overview, Risk Management & Internal Control Statement

A. ROLES AND RESPONSIBILITIES OF THE BOARD (CONTINUED)

The Board observes the Code of Ethics for Company Directors established by the Companies Commission of Malaysia ("CCM"), which has been adopted by the Board and published on the Company's Website. In addition, the Group has in place a Code of Conduct and Ethics for Employees 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 Group and it provides a structured channel for all employees and any other persons providing services to the Group, or having a business relationship with the Group, to report any concerns about any improper conduct, wrongful acts or malpractice committed within the Group.

B. BOARD COMPOSITION

The Board currently comprises four (4) Directors, all of whom are Non-Executive whilst three (3) are Independent. The profiles of the members of the Board are set out in this Annual Report.

The Company is guided by the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa") 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 to 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 Company has in place a Board Diversity Policy. The Board recognises the merits of Board diversity in adding value to collective skills, perspectives and strengths to the Board. The Board will consider appropriate targets in Board diversity including gender balance on the Board and will take the necessary measures to meet these targets from time to time as appropriate. The Board currently has four (4) Directors, of whom two (2) are women Directors. The Board will continue to maintain women participation on the Board in line with the MCCG.

Based on the review of the Board composition in July 2020, 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.

C. BOARD COMMITTEES

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

(A) BARMC

The composition of the BARMC and a summary of its activities in the discharge of its functions and duties for the financial year and explanation on how the BARMC had met its responsibilities are set out in the BARMC Report in this Annual Report.

The BARMC's functions and responsibilities are set out in the TOR which is published on the Company's Website.

(B) NRC

The NRC was established on 7 December 2018. The composition of the NRC is as follows:

- Ms Tai Siew Moi *(Chairman)*
- Mr Tan Kong Khoon
- Ms Leong Ket Ti

The NRC's functions and responsibilities are set out in the TOR which is published on the Company's Website.

NOMINATION RESPONSIBILITIES

The Company has in place a Fit and Proper ("F&P") Policy as a guide for the following process and procedure for assessment of (i) new appointments and re-appointments of Chairman, Directors and CEO (ii) appointment of Board Committee members, and (iii) annual F&P assessment of Chairman, Directors and CEO, and the criteria and guidelines used for such assessment.

C. BOARD COMMITTEES (CONTINUED)

(i) New appointments

The nomination, assessment and approval process for new appointments is as follows:

Identification of candidates ► Meeting with candidates ►

- Assessment against Assessment Criteria and Guidelines
- F&P Declaration by candidates
- Relevant Credit Bureau Checks
- CTOS (Bankruptcy) search
- Independent Background Checks
- Recommendation by the NRC

► Deliberation by the Board and decision thereof

In assessing the candidates for Board appointments, the NRC will take into account, inter alia, the strategic and effective fit of the candidates for the Board, the overall desired composition and the mix of expertise and experience of the Board as a whole and having regard to the candidates' attributes, qualifications, management, leadership, business experience and their F&P Declarations in respect of their probity, competence, personal integrity, reputation, qualifications, skills, experience and financial integrity in line with the standards required under the relevant guidelines. The Company will also conduct independent background checks to verify the information disclosed in the F&P Declarations. The Company has taken steps to build and maintain a pool of potential Board candidates from internal and external introductions, recommendations and independent sources with director databases in its search for suitable Board candidates.

In the case of CEO, the NRC will take into account the candidate's knowledge and experience in the industry, market and segment. The NRC will also consider the candidate's F&P Declaration in line with the standards required under the relevant guidelines.

(ii) Re-appointments

The assessment and approval process for re-appointments is as follows:

- Assessment against Assessment Criteria and Guidelines
- F&P Declaration
- Relevant Credit Bureau Checks
- CTOS (Bankruptcy) search
- Independent Background Checks
- Recommendation by the NRC

► Deliberation by the Board and decision thereof

For re-appointments, the Chairman, Directors and CEO will be evaluated on their performance in the discharge of duties and responsibilities effectively, including, inter alia, contribution to Board deliberations and time commitment. The NRC will also consider the results of the Annual Board Assessment (as defined below), their contributions during the term of office, attendance at Board meetings, F&P Declarations in respect of their probity, competence, personal integrity, reputation, qualifications, skills, experience and financial integrity in line with the standards required under the relevant guidelines and for Independent Directors, their continued independence. Independent background checks will also be conducted to verify the information disclosed in their F&P Declarations.

Corporate Governance Overview, Risk Management & Internal Control Statement

C. BOARD COMMITTEES (CONTINUED)

(iii) Board Committee Appointments

The nomination, assessment and approval process for appointments to Board Committees ("Board Committee Appointments") is as follows:

Identification of Directors for Board Committees membership	▶	• Assessment against Assessment Criteria and Guidelines • Recommendation by the NRC	▶	Deliberation by the Board and decision thereof

The assessment for Board Committee Appointments will be based on the Directors' potential contributions and value-add to the Board Committees with regard to Board Committees' roles and responsibilities.

(iv) Annual F&P Assessment

The annual F&P assessment process is as follows:

• Directors/CEO to complete: - the Board Annual Assessment Form - the F&P Declaration • The Company to conduct Independent Background Checks	▶	• Assessment against Assessment Criteria and Guidelines • Recommendation by the NRC	▶	Deliberation by the Board and decision thereof

A formal evaluation process has been put in place to assess the effectiveness of the Board as a whole, the Board Committees and the contribution and performance of each individual Director on an annual basis ("Annual Board Assessment") in conjunction with the annual F&P assessment of Chairman, Directors and CEO. Directors are required to complete the F&P Declaration in respect of their probity, competence, personal integrity, reputation, qualifications, skills, experience and financial integrity in line with the standards required under the relevant guidelines. Independent background checks will also be conducted to verify the information disclosed in their F&P Declarations.

The NRC will deliberate the results of the Annual Board Assessment and submit its recommendation to the Board for consideration and approval. For newly appointed Chairman, Directors and CEO, the Annual Board Assessment will be conducted at the next annual assessment exercise following the completion of one year of service.

Assessment criteria for Board as a whole include, inter alia, the effectiveness of the Board composition in terms of size and structure vis-à-vis the complexity, size, scope and operations of the Company; the core skills, competencies and experience of the Directors; and the Board's integrity, competency, responsibilities and performance. The assessment criteria for Board Committees include the effectiveness of the respective Board Committees' composition in terms of mix of skills, knowledge and experience to carry out their respective roles and responsibilities in accordance with the Board Committees' TOR and the contribution of the Board Committees members. Each individual Director is assessed on, inter alia, the effectiveness of his/her competency, expertise and contributions. The skills, experience, soundness of judgment as well as contributions towards the development of business strategies and direction of the Company and analytical skills to the decision-making process are also taken into consideration.

For management succession planning, it has been embedded in the Group's process over the years to continuously identify, groom and develop key talents from within the Group. The Group also has a talent development programme to identify, retain and develop young high potential talents.

Corporate Governance Overview, Risk Management & Internal Control Statement

C. BOARD COMMITTEES (CONTINUED)

REMUNERATION RESPONSIBILITIES

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.

The NRC, in assessing and reviewing the remuneration packages of Executive Directors, ensures that a strong link is maintained between their rewards and individual performance, based on the provisions in the Group's Human Resources Manual, which are reviewed from time to time to align with market/industry practices. The fees of Directors are recommended and endorsed by the Board for approval by the shareholders of the Company at its Annual General Meeting ("AGM").

The detailed remuneration of each Director during the financial year ended 30 June 2020 ("FY2020") is as set out in Note 32 of the Audited Financial Statements in this Annual Report.

The NRC meets at least once in each financial year and additional meetings may be called at any time as and when necessary.

During the FY2020, two (2) NRC meetings were held and the attendances of the NRC members were as follows:

Member	Attendance
Ms Tai Siew Moi	2/2
Mr Tan Kong Khoon	2/2
Ms Leong Ket Ti	2/2

The NRC carried out the following activities in the discharge of its duties in accordance with its TOR during the FY2020:

- Carried out the Annual Board Assessment and was satisfied that the Board as a whole, Board Committees and individual Directors have continued to effectively discharge their duties and responsibilities in accordance with their respective TORs, and that the current Board composition in terms of Board balance, size and mix of skills is appropriate and effective for the discharge of its functions. The NRC took cognisance of the merits of Board diversity including women participation on the Board, in adding value to the Company. The NRC will continue to maintain women participation on the Board in line with the MCCG;

- Considered and assessed the position of Independent Directors of the Company and was satisfied that the Independent Directors met the regulatory requirements for Independent Directors;

- Reviewed the F&P Declarations by Directors and Company Secretary in line with the Company's F&P Policy and was satisfied that the Directors met the requirements as set out in the Company's F&P Policy; and

- Reviewed the term of office and performance of the BARMC and each of its members in accordance with the TOR of BARMC and was of the view that the BARMC and each of its members had carried out their duties in accordance with the BARMC TOR for the periods under review.

D. INDEPENDENCE

The Board takes cognisance of the provisions of the MCCG, which states that the tenure of an Independent Director should not exceed a cumulative term of 9 years and upon completion of the 9 years, an Independent Director may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director. It further states that in the event the Board wishes to retain an Independent Director who has served a cumulative term of 9 years and above, shareholders' approval shall be annually sought with justification. In the event the Board wishes to retain an Independent Director who has served a cumulative term of 12 years and above, shareholders' approval shall be annually sought through a two-tier voting process.

The tenure of all the Independent Directors on the Board of the Company does not exceed 9 years. 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 independent and objective judgment to Board deliberations and decision-making.

The Company has in place a policy in relation to the tenure for Independent Directors of the Company ("Tenure Policy") under the F&P Policy of the Company. Pursuant to the Tenure Policy, the tenure of an Independent Director shall not exceed a cumulative term of 9 years from the date of his or her first appointment in the Company. The Independent Director may retire at the AGM immediately preceding or following the expiry of the 9-year term.

Corporate Governance Overview, Risk Management & Internal Control Statement

E. COMMITMENT

The Directors are aware of their responsibilities and devote sufficient time to carry out such responsibilities. In line with the MMLR, Directors are required to comply with the restrictions on the number of directorships in public listed companies. Directors provide notifications to the Board for acceptance of any new Board appointments. This ensures that their commitment, resources and time are focused on the affairs of the Company to enable them to discharge their duties effectively. 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 50% of Board meetings held in each financial year pursuant to the MMLR.

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 of the Group 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. The Company Secretary 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 flows 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 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. Any Director who has an interest in the subject matter to be deliberated shall abstain from deliberating and voting on the same during the meetings.

The Board met five (5) times for the FY2020 with timely notices of issues to be discussed. Details of attendance of each Director are as follows:

Director	Attendance
Mr Tan Kong Khoon	5/5
Ms Tai Siew Moi	5/5
Ms Leong Ket Ti	5/5
Mr Peter Ho Kok Wai	5/5

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.

All Directors of the Company have completed the Mandatory Accreditation Programme.

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-à-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, information technology, cyber security, internal control and/or statutory/regulatory compliance, be recommended and arranged for the Directors to enhance their contributions to the Board.

During the FY2020, the Directors received regular briefings and updates on the Company's businesses, strategies, operations, risk management, compliance, internal controls, corporate governance, finance and any changes on relevant legislation, rules and regulations from in-house professionals. In-house programmes were also organised for the Directors and senior management of the Company.

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.

Corporate Governance Overview, Risk Management & Internal Control Statement

E. COMMITMENT (CONTINUED)

During the FY2020, the Directors of the Company, collectively or on their own, attended various training programmes, seminars, briefings and/or workshops including:

- Actuarial Training for Directors – Risk Based Capital & Ordinary Life Insurance in Malaysia
- Amendments to Bursa Malaysia Securities Berhad Main Market Listing Requirements in relation to Anti-Corruption Measures
- Anti-Money Laundering Training 2019
- Asia School of Business – "9th Series: Creating Jobs In The Post-COVID World"
- Asset-Liability and Risk Management – Regulatory Principles and Market Best Practice
- BNI Lighthouse – Leadership Through Crisis: Strategy, Finance & Legal Insight to Handle Impact of COVID-19
- BNM-FIDE Forum Dialogue on Innovation and Fintech in the Financial Services Industry
- Bursa Malaysia Berhad and Securities Commission Malaysia – Session on Corporate Governance and Anti-Corruption
- Business Continuity Management Institute – Business Continuity and Crisis Management Training for Directors
- Corruption Risk Management
- Ernst & Young – MFRS 17: Understanding its Impact and Consequences
- Ernst & Young – Transfer Pricing Briefing for Directors
- FIDE Forum – Challenging Times: What Role Must the Board Play?
- FIDE Forum – COVID-19 and Current Economic Reality: Implications for Financial Stability
- FIDE Forum – Digital Banking: Why Does It Matter?
- FIDE Forum – Outthink The Competition: Excelling in a Post COVID-19 World
- Finding the Silver within the New Normal
- IBFIM – Islamic Jurisprudence and Its Application in Islamic Finance
- ICAEW – Asian Economic Outlook Post COVID
- ICDM – International Directors Summit 2019 – The Trust Compass: Resetting the Course
- ICDM – Say on Pay: What do Boards Need to Know
- ICLIF – Board & Executive Pay During and Post COVID-19
- ICLIF – Cyber security & Work-From-Home Security Challenges Amidst COVID-19 Pandemic
- ICLIF – Environmental, Social and Governance ("ESG") Trends & Regulatory Developments
- ICLIF – FIDE Core Programme
- ICLIF – Force Majeure & COVID-19: How are Contractual Relationships Affected and Managed?
- ISRA Consultancy – Islamic Finance for Board of Directors Programme
- KPMG – Asia Pacific after COVID-19: New Forces, New Dynamics, New Era
- KPMG – Audit Committee Institute
- KPMG – COVID-19 Implication
- KPMG – Integrated Reporting Awareness Training
- KPMG – Proofing Virtual AGM
- KPMG – Tax Measures for PENJANA
- Malaysian Anti-Corruption for Directors
- Malaysian Institute of Accountants – Integrated Reporting
- PricewaterhouseCoopers PLT – Board Perspective on Cyber Resilience
- Sage 3 – What Is My Best Restructuring Option?
- Sage 3 – What Leadership Mindset Do I Need?
- Singapore Institute of Directors – LED1 (Listed Entity Director Essentials)
- Tax Implications of Debt Restructuring
- The Malaysian Institute of Integrity – Executive Talk on Integrity and Governance
- Workshop on the Internal Capital Adequacy Assessment Process ("ICAAP")

F. ACCOUNTABILITY AND AUDIT

The Company has put in place a framework of processes whereby Board committees provide oversight on critical processes of the Company's reporting of financial statements, in order to ensure that accountability and audit are integral components of the said processes.

I FINANCIAL REPORTING

The Board has a fiduciary responsibility to ensure the proper maintenance of accounting records of the Group. The Board receives the recommendation to adopt the financial statements from the BARMC, which assesses the integrity of financial statements with the assistance of the external auditors.

II RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for maintaining a system of internal controls which covers financial and operational controls and risk management. This system provides reasonable but not absolute assurance against material misstatements, losses and fraud.

The BARMC is delegated with the responsibility to provide oversight on the Company's management of critical risks that the Group faces, and to review the effectiveness of internal controls implemented in the Company.

The Statement on Risk Management and Internal Control as detailed under Section I of this Statement provides an overview of the system of internal controls and risk management framework of the Group.

Corporate Governance Overview, Risk Management & Internal Control Statement

F. ACCOUNTABILITY AND AUDIT (CONTINUED)

III RELATIONSHIP WITH AUDITORS

The appointment of external auditors is recommended by the BARMC, which also reviews the remuneration of the external auditors. The BARMC reviews the suitability and independence of the external auditors annually. In this regard, an annual assessment is conducted by the BARMC to evaluate the performance, independence and objectivity of the external auditors prior to making any recommendation to the Board on the re-appointment of the external auditors.

The Company also has a Policy on the Use of External Auditors for Non-Audit Services to govern the professional relationship with the external auditors in relation to the non-audit services. Assessment will be conducted by the BARMC for non-audit services to ensure that the provision of non-audit services does not interfere with the exercise of independent judgment of the external auditors.

During the financial year under review, the external auditors met with the BARMC to:

- present the scope of the audit before the commencement of audit; and
- review the results of the audit as well as the management letter after the conclusion of the audit.

The external auditors meet with the BARMC members at least twice a year without the presence of Executive Directors and management.

G. DISCLOSURE

The Company has in place a Corporate Disclosure Policy for compliance with the disclosure requirements set out in the MMLR, and to raise awareness and provide guidance to the Board and management on the Group's disclosure requirements and practices.

All timely disclosure and material information documents will be posted on the Company's Website after release to Bursa.

H. SHAREHOLDERS

I DIALOGUE BETWEEN COMPANIES AND INVESTORS

The Board acknowledges the importance of regular communication with shareholders and investors via the annual reports, circulars to shareholders and quarterly financial reports and the various announcements made during the year, through which shareholders and investors can have an overview of the Group's performance and operation.

Notices of general meetings and the accompanying explanatory notes are provided within the prescribed notice period on the Company's Website, Bursa's website, in the media and by post to shareholders. This allows shareholders to make the necessary arrangements to attend and participate in general meetings either in person, by corporate representative, by proxy or by attorney.

The Company has a website at 'www.hlcap.com.my' which the shareholders can access for information which includes the Board Charter, TORs of Board Committees, corporate information, announcements/press releases/briefings, financial information and investor relations. A summary of the key matters discussed at the AGM is published on the Company's Website.

The Board has identified Mr Peter Ho Kok Wai, the Chairman of the BARMC, as the INED of the Board to whom concerns may be conveyed, and who would bring the same to the attention of the Board.

In addition, shareholders and investors have a channel of communication with the Chief Financial Officer to direct queries and provide feedback to the Group.

Queries may be conveyed to the Chief Financial Officer at:

Tel No.	: 03-2083 1788
Fax No.	: 03-2083 1768
E-mail address	: ir@hlcb.hongleong.com.my

II AGM

The AGM provides an opportunity for the shareholders to seek and clarify any issues and to have a better understanding of the Group's performance. Shareholders are encouraged to meet and communicate with the Board at the AGM and to vote on all resolutions. Senior management and the external auditors are also available to respond to shareholders' queries during the AGM. All Directors attended the last AGM held on 31 October 2019.

H. SHAREHOLDERS (CONTINUED)

II AGM (CONTINUED)

Pursuant to Paragraph 8.29A(1) of the MMLR, all resolutions tabled at general meetings will be put to a vote by way of a poll and the voting results will be announced at the meetings and through Bursa.

The Company has adopted electronic voting for the conduct of poll on all resolutions at the AGM.

I. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

I THE RESPONSIBILITIES OF THE BOARD

The Board recognises the practice of good governance as an important continuous process and has established the BARMC to ensure consistent adherence to internal control and good risk management practices. Both risks and control assessment are being reviewed in accordance with the Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers.

The Board acknowledges its overall responsibility for the risk management and internal control environment and its effectiveness in safeguarding shareholders' interests and the Group's assets. The presence of risk management and internal control framework is designed to manage rather than eliminate the risk of failure in the achievement of goals and objectives of the Group. It provides reasonable assurance against material misstatements, losses or frauds.

Prevailing risk management and internal control framework currently being practiced by the Group is updated continuously to align with the dynamic changes in the business environment as well as relevant process improvement implemented from time to time. The management team has assured the Board that all regulatory guidelines, internal policies and procedures have been duly implemented accordingly.

The Board has received assurance from the Group Chief Operating Officer and Chief Financial Officer that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.

Based on the outcome of these reviews as well as the assurance it has received from the Group Chief Operating Officer and Chief Financial Officer, the Board is of the view that the Group's risk management and internal control system is operating adequately and effectively for the financial year under review and up to the date of approval of this report.

II KEY RISK MANAGEMENT AND INTERNAL CONTROL PROCESSES

The key risk management and internal control processes that are established in determining the adequacy and integrity of the system of risk management and internal controls are as follows:

a) Risk Management

Managing risks is an integral part of the Group's overall business strategy. It involves a process for identifying, assessing and managing risks and uncertainties that could inhibit the Group's ability to achieve its strategy and strategic objectives. Recognising the need to be proactive in the management of risks, the Group has implemented a Risk Management ("RM") framework where the Group's risks are managed at various levels.

At the apex of the RM framework, the Board has the overall responsibility to ensure there is proper oversight of the management of risks in the Group. The Chief Risk Officer monitors and reports the Group's Credit, Market, Liquidity, Operational and IT Risks as well as presents these risk in a single, consolidated view to the BARMC regularly.

The BARMC deliberates and evaluates the reports prepared by the Chief Risk Officer on the adequacy and effectiveness of the controls to mitigate the Group's risks and provides updates to the Board, and where appropriate, make the necessary recommendations to the Board.

Corporate Governance Overview, Risk Management & Internal Control Statement

I. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

II KEY RISK MANAGEMENT AND INTERNAL CONTROL PROCESSES (CONTINUED)

b) Internal Control Review

The internal audit function is established at its subsidiary, Hong Leong Investment Bank Berhad. The provision of internal audit function to Hong Leong Asset Management Berhad and its subsidiary, Hong Leong Islamic Asset Management Sdn Bhd is through their respective shared service agreements. Internal Audit Department ("IAD") employs a risk-based assessment approach in auditing the Company's business and operational activities. The high risk activities covered include AML/CFT framework and cyber risk management together with key operational areas in investment banking, stockbroking and asset management were audited on an annual basis. Other operational areas (including branches) are prioritised according to the potential risk exposure and impact. IAD regularly reviews the critical operations (as defined by the respective regulators) to ensure that the internal controls are in place and working effectively.

The results of the audits conducted by IAD are reported to the BARMC. Follow-up action and the review of the status of action taken as per the auditors' recommendation are carried out by management.

Implementation of audit recommendations is followed up on a monthly basis and reported to the Management Committee and on a quarterly basis to the BARMC. Highlights of the BARMC meetings are submitted to the Board for review and further deliberation. In addition, internal controls are also effected through the following processes:

- The Board receives and reviews regular reports from the Management on the key operating statistics, business dynamics, legal matters, market surveillance on stockbroking activity, AML/CFT and regulatory issues that would have implications on internal control measures.
- The BARMC on a quarterly basis, reviews and holds discussion with management on the actions taken on internal control issues identified in the reports prepared by the IAD, external auditors and regulatory authorities.
- Policies on delegation and authority limits are strictly implemented to ensure a culture that respects integrity and honesty, and thereby reinforce internal controls.
- Policies and procedures are set out in Standard Operating Policies and Procedures (SOPP) manuals and disseminated through the organisation in support of a learning culture, so as to reinforce an environment of internal controls disciplines.
- Policies for recruitment, promotion and termination of staff are in place to ensure the Group's human resources comply to internal controls requirements.

c) Compliance

The Group's Compliance Officers monitor and assess daily operations of licensed subsidiaries to ensure compliance with regulatory requirements and approved internal policies. All breaches and exceptions are brought to the attention of the BARMC and other relevant committees which are kept informed of the causes and the status of remedial measures taken.

J. DIRECTORS' RESPONSIBILITY IN FINANCIAL REPORTING

The MMLR requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of its financial results and cash flows of the Group and of the Company for the financial year.

The Directors are satisfied that in preparing the financial statements of the Group and of the Company for the FY2020, the Group has used the appropriate accounting policies and applied them consistently. The Directors are also of the view that relevant approved accounting standards have been followed in the preparation of these financial statements.

This Statement on Corporate Governance Overview, Risk Management & Internal Control is made in accordance with the resolution of the Board.

Directors' Report

for the financial year ended 30 June 2020

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2020.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are investment banking, stockbroking business, futures broking, related financial services, nominees and custodian services, unit trust management, fund management and sale of unit trusts as disclosed in Note 11 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	The Group RM'000	The Company RM'000
Net profit for the financial year	94,187	49,251

DIVIDENDS

Since the previous financial year ended 30 June 2019, a final single-tier dividend of 22.0 sen per share, amounting to RM53.1 million in respect of the financial year ended 30 June 2019, was paid on 21 November 2019.

Dividend paid on the shares held in trust pursuant the Company's Executive Share Option Scheme ("ESOS") which are classified as treasury shares held for ESOS scheme are not accounted for in the total equity. An amount of RM1,234,794 being dividend paid for these shares was added back to the appropriation of retained profits.

The Directors recommend a final single-tier dividend of 23.0 sen per share on the Company's issued and paid-up share capital of RM246,896,668 comprising of 246,896,668 ordinary shares, amounting to RM56.8 million for the financial year ended 30 June 2020.

BUSINESS STRATEGY FOR THE CURRENT FINANCIAL YEAR

The business strategy for the current financial year is disclosed in the annual report.

OUTLOOK AND BUSINESS PLAN FOR THE COMING FINANCIAL YEAR

The outlook and business plan for the coming financial year are disclosed in the annual report.

Directors' Report
for the financial year ended 30 June 2020

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 46 to the financial statements.

SIGNIFICANT EVENT AFTER THE FINANCIAL YEAR

Significant event after the financial year is disclosed in Note 47 to the financial statements.

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are disclosed in the financial statements and notes to the financial statements.

DIRECTORS

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

Mr Tan Kong Khoon	(Chairman, Non-Independent Non-Executive Director)
Ms Tai Siew Moi	(Independent Non-Executive Director)
Ms Leong Ket Ti	(Independent Non-Executive Director)
Mr Peter Ho Kok Wai	(Independent Non-Executive Director)

The names of directors of subsidiaries are set out in the respective subsidiary's statutory accounts and the said information is deemed incorporated herein by such reference and made a part thereof.

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 who had beneficial interests in the ordinary shares and/or preference shares and/or loan stocks and/or options over ordinary shares of the Company and/or its related corporations during the financial year ended 30 June 2020 are as follows:

	Shareholdings in which Directors have direct interests Number of ordinary shares/preference shares/ordinary shares issued or to be issued or acquired arising from the exercise of options*/ conversion of redeemable convertible unsecured loan stocks or redeemable convertible cumulative preference shares			
	As at 01.07.2019	**Acquired**	**(Sold)**	**As at 30.06.2020**
Interests of Mr Tan Kong Khoon in:				
Hong Leong Financial Group Berhad	8,000,000*	-	-	**8,000,000***
Interests of Ms Tai Siew Moi in:				
Hong Leong Bank Berhad	14,500	-	-	**14,500**

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors of the Company received or became entitled to receive any benefits (other than the benefits included in the aggregate amount of remuneration received or due and receivable by the Directors as shown in the financial statements or as fixed salary of a full-time employee of the Company or of related corporations) by reason of a contract made by the Company or its related corporations with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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 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 shares options granted pursuant to the Executive Share Option Scheme.

DIRECTORS' REMUNERATION

Details of Directors' remuneration are set out in Note 32 to the financial statements.

SHARE CAPITAL

There was no change in the issued and paid-up capital of the Company during the financial year.

Directors' Report

for the financial year ended 30 June 2020

STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(a) As at the end of the financial year

Before the financial statements of the Group and the Company were prepared, the Directors took reasonable steps:

- to 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 had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

- to ensure that any current assets, other than debts, which were unlikely to be realised at their book values in the ordinary course of business had been written down to their estimated realisable values.

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

(i) The Directors are not aware of any circumstances:

- which would render the amount written off for bad debts or the amount of the allowance for doubtful debts inadequate to any material extent;

- which would render the values attributed to current assets in the financial statements misleading; or

- which had arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

(ii) In the opinion of the Directors:

- the results of the operations of the Group and the Company for the financial year ended 30 June 2020 are not likely to be substantially affected by any item, transaction or event of a material and unusual nature which had arisen in the interval between the end of the financial year and the date of this report; and

- no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and the Company to meet their obligations as and when they fall due.

(c) As at the date of this report

(i) There are no charges on the assets of the Group and the Company which had arisen since the end of the financial year to secure the liabilities of any other person.

(ii) There are no contingent liabilities which had arisen since the end of the financial year.

(iii) The Directors are not aware of any circumstances not otherwise dealt with in the report or financial statements which would render any amount stated in the financial statements misleading.

HOLDING AND ULTIMATE HOLDING COMPANIES

The immediate holding and ultimate holding companies are Hong Leong Financial Group Berhad ("HLFG") and Hong Leong Company (Malaysia) Berhad respectively, both incorporated in Malaysia. HLFG is listed on the Main Market of Bursa Malaysia Securities Berhad.

SUBSIDIARIES

Details of subsidiaries are set out in Note 11 to the financial statements.

AUDITORS' REMUNERATION

Details of auditors' remuneration and the indemnity given/insurance effected to the auditor are set out in Note 29 to the financial statements.

AUDITORS

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

Signed on behalf of the Board of Directors in accordance with their resolution dated 11 September 2020.

Peter Ho Kok Wai
Director

Tan Kong Khoon
Director

Kuala Lumpur
11 September 2020

Statements of Financial Position

as at 30 June 2020

	Note	The Group 30.06.2020 RM'000	The Group 30.06.2019 RM'000	The Company 30.06.2020 RM'000	The Company 30.06.2019 RM'000
Assets					
Cash and short-term funds	2	**358,162**	520,657	**713**	513
Clients' and brokers' balances	3	**262,893**	247,532	**-**	-
Securities purchased under resale agreements		**50,172**	-	**-**	-
Financial assets at fair value through profit or loss ("FVTPL")	4	**907,477**	1,506,205	**255,892**	259,746
Financial investments at fair value through other comprehensive income ("FVOCI")	5	**1,266,529**	1,110,915	**-**	-
Financial investments at amortised cost	6	**868,134**	735,665	**-**	-
Loans and advances	7	**316,023**	205,290	**-**	-
Other assets	8	**47,348**	55,409	**673**	940
Derivative financial assets	21	**54,957**	28,310	**-**	-
Statutory deposits with Bank Negara Malaysia	9	**-**	37,259	**-**	-
Tax recoverable		**167**	53	**154**	1
Deferred tax assets	10	**87,822**	82,556	**-**	-
Investment in subsidiary companies	11	**-**	-	**246,574**	246,574
Property and equipment	13	**11,040**	15,182	**-**	-
Right-of-use ("ROU") assets	14	**21,587**	-	**-**	-
Other intangible assets	15	**3,008**	3,102	**-**	-
Goodwill	16	**33,059**	33,059	**-**	-
Total assets		**4,288,378**	4,581,194	**504,006**	507,774
Liabilities					
Clients' and brokers' balances		**305,385**	282,521	**-**	-
Deposits from customers	17	**737,747**	748,004	**-**	-
Deposits and placements of banks and other financial institutions	18	**2,073,211**	2,422,120	**-**	-
Lease liabilities	19	**20,286**	-	**-**	-
Other liabilities	20	**128,595**	144,635	**698**	612
Derivative financial liabilities	21	**81,620**	34,310	**-**	-
Current tax liabilities		**1,046**	1,492	**-**	-
Subordinated obligations	22	**100,178**	150,505	**-**	-
Total liabilities		**3,448,068**	3,783,587	**698**	612
Equity					
Share capital	23	**246,896**	246,896	**246,896**	246,896
Reserves	24	**599,445**	556,742	**262,330**	266,184
Treasury shares for ESOS scheme	25	**(6,031)**	(6,031)	**(5,918)**	(5,918)
Total equity		**840,310**	797,607	**503,308**	507,162
Total equity and liabilities		**4,288,378**	4,581,194	**504,006**	507,774
Commitments and contingencies	36	**6,967,399**	11,469,676	**-**	-

Income Statements

for the financial year ended 30 June 2020

		The Group		The Company	
	Note	30.06.2020 RM'000	30.06.2019 RM'000	30.06.2020 RM'000	30.06.2019 RM'000
Interest income	26a	**111,667**	115,276	**11**	7
Interest income for financial assets at FVTPL	26b	**39,188**	48,190	**-**	-
Interest expense	27	**(104,357)**	(121,326)	**-**	-
Net interest income		**46,498**	42,140	**11**	7
Non-interest income	28	**186,277**	156,736	**50,921**	75,843
		232,725	198,876	**50,932**	75,850
Overhead expenses	29	**(134,764)**	(122,353)	**(1,573)**	(2,108)
Operating profit before allowances		**97,961**	76,523	**49,359**	73,742
Allowance for impairment losses on loans and advances	30	**(280)**	(170)	**-**	-
(Allowance for)/write-back of impairment losses on financial investments and other financial assets	31	**(1,931)**	379	**-**	-
Profit before taxation		**95,750**	76,732	**49,359**	73,742
Taxation	33	**(1,563)**	(9,020)	**(108)**	(131)
Net profit for the financial year		**94,187**	67,712	**49,251**	73,611
Earnings per share (sen)					
- Basic	34	**39.0**	28.1		
- Diluted	34	**39.0**	28.1		

Statements of Comprehensive Income

for the financial year ended 30 June 2020

		The Group		The Company	
	Note	30.06.2020 RM'000	30.06.2019 RM'000	30.06.2020 RM'000	30.06.2019 RM'000
Net profit for the financial year		**94,187**	67,712	**49,251**	73,611
Other comprehensive income/(expense):					
Items that will be reclassified subsequently to income statements:					
Equity instruments at FVOCI					
- Net gain on disposal		**43**	-	**-**	-
Items that will be reclassified subsequently to income statements:					
Debt instruments at FVOCI					
- Net fair value changes		**8,716**	11,713	**-**	-
- Net (loss)/gain on disposal		**(6,930)**	455	**-**	-
- Net changes in expected credit losses		**198**	(62)	**-**	-
Income tax relating to net fair value changes on financial investments at FVOCI	10	**(429)**	(2,921)	**-**	-
Other comprehensive income for the financial year, net of tax		**1,598**	9,185	**-**	-
Total comprehensive income for the financial year		**95,785**	76,897	**49,251**	73,611

Statements of Changes in Equity

for the financial year ended 30 June 2020

		Attributable to owners of the parent					
The Group	**Note**	**Share capital RM'000**	**Treasury shares for ESOS scheme RM'000**	**Regulatory reserve RM'000**	**Fair value reserve RM'000**	**Retained profits RM'000**	**Total RM'000**
At 1 July 2019		**246,896**	**(6,031)**	**11,606**	**7,794**	**537,342**	**797,607**
Net profit for the financial year		**-**	**-**	**-**	**-**	**94,187**	**94,187**
Other comprehensive income, net of tax		**-**	**-**	**-**	**1,555**	**43**	**1,598**
Total comprehensive income		**-**	**-**	**-**	**1,555**	**94,230**	**95,785**
Transfer to regulatory reserve	24	**-**	**-**	**470**	**-**	**(470)**	**-**
Dividend paid	35	**-**	**-**	**-**	**-**	**(53,082)**	**(53,082)**
At 30 June 2020		**246,896**	**(6,031)**	**12,076**	**9,349**	**578,020**	**840,310**

		Attributable to owners of the parent					
The Group	**Note**	**Share capital RM'000**	**Treasury shares for ESOS scheme RM'000**	**Regulatory reserve RM'000**	**Fair value reserve RM'000**	**Retained profits RM'000**	**Total RM'000**
At 1 July 2018		246,896	(6,031)	12,743	(1,391)	514,337	766,554
Net profit for the financial year		-	-	-	-	67,712	67,712
Other comprehensive income, net of tax		-	-	-	9,185	-	9,185
Total comprehensive income		-	-	-	9,185	67,712	76,897
Transfer from regulatory reserve	24	-	-	(1,137)	-	1,137	-
Dividend paid	35	-	-	-	-	(45,844)	(45,844)
At 30 June 2019		246,896	(6,031)	11,606	7,794	537,342	797,607

Statements of Changes in Equity

for the financial year ended 30 June 2020

		Non-distributable		Distributable	
The Company	**Note**	**Share capital RM'000**	**Treasury shares for ESOS scheme RM'000**	**Retained profits RM'000**	**Total RM'000**
At 1 July 2019		**246,896**	**(5,918)**	**266,184**	**507,162**
Net profit for the financial year		**-**	**-**	**49,251**	**49,251**
Total comprehensive income		**-**	**-**	**49,251**	**49,251**
Dividend paid	35	**-**	**-**	**(53,105)**	**(53,105)**
At 30 June 2020		**246,896**	**(5,918)**	**262,330**	**503,308**
At 1 July 2018		246,896	(5,918)	238,437	479,415
Net profit for the financial year		-	-	73,611	73,611
Total comprehensive income		-	-	73,611	73,611
Dividend paid	35	-	-	(45,864)	(45,864)
At 30 June 2019		246,896	(5,918)	266,184	507,162

Statements of Cash Flows

for the financial year ended 30 June 2020

	The Group	
	30.06.2020 RM'000	30.06.2019 RM'000
Cash flows from operating activities		
Profit before taxation	**95,750**	76,732
Adjustments for:		
Depreciation of property and equipment	**3,371**	3,392
Depreciation of ROU assets	**4,022**	-
Amortisation of intangible assets – computer software	**1,702**	2,761
Gain on disposal of property and equipment	**-**	(64)
Property and equipment written off	**-**	942
Allowance for impairment losses on loans and advances	**280**	170
Allowance for/(write-back of) impairment losses on financial investments and other financial assets	**2,041**	(328)
Net unrealised loss/(gain) on revaluation of:		
- Financial assets at FVTPL	**3,027**	(6,326)
- Derivative financial instruments	**17,758**	(9,790)
Net unrealised loss on fair value changes arising from fair value hedges	**558**	-
Interest income from:		
- Financial assets at FVTPL	**(39,188)**	(48,190)
- Financial investments at FVOCI	**(40,309)**	(55,905)
- Financial investments at amortised cost	**(29,261)**	(27,058)
Interest expense from:		
- Derivative financial instruments	**18,655**	8,376
- Subordinated obligations	**5,262**	2,867
- Lease liabilities	**1,051**	-
Dividend income from:		
- Financial assets at FVTPL	**(8,820)**	(10,437)
	(59,851)	(139,590)
Operating profit/(loss) before working capital changes	**35,899**	(62,858)
(Increase)/Decrease in operating assets		
Clients' and brokers' balances	**(17,167)**	68,851
Securities purchased under resale agreements	**(50,172)**	35,126
Deposits and placements with banks and other financial institutions with original maturity of more than three months	**-**	40,645
Financial assets at FVTPL	**591,293**	(1,220,361)
Financial assets held-for-trading	**-**	1,244,434
Loans and advances	**(111,013)**	19,891
Other assets	**8,003**	(3,648)
Derivative financial instruments	**209**	(196)
Statutory deposits with Bank Negara Malaysia	**37,259**	15,241
	458,412	199,983

Statements of Cash Flows

for the financial year ended 30 June 2020

	Note	The Group 30.06.2020 RM'000	The Group 30.06.2019 RM'000
(Increase)/Decrease in operating liabilities			
Clients' and brokers' balances		**22,864**	(68,209)
Deposits from customers		**(10,257)**	(334,652)
Deposits and placements of banks and other financial institutions		**(348,909)**	363,160
Obligations on securities sold under repurchase agreements		**-**	(99,654)
Other liabilities		**(16,458)**	45,524
		(352,760)	(93,831)
Cash generated from operating activities		**141,551**	43,294
Net income tax paid		**(7,815)**	(4,658)
Net cash generated from operating activities		**133,736**	38,636
Cash flows from investing activities			
Net (purchases)/disposal of financial investments at FVOCI		**(151,629)**	246,101
Net purchases of financial investments at amortised cost		**(131,090)**	(67,666)
Dividends received from:			
- Financial assets at FVTPL		**8,820**	10,437
Interest received from financial assets at FVTPL, financial investments at FVOCI, financial investments at amortised cost and derivatives		**109,732**	127,533
Interest paid on derivative financial instruments		**(16,597)**	(7,630)
Proceeds from disposal of property and equipment		**-**	64
Purchase of property and equipment		**(650)**	(3,774)
Purchase of intangible assets		**(1,608)**	(2,167)
Net cash flows arising from acquisition of a subsidiary		**-**	(28)
Net cash (used in)/generated from investing activities		**(183,022)**	302,870
Cash flows from financing activities			
Interest paid on subordinated obligations		**(5,589)**	(2,643)
Proceeds from issuance of subordinated obligations		**-**	99,991
Repayment of subordinated obligations		**(50,000)**	-
Dividend paid		**(53,082)**	(45,844)
Lease payments		**(4,538)**	-
Net cash (used in)/generated from financing activities		**(113,209)**	51,504
Net (decrease)/increase in cash and cash equivalents during the financial year		**(162,495)**	393,010
Cash and cash equivalents at beginning of the financial year		**520,657**	127,647
Cash and cash equivalents at end of the financial year		**358,162**	520,657
Cash and cash equivalents comprise:			
Cash and short-term funds	2	**358,162**	520,657

Statements of Cash Flows

for the financial year ended 30 June 2020

	Note	The Company 30.06.2020 RM'000	The Company 30.06.2019 RM'000
Cash flows from operating activities			
Profit before taxation		**49,359**	73,742
Adjustments for:			
Net unrealised loss on revaluation of financial assets at FVTPL		**2,921**	64
Dividend income from:			
- Financial assets at FVTPL		**(7,320)**	(7,738)
- Subsidiary companies		**(46,000)**	(66,830)
Gain on liquidation of a subsidiary		**-**	(850)
		(50,399)	(75,354)
Operating loss before working capital changes		**(1,040)**	(1,612)
Decrease/(Increase) in financial assets at FVTPL		**933**	(117,400)
Decrease in financial assets held-for-trading		**-**	20,550
Decrease in other assets		**267**	15,229
Increase/(Decrease) in other liabilities		**86**	(15,962)
Cash generated from/(used in) operating activities		**246**	(99,195)
Net income tax (paid)/refund		**(261)**	110
Net cash used in operating activities		**(15)**	(99,085)
Cash flows from investing activities			
Dividends received from:			
- Financial assets at FVTPL		**7,320**	7,738
- Subsidiary companies		**46,000**	66,830
Cash received from liquidation of a subsidiary		**-**	70,850
Net cash generated from investing activities		**53,320**	145,418
Cash flows from financing activities			
Dividend paid		**(53,105)**	(45,864)
Net cash used in financing activities		**(53,105)**	(45,864)
Net increase in cash and cash equivalents during the financial year		**200**	469
Cash and cash equivalents at beginning of the financial year		**513**	44
Cash and cash equivalents at end of the financial year		**713**	513
Cash and cash equivalents comprise:			
Cash and short-term funds	2	**713**	513

Statements of Cash Flows

for the financial year ended 30 June 2020

Analysis of changes in liabilities arising from financing activities as follows:

The Group	Balance at the beginning of the financial year RM'000	Cash changes: Proceeds from issuance RM'000	Cash changes: Repayment from redemption RM'000	Cash changes: Interest paid RM'000	Non-cash changes: Accrued interest RM'000	Non-cash changes: Amortisation RM'000	Balance at the end of the financial year RM'000
30.06.2020							
Subordinated obligations	**150,505**	**-**	**(50,000)**	**(5,589)**	**5,171**	**91**	**100,178**
30.06.2019							
Subordinated obligations	50,290	99,991	-	(2,643)	2,847	20	150,505

Summary of Significant Accounting Policies

for the financial year ended 30 June 2020

All significant accounting policies set out below have been used consistently in dealing with items which are considered material in relation to the financial statements. These policies have been consistently applied to all the financial years presented, unless otherwise stated.

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

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

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 financial year. It also requires Directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates. The area involving higher degree of judgement or complexity, or area where assumptions and estimates are significant to the financial statements includes the following:

Deferred tax asset (Note 10)

Deferred tax assets are recognised for unutilised tax credits to the extent that it is probable that future taxable profits will be available against which the tax credits can be utilised. Management's judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the probability and level of future taxable profits. Management assesses the probability of future taxable profit based on the profit projections approved by Directors covering three year period. Management has also considered the estimated growth rate in the capital markets and Kuala Lumpur Composite Index ("KLCI") in deriving the profit projections. Profits beyond the three year period are extrapolated using the estimated growth rate of 3.6% (2019: 4.7%), based on the historical GDP growth rate of Malaysia on perpetual basis. Management has assumed a percentage of probability factors for taxable profits for the fourth year and onwards.

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

The Group and the Company have applied the following amendments for the first time for the financial year beginning on 1 July 2019:

- MFRS 16 'Leases'
- Amendments to MFRS 9 'Prepayment Features with Negative Compensation'
- IC Interpretation 23 'Uncertainty over Income Tax Treatments'
- Annual Improvements to MFRSs 2015 – 2017 Cycle

Summary of Significant Accounting Policies
for the financial year ended 30 June 2020

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

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

The Group has adopted MFRS 16 for the first time in the 30 June 2020 financial statements, which resulted in changes in accounting policies. The detailed impact of change in accounting policies are set out in Note 48. Other than that, the adoption of other amendments listed above did not have any impact on the current period or any prior period and is not likely to affect future periods.

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

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 July 2020. None of these is expected to have a significant effect on the financial statements of the Group and the Company, except the following:

- Amendments to MFRS 3 'Definition of a Business' (effective 1 January 2020) revise the definition of a business. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs.

  The amendments provide guidance to determine whether an input and a substantive process are present, including situation where an acquisition does not have outputs. To be a business without outputs, there will now need to be an organised workforce. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

  In addition, the revised definition of the term 'outputs' is narrower, focusses on goods or services provided to customers, generating investment returns and other income but excludes returns in the form of cost savings.

  The amendments introduce an optional simplified assessment known as 'concentration test' that, if met, eliminates the need for further assessment. Under this concentration test, if substantially all of the fair value of gross assets acquired is concentrated in a single identifiable asset (or a group of similar assets), the assets acquired would not represent a business.

  The amendments shall be applied prospectively.

- Amendments to MFRS 101 'Classification of liabilities as current or non-current' (effective 1 January 2022) clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period.

  A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date. A loan is classified as non-current if a covenant is breached after the reporting date.

  The amendments shall be applied retrospectively.

None of these is expected to have a significant effect on the financial statements of the Group and the Company.

Summary of Significant Accounting Policies

for the financial year ended 30 June 2020

B CONSOLIDATION

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The consolidated financial statements include the financial statements of the Company and all its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries are prepared in the same reporting date as the Company.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statements.

The Group applies predecessor accounting to account for business combinations under common control. Under the predecessor accounting, assets and liabilities acquired are not restated to their respective fair values but at the carrying amounts from the consolidated financial statements of the ultimate holding company of the Group and adjusted to conform with the accounting policies adopted by the Group. The difference between any consideration given and the aggregate carrying amounts of the assets and liabilities (at the date of the transaction) of the acquired entity is recorded as an adjustment to retained profits. No additional goodwill is recognised. Acquisition-related costs are expensed as incurred. The acquired entity's results, assets and liabilities are consolidated from the date on which the business combination between entities under common control occurred. Consequently, the consolidated financial statements do not reflect the results of the acquired entity for the period before the transaction occurred and the corresponding amounts for the previous year are also not restated.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date, any gains or losses arising from such re-measurement are recognised in income statements. Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 9 in income statements. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Summary of Significant Accounting Policies
for the financial year ended 30 June 2020

B CONSOLIDATION (CONTINUED)

(i) Subsidiaries (continued)

Inter-company transactions, balances, unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statements, statements of comprehensive income, statements of changes in equity and statements of financial position respectively.

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

Transactions with non-controlling interests that do not result in loss of control are accounted for as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in equity attributable to owners of the Group.

(iii) Disposal of subsidiaries

When the Group ceases to consolidate because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in income statements. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to income statements.

Gains or losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the subsidiaries sold.

(iv) Investments in subsidiaries

In the Company's separate financial statements, the investment in subsidiaries is stated at cost less accumulated impairment losses. At each reporting date, the Company assesses whether there is an indication of impairment. If such indication exist, an analysis is performed to assess whether the carrying amount of the investment is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount. Any subsequent increase in recoverable amount is recognised in the income statements.

On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments are recognised in income statements.

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

Summary of Significant Accounting Policies

for the financial year ended 30 June 2020

C PROPERTY AND EQUIPMENT AND DEPRECIATION

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

Freehold land is not depreciated as it has an infinite life. Property and equipment are depreciated on a straight line basis to write off the cost of the assets to their residual values over their estimated useful lives, summarised as follows:

Buildings on freehold land	50 years
Office and computer equipment	3 - 10 years
Furniture and fittings	3 - 10 years
Renovations	5 - 10 years
Motor vehicles	4 - 5 years

The assets' residual value and useful lives are reviewed and adjusted if appropriate, at each reporting period.

Property and equipment are reviewed for impairment at each reporting date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount. Any subsequent increase in the recoverable amount is recognised in the income statements. Refer to Note V on impairment of non-financial assets.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in other operating income in income statements.

D INTANGIBLE ASSETS

(a) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 3 to 5 years. Computer software classified as intangible assets are stated at cost less accumulated amortisation and accumulated impairment loss, if any.

(b) Goodwill

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

D INTANGIBLE ASSETS (CONTINUED)

(b) Goodwill (continued)

Goodwill is allocated to cash-generating units ("CGU") for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the synergies of the business combination in which the goodwill arose. Each CGU represents the lowest level at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill is stated at cost less accumulated impairment loss and is tested annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

E LEASES

Accounting policies applied by lessee from 1 July 2019

From 1 July 2019, leases are recognised as ROU assets and a corresponding liability at the date on which the leased asset is available for use by the Group (i.e. the commencement date). Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of properties for which the Group is lessees, it has elected the practical expedient provided in MFRS 16 not to separate lease and non-lease components. Both components are accounted for as a single lease component and payments for both components are included in the measurement of lease liability.

Lease term

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated). The Group reassesses the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and affects whether the Group is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities. See accounting policy below on reassessment of lease liabilities.

Right-of-use ("ROU") assets

ROU assets are initially measured at cost comprising the following:-

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Decommissioning or restoration costs

The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the ROU assets is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

E LEASES (CONTINUED)

Accounting policies applied by lessee from 1 July 2019 (Continued)

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:-

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Variable lease payments depend on index or rate;
- The exercise price of a purchase options if the Group is reasonably certain to exercise that option;
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option; and
- The amount expected to be payable by the Group under residual value guarantees.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU assets in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the income statements over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Group presents the lease liabilities as a separate line item in the statements of financial position. Interest expense on the lease liability is presented within the interest expense in the income statements.

Short-term leases and leases of low-value assets

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office equipment. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an operating expense in the income statements.

Accounting policies applied until 30 June 2019

(a) Finance lease

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

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

(b) Operating lease

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

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

Summary of Significant Accounting Policies
for the financial year ended 30 June 2020

F FINANCIAL ASSETS

(i) Classification

The Group and the Company classify its financial assets in the following measurement categories:
- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and
- those to be measured at amortised cost

The Group and the Company reclassify debt investments when and only when its business model for managing those financial assets changes.

The Group and the Company do not change the classification of the remaining financial assets held in the business model, but consider the circumstances leading to the model change when assessing newly originated or newly purchased financial assets going forward.

Business model assessment

The Group and the Company conduct assessment of the objective of a business model to align with how an asset held within a portfolio is being managed. Factors that are being considered include the key objectives of a portfolio whether the business strategy is to earn contractual interest revenue, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising a portfolio through sale of assets. Other factors considered also include the frequency and volume of sales in prior periods, how the asset's performance is evaluated and reported to key management personnel.

Assessment whether contractual cash flows are solely payments of principal and interest ("SPPI")

Where the business model is to hold the financial assets to collect contractual cash flows, or to collect contractual cash flows and sell, the Group and the Company assess whether the financial assets' contractual cash flows represent solely payment of principal and interest. In applying the SPPI test, the Group and the Company consider whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group and the Company commit to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company have transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group and the Company measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the income statements.

F FINANCIAL ASSETS (CONTINUED)

(iii) Measurement (continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories in to which the Group and the Company classify its debt instruments:

(a) Amortised cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Interest income from these financial assets is included in interest income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the income statements as presented in net realised gain/(loss) on financial instruments (as per Note 28) and impairment losses are presented as separate line item (as per Note 31) in the income statements.

(b) FVOCI

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in the income statements. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the income statements and recognised in net realised gain/(loss) on financial instruments. Interest income from these financial assets is included in interest income using the effective interest rate method. Foreign exchange gains and losses are presented in other income and impairment expenses are presented as separate line item in the income statements.

(c) FVTPL

Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. The Group and the Company may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes is recognised in the income statements and presented net within net unrealised gain/(loss) on revaluation in the period which it arises.

Equity instruments

The Group and the Company subsequently measure all equity investments at fair value. Where the Group's and the Company's management have elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to the income statements following the derecognition of the investment. Cumulative gain or loss previously recognised in OCI is not subsequently reclassified to the income statements, but may be transferred within equity. Dividends from such investments continue to be recognised in the income statements as other income when the Group's and the Company's right to receive payments is established.

Summary of Significant Accounting Policies
for the financial year ended 30 June 2020

F FINANCIAL ASSETS (CONTINUED)

(iii) Measurement (continued)

Equity instruments (continued)

Changes in the fair value of financial assets at FVTPL are recognised in net gain/(loss) on revaluation in the income statements.

(iv) Reclassification

Reclassification of financial assets is required when, and only when, the Group and the Company change their business model for managing the assets. In such cases, the Group and the Company are required to reclassify all affected financial assets.

However, it will be inappropriate to reclassify financial assets that have been designated at fair value through profit or loss, or equity instruments that have been designated as at fair value through other comprehensive income even when there is a change in business model. Such designations are irrevocable.

(v) Modification of financial assets

Where the original contractual terms of a financial asset have been modified for credit reasons and the instrument has not been derecognised, the resulting modification loss is recognised within impairment in the income statements with a corresponding decrease in the gross carrying value of the asset. If the modification involved a concession that the Group and the Company would not otherwise consider, the instrument is considered to be credit impaired and is considered forborne.

G FINANCIAL LIABILITIES

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

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

This category comprises two sub-categories: financial liabilities classified as held-for-trading, and financial liabilities designated at fair value through profit or loss upon initial recognition. The Group does not have any non-derivative financial liabilities designated at fair value through profit or loss.

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

G FINANCIAL LIABILITIES (CONTINUED)

(b) Financial liabilities at amortised cost

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

H IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses on a forward looking basis the expected credit loss ("ECL") associated with its debt instruments carried at amortised cost and at FVOCI and financial guarantee contracts issued. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

ECL represent a probability-weighted estimate of the difference between the present value of cash flows according to contract and present value of cash flows the Group expects to receive, over the remaining life of the financial instrument. For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Group expects to receive from the holder, the debtor or any other party.

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(i) General 3-stage approach

At each reporting date, the Group measures ECL through loss allowance at an amount equal to 12-month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required. The Group applies 3-stage approach on debt instruments measured at amortised cost and FVOCI, except for those that are under simplified approach, as explained below.

(ii) Simplified approach

The Group applies MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for clients and brokers' balances and other assets.

Significant increase in credit risk

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition to determine whether the exposure is subject to 12-month ECL or lifetime ECL. This is performed by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition.

When determining whether the risk of default has increased significantly since initial recognition, the Group considers both quantitative and qualitative information and assessments based on the Group's historical experience and credit risk assessments, including forward-looking information. A backstop of 30 days or 1-month past due from its contractual payment is applied and a financial asset will still be designated as having significant increase in credit risk regardless if it meets both the quantitative and qualitative assessments.

Summary of Significant Accounting Policies
for the financial year ended 30 June 2020

H IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

Definition of default and credit-impaired financial assets

The definition of credit-impaired of the Group remained the same under MFRS 139 and MFRS 9. At each reporting period, the Group assesses whether financial assets are impaired. Qualitative and quantitative information are used to determine if a financial asset is credit impaired. Nevertheless, a backstop is applied and a financial asset is considered as credit impaired if it is more than 90 days or 3 months past due on its contractual payments.

Where measurement of ECL is relying on external published sources, in determining if a financial asset is credit-impaired, the Group will consider factors, such as, but not limited to, rating agencies' assessment of creditworthiness and country's ability to access to capital markets for new debt issuance.

Measurement of ECL

ECL are measured using three main components, which include probability of default ("PD"), loss given default ("LGD") and exposures at default ("EAD"). These components are derived from either published information from External Credit Assessment Institutions ("ECAI") or proxy to the internally developed statistical models from the related company, Hong Leong Bank Berhad and adjusted to reflect forward-looking information.

The 12-month and lifetime PD represent the expected point-in-time probability of default over the next 12 months and remaining lifetime of a financial instrument, based on the conditions that exist at the reporting date and taking into consideration of future economic conditions that affect credit risk. The LGD component represents that expected loss if a default event occurs at a given time, taking into account the mitigating effects of collateral, its expected value when realised and time value of money. The EAD represents the expected exposure at default, taking into account the repayment of principal and interest from the reporting date to the default event together with expected drawdown and utilisation of a facility. The 12-month ECL is equal to the discounted sum over the next 12 months of monthly PD multiplied by LGD and EAD. The discount rate used in the ECL measurement is the original effective interest rate or an approximation thereof.

The measurement of ECL reflects an unbiased and probability-weighted amount that is derived by evaluating a range of possible macroeconomic outcome, the time value of money together with reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

Forward looking information

The Group incorporates forward looking macroeconomic ("MEV") which consists of economic indicators and industry statistics in the measurement of ECL. This involves incorporation of MEV forward looking into PD estimation, which is determined based on probability-weighted outcome from a range of economic scenarios. No MEV is incorporated into LGD estimation due to insufficient data points and lack of solid statistical results supporting the said application.

The Group applies three economic scenarios to reflect an unbiased probability-weighted range of possible future outcome in estimating ECL:

Base case: This represents 'most likely outcome' of future economic conditions which are backed by consensus forecast from various sources.

Best and worst case: This represent the 'upside' and 'downside' outcome of future economic conditions by making references to past historical cyclical conditions together with incorporation of best estimates and judgements on an unbiased basis.

I DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Group tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition). Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

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

J OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

K SALE AND REPURCHASE AGREEMENTS

Securities purchased under resale agreements are securities which the Group has purchased with a commitment to resell at future dates. The commitment to resell the securities is reflected as an asset on the statements of financial position.

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

The difference between sale and repurchase price as well as purchase and resale price are amortised as interest income and interest expense respectively on an effective yield method.

L CLIENTS' AND BROKERS' BALANCES

In accordance with the Rules of Bursa Malaysia Securities Berhad ("Bursa Securities"), clients' accounts are classified as impaired accounts (previously referred to as non-performing) under the following circumstances:

Types	Criteria for classification as impaired
Contra losses	When an account remains outstanding from more than 16 calendar days from the date of contra transaction
Overdue purchase contracts	When an account remains outstanding from T+5 market days onwards (non-margin purchase) and T+9 market days onwards (discretionary financing)

Bad debts are written-off when identified. Impairment allowances are made for balances due from clients and brokers which are considered doubtful or which have been classified as impaired, after taking into consideration collateral held by the Group and deposits of and amounts due to dealer representative in accordance with the Rules of Bursa Securities.

Summary of Significant Accounting Policies

for the financial year ended 30 June 2020

M DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair values at the end of each reporting period. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of any derivatives that do not qualify for hedge accounting are recognised immediately in the income statements.

The best evidence of fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of the instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group recognises the fair value of derivatives in income statements immediately.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designated certain derivatives as hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

At the inception of the transaction, the Group documents the relationship between hedging instruments and hedged items, as well as their risk management objective and strategy for undertaking various hedge transactions. The Group also documents their assessments, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Fair value hedge

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

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to statements of income over the period to maturity using a recalculated effective interest rate.

(ii) Derivatives that do not qualify for hedge accounting

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

N MANAGER’S STOCKS AND CONSUMABLES

Manager’s stocks represent units in the unit trust funds managed by the unit trust management subsidiary. Manager’s stocks are classified as a financial asset at fair value through profit or loss. Consumables for future use are stated at cost and are written off when they are not foreseen to be used.

Summary of Significant Accounting Policies

for the financial year ended 30 June 2020

O CASH AND CASH EQUIVALENTS

Cash and cash equivalents are cash and short-terms funds held for the purpose of meeting short-term commitments and readily convertible into cash without significant risk of changes in value.

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash and short-term funds and deposits and placements with financial institutions, with original maturity of three months or less.

P BORROWINGS

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statements of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in income statements within interest expense.

Where the terms of a financial liability are renegotiated and the Company issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in income statements, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

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

Q INCOME TAXES

Tax expense for the period comprises current and deferred tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in income statements, except to the extent that its relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries operate and generate taxable income.

Summary of Significant Accounting Policies

for the financial year ended 30 June 2020

Q INCOME TAXES (CONTINUED)

Deferred tax is provided in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from initial recognition of goodwill. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

Deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the parent and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the deductible temporary difference can be utilised.

Deferred income tax related to fair value re-measurement of financial investments at FVOCI, which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the income statements together with the deferred gain or loss.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balance on a net basis.

R PROVISIONS

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

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

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

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

Summary of Significant Accounting Policies

for the financial year ended 30 June 2020

S RECOGNITION OF INTEREST INCOME

Interest income and expense for all interest-bearing financial instruments are recognised within "interest income" and "interest expense" in the income statements using the effective interest method. Interest income for financial assets at FVTPL is disclosed as separate line item in income statements.

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

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

T RECOGNITION OF FEES AND OTHER INCOME

Loan arrangement fees and commissions are recognised as income when all conditions precedent are fulfilled. Commitment fees and guarantee fees which are material are recognised as income based on time apportionment. Service charges and other fee income are recognised as income when the services are rendered.

Dividends from financial assets at FVTPL, financial investments at FVOCI and subsidiary companies are recognised when the rights to receive payment is established.

Net profit from financial assets at FVTPL and financial investments at FVOCI are recognised upon disposal of the financial instruments, as the difference between net disposal proceeds and the carrying amount of the financial instruments.

Brokerage income is recognised when contracts are executed. Fees that constitute single performance obligation is recognised upon completion of transactions such as rollover fees, nominees services and handling charges.

Corporate advisory fees are recognised as income after fullfilling each of the performance obligation.

Management fees charged for management of clients' and unit trust funds is recognised over the period of time in accordance with the rates provided for in the prospectuses of unit trust funds and investment mandate with private customers. Other management fees charged for underwriting, placement and advisory fees are recognised over the period during which the related service is provided or credit risk is undertaken.

Service charge from sales of unit trust comprises gross proceeds from sales of unit trust less direct cost of unit trust created, net of cancellations. Such revenue is recognised upon the allotment of unit trust.

Commission from futures clients is recognised upon the execution of trade on behalf of clients.

Summary of Significant Accounting Policies
for the financial year ended 30 June 2020

U EMPLOYEE BENEFITS

Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

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

Defined contribution plan

A defined contribution plan is a pension plan under which the Group and the Company pay fixed contributions into a separate entity (fund) on mandatory, contractual or voluntary basis and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

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

Share-based compensation

The Group operates an equity-settled, share-based compensation plan under which the entity receives services from employees as consideration for equity instruments (share options) of the Group. The fair value of the employee services received in exchange for the grant of the share options is recognised as an expense in the income statements over the vesting periods of the grant with a corresponding increase in equity.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each reporting date, the Company revises its estimates of the number of share options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statements, with a corresponding adjustment to share option reserve in equity.

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

When the options are exercised, the Company delivers the treasury shares to the employees. The proceeds received net of any directly attributable transaction costs are credited to equity when the options are exercised. When options are not exercised and lapsed, the share option reserve is transferred to retained profits. The difference between the net proceeds received and the cost of treasury shares is recorded as an adjustment to retained profits.

V IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the income statements unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in the income statements unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus reserve.

W CURRENCY TRANSLATIONS

(a) Functional and presentation currency

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

(b) Foreign currency transactions and balance

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statements.

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

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as financial investments at FVOCI are included in other comprehensive income.

Summary of Significant Accounting Policies

for the financial year ended 30 June 2020

X SHARE CAPITAL

(a) Classification

Ordinary shares are classified as equity. Other shares, if any, are classified as equity and/or liability according to the substance of the contractual arrangement of the particular instrument.

(b) Share issue costs

Incremental external costs directly attributable to the issue of new shares or options are deducted against equity.

(c) Dividends

Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period.

Distributions to holders of an equity instrument are charged directly to equity.

Y SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity.

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

Z FINANCIAL GUARANTEE CONTRACTS

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

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Summary of Significant Accounting Policies

for the financial year ended 30 June 2020

Z FINANCIAL GUARANTEE CONTRACTS (CONTINUED)

Where financial guarantees in relation to loans or payables of subsidiaries are provided by the Company for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of investment in subsidiaries.

Financial guarantee contracts are subsequently measured at the higher of the amount determined in accordance with the ECL model under MFRS 9 'Financial instruments' and the amount initially recognised less cumulative amount of income recognised in accordance with the principles of MFRS 15 'Revenue from Contracts with Customers', where appropriate.

AA CONTINGENT ASSETS AND LIABILITIES

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

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Company. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

AB TRANSACTION WITH OWNERS

Transaction with owners in their capacity as owners are recognised in statements of changes in equity and are presented separately from non-owner changes in equity.

AC EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares; and
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Notes to the Financial Statements

for the financial year ended 30 June 2020

1 GENERAL INFORMATION

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are investment banking, stockbroking business, futures broking, related financial services, nominees and custodian services, unit trust management, fund management and sale of unit trusts as disclosed in Note 11 to the financial statements.

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

The immediate holding and ultimate holding companies are Hong Leong Financial Group Berhad ("HLFG") and Hong Leong Company (Malaysia) Berhad respectively, both incorporated in Malaysia. HLFG is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Level 30, Menara Hong Leong, No 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur.

2 CASH AND SHORT-TERM FUNDS

	The Group		The Company	
	30.06.2020 RM'000	30.06.2019 RM'000	30.06.2020 RM'000	30.06.2019 RM'000
Cash and balances with banks and other financial institutions	**152,964**	152,755	**713**	513
Money at call and deposit placements maturing within one month	**205,198**	367,902	**-**	-
	358,162	520,657	**713**	513

Inclusive in cash and short-term funds of the Group are accounts in trust for dealer's representative amounting to RM13,465,000 (30.06.2019: RM13,011,000).

3 CLIENTS' AND BROKERS' BALANCES

Clients' and brokers' balances represent amounts receivable from outstanding purchase contracts in respect of the Group's stockbroking business entered on behalf of clients, amounts due from brokers and contra losses.

	The Group	
	30.06.2020 RM'000	30.06.2019 RM'000
Performing accounts	**261,268**	247,150
Impaired accounts	**3,651**	602
	264,919	247,752
Less: Expected credit losses	**(2,026)**	(220)
	262,893	247,532

Movements of impaired accounts are as follows:

	30.06.2020 RM'000	30.06.2019 RM'000
At 1 July	**602**	2,828
New financial assets originated	**358**	181
Financial assets derecognised	**(331)**	(184)
Impaired during the financial year	**7,126**	16,323
Written back during the financial year	**(4,104)**	(18,536)
Amount written off during the financial year	**-**	(10)
At 30 June	**3,651**	602

Notes to the Financial Statements

for the financial year ended 30 June 2020

3 CLIENTS' AND BROKERS' BALANCES (CONTINUED)

Movements in expected credit losses on clients' and brokers' balances are as follows:

The Group	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 1 July 2019	**4**	**216**	**220**
New financial assets originated	**113**	**391**	**504**
Financial assets derecognised	**(130)**	**(338)**	**(468)**
Allowance made	**49**	**2,247**	**2,296**
Allowance written-back	**(6)**	**(520)**	**(526)**
At 30 June 2020	**30**	**1,996**	**2,026**
At 1 July 2018	28	351	379
New financial assets originated	78	47	125
Financial assets derecognised	(104)	(117)	(221)
Allowance made	33	548	581
Allowance written-back	(31)	(603)	(634)
Allowance written-off	-	(10)	(10)
At 30 June 2019	4	216	220

Notes to the Financial Statements

for the financial year ended 30 June 2020

4 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

	The Group		The Company	
	30.06.2020 RM'000	30.06.2019 RM'000	30.06.2020 RM'000	30.06.2019 RM'000
Money market instruments				
Malaysian Government Securities	**-**	20,806	**-**	-
Negotiable instruments of deposits	**588,325**	991,171	**-**	-
Cagamas bonds	**-**	5,017	**-**	-
	588,325	1,016,994	**-**	-
Quoted securities				
In Malaysia:				
Shares	**45,642**	62,490	**27,696**	26,263
Unit trust investment	**228,284**	233,847	**228,196**	233,483
	273,926	296,337	**255,892**	259,746
Unquoted securities				
Shares	**1,432**	1,365	**-**	-
Corporate bond and/or sukuk	**43,794**	191,509	**-**	-
	45,226	192,874	**-**	-
	907,477	1,506,205	**255,892**	259,746

5 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")

	The Group	
	30.06.2020 RM'000	30.06.2019 RM'000
Money market instruments		
Malaysian Government Securities	**41,229**	235,724
Malaysia Government Investment Issues	**52,982**	31,073
Cagamas bonds	**30,358**	56,022
	124,569	322,819
Unquoted securities		
Foreign currency bonds	**72,260**	111,351
Corporate bond and/or sukuk	**1,069,700**	676,745
	1,141,960	788,096
	1,266,529	1,110,915

Notes to the Financial Statements

for the financial year ended 30 June 2020

5 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI") (CONTINUED)

The carrying amount of debt instruments at FVOCI is equivalent to their fair value. The expected credit losses is recognised in other comprehensive income and does not reduce the carrying amount in the statements of financial position.

Movements in expected credit losses of debt instruments at FVOCI are as follows:

The Group	12 Months ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total ECL RM'000
At 1 July 2019	**143**	**-**	**-**	**143**
Allowances made	**7**	**-**	**-**	**7**
Amount written-back	**(25)**	**-**	**-**	**(25)**
New financial assets originated or purchased	**347**	**-**	**-**	**347**
Financial assets derecognised	**(98)**	**-**	**-**	**(98)**
Exchange differences	**(33)**	**-**	**-**	**(33)**
At 30 June 2020	**341**	**-**	**-**	**341**
At 1 July 2018	205	-	-	205
Allowances made	44	-	-	44
Amount written-back	(20)	-	-	(20)
New financial assets originated or purchased	524	-	-	524
Financial assets derecognised	(607)	-	-	(607)
Exchange differences	(3)	-	-	(3)
At 30 June 2019	143	-	-	143

6 FINANCIAL INVESTMENTS AT AMORTISED COST

	The Group	
	30.06.2020 RM'000	30.06.2019 RM'000
Money market instruments		
Malaysian Government Securities	**291,869**	157,905
Malaysian Government Investment Issues	**534,018**	478,451
	825,887	636,356
Unquoted securities		
Foreign currency bonds	**16,964**	53,810
Corporate bond and/or sukuk	**25,298**	45,535
	42,262	99,345
Less: Expected credit losses	**(15)**	(36)
	868,134	735,665

Movements in expected credit losses of financial investments at amortised cost are as follows:

The Group	12 Months ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total ECL RM'000
At 1 July 2019	**36**	**-**	**-**	**36**
New financial assets originated or purchased	**(22)**	**-**	**-**	**(22)**
Exchange differences	**1**	**-**	**-**	**1**
At 30 June 2020	**15**	**-**	**-**	**15**
At 1 July 2018	24	-	-	24
New financial assets originated or purchased	15	-	-	15
Exchange differences	(3)	-	-	(3)
At 30 June 2019	36	-	-	36

Notes to the Financial Statements

for the financial year ended 30 June 2020

7 LOANS AND ADVANCES

	The Group	
	30.06.2020 RM'000	30.06.2019 RM'000
Term loan financing	**93,935**	19,862
Share margin financing	**225,398**	188,217
Staff loans	**44**	51
Other loans	**281**	515
Gross loans and advances	**319,658**	208,645
Less: Expected credit losses	**(3,635)**	(3,355)
Total net loans and advances	**316,023**	205,290

(i) The maturity structure of loans and advances is as follows:

	30.06.2020 RM'000	30.06.2019 RM'000
Maturity within one year	**265,733**	202,210
One year to three years	**48,006**	6,384
Three years to five years	**44**	-
Over five years	**5,875**	51
Gross loans and advances	**319,658**	208,645

(ii) The loans and advances are disbursed to the following types of customers:

	30.06.2020 RM'000	30.06.2019 RM'000
Domestic business enterprises:		
- small and medium enterprises	**57,941**	509
- others	**124,759**	71,282
Individuals	**133,221**	128,253
Foreign entities	**3,737**	8,601
Gross loans and advances	**319,658**	208,645

(iii) Loans and advances analysed by interest rate sensitivity are as follows:

	30.06.2020 RM'000	30.06.2019 RM'000
Fixed rate:		
- staff housing loans	**44**	51
- other fixed rate loans	**281**	515
Variable rate:		
- cost plus	**319,333**	208,079
Gross loans and advances	**319,658**	208,645

7 LOANS AND ADVANCES (CONTINUED)

	The Group	
	30.06.2020 RM'000	30.06.2019 RM'000
(iv) Loans and advances analysed by their economic purposes are as follows:		
Purchase of securities	**265,451**	201,696
Working capital	**53,882**	6,384
Purchase of transport vehicles	**126**	126
Purchase of landed property	**199**	439
Gross loans and advances	**319,658**	208,645
(v) Loans and advances analysed by geographical distribution are as follows:		
Malaysia	**319,658**	208,645
(vi) Impaired loans and advances		
Movements in the impaired loans and advances are as follows:		
At 1 July	**6,898**	6,873
Impaired during the financial year	**34,066**	25
Amount written-back during the financial year	**(34,442)**	-
At 30 June	**6,522**	6,898
Impaired loans and advances analysed by their economic purposes are as follows:		
Purchase of transport vehicles	**126**	126
Purchase of landed properties	**155**	388
Purchase of securities	**366**	-
Working capital	**5,875**	6,384
	6,522	6,898
Impaired loans and advances analysed by geographical distribution are as follows:		
Malaysia	**6,522**	6,898

Notes to the Financial Statements
for the financial year ended 30 June 2020

7 LOANS AND ADVANCES (CONTINUED)

(vii) Movements in expected credit losses of loans and advances:

The Group	12 Months ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total ECL RM'000
At 1 July 2019	**140**	**1**	**3,214**	**3,355**
Transferred to Stage 1	**6**	**(6)**	**-**	**-**
Transferred to Stage 2	**(6)**	**6**	**-**	**-**
Transferred to Stage 3	**(11)**	**-**	**11**	**-**
New financial assets originated	**602**	**-**	**2,657**	**3,259**
Financial assets derecognised	**(2)**	**-**	**(3,088)**	**(3,090)**
Allowance made	**137**	**1**	**1,839**	**1,977**
Allowance written-back	**(210)**	**(1)**	**(1,655)**	**(1,866)**
At 30 June 2020	**656**	**1**	**2,978**	**3,635**
At 1 July 2018	223	3	2,959	3,185
Transferred to Stage 1	18	(18)	-	-
Transferred to Stage 2	(16)	16	-	-
New financial assets originated	21	1	-	22
Financial assets derecognised	(4)	-	-	(4)
Allowance made	29	1	287	317
Allowance written-back	(131)	(2)	(32)	(165)
At 30 June 2019	140	1	3,214	3,355

7 LOANS AND ADVANCES (CONTINUED)

(viii) Movement in the gross carrying amount of financial assets that contributed to changes in the expected credit losses:

The Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 July 2019	**200,212**	**1,535**	**6,898**	**208,645**
Transferred to Stage 1	**9,404**	**(9,404)**	**-**	**-**
Transferred to Stage 2	**(14,762)**	**14,762**	**-**	**-**
Transferred to Stage 3	**(27,748)**	**-**	**27,748**	**-**
New financial assets originated	**355,165**	**2,418**	**6,318**	**363,901**
Financial assets derecognised	**(212,749)**	**(5,697)**	**(34,442)**	**(252,888)**
At 30 June 2020	**309,522**	**3,614**	**6,522**	**319,658**
At 1 July 2018	214,339	7,324	6,873	228,536
Transferred to Stage 1	24,342	(24,342)	-	-
Transferred to Stage 2	(19,849)	19,849	-	-
New financial assets originated	144,316	2,997	25	147,338
Financial assets derecognised	(162,936)	(4,293)	-	(167,229)
At 30 June 2019	200,212	1,535	6,898	208,645

8 OTHER ASSETS

	The Group		The Company	
	30.06.2020 RM'000	30.06.2019 RM'000	30.06.2020 RM'000	30.06.2019 RM'000
Amounts due from subsidiary companies (a)	**-**	-	**-**	130
Deposits	**11,545**	5,542	**5**	5
Prepayments	**1,492**	3,041	**29**	30
Fee income receivables	**6,175**	8,883	**-**	-
Cash collaterals pledged for derivative transactions	**17,673**	7,417	**-**	-
Treasury related receivables	**-**	19,185	**-**	-
Other receivables	**10,884**	12,665	**639**	775
Manager's stocks and consumables	**1,007**	46	**-**	-
	48,776	56,779	**673**	940
Less: Expected credit losses	**(1,428)**	(1,370)	**-**	-
	47,348	55,409	**673**	940

Notes to the Financial Statements

for the financial year ended 30 June 2020

8 OTHER ASSETS (CONTINUED)

(a) The amounts due from subsidiaries and related companies are unsecured, interest free and repayable on demand.

(b) Movements of expected credit losses on fee income receivables is as follows:

The Group	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 1 July 2019	**5**	**1,365**	**1,370**
New financial assets originated	**3**	**-**	**3**
Financial assets derecognised	**(4)**	**-**	**(4)**
Allowance made	**1**	**58**	**59**
At 30 June 2020	**5**	**1,423**	**1,428**
At 1 July 2018	2	1,473	1,475
New financial assets originated	4	50	54
Financial assets derecognised	(1)	(169)	(170)
Allowance made	-	11	11
At 30 June 2019	5	1,365	1,370

9 STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA ("BNM")

The non-interest bearing statutory deposits are maintained by the banking subsidiary with BNM in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act 2009, the amount of which is determined at set percentages of total eligible liabilities.

As announced by BNM on 15 May 2020, effective 16 May 2020, banking institutions are allowed to use Malaysian Government Securities (MGS) and Malaysian Government Investment Issues (MGII) to fully meet the SRR compliance. This flexibility is available until 31 May 2021.

10 DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statements of financial position:

	Note	The Group 30.06.2020 RM'000	The Group 30.06.2019 RM'000
Deferred tax assets		**87,822**	82,556
At 1 July		**82,556**	88,233
Credited/(Charged) to income statements	33	**5,695**	(2,756)
Charged to equity		**(429)**	(2,921)
At 30 June		**87,822**	82,556
Deferred tax assets			
- settled more than 12 months		**72,729**	67,432
- settled within 12 months		**22,636**	17,653
Deferred tax liabilities			
- settled more than 12 months		**(6,094)**	(2,212)
- settled within 12 months		**(1,449)**	(317)
		87,822	82,556

The movements in deferred tax assets and liabilities during the financial year comprise the following:

The Group	Note	Property and equipment RM'000	Financial investments at FVOCI RM'000	Unutilised tax credits RM'000	Provisions RM'000	ROU assets RM'000	Lease liabilities RM'000	Total RM'000
At 1 July 2019								
- as previously reported		**(112)**	**(2,417)**	**79,982**	**5,103**	**-**	**-**	**82,556**
- effect of adopting MFRS 16	48	**-**	**-**	**-**	**-**	**(5,072)**	**5,072**	**-**
At 1 July 2019, as restated		**(112)**	**(2,417)**	**79,982**	**5,103**	**(5,072)**	**5,072**	**82,556**
(Charged)/Credited to income statements	33	**(317)**	**-**	**2,530**	**3,386**	**804**	**(708)**	**5,695**
Charged to equity		**-**	**(429)**	**-**	**-**	**-**	**-**	**(429)**
At 30 June 2020		**(429)**	**(2,846)**	**82,512**	**8,489**	**(4,268)**	**4,364**	**87,822**
At 1 July 2018		(709)	504	82,990	5,448	-	-	88,233
Credited/(Charged) to income statements	33	597	-	(3,008)	(345)	-	-	(2,756)
Charged to equity		-	(2,921)	-	-	-	-	(2,921)
At 30 June 2019		(112)	(2,417)	79,982	5,103	-	-	82,556

Notes to the Financial Statements
for the financial year ended 30 June 2020

10 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

Unrecognised deferred tax assets

	The Group	
	30.06.2020 RM'000	30.06.2019 RM'000
Tax losses		
Unutilised tax losses for which the related tax credit has not been recognised in the financial statements	**198**	21,320
Tax credit		
Tax credit which has not been recognised in the financial statements	**66,997**	88,348
Capital allowances		
Unutilised capital allowances for which the related tax credit has not been recognised in the financial statements	**391**	391

Deferred tax assets of certain subsidiaries have not been recognised in respect of these items as it is not probable that taxable profits will be available against which the unutilised tax losses, tax credit and capital allowances can be utilised.

The Group's unutilised tax credit and capital allowances have no expiration date under current tax legislation.

Under the Malaysia Finance Act 2018 which was gazetted on 27 December 2018, the Group's unutilised tax losses with no expiry period amounting to RM198,000 as at 30 June 2020 will be imposed with a time limit of utilisation. Any accumulated unutilised tax losses brought forward from year of assessment 2019 can be carried forward for another 7 consecutive years of assessment (i.e. from year of assessments 2020 to 2026).

11 INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	30.06.2020 RM'000	30.06.2019 RM'000
Subsidiary companies:		
Unquoted shares at cost (a)	**374,256**	374,256
Less: Accumulated impairment losses (b)	**(127,682)**	(127,682)
	246,574	246,574

(a) On 6 March 2019, HLG Capital Markets Sdn Bhd and HLCB Assets Sdn Bhd were placed under member's voluntary liquidation. As a result, the capital return to the Company amounts to RM70,850,000.

(b) The impairment allowance was due to reduction in a subsidiary's estimated future cash flows. In determining the impairment allowance, management has assessed the recoverable amount, being the higher of the fair value less costs to sell and value in use.

The investment in subsidiary is included within the reportable segment of 'Investment holding and others'.

Notes to the Financial Statements
for the financial year ended 30 June 2020

11 INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

Details of the subsidiary companies are as follows:

Name of companies	Country of incorporation	Effective equity interest 2020 %	2019 %	Principal activities
Hong Leong Investment Bank Berhad ("HLIB") and its subsidiaries	Malaysia	**100**	100	Investment banking, stockbroking business, futures broking and related financial services
- HLIB Nominees (Tempatan) Sdn. Bhd.	Malaysia	**100**	100	Nominee and custodian services for Malaysian clients
- HLIB Nominees (Asing) Sdn. Bhd.	Malaysia	**100**	100	Nominee and custodian services for foreign clients
- SSSB Jaya (1987) Sdn. Bhd.	Malaysia	**100**	100	In creditors' voluntary liquidation
HLG Capital Markets Sdn. Bhd.	Malaysia	**100**	100	In member's voluntary liquidation
HLG Securities Sdn. Bhd.	Malaysia	**100**	100	In member's voluntary liquidation
HLCB Assets Sdn. Bhd.	Malaysia	**100**	100	In member's voluntary liquidation
Hong Leong Asset Management Bhd and its subsidiary	Malaysia	**100**	100	Unit trust management, fund management and sale of unit trusts
- Hong Leong Islamic Asset Management Sdn. Bhd. (formerly known as Hong Leong Fund Management Sdn. Bhd.)	Malaysia	**100**	100	Islamic fund management service
Unincorporated trust for ESOS	Malaysia	**-**	-	Special purpose vehicle for ESOS purpose

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11 INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

Significant judgments and assumptions used to determine the scope of the consolidation

Determining whether the Group has control of an entity is generally straightforward based on ownership of the majority of the voting capital. However, in certain instances this determination will involve significant judgment, particularly in the case of structured entities where voting rights are often not the determining factor in decisions over the relevant activities. This judgment may involve assessing the purpose and design of the entity. It will also often be necessary to consider whether the group or another involved party with power over the relevant activities, is acting as a principal in its own right or as an agent on behalf of others.

There is also often considerable judgment involved in the ongoing assessment of control over structured entities. In this regard, where market conditions have deteriorated such that the other investors' exposures to the structure's variable returns have been substantively eliminated, the Group may conclude that the Group which acts as managers of the structured entity are acting as its principal and therefore will consolidate the structured entity.

An interest in equity voting rights exceeding 50% would typically indicate that the Group has control of an entity. However certain entities are excluded from consolidation because the Group does not have exposure to their variable returns.

12 STRUCTURED ENTITIES

A structured entity ("SE") is an entity in which voting or similar rights are not the dominant factor in deciding control. SEs are generally created to achieve a narrow and well defined objective with restrictions around their on going activities. Depending on the Group's power over the activities of the entity and its exposure to and ability to influence its own returns, it may consolidate the entity. In other cases it may sponsor or have exposure to such an entity but not consolidate it.

Unconsolidated structured entities in which the Group has an interest

An interest in a SE is any form of contractual or non-contractual involvement which creates variability in returns arising from the performance of the entity for the Group. Such interests include holdings of debt securities, lending and derivatives.

The Group's banking subsidiary, HLIB has been involved in the setting up of the SEs to facilitate the sell down of the debt securities originated and arranged by HLIB. HLIB has power over the relevant activities but no significant exposure to these SEs.

12 STRUCTURED ENTITIES (CONTINUED)

The carrying amounts of assets and liabilities recognised in the Group's statements of financial position relating to the interests in unconsolidated SEs is summarised as below:

	The Group	
	30.06.2020 RM'000	30.06.2019 RM'000
Assets		
Derivative financial assets	**-**	15
Liabilities		
Other liabilities	**44**	1
Derivative financial liabilities	**-**	573

The Group's income and expenses in relation to unconsolidated SEs recognised is summarised as below:

	The Group	
	30.06.2020 RM'000	30.06.2019 RM'000
Non-interest income		
- Unrealised (loss)/gain on revaluation of derivative financial assets and derivative		
financial liabilities - call options	**(15)**	(5)
- interest rate swaps	**(466)**	625
Interest expense		
- Interest rate swaps	**303**	630

The principal amount of the derivative financial instruments relating to unconsolidated SEs is summarised as below:

	The Group	
	30.06.2020 RM'000	30.06.2019 RM'000
Commitments and contingencies		
Interest rate related contracts:		
- Interest rate swaps	**-**	35,000
Equity related contracts:		
- Call options	**-**	7,000

The Group's maximum exposure to loss is the total of its on-balance sheet positions. Exposure to loss is mitigated through collateral held.

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13 PROPERTY AND EQUIPMENT

The Group 30.06.2020	Note	Freehold land RM'000	Leasehold land more than 50 years RM'000	Leasehold building RM'000	Office and computer equipment RM'000	Furniture and fittings RM'000	Renovations RM'000	Motor vehicles RM'000	Total RM'000
Cost									
At 1 July 2019									
- as previously reported		350	783	871	22,267	2,647	21,953	911	49,782
- effect of adopting MFRS 16	14	-	(783)	(871)	-	-	-	-	(1,654)
At 1 July 2019, as restated		350	-	-	22,267	2,647	21,953	911	48,128
Additions		-	-	-	184	19	447	-	650
Write-off		-	-	-	(20)	-	-	-	(20)
At 30 June 2020		350	-	-	22,431	2,666	22,400	911	48,758
Accumulated depreciation									
At 1 July 2019									
- as previously reported		-	58	175	20,871	2,055	10,912	529	34,600
- effect of adopting MFRS 16	14	-	(58)	(175)	-	-	-	-	(233)
At 1 July 2019, as restated		-	-	-	20,871	2,055	10,912	529	34,367
Charge for the financial year		-	-	-	686	159	2,429	97	3,371
Write-off		-	-	-	(20)	-	-	-	(20)
At 30 June 2020		-	-	-	21,537	2,214	13,341	626	37,718
Net book value									
At 30 June 2020		350	-	-	894	452	9,059	285	11,040

13 PROPERTY AND EQUIPMENT (CONTINUED)

The Group 30.06.2019	Note	Freehold land RM'000	Leasehold land more than 50 years RM'000	Leasehold building RM'000	Office and computer equipment RM'000	Furniture and fittings RM'000	Renovations RM'000	Motor vehicles RM'000	Total RM'000
Cost									
At 1 July 2018		350	783	871	21,963	3,475	22,482	801	50,725
Additions		-	-	-	549	25	2,884	316	3,774
Disposals		-	-	-	-	-	-	(206)	(206)
Write-off		-	-	-	(245)	(853)	(3,413)	-	(4,511)
At 30 June 2019		350	783	871	22,267	2,647	21,953	911	49,782
Accumulated depreciation									
At 1 July 2018		-	50	159	20,263	2,698	11,163	650	34,983
Charge for the financial year		-	8	16	840	163	2,280	85	3,392
Disposals		-	-	-	-	-	-	(206)	(206)
Write-off		-	-	-	(232)	(806)	(2,531)	-	(3,569)
At 30 June 2019		-	58	175	20,871	2,055	10,912	529	34,600
Net book value									
At 30 June 2019		350	725	696	1,396	592	11,041	382	15,182

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14 RIGHT-OF-USE ASSETS ("ROU")

The Group	Note	Leasehold Land RM'000	Leasehold Building RM'000	Properties RM'000	Equipment RM'000	Total RM'000
Cost						
At 1 July 2019, on adoption of MFRS 16	48	783	871	23,626	526	25,806
Additions		-	-	36	-	36
At 30 June 2020		783	871	23,662	526	25,842
Accumulated depreciation						
At 1 July 2019, on adoption of MFRS 16	48	58	175	-	-	233
Charge for the financial year		8	17	3,831	166	4,022
At 30 June 2020		66	192	3,831	166	4,255
Net book value						
At 30 June 2020		717	679	19,831	360	21,587

15 OTHER INTANGIBLE ASSETS

	The Group	
Computer software	**30.06.2020 RM'000**	**30.06.2019 RM'000**
Cost		
At 1 July	24,997	22,830
Additions	1,608	2,167
Disposal	(22)	-
At 30 June	26,583	24,997
Amortisation		
At 1 July	(21,895)	(19,134)
Charge for the financial year	(1,702)	(2,761)
Disposal	22	-
At 30 June	(23,575)	(21,895)
Net book value		
At 30 June	3,008	3,102

16 GOODWILL

	The Group	
	30.06.2020 RM'000	30.06.2019 RM'000
Cost		
At 1 July/30 June	**33,059**	33,059

Allocation of goodwill to cash-generating units

Goodwill has been allocated to the following cash-generating units ("CGUs"):

	The Group	
CGUs	30.06.2020 RM'000	30.06.2019 RM'000
Investment banking and stockbroking	**28,986**	28,986
Unit trust management	**4,073**	4,073
	33,059	33,059

Impairment test on goodwill

The recoverable amount of CGUs have been determined based on value in use calculation. These calculations use pre-tax cash flows projections based on financial budgets approved by Directors covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rates of 3.6% (30.06.2019: 4.7%), based on historical Gross Domestic Product ("GDP") growth rate of Malaysia on perpetual basis and discounted using pre-tax discount rates which reflect the specific risks relating to CGU.

The cash flows projections are derived based on a number of key factors including the past performance and management's expectations of the market development. The following are the discount rates used in determining the recoverable amount of each CGUs:

	The Group	
	30.06.2020 %	30.06.2019 %
CGUs		
Investment banking and stockbroking	**11.7**	10.5
Unit trust management	**12.0**	10.6

The discount rates used are pre-tax and reflect specific risks relating to the relevant CGUs.

For the current financial year, impairment was not required for goodwill arising from investment banking and stockbroking, and unit trust management. Management believes that any reasonable possible change to the assumptions applied is not likely to cause the recoverable amount to be lower than carrying amount.

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17 DEPOSITS FROM CUSTOMERS

	The Group	
	30.06.2020 RM'000	30.06.2019 RM'000
Fixed deposits	**737,747**	748,004
(i) Maturity structure of fixed deposits is as follows:		
Due within:		
- six months	**720,239**	748,004
- six months to one year	**17,508**	-
	737,747	748,004
(ii) The deposits are sourced from the following customers:		
Government and statutory bodies	**515,109**	525,319
Business enterprises	**207,466**	180,092
Individual	**15,172**	42,593
	737,747	748,004

18 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group	
	30.06.2020 RM'000	30.06.2019 RM'000
Licensed banks	**228,601**	319,492
Licensed investment banks	**75,304**	130,032
Other financial institutions	**1,769,306**	1,972,596
	2,073,211	2,422,120

19 LEASE LIABILITIES

		The Group	
	Note	30.06.2020 RM'000	30.06.2019 RM'000
At 1 July 2019, on adoption of MFRS 16	48	**23,746**	-
Additions		**35**	-
Interest expense		**1,051**	-
Lease payment		**(4,538)**	-
Adjustment due to lease reassessment		**(8)**	-
At 30 June 2020		**20,286**	-

20 OTHER LIABILITIES

		The Group		The Company	
	Note	30.06.2020 RM'000	30.06.2019 RM'000	30.06.2020 RM'000	30.06.2019 RM'000
Amount due to holding company	(a)	**109**	169	**-**	-
Amount due to other related companies	(a)	**12**	14	**-**	-
Remisiers' trust deposits		**13,465**	13,011	**-**	-
Treasury related payables		**40,099**	20,624	**-**	-
Advance payments received for corporate exercise		**248**	66,015	**-**	-
Other payables and accrued liabilities		**74,447**	44,590	**698**	612
Post employment benefits obligation:					
- defined contribution plan		**215**	212	**-**	-
		128,595	144,635	**698**	612

(a) The amount due to other related companies is unsecured, interest free and repayable on demand.

21 DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

The table below shows the Group's derivative financial instruments as at the reporting date. The contractual or underlying principal amounts of these derivative financial instruments and their corresponding gross positive (derivative assets) and gross negative (derivative liabilities) fair values at the reporting date are analysed below.

The Group 30.06.2020	Note	Contract or underlying principal amount RM'000	Year-end positive fair value RM'000	Year-end negative fair value RM'000
Derivatives at FVTPL:				
(i) Interest rate related contracts:				
- interest rate swaps		**4,350,000**	**47,834**	**(74,171)**
- cross currency swaps		**85,700**	**557**	**-**
(i) Foreign exchange related contracts:				
- foreign currency swaps		**1,225,578**	**6,086**	**(4,567)**
- foreign currency forwards		**258,331**	**480**	**(372)**
Derivatives designated as fair value hedge:				
- Interest rate swap	(a)	**70,000**	**-**	**(2,510)**
		5,989,609	**54,957**	**(81,620)**

Notes to the Financial Statements

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21 DERIVATIVE FINANCIAL ASSETS/(LIABILITIES) (CONTINUED)

The Group 30.06.2019	Note	Contract or underlying principal amount RM'000	Year-end positive fair value RM'000	Year-end negative fair value RM'000
Derivatives at FVTPL:				
(i) Interest rate related contracts:				
- interest rate swaps		8,005,000	16,732	(29,429)
- futures		91,819	-	(134)
- cross currency swaps		82,720	2,745	-
(ii) Foreign exchange related contracts:				
- foreign currency swaps		2,313,381	8,731	(4,228)
- foreign currency forwards		170,641	48	(519)
(iii) Equity related contracts:				
- futures		29,152	39	-
- call options		7,000	15	-
		10,699,713	28,310	(34,310)

(a) Fair value hedge

The Group's fair value hedges principally consist of interest rate swaps that are used to protect against changes in the fair value of financial assets due to movement in interest rates. The Group has undertaken fair value hedges on interest rate risk of RM70,000,000 (2019: Nil) on certain receivables using interest rate swaps. The total fair value loss of the said interest rate swaps related to these hedges amounted to RM2,477,000 (2019: Nil) at the Group.

Included in the net non-interest income is the net losses arising from fair value hedges that were effective during the financial year as follows:

	The Group	
	30.06.2020 RM'000	30.06.2019 RM'000
Loss on hedging instruments	**(2,477)**	-
Gain on hedged items attributable to the hedged risks	**1,919**	-
	(558)	-

22 SUBORDINATED OBLIGATIONS

	The Group	
	30.06.2020 RM'000	**30.06.2019 RM'000**
RM100.0 million Tier 2 subordinated notes, at par	**100,000**	150,000
Add: Interest payable	**185**	603
	100,185	150,603
Less: Unamortised discounts	**(7)**	(98)
	100,178	150,505

On 6 November 2014, HLIB had completed the first issuance of RM50.0 million nominal value of Tier 2 Subordinated Notes ("Sub-Notes") out of its RM1.0 billion Multi-Currency Sub-Notes Programme. The RM50.0 million Sub-Notes will mature in 2024 and is callable on any coupon payment date falling on or after the 5th anniversary of the issue date. The Sub-Notes which bears interest rate of 5.30% per annum is payable semi-annually in arrears. The exercise of the call option on the Sub-Notes shall be subject to the approval of BNM.

The Sub-Notes constitute unsecured liabilities of HLIB, and is subordinated in right of payment to the deposit liabilities and all other liabilities of HLIB in accordance with the terms and conditions of the issue, except to those liabilities, which by their terms, rank equally in right of payment with or are subordinated to the Sub-Notes. The Sub-Notes qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of HLIB.

Subsequently, on 14 June 2019, HLIB issued a second tranche of RM100.0 million nominal value of 10-year non-callable 5 years Sub Notes callable on 14 June 2024 (and thereafter) and due on 14 June 2029 out of its RM1.0 billion Multi-Currency Sub Notes Programme. The coupon rate for this second tranche of the Sub Notes is 4.23% per annum, which is payable semi-annually in arrears from the date of the issue.

On 6 November 2019, HLIB had fully redeemed the first issuance of RM50.0 million nominal value of this Sub Notes.

23 SHARE CAPITAL

	The Group and The Company			
	30.06.2020		30.06.2019	
	Number of ordinary shares '000	**RM'000**	**Number of ordinary shares '000**	**RM'000**
Ordinary share issued and fully paid:				
At 1 July/30 June – Ordinary shares	**246,896**	**246,896**	246,896	246,896

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24 RESERVES

		The Group		The Company	
	Note	30.06.2020 RM'000	30.06.2019 RM'000	30.06.2020 RM'000	30.06.2019 RM'000
Retained profits	(i)	**578,020**	537,342	**262,330**	266,184
Regulatory reserve	(ii)	**12,076**	11,606	**-**	-
Fair value reserve	(iii)	**9,349**	7,794	**-**	-
		599,445	556,742	**262,330**	266,184

(i) Retained profits

The Company can distribute dividends out of its entire retained earnings under the single-tier system.

(ii) Regulatory reserve

Regulatory reserves represent the Group's banking subsidiary, HLIB, compliance with BNM's Revised Policy Documents on Financial Reporting with effect from 1 July 2018, whereby HLIB and its domestic banking subsidiaries must maintain, in aggregate, loss allowance for non-credit impaired exposures and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.

(iii) Fair value reserve

Movement of the fair value reserve is as follows:

		The Group		The Company	
	Note	30.06.2020 RM'000	30.06.2019 RM'000	30.06.2020 RM'000	30.06.2019 RM'000
At 1 July		**7,794**	(1,391)	**-**	-
Net gain from change in fair value		**8,716**	11,713	**-**	-
Reclassification to net profit on disposal		**(6,930)**	455	**-**	-
Net changes in expected credit losses		**198**	(62)	**-**	-
Deferred taxation	10	**(429)**	(2,921)	**-**	-
Net change in fair value reserve		**1,555**	9,185	**-**	-
At 30 June		**9,349**	7,794	**-**	-

25 TREASURY SHARES

Treasury shares for ESOS scheme

MFRS 132 – Financial Instruments: Presentation and Disclosure requires that if an entity reacquires its own equity instruments, those instruments shall be deducted from equity and are not recognised as a financial asset regardless of the reason for which they are reacquired.

In accordance with MFRS 132 – Financial Instruments: Presentation and Disclosure, the shares purchased for the benefit of the ESOS holders are recorded as "Treasury Shares for ESOS Scheme" in the equity on the statements of financial position. As at reporting date, the number of shares held by the appointed trustee for the Group and the Company are as follows:

	30.06.2020		30.06.2019	
The Group	**Number of trust shares held '000**	**Cost RM'000**	**Number of trust shares held '000**	**Cost RM'000**
As at 1 July/30 June	**5,613**	**6,031**	5,613	6,031
The Company				
As at 1 July/30 June	**5,508**	**5,918**	5,508	5,918

26a INTEREST INCOME

	The Group		The Company	
	30.06.2020 RM'000	**30.06.2019 RM'000**	**30.06.2020 RM'000**	**30.06.2019 RM'000**
Loans and advances	**14,012**	13,752	**-**	-
Money at call and deposit placements with financial institutions	**9,885**	4,218	**11**	7
Financial investments at FVOCI	**40,309**	55,905	**-**	-
Financial investments at amortised cost	**29,261**	27,058	**-**	-
Others	**18,200**	14,343	**-**	-
	111,667	115,276	**11**	7

26b INTEREST INCOME FOR FINANCIAL ASSETS AT FVTPL

	The Group	
	30.06.2020 RM'000	30.06.2019 RM'000
Financial assets at FVTPL	**39,188**	48,190

27 INTEREST EXPENSE

	The Group	
	30.06.2020 RM'000	30.06.2019 RM'000
Deposits and placements of banks and other financial institutions	**19,259**	32,567
Deposits from customers	**60,027**	76,882
Derivative financial instruments	**18,655**	8,376
Subordinated obligations	**5,262**	2,867
Lease liabilities	**1,051**	-
Others	**103**	634
	104,357	121,326

28 NON-INTEREST INCOME

	The Group		The Company	
	30.06.2020 RM'000	30.06.2019 RM'000	30.06.2020 RM'000	30.06.2019 RM'000
Fee income				
Brokerage income	**76,541**	52,457	**-**	-
Unit trust fee income	**56,899**	50,199	**-**	-
Commission for futures contracts	**1,611**	731	**-**	-
Fees on loans and advances	**925**	118	**-**	-
Arranger fees	**3,365**	4,363	**-**	-
Placement fees	**8,353**	8,426	**-**	-
Corporate advisory fees	**3,385**	5,052	**-**	-
Underwriting commissions	**188**	2,629	**-**	-
Other fee income	**8,865**	4,115	**-**	-
	160,132	128,090	**-**	-
Net income from securities				
Net realised gain/(loss) arising from sale of:				
- Financial assets at FVTPL	**4,235**	6,085	**327**	302
- Financial investments at FVOCI	**26,819**	14,859	**-**	-
- Derivative financial instruments	**39,562**	(35,915)	**-**	-
Net unrealised (loss)/gain on revaluation of:				
- Financial assets at FVTPL	**(3,027)**	6,326	**(2,921)**	(64)
- Derivative financial instruments	**(17,758)**	9,790	**-**	-
Dividend income from:				
- Financial assets at FVTPL	**8,820**	10,437	**7,320**	7,738
- Subsidiary companies	**-**	-	**46,000**	66,830
Net unrealised loss on fair value changes arising from fair value hedges	**(558)**	-	**-**	-
	58,093	11,582	**50,726**	74,806
Other income				
Gain on disposal of property and equipment	**-**	64	**-**	-
Gain on liquidation of a subsidiary	**-**	-	**-**	850
Foreign exchange (loss)/gain	**(32,245)**	16,750	**-**	-
Other non-operating income	**247**	250	**195**	187
	(31,998)	17,064	**195**	1,037
	186,227	156,736	**50,921**	75,843

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29 OVERHEAD EXPENSES

	The Group		The Company	
	30.06.2020 RM'000	30.06.2019 RM'000	30.06.2020 RM'000	30.06.2019 RM'000
Personnel costs	**92,873**	75,575	**416**	219
Establishment costs	**17,585**	19,652	**63**	67
Marketing expenses	**2,572**	3,595	**38**	2
Administration and general expenses	**21,734**	23,531	**1,056**	1,820
	134,764	122,353	**1,573**	2,108

(i) Personnel costs comprise the following:

	The Group		The Company	
	30.06.2020 RM'000	30.06.2019 RM'000	30.06.2020 RM'000	30.06.2019 RM'000
Salaries, allowances and bonuses	**79,513**	61,362	**-**	-
Other employees benefits	**13,360**	14,213	**416**	219
	92,873	75,575	**416**	219

(ii) Establishment costs comprise the following:

	The Group		The Company	
	30.06.2020 RM'000	30.06.2019 RM'000	30.06.2020 RM'000	30.06.2019 RM'000
Depreciation of property and equipment	**3,371**	3,392	**-**	-
Depreciation of ROU assets	**4,022**	-	**-**	
Amortisation of intangible assets - computer software	**1,702**	2,761	**-**	-
Rental of premises	**78**	4,694	**-**	-
Information technology expenses	**6,221**	5,970	**2**	17
Others	**2,191**	2,835	**61**	50
	17,585	19,652	**63**	67

(iii) Marketing expenses comprise the following:

	The Group		The Company	
	30.06.2020 RM'000	30.06.2019 RM'000	30.06.2020 RM'000	30.06.2019 RM'000
Advertisement and publicity	**1,027**	911	**-**	-
Travelling and accommodation	**375**	612	**-**	-
Others	**1,170**	2,072	**38**	2
	2,572	3,595	**38**	2

29 OVERHEAD EXPENSES (CONTINUED)

(iv) Administration and general expenses comprise the following:

	The Group		The Company	
	30.06.2020 RM'000	**30.06.2019 RM'000**	**30.06.2020 RM'000**	**30.06.2019 RM'000**
Communication expenses	**1,240**	1,795	**6**	4
Stationery and printing expenses	**383**	732	**10**	12
Management fees	**4,921**	4,087	**400**	499
Professional fees	**4,139**	6,695	**20**	604
Property and equipment written off	**-**	942	**-**	-
Auditors' remuneration:				
- statutory audit fees	**371**	535	**79**	79
- regulatory related fees	**54**	54	**11**	11
- tax compliance fees	**25**	25	**-**	-
- other fees	**20**	15	**-**	-
Others	**10,581**	8,651	**530**	611
	21,734	23,531	**1,056**	1,820

Included in the overhead expenses of the Group and the Company are Directors' remuneration amounting to RM379,000 (2019: RM384,000) and RM379,000 (2019: RM384,000) respectively.

There was no indemnity given or insurance effected for any auditor of the Group and the Company during the annual financial year and its comparative financial year.

30 ALLOWANCE FOR IMPAIRMENT LOSSES ON LOANS AND ADVANCES

	The Group	
	30.06.2020 RM'000	**30.06.2019 RM'000**
Expected credit losses on:		
- Loans and advances	**(280)**	(170)

Notes to the Financial Statements

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31 (ALLOWANCE FOR)/WRITE-BACK OF IMPAIRMENT LOSSES ON FINANCIAL INVESTMENTS AND OTHER FINANCIAL ASSETS

	The Group	
	30.06.2020 RM'000	30.06.2019 RM'000
Expected credit losses on:		
(a) Financial investments:		
- Financial investments at FVOCI	**(198)**	62
- Financial investments at amortised cost	**21**	(12)
	(177)	50
(b) Other financial assets:		
(i) Clients' and brokers' balances:		
- Expected credit losses	**(1,806)**	149
- Impaired clients' and brokers' balances recovered	**110**	51
(ii) Deposits and placements with banks and other financial institutions	**-**	22
(iii) Securities purchased under resale agreements	**-**	2
(iv) Other assets	**(58)**	105
	(1,754)	329
	(1,931)	379

32 DIRECTORS' REMUNERATION

	The Group			The Company		
30.06.2020	**Director fees RM'000**	**Salaries, bonuses, allowances and defined contribution retirement plan RM'000**	**Total RM'000**	**Director fees RM'000**	**Salaries, bonuses, allowances and defined contribution retirement plan RM'000**	**Total RM'000**
Non-Executive Directors:						
Mr Tan Kong Khoon	**-**	**-**	**-**	**-**	**-**	**-**
Ms Tai Siew Moi	**115**	**10**	**125**	**115**	**10**	**125**
Ms Leong Ket Ti	**115**	**10**	**125**	**115**	**10**	**125**
Mr Peter Ho Kok Wai	**120**	**9**	**129**	**120**	**9**	**129**
	350	**29**	**379**	**350**	**29**	**379**
Directors of subsidiaries	**713**	**1,973**	**2,686**	**-**	**-**	**-**
Total directors' remuneration	**1,063**	**2,002**	**3,065**	**350**	**29**	**379**

The movements and details of the Directors of the Company in office and interests in shares and share options are reported in the Directors' report.

30.06.2019						
Non-Executive Directors:						
Mr Tan Kong Khoon	-	-	-	-	-	-
Ms Tai Siew Moi	115	9	124	115	9	124
Ms Leong Ket Ti (Appointed on 15.11.2018)	72	6	78	72	6	78
Mr Peter Ho Kok Wai *(Appointed on 20.12.2018)*	63	4	67	63	4	67
Ms Koid Swee Lian *(Appointed on 19.09.2018 and resigned on 20.12.2018)*	24	3	27	24	3	27
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman *(Retired on 30.10.2018)*	41	4	45	41	4	45
YBhg Dato' Ahmad Fuaad bin Mohd Dahalan *(Retired on 30.10.2018)*	39	4	43	39	4	43
	354	30	384	354	30	384
Directors of subsidiaries	719	1,519	2,238	-	-	-
Total directors' remuneration	1,073	1,549	2,622	354	30	384

32 DIRECTORS' REMUNERATION (CONTINUED)

The Directors' Remuneration in the current financial year represents remuneration for Directors of the Group, the Company and its subsidiaries to comply with the requirements of the Companies Act, 2016. The names of directors of subsidiaries and their remuneration details are set out in the respective subsidiary's statutory accounts and the said information is deemed incorporated herein by such reference and made a part thereof.

During the financial year, Directors and Officers of the Group are covered under the Directors' & Officers' Liability Insurance in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors and Officers of the Group subject to the terms of the policy. The total amount of Directors' & Officers' Liability Insurance effected for the Directors & Officers of the immediate holding company and its subsidiaries was RM10 million. The total amount of premium paid for the Directors' & Officers' Liability Insurance by the immediate holding company and its subsidiaries was RM67,688 (2019: RM67,688) and the apportioned amount of the said premium paid by Hong Leong Investment Bank Berhad was RM960 (2019: RM1,178).

33 TAXATION

	The Group		The Company	
	30.06.2020 RM'000	**30.06.2019 RM'000**	**30.06.2020 RM'000**	**30.06.2019 RM'000**
Malaysian income tax:				
- current financial year's charge	**7,243**	6,398	**122**	129
- under/(over) provision in prior financial years	**15**	(134)	**(14)**	2
	7,258	6,264	**108**	131
Deferred taxation (Note 10):				
- relating to origination and reversal of temporary differences	**(5,695)**	2,756	**-**	-
	(5,695)	2,756	**-**	-
	1,563	9,020	**108**	131

33 TAXATION (CONTINUED)

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

	The Group		The Company	
	30.06.2020 RM'000	30.06.2019 RM'000	30.06.2020 RM'000	30.06.2019 RM'000
Profit before taxation	**95,750**	76,732	**49,359**	73,742
Tax calculated at a rate of 24% (2019: 24%)	**22,980**	18,416	**11,846**	17,698
Tax effects of:				
- Income not subject to tax	**(1,459)**	(2,510)	**(12,096)**	(18,087)
- Expenses not deductible for tax purposes	**1,752**	2,422	**372**	518
- Recognition of unutilised tax credit previously not recognised	**(21,303)**	(8,306)	**-**	-
- Origination of temporary differences previously not recognised	**(495)**	(868)	**-**	-
- Origination of temporary differences not recognised during the financial year	**73**	-	**-**	-
- Under/(over) provision in prior financial years	**15**	(134)	**(14)**	2
Tax expense for the financial year	**1,563**	9,020	**108**	131

34 EARNINGS PER SHARE

The basic earnings per share has been calculated by dividing the net profit for the financial year of the Group by the number of ordinary shares in issue excluding the weighted average shares held by ESOS Trust during the financial year as follows:

	The Group	
	30.06.2020	30.06.2019
(a) Basic earnings per share		
Net profit attributable to equity holders of the Company (RM'000)	**94,187**	67,712
Weighted average number of ordinary shares in issue ('000)	**241,283**	241,283
Basic earnings per share (sen)	**39.0**	28.1

(b) Diluted earnings per share

There is no diluted earnings per share as the Group has no category of dilutive potential ordinary shares outstanding as at 30 June 2020 and 30 June 2019.

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for the financial year ended 30 June 2020

35 DIVIDENDS

Dividends declared and proposed as follows:

	The Group and the Company			
	30.06.2020		30.06.2019	
	Single-tier dividend per share Sen	Amount of dividend RM'000	Single-tier dividend per share Sen	Amount of dividend RM'000
Ordinary shares	**23.0**	**56,786**	22.0	54,317

At the forthcoming Annual General Meeting, the Directors of the Company recommend the payment of a final single-tier dividend of 23.0 sen per share on the Company's issued and paid-up ordinary shares of RM246,896,668 comprising 246,896,668 of ordinary shares amounting to RM56.8 million for the financial year ended 30 June 2020.

Dividends recognised as distribution to ordinary equity holders of the Group and the Company:

	The Group			
	30.06.2020		30.06.2019	
	Single-tier dividend per share Sen	Amount of dividend RM'000	Single-tier dividend per share Sen	Amount of dividend RM'000
Ordinary shares	**22.0**	**53,082**	19.0	45,844

	The Company			
	30.06.2020		30.06.2019	
	Single-tier dividend per share Sen	Amount of dividend RM'000	Single-tier dividend per share Sen	Amount of dividend RM'000
Ordinary shares	**22.0**	**53,105**	19.0	45,864

In respect of the financial year ended 30 June 2019, dividend paid on the shares held in trust pursuant to the Company's Executive Share Option Scheme ("ESOS") which are classified as treasury shares held for ESOS scheme are not accounted for in the total equity. An amount of RM1,234,794 (Group) and RM1,211,694 (Company), being dividend paid for these shares was added back to the appropriation of retained profits.

36 COMMITMENTS AND CONTINGENCIES

(a) Investment banking subsidiary company related commitments and contingencies

In the normal course of business, the investment banking subsidiary make various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions. These commitments and contingencies are also not secured over the assets of the Group.

The commitments and contingencies are as follows:

The Group	30.06.2020 Principal amount RM'000	30.06.2019 Principal amount RM'000
Commitments and contingencies		
Direct credit substitutes	**1,000**	1,000
Obligations under underwriting agreement	**-**	18,860
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	**52,352**	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity:		
- Over one year	**30,000**	-
Any commitment that are unconditionally cancelled at any time by the Group without prior notice		
- Maturity less than one year	**894,438**	750,103
	977,790	769,963
Derivative financial instruments		
Interest rate related contracts^:		
- One year or less	**1,365,000**	4,566,819
- Over one year to five years	**3,030,700**	3,367,720
- Over five years	**110,000**	245,000
Foreign exchange related contracts^:		
- One year or less	**1,483,909**	2,484,022
Equity related contracts^:		
- One year or less	**-**	36,152
	5,989,609	10,699,713
	6,967,399	11,469,676

^ These derivatives are revalued at gross position basis and the fair value have been reflected in Note 21 to the financial statements as derivative financial assets or derivatives financial liabilities.

Notes to the Financial Statements

for the financial year ended 30 June 2020

36 COMMITMENTS AND CONTINGENCIES (CONTINUED)

(b) Other commitments and contingencies – unsecured

Hong Leong Asset Management Bhd, a wholly owned subsidiary of the Company, is the Manager of Hong Leong Consumer Products Sector Fund ("Funds"). The Company provided a guarantee to Deutsche Trustees Malaysia Berhad, the trustee of the Funds, that if the funds falls below the minimum fund size of RM1,000,000, the Company would invest cash, equivalent to the shortfall, into the relevant fund.

The size of the funds was above the minimum of RM1,000,000 as at 30 June 2020.

37 CAPITAL COMMITMENTS

	The Group	
	30.06.2020 RM'000	30.06.2019 RM'000
Property and equipment		
- approved and contracted but not provided for	**3,017**	6,922

38 LEASE COMMITMENTS

The Group has lease commitments in respect of rented premises and hired equipment, all of which are classified as operating leases. A summary of the future minimum lease payments, net of sublease, under non-cancellable operating lease commitment are as follows:

	The Group	
	30.06.2020 RM'000	30.06.2019 RM'000
Less than one year	**-**	4,538
More than one year but less than five years	**-**	2,264

39 CAPITAL MANAGEMENT

The Group's capital is in relation to its risk profile and strategic objectives set by the Board to meet shareholders' requirements and expectations. The components of the total capital are disclosed in Note 23 and 24. The Group's banking subsidiary's Capital Management framework for maintaining appropriate capital levels has complied with the requirements of Bank Negara Malaysia's Revised Risk Weighted Capital Adequacy Framework. The capital adequacy ratios of the banking subsidiary are disclosed in Note 40.

40 CAPITAL ADEQUACY

The Group's banking subsidiary's regulatory capital is governed by BNM's Capital Adequacy Framework guidelines. The capital adequacy ratios of the Group's banking subsidiary are computed in accordance with BNM's Capital Adequacy Framework (Capital Components) (the "Framework"). The Framework sets out the approach for computing the regulatory capital adequacy ratios, the minimum levels of the ratios at which banking institutions are required to operate as well as requirement on Capital Conservation Buffer ("CCB") and Counter Cyclical Buffer ("CCyB"). The Group's banking subsidiary is also required to maintain CCB of up to 2.500% of total risk weighted assets ("RWA"), which is phased in starting with 0.625% in year 2016, 1.250% in year 2017, 1.875% in year 2018 and 2.500% in year 2019. The CCyB which ranges from 0% up to 2.500% is determined as the weighted average of prevailing CCyB rates applied in the jurisdictions in which a financial institution has credit exposures.

The minimum capital adequacy including CCB for Common Equity Tier I ("CETI") capital ratio, Tier I capital ratio and Total capital ratio are 7.000%, 8.500% and 10.500% respectively.

The Group's banking subsidiary has adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk computation in deriving the RWA.

(i) The capital adequacy ratios of the banking subsidiary are as follows:

	HLIB	
	30.06.2020	**30.06.2019**
Before deducting proposed dividends:		
Common equity tier 1 ("CET1") capital ratio	**42.128%**	30.907%
Tier 1 capital ratio	**42.128%**	30.907%
Total capital ratio	**52.768%**	43.489%
After deducting proposed dividends: [1]		
CET1 capital ratio	**35.500%**	28.642%
Tier 1 capital ratio	**35.500%**	28.642%
Total capital ratio	**46.139%**	41.224%

Note:
(1) Proposed dividends of RM66,000,000 (2019: RM28,000,005).

40 CAPITAL ADEQUACY (CONTINUED)

(ii) The components of CET1, Tier 1 and total capital of the banking subsidiaries are as follows:

	HLIB	
	30.06.2020 RM'000	30.06.2019 RM'000
CET1 capital		
Paid-up ordinary share capital	**252,950**	252,950
Retained profits	**279,828**	237,920
Other reserves	**9,349**	7,794
Less: goodwill and intangibles	**(31,380)**	(31,129)
Less: deferred tax assets	**(85,925)**	(80,926)
Less: investment in subsidiary companies	**(200)**	(200)
Less: 55% of cumulative gains of financial instruments at FVOCI	**(5,142)**	(4,287)
Total CET1 capital	**419,480**	382,122
Tier 1 capital	**419,480**	382,122
Tier 2 capital		
Stage 1 and Stage 2 expected credit loss allowances and regulatory reserves (2)	**5,940**	5,556
Subordinated obligations	**100,000**	150,000
Total Tier 2 capital	**105,940**	155,556
Total capital	**525,420**	537,678

Note:
(2) Includes the qualifying regulatory reserve for non-impaired loans and advances.

(iii) Breakdown of risk-weighted assets of the banking subsidiary company in the various risk weights:

	HLIB	
	30.06.2020 RM'000	30.06.2019 RM'000
Credit risk	**476,122**	444,468
Market risk	**257,167**	519,266
Operational risk	**262,434**	272,622
	995,723	1,236,356

41 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Related parties and relationships

The related parties and their relationships with the Company are as follows:

Related parties	Relationship
Hong Leong Company (Malaysia) Berhad ("HLCM")	Ultimate holding company
Hong Leong Financial Group Berhad ("HLFG")	Immediate holding company
Subsidiary companies of the Company as disclosed in Note 11	Subsidiaries
Subsidiary companies of HLCM	Subsidiaries of ultimate holding company
Subsidiary companies of HLFG	Subsidiaries of immediate holding company
Key management personnel	The key management personnel of the Group and the Company consists of: - All Directors of the Company and its holding company - Key management personnel of the Company who have the authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly
Related parties of key management personnel (deemed as related to the Company)	(i) Close family members and dependents of key management personnel (ii) Entities that are controlled, jointly controlled or for which significant voting power in such entity resides with, directly or indirectly by key management personnel or its close family members

Notes to the Financial Statements
for the financial year ended 30 June 2020

41 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Related party transactions

Transactions with related parties are as follows:

The Group	Parent company RM'000	Other related companies RM'000	Key management personnel RM'000
30.06.2020			
Income			
Interest income	-	17,625	-
Brokerage income	5	20,279	99
Arranger fee	-	720	-
Placement fee	-	350	-
Other fee income	105	1,386	-
Gain on securities and derivatives	14	1,080	-
	124	41,440	99
Expenses			
Interest expense	-	45,097	514
Rental	-	16	-
Management fees	4,921	-	-
Depreciation of ROU assets	-	3,624	-
Others	9	4,816	-
	4,930	53,553	514
Amounts due from:			
Cash and short-term funds	-	19,490	-
Financial assets at FVTPL	-	104,347	-
Derivative financial assets	-	4,506	-
Clients' and brokers' balances	-	1,925	-
Other assets	-	1,194	-
	-	131,462	-
Amounts due to:			
Deposits from customers	-	951	15,172
Deposits and placements of banks and other financial institutions	-	149,905	-
Derivative financial liabilities	-	2,170	-
Clients' and brokers' balances	-	1,335	-
Other liabilities	126	70	383
	126	154,431	15,555
Commitments and contingencies			
Derivative financial instruments	-	281,425	-

Notes to the Financial Statements

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41 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Related party transactions (continued)

Transactions with related parties are as follows: (continued)

The Company	Parent company RM'000	Subsidiaries RM'000	Other related companies RM'000	Key management personnel RM'000
30.06.2020				
Income				
Interest income	-	-	11	-
Dividends	-	46,000	-	-
Guarantee fee	-	2	-	-
Others	-	193	-	-
	-	46,195	11	-
Expenses				
Management fees	400	-	63	-
Others	-	-	50	-
	400	-	113	-
Amounts due from:				
Cash and short-term funds	-	-	60	-
Amounts due to:				
Other liabilities	17	-	-	383

Notes to the Financial Statements

for the financial year ended 30 June 2020

41 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Related party transactions (continued)

Transactions with related parties are as follows: (continued)

The Group	Parent company RM'000	Other related companies RM'000	Key management personnel RM'000
30.06.2019			
Income			
Interest income	202	19,554	-
Brokerage income	-	14,238	-
Corporate advisory fee	-	180	-
Arranger fee	-	120	-
Placement fee	2,350	224	-
Other fee income	105	1,398	-
Gain on securities and derivatives	18	1,109	-
	2,675	36,823	-
Expenses			
Interest expense	-	27,044	604
Rental	-	4,453	-
Management fees	4,066	-	-
Others	18	26,934	-
	4,084	58,431	604
Amounts due from:			
Cash and short-term funds	-	63,638	-
Financial assets at FVTPL	113	306,130	-
Derivative financial assets	-	1,517	-
Clients' and brokers' balances	19,418	932	-
Other assets	-	1,709	-
	19,531	373,926	-
Amounts due to:			
Deposits from customers	-	722	16,166
Deposits and placements of banks and other financial institutions	-	316,403	-
Derivative financial liabilities	-	1,470	-
Clients' and brokers' balances	-	879	-
Other liabilities	257	15	356
	257	319,489	16,522

41 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Related party transactions (continued)

Transactions with related parties are as follows: (continued)

The Group	Parent company RM'000	Other related companies RM'000	Key management personnel RM'000
30.06.2019			
Commitments and contingencies			
Derivative financial instruments	-	42,000	-

The Company	Parent company RM'000	Subsidiaries RM'000	Other related companies RM'000	Key management personnel RM'000
30.06.2019				
Income				
Interest income	-	-	7	-
Dividends	-	74,568	-	-
Guarantee fee	-	2	-	-
Others	-	185	-	-
	-	74,755	7	-
Expenses				
Management fees	499	-	-	-
Others	-	-	1,440	-
	499	-	1,440	-
Amounts due from:				
Cash and short-term funds	-	-	132	-
Other assets	-	32	-	-
	-	32	132	-
Amounts due to:				
Other liabilities	88	-	-	356

Notes to the Financial Statements

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41 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key management personnel

Key management compensation

	The Group		The Company	
	30.06.2020 RM'000	30.06.2019 RM'000	30.06.2020 RM'000	30.06.2019 RM'000
Salaries, allowances and other short-term employee benefits	**8,937**	8,816	**94**	84
Fees	**350**	354	**350**	354
	9,287	9,170	**444**	438

Included in the above is the Directors' remuneration which is disclosed in Note 32.

42 SEGMENTAL INFORMATION

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

No analysis by geographical segments is presented as the Group's operations are substantially carried out in Malaysia.

Inter-segment pricing is determined based on negotiated terms. These transactions are eliminated on consolidation.

Segment results, assets and liabilities include items directly attributable to the segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total costs incurred during the period to acquire segment assets that are expected to be used for more than one period.

Business segments

The Group comprises the following main business segments:

Investment banking and stockbroking	- Investment banking, stockbroking business, futures broking and related financial services
Fund management and unit trust management	- Unit trust management, fund management and sale of unit trusts
Investment holding and others	- Investment holdings and others

Notes to the Financial Statements

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42 SEGMENTAL INFORMATION (CONTINUED)

The Group	Investment banking and stockbroking RM'000	Fund management and unit trust management RM'000	Investment holding and others RM'000	Elimination RM'000	Consolidated RM'000
30.06.2020					
Revenue					
External revenue	169,910	57,899	4,916	-	232,725
Inter-segment revenue	(3)	(2)	46,302	(46,297)	-
Total revenue[1]	169,907	57,897	51,218	(46,297)	232,725
Overhead expenses	(102,789)	(30,229)	(1,746)	-	(134,764)
Net allowance for impairment losses on loans and advances and other losses	(2,211)	-	-	-	(2,211)
Results					
Segment results from operations	64,907	27,668	49,472	(46,297)	95,750
Tax expense for the financial year					(1,563)
Net profit for the financial year					94,187
Assets					
Segment assets	3,898,338	127,046	505,971	(242,977)	4,288,378
Liabilities					
Segment liabilities	3,344,135	101,895	2,181	(143)	3,448,068
Other informations					
Capital expenditure	2,153	105	-	-	2,258
Depreciation of property and equipment	2,653	718	-	-	3,371
Depreciation of ROU assets	3,436	586	-	-	4,022
Amortisation of intangible assets - computer software	1,327	375	-	-	1,702
Allowance for impairment losses on loans and advances	280	-	-	-	280
Allowance for impairment losses on financial investments	(177)	-	-	-	(177)
Allowance for impairment losses on clients' and brokers' balances	(1,806)	-	-	-	(1,806)
Impaired clients' and brokers' balances recovered	110	-	-	-	110
Allowance for impairment losses on other financial assets	(58)	-	-	-	(58)

Note:
[1] Total segment revenue comprises of net interest income and non-interest income.

Notes to the Financial Statements
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42 SEGMENTAL INFORMATION (CONTINUED)

The Group	Investment banking and stockbroking RM'000	Fund management and unit trust management RM'000	Investment holding and others RM'000	Elimination RM'000	Consolidated RM'000
30.06.2019					
Revenue					
External revenue	138,468	51,052	9,356	-	198,876
Inter-segment revenue	33	(2)	67,782	(67,813)	-
Total revenue[(1)]	138,501	51,050	77,138	(67,813)	198,876
Overhead expenses	(90,729)	(29,223)	(2,401)	-	(122,353)
Net allowance written-back for impairment losses on loans and advances and other losses	209	-	-	-	209
Result					
Segment results from operations	47,981	21,827	74,737	(67,813)	76,732
Taxation for the financial year					(9,020)
Net profit for the financial year					67,712
Assets					
Segment assets	4,175,956	136,363	515,041	(246,166)	4,581,194
Liabilities					
Segment liabilities	3,665,686	111,454	7,195	(748)	3,783,587
Other informations					
Capital expenditure	5,322	619	-	-	5,941
Depreciation of property and equipment	2,646	746	-	-	3,392
Amortisation of intangible assets - computer software	2,288	473	-	-	2,761
Allowance for impairment losses on loans and advances	170	-	-	-	170
Write-back of allowance for impairment losses on financial investments	50	-	-	-	50
Write-back of allowance for impairment losses on clients' and brokers' balances	149	-	-	-	149
Impaired clients' and brokers' balances recovered	51	-	-	-	51
Write-back of allowance for impairment losses on other financial assets	129	-	-	-	129

Note:
(1) Total segment revenue comprises of net interest income and non-interest income.

43 FINANCIAL INSTRUMENTS

(a) Risk management objectives and policies

Risk management is one of the core activities of the Group to strike a balance between sound practices and risk-return. An effective risk management is therefore vital to ensure that the Group conducts its business in a prudent manner to ensure that the risk of potential losses is reduced.

Credit risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, credit limits and monitoring procedures. Credit risk includes settlement risk, default risk and concentration risk. Exposure to credit risk arises mainly from financing, underwriting, securities and derivative exposures of the Group.

The Group has set out Board approved policies and guidelines for the management of credit risk. To oversee all credit related matters of the Group, the Management Credit and Underwriting Committee ("MCUC") was setup in 2011 in addition to an independent Credit Department.

The Board has delegated appropriate Delegation of Authority to the MCUC and senior management for the approval of credit facilities. Credit limit setting for Treasury activities are endorsed by the MCUC and approved by the Board at least annually. Adherence to established credit policies, guidelines and limits is monitored daily by the Credit Control Department, Credit Department and the Risk Management Department.

Market risk

Market risk is the risk of loss arising from adverse fluctuation in market prices, such as interest rates, equity prices and foreign currency. The Group monitors all such exposures arising from trading activities of the treasury and stockbroking business activities on a daily basis and management is alerted on the financial impact of these risks. To mitigate market risk, the Group also uses derivative financial instruments.

The Group has in place a set of policies, guidelines, measurement methodologies and control limits which includes Value-at-Risk ("VaR"), Present-Value-Basis-Point ("PVBP"), Management Action Trigger ("MAT"), notional limits and concentration limits to mitigate market risk.

Stress testing is also employed to capture the potential market risk exposures from unexpected market movements. Concerns and significant findings are communicated to the senior management at the Assets and Liabilities Management Committee ("ALMCO") and to the Board.

Liquidity risk

Liquidity risk is the risk of financial loss arising from the inability to fund increases in assets and/or meet obligations as they fall due. Financial obligations arises from the withdrawal of deposits, funding of loans committed and repayment of borrowed funds. It is the Group's policy to ensure that there is adequate liquidity across all business units to sustain ongoing operations, as well as sufficient liquidity to fund asset growth and strategic opportunities.

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for the financial year ended 30 June 2020

43 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk

Market risk sensitivity assessment is based on the changes in key variables, such as interest rates and foreign currency rates, while all other variables remain constant. The sensitivity factors used are assumptions based on parallel shifts in the key variables to project the impact on the assets and liabilities position of the Group as at reporting date.

The scenarios used are simplified whereby it is assumed that all key variables for all maturities move at the same time and by the same magnitude and do not incorporate actions that would be otherwise taken by the business unit and risk management to mitigate the effect of this movement in key variables. In reality, the Group and the Company proactively seek to ensure that the interest rate risk profile is managed to minimise losses and optimise net revenues.

(i) Interest rate sensitivity analysis

The following table shows the sensitivity of the Group's profit after tax and its equity to an immediate up and down +/-100 basis points ("bps") parallel shift in the interest rate.

	The Group	
30.06.2020	**Impact on profit after tax RM'000**	**Impact on equity RM'000**
+100 bps	**6,301**	**(30,506)**
-100 bps	**(6,301)**	**30,506**
30.06.2019		
+100 bps	6,029	(29,942)
-100 bps	(6,029)	29,942

43 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

(ii) Foreign currency sensitivity analysis

The foreign currency sensitivity represents the effect of the appreciation or depreciation of the foreign currency rates against Ringgit Malaysia on the consolidated currency position, while other variables remain constant.

Impact of profit after tax by currency

	30.06.2020		30.06.2019	
The Group	**+1% RM'000**	**-1% RM'000**	**+1% RM'000**	**-1% RM'000**
USD	**93**	**(93)**	37	(37)
SGD	**(2)**	**2**	-	-
Others	**22**	**(22)**	13	(13)
	113	**(113)**	50	(50)

(iii) Equity prices sensitivity analysis

The Group's and the Company's exposure to equity securites price risk arises from investments held by the Group and classified in the statements of financial position as financial assets at FVTPL and financial investments at FVOCI. The Group and the Company does not have significant exposure to equity price risks.

Notes to the Financial Statements

for the financial year ended 30 June 2020

43 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest rate risk

The tables below summarise the Group's and the Company's exposure to interest rate risks. Included in the tables are the Group's and the Company's financial assets and financial liabilities at their carrying amounts, categorised by the earlier of contractual repricing or maturity dates. As interest rates and yield curves change over time, the Group and the Company may be exposed to loss in earnings due to the effects of interest rates on the structure of the statement of financial position. Sensitivity to interest rates arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liabilities funding.

The Group 30.06.2020	Non-trading book Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Assets								
Cash and short-term funds	188,000	-	-	-	-	170,162	-	358,162
Clients' and brokers' balances	-	-	-	-	-	262,893	-	262,893
Securities purchased under resale agreements	-	-	49,851	-	-	321	-	50,172
Financial assets at FVTPL	-	-	-	-	-	-	907,477	907,477
Financial investments at FVOCI	20,002	40,100	287,871	605,534	300,342	12,680	-	1,266,529
Financial investments at amortised cost	-	110,007	50,054	550,960	145,384	11,729	-	868,134
Loans and advances	280,224	34,952	-	45	-	802	-	316,023
Other financial assets	-	-	-	-	-	45,856	-	45,856
Derivative financial assets	-	-	-	-	-	-	54,957	54,957
Total assets	488,226	185,059	387,776	1,156,539	445,726	504,443	962,434	4,130,203

Notes to the Financial Statements

for the financial year ended 30 June 2020

43 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest rate risk (continued)

The Group 30.06.2020	Non-trading book: Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Liabilities								
Clients' and brokers' balances	-	-	-	-	-	305,385	-	305,385
Deposits from customers	674,189	38,967	22,875	-	-	1,716	-	737,747
Deposits and placements of banks and other financial institutions	1,882,128	181,742	8,508	-	-	833	-	2,073,211
Lease liabilities	-	-	-	-	-	20,286	-	20,286
Other financial liabilities	-	-	-	-	-	128,595	-	128,595
Derivative financial liabilities	-	-	-	2,510	-	-	79,110	81,620
Subordinated obligations	-	-	-	-	99,993	185	-	100,178
Total liabilities	2,556,317	220,709	31,383	2,510	99,993	457,000	79,110	3,447,022
Net interest sensitivity gap	(2,068,091)	(35,650)	356,393	1,154,029	345,733			
Direct credit substitutes	-	-	-	-	-	1,000		
Credit related commitments and contingencies	-	-	-	-	-	976,790		
Net interest sensitivity gap	-	-	-	-	-	977,790		

Notes to the Financial Statements

for the financial year ended 30 June 2020

43 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest rate risk (continued)

The Group 30.06.2019	Non-trading book: Up to 1 month RM'000	Non-trading book: 1 - 3 months RM'000	Non-trading book: 3 - 12 months RM'000	Non-trading book: 1 - 5 years RM'000	Non-trading book: Over 5 years RM'000	Non-trading book: Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Assets								
Cash and short-term funds	367,472	-	-	-	-	153,185	-	520,657
Clients' and brokers' balances	-	-	-	-	-	247,532	-	247,532
Financial assets at FVTPL	-	-	-	-	-	-	1,506,205	1,506,205
Financial investments at FVOCI	10,001	114,028	68,484	483,237	424,673	10,492	-	1,110,915
Financial investments at amortised cost	22,731	-	84,377	447,593	171,397	9,567	-	735,665
Loans and advances	188,474	13,436	-	3,296	51	33	-	205,290
Other financial assets	-	-	-	-	-	52,368^	-	52,368
Derivative financial assets	-	-	-	-	-	-	28,310	28,310
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	37,259	-	37,259
Total assets	588,678	127,464	152,861	934,126	596,121	510,436	1,534,515	4,444,201

Notes to the Financial Statements

for the financial year ended 30 June 2020

43 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest rate risk (continued)

The Group 30.06.2019	Non-trading book Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Liabilities								
Clients' and brokers' balances	-	-	-	-	-	282,521	-	282,521
Deposits from customers	636,308	82,748	27,725	-	-	1,223	-	748,004
Deposits and placements of banks and other financial institutions	2,183,871	84,312	151,077	-	-	2,860	-	2,422,120
Other financial liabilities	-	-	-	-	-	144,635	-	144,635
Derivative financial liabilities	-	-	-	-	-	-	34,310	34,310
Subordinated obligations	-	-	-	-	149,902	603	-	150,505
Total liabilities	2,820,179	167,060	178,802	-	149,902	431,842	34,310	3,782,095
Net interest sensitivity gap	(2,231,501)	(39,596)	(25,941)	934,126	446,219			
Direct credit substitutes	-	-	-	-	-	1,000		
Credit related commitments and contingencies	-	-	-	-	-	768,963		
Net interest sensitivity gap	-	-	-	-	-	769,963		

Notes to the Financial Statements

for the financial year ended 30 June 2020

43 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest rate risk (continued)

The Company 30.06.2020	Non-trading book: Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Assets								
Cash and short-term funds	-	-	-	-	-	713	-	713
Financial assets at FVTPL	-	-	-	-	-	-	255,892	255,892
Other financial assets	-	-	-	-	-	644	-	644
Total assets	-	-	-	-	-	1,357	255,892	257,249
Liabilities								
Other financial liabilities	-	-	-	-	-	698	-	698
Total liabilities	-	-	-	-	-	698	-	698
Net interest sensitivity gap	-	-	-	-	-			
Direct credit substitutes	-	-	-	-	-	-		
Credit related commitments and contingencies	-	-	-	-	-	-		
Net interest sensitivity gap	-	-	-	-	-	-		

Notes to the Financial Statements

for the financial year ended 30 June 2020

43 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (continued)

Interest rate risk (continued)

The Company 30.06.2019	Non-trading book Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Assets								
Cash and short-term funds	-	-	-	-	-	513	-	513
Financial assets at FVTPL	-	-	-	-	-	-	259,746	259,746
Other financial assets	-	-	-	-	-	910	-	910
Total assets	-	-	-	-	-	1,423	259,746	261,169
Liabilities								
Other financial liabilities	-	-	-	-	-	612	-	612
Total liabilities	-	-	-	-	-	612	-	612
Net interest sensitivity gap	-	-	-	-	-			
Direct credit substitutes	-	-	-	-	-	-		
Credit related commitments and contingencies	-	-	-	-	-	-		
Total interest rate sensitivity gap	-	-	-	-	-	-		

Notes to the Financial Statements

for the financial year ended 30 June 2020

43 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk

Liquidity risk is defined as the current and prospective risk arising from the inability of the Group and the Company to meet its contractual or regulatory obligations when they fall due without incurring substantial losses. Liquidity obligations arise from withdrawal of deposits, repayments of purchased funds at maturity, extensions of credit and working capital needs. The Group and the Company seek the project, monitor and manage its liquidity needs under normal as well as adverse circumstances.

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) as at reporting date based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM Guideline:

The Group 30.06.2020	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	271,540	86,622	-	-	-	-	-	358,162
Clients' and brokers' balances	262,893	-	-	-	-	-	-	262,893
Securities purchased under resale agreements	-	-	-	50,172	-	-	-	50,172
Financial assets at FVTPL	-	389,658	99,716	98,950	-	43,795	275,358	907,477
Financial investments at FVOCI	20,446	-	40,691	83,019	206,376	915,997	-	1,266,529
Financial investments at amortised cost	-	-	111,515	50,216	-	706,403	-	868,134
Loans and advances	225,832	55,195	34,952	-	-	44	-	316,023
Derivative financial assets	664	1,924	3,050	2,375	3,628	43,316	-	54,957
Other assets*	130	-	-	-	38,010	-	165,891	204,031
Total assets	781,505	533,399	289,924	284,732	248,014	1,709,555	441,249	4,288,378

* Includes statutory deposits with Bank Negara Malaysia, property and equipment, other intangible assets, tax recoverable, deferred tax assets and goodwill.

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43 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) as at reporting date based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM Guideline: (continued)

The Group 30.06.2020	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Clients' and brokers' balances	305,385	-	-	-	-	-	-	305,385
Deposits from customers	376,946	298,833	39,042	5,419	17,507	-	-	737,747
Deposits and placements of banks and other financial institutions	1,329,077	553,761	181,834	6,528	2,011	-	-	2,073,211
Derivative financial liabilities	657	2,133	2,102	2,927	4,504	69,297	-	81,620
Subordinated obligations	-	-	-	-	-	100,178	-	100,178
Lease liabilities	-	283	634	892	1,811	16,666	-	20,286
Other liabilities**	-	13,659	-	-	103,242	215	12,525	129,641
Total liabilities	2,012,065	868,669	223,612	15,766	129,075	186,356	12,525	3,448,068
Total equity	-	-	-	-	-	-	840,310	840,310
Total liabilities and equity	2,012,065	868,669	223,612	15,766	129,075	186,356	852,835	4,288,378

** Includes current tax liabilities.

Notes to the Financial Statements

for the financial year ended 30 June 2020

43 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) as at reporting date based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM Guideline: (continued)

The Group 30.06.2019	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	187,228	333,429	-	-	-	-	-	520,657
Clients' and brokers' balances	247,532	-	-	-	-	-	-	247,532
Financial assets at FVTPL	20,441	452,234	543,954	-	58,690	133,184	297,702	1,506,205
Financial investments at FVOCI	10,217	-	115,017	43,690	25,412	916,579	-	1,110,915
Financial investments at amortised cost	23,082	-	-	34,671	50,247	627,665	-	735,665
Loans and advances	188,507	-	13,436	-	-	3,347	-	205,290
Derivative financial assets	1,571	1,857	4,779	1,111	1,778	17,214	-	28,310
Other assets*	-	-	-	-	47,421	-	179,199	226,620
Total assets	678,578	787,520	677,186	79,472	183,548	1,697,989	476,901	4,581,194

* Includes statutory deposits with Bank Negara Malaysia, property and equipment, other intangible assets, tax recoverable, deferred tax assets and goodwill.

Notes to the Financial Statements
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43 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) as at reporting date based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM Guideline: (continued)

The Group 30.06.2019	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Clients' and brokers' balances	282,521	-	-	-	-	-	-	282,521
Deposits from customers	219,720	417,605	82,862	27,817	-	-	-	748,004
Deposits and placements of banks and other financial institutions	1,498,071	687,613	84,680	151,756	-	-	-	2,422,120
Derivative financial liabilities	106	1,822	3,270	832	2,161	26,119	-	34,310
Subordinated obligations	-	-	-	-	-	150,505	-	150,505
Other liabilities**	13,388	-	-	-	132,527	212	-	146,127
Total liabilities	2,013,806	1,107,040	170,812	180,405	134,688	176,836	-	3,783,587
Total equity	-	-	-	-	-	-	797,607	797,607
Total liabilities and equity	2,013,806	1,107,040	170,812	180,405	134,688	176,836	797,607	4,581,194

** Includes current tax liabilities.

Notes to the Financial Statements
for the financial year ended 30 June 2020

43 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) as at reporting date based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM Guideline: (continued)

The Company 30.06.2020	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	713	-	-	-	-	-	-	713
Financial assets at FVTPL	-	-	-	-	-	-	255,892	255,892
Other assets	-	-	-	-	673	-	-	673
Tax recoverable	-	-	-	-	-	-	154	154
Investment in subsidiary companies	-	-	-	-	-	-	246,574	246,574
Total assets	713	-	-	-	673	-	502,620	504,006
Liabilities								
Other liabilities	-	-	-	-	698	-	-	698
Total liabilities	-	-	-	-	698	-	-	698
Total equity	-	-	-	-	-	-	503,308	503,308
Total liabilities and equity	-	-	-	-	698	-	503,308	504,006

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43 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) as at reporting date based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM Guideline: (continued)

The Company 30.06.2019	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	513	-	-	-	-	-	-	513
Financial assets at FVTPL	-	-	-	-	-	-	259,746	259,746
Other assets	130	-	-	-	810	-	-	940
Tax recoverable	-	-	-	-	-	-	1	1
Investment in subsidiary companies	-	-	-	-	-	-	246,574	246,574
Total assets	643	-	-	-	810	-	506,321	507,774
Liabilities								
Other liabilities	-	-	-	-	612	-	-	612
Total liabilities	-	-	-	-	612	-	-	612
Total equity	-	-	-	-	-	-	507,162	507,162
Total liabilities and equity	-	-	-	-	612	-	507,162	507,774

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43 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The following tables show the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturities. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows.

The Group 30.06.2020	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Liabilities							
Clients' and brokers' balances	305,385	-	-	-	-	-	305,385
Deposits from customers	676,033	44,613	17,738	-	-	-	738,384
Deposits and placements of banks and other financial institutions	1,883,339	188,627	2,042	-	-	-	2,074,008
Derivative financial liabilities							
- Gross settled derivatives							
- Inflow	(998,380)	(486,098)	-	-	-	-	(1,484,478)
- Outflow	490,857	475,168	-	-	-	-	966,025
- Net settled derivatives	(102)	388	2,231	18,621	1,470	(570)	22,038
Lease liabilities	356	1,926	2,232	8,385	6,093	4,280	23,272
Other liabilities	13,660	-	103,235	-	-	12,740	129,635
Subordinated obligations	-	2,121	2,109	8,460	8,471	116,932	138,093
Total financial liabilities	**2,371,148**	**226,745**	**129,587**	**35,466**	**16,034**	**133,382**	**2,912,362**

Notes to the Financial Statements

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43 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The following tables show the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturities. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows. (continued)

The Group 30.06.2019	**Up to 1 month RM'000**	**1 to 6 months RM'000**	**6 to 12 months RM'000**	**1 to 3 years RM'000**	**3 to 5 years RM'000**	**Over 5 years RM'000**	**Total RM'000**
Liabilities							
Clients' and brokers' balances	282,521	-	-	-	-	-	282,521
Deposits from customers	637,879	111,744	-	-	-	-	749,623
Deposits and placements of banks and other financial institutions	2,186,706	238,577	-	-	-	-	2,425,283
Derivative financial liabilities							
- Gross settled derivatives							
- Inflow	(1,275,656)	(932,156)	(276,577)	-	-	-	(2,484,389)
- Outflow	1,274,333	927,731	278,558	-	-	-	2,480,622
- Net settled derivatives	(48)	(32)	574	(1,659)	1,496	(19)	312
Other liabilities	13,388	-	131,035	-	-	212	144,635
Subordinated obligations	-	3,499	3,431	13,748	13,779	172,497	206,954
Total financial liabilities	3,119,123	349,363	137,021	12,089	15,275	172,690	3,805,561

Notes to the Financial Statements

for the financial year ended 30 June 2020

43 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The following tables show the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturities. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows. (continued)

The Company 30.06.2020	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Liabilities							
Other liabilities	**-**	**-**	**698**	**-**	**-**	**-**	**698**
Total financial liabilities	**-**	**-**	**698**	**-**	**-**	**-**	**698**
30.06.2019							
Liabilities							
Other liabilities	-	-	612	-	-	-	612
Total financial liabilities	-	-	612	-	-	-	612

Notes to the Financial Statements
for the financial year ended 30 June 2020

43 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (continued)

The following table presents the contractual expiry by maturity of the Group's commitments and contingencies:

The Group **30.06.2020**	**Less than 1 year RM'000**	**Over 1 year RM'000**	**Total RM'000**
Direct credit substitutes	**1,000**	**-**	**1,000**
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	**52,352**	**-**	**52,352**
Other commitments, such as formal standby facilities and credit lines	**-**	**30,000**	**30,000**
Any commitment that are unconditionally cancelled at anytime by the Group without prior notice	**894,438**	**-**	**894,438**
	947,790	**30,000**	**977,790**
30.06.2019			
Direct credit substitutes	1,000	-	1,000
Obligations under underwriting agreement	18,860	-	18,860
Any commitment that are unconditionally cancelled at anytime by the Group without prior notice	750,103	-	750,103
	769,963	-	769,963

Notes to the Financial Statements
for the financial year ended 30 June 2020

43 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk

(i) Maximum exposure to credit risk

The maximum exposure to credit risk at the statement of financial position is the amounts on the statement of financial position as well as off-balance sheet financial instruments, without taking into account of any collateral held or other credit enhancements. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Group and the Company would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers. The table below shows the maximum exposure to credit risk for the Group and the Company:

	The Group		The Company	
	30.06.2020 RM'000	30.06.2019 RM'000	30.06.2020 RM'000	30.06.2019 RM'000
Credit risk exposure relating to on-balance sheet assets:				
Short-term funds (exclude cash in hand)	**358,148**	520,643	**713**	513
Clients' and brokers' balances	**262,893**	247,532	**-**	-
Securities purchased under resale agreements	**50,172**	-	**-**	-
Financial assets and investments portfolios (exclude shares and unit trust investment)				
- financial assets at FVTPL	**632,119**	1,208,503	**-**	-
- financial investments at FVOCI	**1,266,529**	1,110,915	**-**	-
- financial investments at amortised cost	**868,134**	735,665	**-**	-
Loans and advances	**316,023**	205,290	**-**	-
Other assets	**45,856**	52,368	**644**	910
Derivative financial assets	**54,957**	28,310	**-**	-
	3,854,831	4,109,226	**1,357**	1,423
Credit risk exposure relating to off-balance sheet items:				
Commitments and contingencies	**977,790**	769,963	**-**	-
Total maximum credit risk exposure	**4,832,621**	4,879,189	**1,357**	1,423

43 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(ii) Collaterals

The main type of collaterals obtained by the Group are as follows:

(a) Fixed deposits, Mudharabah General Investment Account, negotiable instrument of deposits, foreign currency deposits and cash deposits/margins
(b) Land and buildings
(c) Aircrafts, vessels and automobiles
(d) Quoted shares, unit trust, Malaysian Governments Bonds and securities and private debt securities
(e) Other tangible business assets, such as inventory and equipment

The Group also accept non-tangible securities such as support, guarantees from individuals, corporates and institutions, bank guarantees, debentures, assignment of contract payments, which are subject to internal guidelines on eligibility.

The outstanding balance for loans and advances for which no allowances is recognised because of collaterals at 30 June 2020 amounted to RM0.2 million (30 June 2019: RM0.4 million) for the Group.

The financial effect of collateral (quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held for loans and advances as at 30 June 2020 for the Group is 99.3% (30 June 2019: 99.1%). The financial effect of collateral held for the other financial assets is not significant.

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for net loans and advances that are credit impaired as at 30 June 2020 for the Group is 100.0% (30 June 2019: 100.0%).

(iii) Credit exposure by stage

Financial assets of the Group are classified into three stages as below:

Stages	Description
Stage 1: 12 months ECL – not credit impaired	Stage 1 includes financial assets which have not had a significant increase in credit risk since initial recognition or which have low credit risk at reporting date. 12-months ECL is recognised and interest income is calculated on the gross carrying amount of the financial assets.
Stage 2: Lifetime ECL – not credit impaired	Stage 2 includes financial assets which have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but do not have objective evidence of impairment. Lifetime ECL is recognised and interest income is calculated on the gross carrying amount of the financial assets.
Stage 3: Lifetime ECL – credit impaired	Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. Lifetime ECL is recognised and interest income is calculated on the net carrying amount of the financial assets.

For further details on the stages, refer to accounting policy Note H.

Notes to the Financial Statements
for the financial year ended 30 June 2020

43 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality

The Group and the Company assess credit quality of loans and advances using internal rating techniques tailored to the various categories of products and counterparties. These techniques have been developed internally and combine statistical analysis with credit officers judgement.

Credit quality description is summarised as follows:

Credit Quality	Description
Good	Exposures demonstrate a strong capacity to meet financial commitments, with negligible or low probability of default and/or levels of expected loss to the Group
Fair	Exposures demonstrate fairly acceptable capacity to meet financial commitments and may require varying degrees of concern to the Group
Un-graded	Counterparties which do not satisfy the criteria to be graded based on internal credit rating system
Credit impaired	Exposures that have been assessed as credit-impaired

The credit quality of financial assets other than loans and advances are determined based on the ratings of counterparties as defined by Moody's or equivalent ratings of other internationals rating agencies as defined below:

Credit Quality	Rating
Good	AAA to AA3
Good	A1 to A3
Fair	Baa1 to Baa3
Fair	P1 to P3
Un-graded	Non-rated
Credit impaired	Default

43 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality (continued)

The following table shows an analysis of the credit exposure by stages, together with the ECL allowance provision:

The Group 30.06.2020	(Stage 1) 12 Months ECL RM'000	(Stage 2) Lifetime ECL not credit impaired RM'000	(Stage 3) Lifetime ECL credit impaired RM'000	Total ECL RM'000
Short-term funds and placements with banks and securities purchased under resale agreements				
Good	224,987	-	-	224,987
Fair	182,809	-	-	182,809
Un-graded	524	-	-	524
Gross carrying amount	408,320	-	-	408,320
Expected credit losses	-	-	-	-
Net carrying amount	408,320	-	-	408,320
Financial investments at FVOCI				
Good	658,315	-	-	658,315
Fair	65,642	-	-	65,642
Un-graded	542,572	-	-	542,572
Gross carrying amount	1,266,529	-	-	1,266,529
Expected credit losses	-	-	-	-
Net carrying amount	1,266,529	-	-	1,266,529

Notes to the Financial Statements

for the financial year ended 30 June 2020

43 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality (continued)

The following table shows an analysis of the credit exposure by stages, together with the ECL allowance provision: (continued)

The Group 30.06.2020	**(Stage 1) 12 Months ECL RM'000**	**(Stage 2) Lifetime ECL not credit impaired RM'000**	**(Stage 3) Lifetime ECL credit impaired RM'000**	**Total ECL RM'000**
Financial investments at amortised cost				
Good	5,001	-	-	5,001
Fair	16,964	-	-	16,964
Un-graded	846,184	-	-	846,184
Gross carrying amount	868,149	-	-	868,149
Expected credit losses	(15)	-	-	(15)
Net carrying amount	868,134	-	-	868,134
Loans and advances				
Good	40,054	-	-	40,054
Fair	48,006	-	-	48,006
Un-graded	221,462	3,614	-	225,076
Credit impaired	-	-	6,522	6,522
Gross carrying amount	309,522	3,614	6,522	319,658
Expected credit losses	(656)	(1)	(2,978)	(3,635)
Net carrying amount	308,866	3,613	3,544	316,023
The Group 30.06.2019				
Short-term funds and placements with banks and securities purchased under resale agreements				
Good	320,429	-	-	320,429
Fair	200,111	-	-	200,111
Un-graded	103	-	-	103
Gross carrying amount	520,643	-	-	520,643
Expected credit losses	-	-	-	-
Net carrying amount	520,643	-	-	520,643

43 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality (continued)

The following table shows an analysis of the credit exposure by stages, together with the ECL allowance provision: (continued)

The Group 30.06.2019	(Stage 1) 12 Months ECL RM'000	(Stage 2) Lifetime ECL not credit impaired RM'000	(Stage 3) Lifetime ECL credit impaired RM'000	Total ECL RM'000
Financial investments at FVOCI				
Good	549,355	-	-	549,355
Fair	63,530	-	-	63,530
Un-graded	498,030	-	-	498,030
Gross carrying amount	1,110,915	-	-	1,110,915
Expected credit losses	-	-	-	-
Net carrying amount	1,110,915	-	-	1,110,915
Financial investments at amortised cost				
Good	29,616	-	-	29,616
Fair	39,271	-	-	39,271
Un-graded	666,814	-	-	666,814
Gross carrying amount	735,701	-	-	735,701
Expected credit losses	(36)	-	-	(36)
Net carrying amount	735,665	-	-	735,665
Loans and advances				
Good	13,478	-	-	13,478
Un-graded	186,734	1,535	-	188,269
Credit impaired	-	-	6,898	6,898
Gross carrying amount	200,212	1,535	6,898	208,645
Expected credit losses	(140)	(1)	(3,214)	(3,355)
Net carrying amount	200,072	1,534	3,684	205,290

Notes to the Financial Statements
for the financial year ended 30 June 2020

43 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality (continued)

The following table shows an analysis of the credit exposure by stages, together with the ECL allowance provision: (continued)

The Company 30.06.2020	(Stage 1) 12 Months ECL RM'000	(Stage 2) Lifetime ECL not credit impaired RM'000	(Stage 3) Lifetime ECL credit impaired RM'000	Total ECL RM'000
Short-term funds and placements with banks and securities purchased under resale agreements				
Fair	**713**	**-**	**-**	**713**
Gross/Net carrying amount	**713**	**-**	**-**	**713**
30.06.2019				
Short-term funds and placements with banks and securities purchased under resale agreements				
Fair	513	-	-	513
Gross/Net carrying amount	513	-	-	513

43 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality (continued)

(a) Loans and advances

All loans and advances are categorised as either:
- neither past due nor impaired;
- past due but not impaired; or
- impaired

Past due loans and advances refers to loans that are overdue by one day or more. Impaired loans and advances are loans and advances with months-in-arrears more than 90 days or with impaired allowances.

The Group	30.06.2020 RM'000	30.06.2019 RM'000
Neither past due nor impaired	**313,136**	201,747
Past due but not impaired	**-**	-
Individually impaired	**6,522**	6,898
Gross loans and advances	**319,658**	208,645
Less: Expected credit losses	**(3,635)**	(3,355)
Total net loans and advances	**316,023**	205,290

(i) Loans and advances neither past due nor impaired

Analysis of loans, advances and financing that are neither past due nor impaired analysed based on the Group's internal credit grading system is as follows:

The Group	30.06.2020 RM'000	30.06.2019 RM'000
Grading classification:		
- Good	**16,360**	13,478
- Satisfactory	**71,700**	-
- Un-graded	**225,076**	188,269
	313,136	201,747

Notes to the Financial Statements
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43 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality (continued)

(a) Loans and advances (continued)

(i) Loans and advances neither past due nor impaired (continued)

The definition of the grading classification of loans and advances can be summarised as follow:

Good:
Refers to internal credit grading from 'Favourable' to 'Prime Quality', indicating strong ability to repay principal and interest.

Satisfactory:
Refers to internal credit grading of 'Satisfactory', indicating adequate ability and no difficulty to repay principal and interest.

Loans and advances classified as un-graded mainly comprise of share margin financing and staff loans.

(ii) Loans and advances past due but not impaired

A financial asset is defined as "past due" when the counterparty has failed to make a principal or interest payment when contractually due.

Late processing and other administrative delays on the side of the borrower can lead to a financial asset being past due but not impaired. Therefore, loans and advances less than 90 days past due are not usually considered impaired, unless other information is available to indicate the contrary.

There were no loans and advances past due but not impaired for the Group.

(iii) Loans and advances that are individually determined to be impaired as at reporting date are as follows:

The Group	30.06.2020 RM'000	30.06.2019 RM'000
Gross amount of individually impaired loans	**6,522**	6,898
Less: Expected credit losses	**(2,978)**	(3,214)
Total net amount of individually impaired loans	**3,544**	3,684

(b) Other financial assets

The credit quality of financial assets other than loans and advances are determined based on the ratings of counterparties as defined by Moody's or equivalent ratings of other international rating agencies as defined belows:

- AAA to AA3
- A1 to A3
- Baa1 to Baa3
- P1 to P3

Notes to the Financial Statements

for the financial year ended 30 June 2020

43 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality (continued)

(b) Other financial assets (continued)

Short-term funds and deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investments portfolios, clients' and brokers' balances, other assets and derivative financial assets are summarised as follows:

The Group 30.06.2020	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Clients' and brokers' balances RM'000	Securities purchased under resale agreements RM'000	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Financial investments at amortised cost RM'000	Other assets RM'000	Derivative financial assets RM'000
Neither past due nor impaired	358,148	261,268	50,172	632,119	1,266,529	868,149	45,861	54,957
Individually impaired	-	3,651	-	-	-	-	1,423	-
Less: Impairment losses	-	(2,026)	-	-	-	(15)	(1,428)	-
	358,148	262,893	50,172	632,119	1,266,529	868,134	45,856	54,957

Notes to the Financial Statements
for the financial year ended 30 June 2020

43 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality (continued)

(b) Other financial assets (continued)

Short-term funds and deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investments portfolios, clients' and brokers' balances, other assets and derivative financial assets are summarised as follows: (continued)

The Group 30.06.2019	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Clients' and brokers' balances RM'000	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Financial investments at amortised cost RM'000	Other assets RM'000	Derivative financial assets RM'000
Neither past due nor impaired	520,643	247,150	1,208,503	1,110,915	735,701	52,373	28,310
Individually impaired	-	602	-	-	-	1,365	-
Less: Impairment losses	-	(220)	-	-	(36)	(1,370)	-
	520,643	247,532	1,208,503	1,110,915	735,665	52,368	28,310

43 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality (continued)

(b) Other financial assets (continued)

Short-term funds and other assets are summarised as follows:

The Company	Short-term funds and deposits RM'000	Other assets RM'000
30.06.2020		
Neither past due nor impaired	**713**	**644**
Individually impaired	**-**	**-**
Less: Impairment losses	**-**	**-**
	713	**644**
30.06.2019		
Neither past due nor impaired	513	910
Individually impaired	-	-
Less: Impairment losses	-	-
	513	910

Notes to the Financial Statements

for the financial year ended 30 June 2020

43 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality (continued)

(b) Other financial assets (continued)

Analysis of short-term funds and deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investments portfolios, clients' and brokers' balances, other assets and derivative financial assets that are neither past due nor impaired by rating agency designation as at reporting date are as follows:

The Group **30.06.2020**	**Short-term funds and deposits and placements with banks and other financial institutions** **RM'000**	**Clients' and brokers' balances** **RM'000**	**Securities purchased under resale agreements** **RM'000**	**Financial assets at FVTPL** **RM'000**	**Financial investments at FVOCI** **RM'000**	**Financial investments at amortised cost** **RM'000**	**Other assets** **RM'000**	**Derivative financial assets** **RM'000**
AAA to AA3	174,815	-	50,172	599,740	595,377	4,999	-	49,458
A1 to A3	-	-	-	-	62,938	-	-	2,174
Baa1 to Baa3	-	-	-	-	46,031	16,951	-	475
P1 to P3	182,809	-	-	-	19,611	-	16,971	-
B1	-	-	-	-	-	-	-	-
Non-rated, of which:								
- Bank Negara Malaysia	524	-	-	-	-	-	-	-
- Malaysia Government Investment Issues	-	-	-	-	32,640	392,061	-	-
- Malaysian Government Securities	-	-	-	-	41,229	291,869	-	-
- Government guaranteed corporate bond and/or sukuk	-	-	-	-	432,780	20,297	-	-
- Others	-	262,893	-	32,379	35,923	141,957	28,885	2,850
	524	262,893	-	32,379	542,572	846,184	28,885	2,850
	358,148	262,893	50,172	632,119	1,266,529	868,134	45,856	54,957

Notes to the Financial Statements
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43 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality (continued)

(b) Other financial assets (continued)

Analysis of short-term funds and deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investments portfolios, clients' and brokers' balances, other assets and derivative financial assets that are neither past due nor impaired by rating agency designation as at reporting date are as follows: (continued)

The Group 30.06.2019	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Clients' and brokers' balances RM'000	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Financial investments at amortised cost RM'000	Other assets RM'000	Derivative financial assets RM'000
AAA to AA3	320,429	-	1,011,612	501,535	15,076	-	27,416
A1 to A3	-	-	-	47,820	14,535	-	790
Baa1 to Baa3	-	-	-	63,530	39,241	-	50
P1 to P3	200,111	-	5,017	-	-	6,330	-
Non-rated, of which:							
- Bank Negara Malaysia	103	-	-	-	-	-	-
- Malaysia Government Investment Issues	-	-	-	31,073	478,451	-	-
- Malaysian Government Securities	-	-	20,806	235,724	157,905	-	-
- Government guaranteed corporate bond and/or sukuk	-	-	74,292	195,802	30,457	-	-
- Others	-	247,532	96,776	35,431	-	46,038	54
	103	247,532	191,874	498,030	666,813	46,038	54
	520,643	247,532	1,208,503	1,110,915	735,665	52,368	28,310

Notes to the Financial Statements

for the financial year ended 30 June 2020

43 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(iv) Credit quality (continued)

(b) Other financial assets (continued)

Analysis of short-term funds and other assets that are neither past due nor impaired by rating agency designation as at reporting date are as follows:

The Company	Short-term funds RM'000	Other assets RM'000
30.06.2020		
P1 to P3	**713**	**-**
Non-rated, of which:		
- Others	**-**	**644**
	-	**644**
	713	**644**
30.06.2019		
P1 to P3	513	-
Non-rated, of which:		
- Others	-	910
	-	910
	513	910

(v) Collateral and other credit enhancements obtained

(a) Repossessed collateral

As and when required, the Group will take possession of collateral they hold as securities and will dispose of them as soon as practicable but not later than 5 years from the date they take possession, with the proceeds used to reduce the outstanding indebtedness. Repossessed collaterals are classified in the statements of financial position as other assets. There is no repossessed collateral as at the reporting date.

43 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(vi) Write-off policy

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

A write-off constitutes a derecognition event. The Group may apply enforcement activities to financial assets written off. Recoveries resulting from the Group's enforcement activities will be written back as bad debts recovered in the income statements.

There were no contractual amount outstanding on loans and advances and securities portfolio that were written off during the financial year ended 30 June 2020, and are still subject to enforcement activities for the Group.

(vii) Sensitivity analysis

The Group has performed ECL sensitivity assessment on loans and advances based on the changes in the key macroeconomic variable i.e. banking system credit while all other variables remain unchanged. The sensitivity factors used are assumptions based on parallel shifts in the macroeconomic variable to project the impact to ECL of the Group.

The table below outlines the effect of ECL on the changes in the macroeconomic variable used while other variables remain constant:

	Changes
Banking credit system	+/- 100bps

The Group	**30.06.2020 RM'000**	**30.06.2019 RM'000**
The effect of ECL on the positive changes in macroeconomic variable	**9**	2
The effect of ECL on the negative changes in macroeconomic variable	**(9)**	(2)

Notes to the Financial Statements

for the financial year ended 30 June 2020

43 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

Credit risk exposure analysed by industry in respect of the Group's and the Company's financial assets, including off-balance sheet financial instruments are set out below:

The Group 30.06.2020	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Clients' and brokers' balances RM'000	Securities purchased under resale agreements RM'000	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Financial investments at amortised cost RM'000	Loans and advances RM'000	Other assets RM'000	Derivative financial assets RM'000	On-balance sheet total RM'000	Credit related commitments and contingencies RM'000
Agriculture	-	-	-	-	-	-	-	1,500	-	1,500	-
Manufacturing	-	-	-	-	-	-	-	351	-	351	-
Electricity, gas and water	-	-	-	11,415	162,302	-	-	-	-	173,717	-
Construction	-	-	-	-	10,367	4,999	-	79	-	15,445	1,000
Transport, storage and communications	-	-	-	-	185,617	-	-	70	-	185,687	-
Finance, insurance, real estate and business services	357,624	-	50,172	620,704	734,893	37,249	87,559	680	54,957	1,943,838	-
Government and government agencies	524	-	-	-	157,769	825,886	-	-	-	984,179	52,352
Purchase of securities	-	262,893	-	-	-	-	224,875	-	-	487,768	894,438
Others	-	-	-	-	15,581	-	3,589	43,176	-	62,346	30,000
	358,148	262,893	50,172	632,119	1,266,529	868,134	316,023	45,856	54,957	3,854,831	977,790

Notes to the Financial Statements

for the financial year ended 30 June 2020

43 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

Credit risk exposure analysed by industry in respect of the Group's and the Company's financial assets, including off-balance sheet financial instruments are set out below: (continued)

The Group 30.06.2019	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Clients' and brokers' balances RM'000	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Financial investments at amortised cost RM'000	Loans and advances RM'000	Other assets RM'000	Derivative financial assets RM'000	On-balance sheet total RM'000	Credit related commitments and contingencies RM'000
Agriculture	-	-	-	-	-	-	241	-	241	-
Manufacturing	-	-	-	-	-	-	449	-	449	-
Electricity, gas and water	-	-	20,441	158,837	-	-	550	-	179,828	-
Construction	-	-	96,776	10,290	4,988	-	1,179	-	113,233	1,000
Transport, storage and communications	-	-	63,813	26,098	-	-	64	-	89,975	-
Finance, insurance, real estate and business services	520,540	-	1,006,667	617,501	94,322	-	892	28,310	2,268,232	-
Government and government agencies	103	-	20,806	287,944	636,355	-	-	-	945,208	-
Purchase of securities	-	247,532	-	-	-	188,086	-	-	435,618	750,103
Others	-	-	-	10,245	-	17,204	48,993	-	76,442	18,860
	520,643	247,532	1,208,503	1,110,915	735,665	205,290	52,368	28,310	4,109,226	769,963

43 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

Credit risk exposure analysed by industry in respect of the Group's and the Company's financial assets, including off-balance sheet financial instruments are set out below: (continued)

The Company 30.06.2020	Short-term funds and deposits RM'000	Other assets RM'000	On-balance sheet total RM'000
Finance, insurance, real estate and business services	**713**	**-**	**713**
Others	**-**	**644**	**644**
	713	**644**	**1,357**
30.06.2019			
Finance, insurance, real estate and business services	513	130	643
Others	-	780	780
	513	910	1,423

43 FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement

The Group and the Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Valuations derived from valuation techniques in which one or more significant inputs are not based on observable market data.

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active market where the quoted prices is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. These would include actively traded listed equities, unit trust investments and actively exchange-traded derivatives.

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2.

In cases where quoted prices are generally not available, the Group then determine fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high.

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). This category includes unquoted shares held for socio economic reasons. Fair values for shares held for socio economic reasons are based on the net tangible assets of the affected companies. The Group's exposure to financial instruments classified as Level 3 comprised a small number of financial instruments which constitute an insignificant component of the Group's portfolio of financial instruments. Hence, changing one or more of the inputs to reasonable alternative assumptions would not change the value significantly for the financial assets in Level 3 of the fair value hierarchy.

The Group and the Company recognise transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. Transfers between fair value hierarchy primarily due to change in the level of trading activity, change in observable market activity related to an input, reassessment of available pricing information and change in the significance of the unobservable input. There were no transfers between Level 1, 2 and 3 of the fair value hierarchy during the financial year (30 June 2019 - Nil).

Notes to the Financial Statements

for the financial year ended 30 June 2020

43 FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement (continued)

(i) The table below summarises the fair value hierarchy of the Group's and the Company's financial assets and liabilities measured at fair values.

The Group 30.06.2020	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Financial assets at FVTPL	**273,926**	**632,119**	**1,432**	**907,477**
- money market instruments	**-**	**588,325**	**-**	**588,325**
- quoted securities	**273,926**	**-**	**-**	**273,926**
- unquoted securities	**-**	**43,794**	**1,432**	**45,226**
Financial investments at FVOCI	**-**	**1,266,529**	**-**	**1,266,529**
- money market instruments	**-**	**124,569**	**-**	**124,569**
- unquoted securities	**-**	**1,141,960**	**-**	**1,141,960**
Derivative financial assets	**-**	**54,957**	**-**	**54,957**
	273,926	**1,953,605**	**1,432**	**2,228,963**
Financial liability				
Derivative financial liabilities	**-**	**81,620**	**-**	**81,620**
30.06.2019				
Financial assets				
Financial assets at FVTPL	296,337	1,208,503	1,365	1,506,205
- money market instruments	-	1,016,994	-	1,016,994
- quoted securities	296,337	-	-	296,337
- unquoted securities	-	191,509	1,365	192,874
Financial investments at FVOCI	-	1,110,915	-	1,110,915
- money market instruments	-	322,819	-	322,819
- unquoted securities	-	788,096	-	788,096
Derivative financial assets	-	28,310	-	28,310
	296,337	2,347,728	1,365	2,645,430
Financial liability				
Derivative financial liabilities	-	34,310	-	34,310

43 FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement (continued)

(i) The table below summarises the fair value hierarchy of the Group's and the Company's financial assets and liabilities measured at fair values. (continued)

The Company 30.06.2020	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial asset				
Financial assets at FVTPL				
- quoted securities	**255,892**	**-**	**-**	**255,892**
30.06.2019				
Financial asset				
Financial assets at FVTPL				
- quoted securities	259,746	-	-	259,746

There were no transfers between Level 1 and 2 during the financial year.

Reconciliation of fair value measurement in Level 3 of the fair value hierarchy are as follows:

	The Group	
	30.06.2020 RM'000	30.06.2019 RM'000
Financial assets at FVTPL		
At 1 July	**1,365**	1,380
Fair value changes recognised in income statement	**67**	(15)
At 30 June	**1,432**	1,365

Notes to the Financial Statements

for the financial year ended 30 June 2020

43 FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement (continued)

Effect of changes in significant unobservable assumptions to reasonably possible alternatives

As at reporting date, financial instruments measured with valuation techniques using significant unobservable inputs (Level 3) mainly include unquoted shares held for socio economic purposes.

Qualitative information about the fair value measurements using significant unobservable inputs (Level 3):

Description	Fair value assets 30.06.2020 RM'000	Fair value assets 30.06.2019 RM'000	Valuation technique	Unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at FVTPL					
The Group					
Unquoted shares	**1,432**	1,365	Net tangible assets	Net tangible assets	Higher net tangible assets results in higher fair value

(ii) The table below summarises the carrying amount and analyses the fair value within the fair value hierarchy of the Group's and the Company's assets and liabilities not measured at fair value at reporting date but for which fair value is disclosed:

The Group 30.06.2020	Carrying amount RM'000	Fair value Level 1 RM'000	Fair value Level 2 RM'000	Fair value Level 3 RM'000	Fair value Total RM'000
Financial assets					
Financial investments at amortised cost					
- money market instruments	**825,887**	**-**	**849,493**	**-**	**849,493**
- unquoted securities	**42,247**	**-**	**43,220**	**-**	**43,220**
Loans and advances	**316,023**	**-**	**316,060**	**-**	**316,060**
	1,184,157	**-**	**1,208,773**	**-**	**1,208,773**
Financial liabilities					
Deposits from customers	**737,747**	**-**	**737,750**	**-**	**737,750**
Deposits and placements of banks and other financial institutions	**2,073,211**	**-**	**2,073,215**	**-**	**2,073,215**
Subordinated obligations	**100,178**	**-**	**103,743**	**-**	**103,743**
	2,911,136	**-**	**2,914,708**	**-**	**2,914,708**

43 FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement (continued)

(ii) The table below summarises the carrying amount and analyses the fair value within the fair value hierarchy of the Group's and the Company's assets and liabilities not measured at fair value at reporting date but for which fair value is disclosed: (continued)

The Group 30.06.2019	Carrying amount RM'000	Fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets					
Financial investments at amortised cost					
- money market instruments	636,356	-	644,371	-	644,371
- unquoted securities	99,309	-	100,137	-	100,137
	735,665	-	744,508	-	744,508
Financial liabilities					
Deposits from customers	748,004	-	748,004	-	748,004
Deposits and placements of banks and other financial institutions	2,422,120	-	2,422,120	-	2,422,120
Subordinated obligations	150,505	-	150,771	-	150,771
	3,320,629	-	3,320,895	-	3,320,895

Other than as disclosed above, the total fair value of each financial assets and liabilities presented on the statements of financial position as at reporting date of the Group and the Company approximates the total carrying amount.

The fair values are based on the following methodologies and assumptions:

Short-term funds and placements with banks and other financial institutions

For deposits and placements with banks and other financial institutions with maturities of less than six months, the carrying value is a reasonable estimate of fair value. For deposits and placements with maturities six months and above, estimated fair value is based on discounted cash flows using prevailing money market interest rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.

Financial investments at amortised cost

The estimated fair value is generally based on quoted and observable market prices. Where there is no ready market in certain securities, the Group and the Company will establish the fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flows analysis and other valuation techniques commonly used by market participants.

43 FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement (continued)

The fair values are based on the following methodologies and assumptions: (continued)

Loans and advances

The value of fixed rate loans with remaining maturity of less than one year and floating rate loans are estimated to approximate their carrying amounts. For fixed rate loans with remaining maturity of more than one year, the fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of loans with similar credit risks and maturities.

The fair values of impaired floating and fixed rate loans are represented by their carrying value, net of expected credit loss, being the expected recoverable amount.

Clients' and brokers' balances

The carrying amount as at reporting date approximate fair values due to relatively short-term maturity of these financial instruments.

Other assets and liabilities

The carrying value less any estimated allowance for financial assets and liabilities included in 'other assets and liabilities' are assumed to approximate their fair values as these items are short term in nature.

Deposits from customers

For deposits from customers with maturities of less than six months, the carrying amounts are reasonable estimates of their fair values. For each deposit with maturities of six months and above, fair values are estimated using discounted cash flows based on prevailing market rates for similar deposits from customers.

Deposits and placements of other financial institutions and repurchased agreements

The estimated fair values of deposits and placements of other financial institutions and repurchased agreements with maturities of less than six months approximate the carrying values. For the items with maturities six months and above, the fair values are estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturities.

Subordinated obligations

The fair value of subordinated obligations are based on quoted market prices where available.

Credit related commitment and contingencies

The net fair value of these items was not calculated as estimated fair values are not readily ascertainable. These financial instruments generally relate to credit risks and attract fees in line with market prices for similar arrangements. They are not presently sold nor traded. The fair value may be represented by the present value of fees expected to be received less associated costs.

44 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

In accordance with MFRS 132 'Financial Instrument: Presentation', the Group reports financial assets and financial liabilities on a net basis on the balance sheet only if there is a legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The following table shows the impact of netting arrangement on:

- All financial assets and liabilities that are reported net on balance sheet; and
- All derivative financial instruments and securities purchased under resale agreements and obligations on securities sold under repurchase agreements and other similar secured lending and borrowing agreements that are subject to enforceable master netting arrangements or similar agreements, but do not qualify for balance sheet netting.

The table identifies the amounts that have been offset in the balance sheet and also those amounts that are covered by enforceable netting arrangements (offsetting arrangements and financial collateral) but do not qualify for netting under the requirements of MFRS 132 described above.

The "Net amounts" presented below are not intended to represent the Group's actual exposure to credit risk, as a variety of credit mitigation strategies are employed in addition to netting and collateral arrangements.

	Effects of offsetting on balance sheet			Related amounts not offset		
The Group 30.06.2020	**Gross amount RM'000**	**Amount offset RM'000**	**Net amount reported on the balance sheet RM'000**	**Financial instruments RM'000**	**Financial collateral RM'000**	**Net amount RM'000**
Financial assets						
Clients' and brokers' balances	**567,645**	**(304,752)**	**262,893**	**-**	**-**	**262,893**
Derivative financial assets	**54,957**	**-**	**54,957**	**(39,594)**	**(6,642)**	**8,721**
Securities purchased under resale agreements	**50,172**	**-**	**50,172**	**-**	**(50,172)**	**-**
Total assets	**672,774**	**(304,752)**	**368,022**	**(39,594)**	**(56,814)**	**271,614**
Financial liabilities						
Clients' and brokers' balances	**610,137**	**(304,752)**	**305,385**	**-**	**-**	**305,385**
Derivative financial liabilities	**81,620**	**-**	**81,620**	**(39,594)**	**(16,971)**	**25,055**
Total liabilities	**691,757**	**(304,752)**	**387,005**	**(39,594)**	**(16,971)**	**330,440**
30.06.2019						
Financial assets						
Clients' and brokers' balances	396,258	(148,726)	247,532	-	-	247,532
Derivative financial assets	28,310	-	28,310	(17,127)	(2,068)	9,115
Total assets	424,568	(148,726)	275,842	(17,127)	(2,068)	256,647

Notes to the Financial Statements

for the financial year ended 30 June 2020

44 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

	Effects of offsetting on balance sheet			Related amounts not offset		
The Group 30.06.2019	**Gross amount RM'000**	**Amount offset RM'000**	**Net amount reported on the balance sheet RM'000**	**Financial instruments RM'000**	**Financial collateral RM'000**	**Net amount RM'000**
Financial liabilities						
Clients' and brokers' balances	431,247	(148,726)	282,521	-	-	282,521
Derivative financial liabilities	34,310	-	34,310	(17,127)	(6,330)	10,853
Total liabilities	465,557	(148,726)	316,831	(17,127)	(6,330)	293,374

Related amounts not offset

Derivative financial assets and liabilities

The 'Financial instruments' column identifies financial assets and liabilities that are subject to set off under netting agreements, such as the ISDA Master Agreement or derivative exchange or clearing counterparty agreements, whereby all outstanding transactions with the same counterparty can be offset and close-out netting applied across all outstanding transaction covered by the agreements if an event of default or other predetermined events occur.

Financial collateral refers to cash and non-cash collateral obtained, typically daily or weekly, to cover the net exposure between counterparties by enabling the collateral to be realised in an event of default or if other predetermined events occur.

Repurchased and reverse repurchase agreements

The 'Financial instruments' column identifies financial assets and liabilities that are subject to set off under netting agreements, such as global master repurchased agreements and global master securities lending agreements, whereby all outstanding transactions with the same counterparty can be offset and close-out netting applied across all outstanding transaction covered by the agreements if an event of default or other predetermined events occur.

Financial collateral typically comprises cash, highly liquid securities or other financial instruments which are legally transferred and can be liquidated in the event of counterparty default.

45 EQUITY COMPENSATION BENEFITS

Executive Share Option Scheme

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

There were no options outstanding as at reporting date.

The number and market value of the ordinary shares held by the Trustee are as follows:

	30.06.2020		30.06.2019	
	Number of trust shares held '000	Market value RM'000	Number of trust shares held '000	Market value RM'000
The Group	**5,613**	**4,642**	5,613	6,050
The Company	**5,508**	**4,555**	5,508	5,937

46 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) Public shareholdings spread

The Company currently does not meet the requirement as set out in paragraph 8.02(1) of the Listing Requirements which states that a listed issuer must ensure that at least 25% of its total listed shares (excluding treasury shares) are in the hands of public shareholders.

The public shareholding spread of the Company as at 30 June 2020 was 18.67%.

As announced by the Company on 18 March 2015, Bursa Malaysia Securities Berhad had imposed a suspension on the trading of HLCB's shares with effect from 26 March 2015. The suspension will only be uplifted upon full compliance of the public shareholding spread in accordance with paragraph 8.02(1) of the Listing Requirements.

As announced previously, the Company is in active discussions with its majority shareholder, Hong Leong Financial Group Berhad, on possible options to comply with the shareholding spread requirement. However, in view of prevailing soft market conditions, these options may take more time to pursue. We will engage the relevant regulators to facilitate the upliftment of trading suspension once the 25% public shareholding spread requirement is achieved.

Notes to the Financial Statements
for the financial year ended 30 June 2020

46 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(b) COVID-19 pandemic

Due to a significant worsening of the macro-economic outlook as a result of the COVID-19 situation, both domestically and globally, and a potential impact of second wave of pandemic, the Group, based on preliminary assessment, expects that the current situation to have impact on the Group's Investment Banking's earnings for the coming year.

As the current situation is unprecedented, and it is difficult to predict the economic impact, the Group will continue monitoring the situation closely and continue to assess the impact on the Group's earnings as the situation develops.

47 SUBSEQUENT EVENT AFTER THE FINANCIAL YEAR

There were no material events subsequent to the end of the financial year that require disclosure or adjustments to the financial statements.

48 CHANGES IN ACCOUNTING POLICIES

Adoption of MFRS 16 'Leases'

During the financial year, the Group has adopted MFRS 16. The Group has elected to use simplified retrospective transition method and to apply a number of practical expedients as provided in MFRS 16.

Under the simplified retrospective transition method, the 2019 comparative information was not restated and the cumulative effects of initial application of MFRS 16 where the Group is lessees were recognised as an adjustment to the opening balance of retained earnings as at 1 July 2019. The comparative information continued to be reported under the previous accounting policies governed under MFRS 117 'Leases' and IC Interpretation 4 'Determining whether an Arrangement Contains a Lease'.

On adoption of MFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of MFRS 117 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019.

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 is as follows:

	%
• within one year	3.83
• within one to two year	3.97
• within two to three year	4.11

48 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Adoption of MFRS 16 'Leases' (Continued)

The associated right-of-use ("ROU") assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 30 June 2019.

For leases previously classified as finance leases, the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the ROU assets and the lease liability at the DIA. The measurement principles of MFRS 16 are only applied after that date. The remeasurements to the lease liabilities were recognised as adjustments to the related ROU assets immediately after the DIA.

In applying MFRS 16 for the first time, the Group has applied the following practical expedients permitted by the standard to leases previously classified as operating leases under MFRS 117:

- the use of single discount rate to a portfolio of leases with reasonably similar characteristics;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the ROU assets at the DIA; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

As at 1 July 2019, the change in accounting policies has affected the following items:

- ROU assets and lease liabilities increased by RM25,573,000 and RM23,746,000 for the Group
- Deferred tax assets and liabilities increased by RM5,072,000

Theres was no impact on retained earnings on 1 July 2019.

Reconciliation between the MFRS 117 operating lease commitments to MFRS 16

Description	**The Group and the Bank RM'000**
Operating lease commitments disclosed as at 30 June 2019	**6,802**
Less: Discounted using the incremental borrowing rate at the date of initial application	**(391)**
Less: Short-term leases recognised on a straight-line basis as expense	**(10)**
Less: Low-value leases recognised on a straight-line basis as expense	**(73)**
Add: Adjustments as a result of a different treatment of extension and termination options	**17,418**
Lease liabilities as at 1 July 2019	**23,746**

Details of specific MFRS 16 accounting policies applied in current period (as well as the previous MFRS 117 accounting policies applied in the comparative period) are described in more details in Note E.

49 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were authorised for issue by the Board of Directors of the Company in accordance with a resolution of the Directors on 11 September 2020.

Statement by Directors

pursuant to Section 251(2) of the Companies Act, 2016

We, Peter Ho Kok Wai and Tan Kong Khoon, being two of the Directors of Hong Leong Capital Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 78 to 203 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2020 and financial performance of the Group and the Company for the financial year ended 30 June 2020, in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act, 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution dated 11 September 2020.

Peter Ho Kok Wai
Director

Tan Kong Khoon
Director

Kuala Lumpur
11 September 2020

Statutory Declaration

pursuant to Section 251(1) of the Companies Act, 2016

I, Lau Yew Sun, the officer primarily responsible for the financial management of Hong Leong Capital Berhad, do solemnly and sincerely declare that the financial statements set out on pages 78 to 203 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 above named Lau Yew Sun (MIA No. 8752)
at Kuala Lumpur in Wilayah Persekutuan on
11 September 2020

Before me,

Commissioner for Oaths

Independent Auditors' Report

To the members Of Hong Leong Capital Berhad
(Incorporated in Malaysia)
Registration No: 199101002695 (213006-U)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Hong Leong Capital Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 30 June 2020, and of their financial performance and their 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 Group and of the Company, which comprise the statements of financial position as at 30 June 2020 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 78 to 203.

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 Group and 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' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and of the Company. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

Independent Auditors' Report

To the members Of Hong Leong Capital Berhad
(Incorporated in Malaysia)
Registration No: 199101002695 (213006-U)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Recognition of deferred tax assets arising from unutilised tax credit Refer to Summary of Significant Accounting Policies for the financial year ended 30 June 2020 Note A, Note Q, Note 10 and Note 33 to the financial statements. The Group recognised deferred tax assets on unutilised tax credit to the extent that is probable that future taxable profit will be available against which tax credit can be utilised. Deferred tax assets of RM87.8 million as at 30 June 2020 arose mainly from unutilised tax credit of a banking subsidiary. Significant judgement is required to estimate the amount of deferred tax assets that could be recognised were dependant on the availability of future taxable profits. Future taxable profits which are subject to future events and economic conditions which are inherently uncertain. Therefore, the extent of judgement and the amount of the deferred tax assets recognised resulted in this matter being identified as an area of audit focus.	We performed the following audit procedures: • Obtained an understanding about the local tax developments, in particular those related to changes in the statutory income tax rate and of the statutes of limitation since these were key assumptions used in determining the amount of deferred tax assets recognised. • Checked the available tax credit to correspondence between the banking subsidiary and the Inland Revenue Board. • Checked the profit projection to the budgets approved by the Board of Directors. • Compared historical profits with the budget to assess the accuracy of forecasting. • Assessed the reasonableness of assumptions used by management in determining the amount of taxable profit.

There are no key audit matters to report for the Company.

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 the Annual Report 2020, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and 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 Group and 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 Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon (continued)

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 Group and 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 Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and 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 Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and 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 Group and 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 Group's and 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.

Independent Auditors' Report

To the members Of Hong Leong Capital Berhad
(Incorporated in Malaysia)
Registration No: 199101002695 (213006-U)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

(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 on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and 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 Group or the Company to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

ONG CHING CHUAN
02907/11/2021 J
Chartered Accountant

Kuala Lumpur
11 September 2020

Notice of
Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twenty-Ninth Annual General Meeting ("AGM") of Hong Leong Capital Berhad ("Company") will be held at Wau Bulan 2, Level 2, Sofitel Kuala Lumpur Damansara, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur on Tuesday, 27 October 2020 at 10.30 a.m. in order:

1. To lay before the meeting the audited financial statements together with the reports of the Directors and Auditors thereon for the financial year ended 30 June 2020.

2. To declare a final single-tier dividend of 23 sen per share for the financial year ended 30 June 2020 to be paid on 18 November 2020 to members registered in the Record of Depositors on 3 November 2020. **(Resolution 1)**

3. To approve the payment of Director Fees of RM379,000 for the financial year ended 30 June 2020 to be divided amongst the Directors in such manner as the Directors may determine and Directors' Other Benefits of up to an amount of RM30,000 from the 29th AGM to the 30th AGM of the Company. **(Resolution 2)**

4. To re-elect Ms Tai Siew Moi who retires pursuant to Clause 113 of the Company's Constitution. **(Resolution 3)**

5. To re-appoint PricewaterhouseCoopers PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 4)**

SPECIAL BUSINESS

As special business, to consider and, if thought fit, pass the following motions as resolutions:

6. **Ordinary Resolution**
   Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Hong Leong Company (Malaysia) Berhad ("HLCM") and Persons Connected with HLCM

   "**THAT** approval be and is hereby given for the Company and/or its subsidiaries to enter into any of the transactions falling within the types of recurrent related party transactions of a revenue or trading nature as disclosed in Section 2.3(A) and (C) of the Company's Circular to Shareholders dated 28 September 2020 ("the Circular") with HLCM and persons connected with HLCM ("Hong Leong Group"), as set out in Appendix II of the Circular provided that such transactions are undertaken in the ordinary course of business, on arm's length basis and on commercial terms which are not more favourable to Hong Leong Group than those generally available to and/or from the public and are not, in the Company's opinion, detrimental to the minority shareholders;

   AND THAT such approval shall continue to be in force until:

   (a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or

   (b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or

   (c) revoked or varied by resolution passed by the shareholders in general meeting,

   whichever is the earlier;

   AND THAT the Directors of the Company be and are hereby authorised to complete and to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution." **(Resolution 5)**

Notice of Annual General Meeting

7. **Ordinary Resolution**
Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Tower Real Estate Investment Trust ("Tower REIT")

"**THAT** approval be and is hereby given for the Company and/or its subsidiaries to enter into any of the transactions falling within the types of recurrent related party transactions of a revenue or trading nature as disclosed in Section 2.3(B) of the Company's Circular to Shareholders dated 28 September 2020 with Tower REIT provided that such transactions are undertaken in the ordinary course of business, on arm's length basis and on commercial terms which are not more favourable to Tower REIT than those generally available to and/or from the public and are not, in the Company's opinion, detrimental to the minority shareholders;

AND THAT such approval shall continue to be in force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or

(b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or

(c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution." **(Resolution 6)**

8. To consider any other business of which due notice shall have been given.

FURTHER NOTICE IS HEREBY GIVEN that a depositor shall qualify for entitlement to the final dividend only in respect of:

(a) shares transferred into the depositor's securities account before 4:30 p.m. on 3 November 2020 in respect of ordinary transfers; and

(b) shares bought on Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the Rules of the Bursa Securities.

By Order of the Board

JACK LEE TIONG JIE
(MAICSA 7060133)
(SSM PC No. 202008001704)
Group Company Secretary

Kuala Lumpur
28 September 2020

Notice of Annual General Meeting

NOTES:

1. For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 20 October 2020 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.
2. Save for a member who is an exempt authorised nominee, a member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote in his stead. A proxy may but need not be a member of the Company. A member who is an authorised nominee may appoint not more than two (2) proxies in respect of each securities account it holds. A member who is an exempt authorised nominee for multiple beneficial owners in one securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.
3. Where two (2) or more proxies are appointed, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which the appointments shall be invalid.
4. The Form of Proxy must be deposited at the Registered Office of the Company at Level 30, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur or lodged electronically via email at cosec-hlfg@hongleong.com.my, not less than forty-eight (48) hours before the time appointed for holding of the meeting or adjourned meeting.
5. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Securities, all the resolutions set out in this Notice will be put to a vote by way of a poll.

EXPLANATORY NOTES

1. Resolution 2 on Director Fees and Other Benefits
- Director Fees of RM379,000 are inclusive of Board Committee fees of RM140,000 and Meeting Allowances of RM29,000.
- Directors' Other Benefits refer to Directors' training benefits of up to an amount of RM30,000.

2. Resolutions 5 and 6 on Recurrent Related Party Transactions of a Revenue or Trading Nature
The proposed Ordinary Resolutions, if passed, will empower the Company and its subsidiaries ("HLCB Group") to enter into recurrent related party transactions of a revenue or trading nature which are necessary for HLCB Group's day-to-day operations, subject to the transactions being in the ordinary course of business and on terms which are not more favourable to the related parties than those generally available to the public and are not, in the Company's opinion, detrimental to the minority shareholders of the Company ("Proposed Shareholders' Mandate").

Detailed information on the Proposed Shareholders' Mandate is set out in the Circular to Shareholders dated 28 September 2020 which is available on the Company's corporate website (http://www.hlcap.com.my/annualreport2020).

Statement Accompanying **Notice Of Annual General Meeting**

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Securities)

- **Details of individuals who are standing for election as Directors**

  No individual is seeking election as a Director at the forthcoming Twenty-Ninth Annual General Meeting of the Company.

Other **Information**

1. MATERIAL CONTRACTS

There are no material contracts (not being contracts entered into in the ordinary course of business) which had been entered into by the Company and its subsidiaries involving the interest of Directors, chief executives and major shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year pursuant to Item 21, Part A, Appendix 9C of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

2. ANALYSIS OF SHAREHOLDINGS AS AT 28 AUGUST 2020

Total number of issued shares	:	246,896,668
Class of shares	:	Ordinary shares
Voting rights	:	1 vote for each share held

Distribution Schedule of Shareholders as at 28 August 2020

Size of Holdings	No. of Shareholders	%	No. of Shares	%
Less than 100	56	8.35	2,028	0.00
100 – 1,000	227	33.83	163,661	0.07
1,001 – 10,000	243	36.21	915,521	0.37
10,001 – 100,000	101	15.05	4,271,200	1.73
100,001 – less than 5% of issued shares	43	6.41	40,739,200	16.50
5% and above of issued shares	1	0.15	200,805,058	81.33
	671	100.00	246,896,668	100.00

List of Thirty Largest Shareholders as at 28 August 2020

Name of Shareholders	No. of Shares	%
1. Hong Leong Financial Group Berhad	200,805,058	81.33
2. UOB Kay Hian Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Yu Kuan Chon	6,005,100	2.43
3. MTrustee Berhad - Exempt AN for Hong Leong Capital Berhad (ESOS)	5,507,700	2.23
4. SJ Sec Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Ho Swee Ming (SMT)	3,619,900	1.47
5. AMSEC Nominees (Tempatan) Sdn Bhd - Exempt AN for KGI Securities (Singapore) Pte. Ltd (66581 T CL)	3,000,000	1.22
6. Tong Chin Hen	2,863,500	1.16
7. SJ Sec Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lim Fung Neng (SMT)	2,474,800	1.00
8. Rapid Synergy Berhad	2,191,400	0.89
9. AllianceGroup Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Ho Swee Ming	1,415,500	0.57
10. CIMSEC Nominees (Tempatan) Sdn Bhd - CIMB for Chan Weng Fui (PB)	1,018,900	0.41

Other Information

2. ANALYSIS OF SHAREHOLDINGS AS AT 28 AUGUST 2020 (CONTINUED)

List of Thirty Largest Shareholders as at 28 August 2020 (continued)

Name of Shareholders	No. of Shares	%
11. Ng Bing Tiam @ Goh Kee Sang	1,007,500	0.41
12. Koh Liong Boon	931,500	0.38
13. Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Chan Yan Meng	852,500	0.35
14. Kenanga Nominees (Tempatan) Sdn Bhd - Ding Ming Hea	833,100	0.34
15. Maybank Nominees (Tempatan) Sdn Bhd - Maybank Private Wealth Management for Yu Kuan Chon (PW-M00395) (410040)	824,600	0.33
16. Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Tan Kooi Ming @ Tam Kooi Ming	780,000	0.32
17. Liew Kok Tze	776,000	0.31
18. Chan Yan Meng	696,000	0.28
19. Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lee Chun Weng	500,000	0.20
20. AllianceGroup Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Chan Weng Fui (7006455)	475,600	0.19
21. Chan Weng Fui	459,400	0.19
22. Lim Wen Tzer	410,600	0.17
23. AllianceGroup Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lim Leong Wouh (6000718)	364,200	0.15
24. Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Hong Kee Kok	349,600	0.14
25. Yew Hock Ming	308,000	0.12
26. CIMSEC Nominees (Tempatan) Sdn Bhd - CIMB for Chan Sow Keng (PB)	300,000	0.12
27. HLB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lim Leong Wouh	295,300	0.12
28. PM Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Tan Kooi Ming @ Tam Kooi Ming (A)	266,000	0.11
29. PM Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Cheong Swee Yong (A)	264,600	0.11
30. Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lim Leong Wouh	255,500	0.10
	239,851,858	97.15

Other Information

2. ANALYSIS OF SHAREHOLDINGS AS AT 28 AUGUST 2020 (CONTINUED)

Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 28 August 2020 are as follows:

	Direct Interest		Indirect Interest	
Name of Shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**
Hong Leong Financial Group Berhad	200,805,058	81.33	-	-
Tan Sri Quek Leng Chan	-	-	200,805,058	81.33[B]
Hong Leong Company (Malaysia) Berhad	-	-	200,805,058	81.33[A]
HL Holdings Sdn Bhd	-	-	200,805,058	81.33[B]
Kwek Holdings Pte Ltd	-	-	200,805,058	81.33[B]
Kwek Leng Beng	-	-	200,805,058	81.33[B]
Hong Realty (Private) Limited	-	-	200,805,058	81.33[B]
Hong Leong Investment Holdings Pte Ltd	-	-	200,805,058	81.33[B]
Davos Investment Holdings Private Limited	-	-	200,805,058	81.33[B]
Kwek Leng Kee	-	-	200,805,058	81.33[B]
Guoco Group Limited	-	-	200,805,058	81.33[A]
GuoLine Overseas Limited	-	-	200,805,058	81.33[A]
GuoLine Capital Assets Limited	-	-	200,805,058	81.33[A]

Notes:
[A] Held through Hong Leong Financial Group Berhad
[B] Held through Hong Leong Company (Malaysia) Berhad

3. DIRECTORS' INTERESTS AS AT 28 AUGUST 2020

Subsequent to the financial year end, there is no change, as at 28 August 2020, to the Directors' interests in the ordinary shares, preference shares and/or options over ordinary shares of the Company and/or its related corporations (other than wholly-owned subsidiaries), appearing in the Directors' Report on page 75 and as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016.

4. LIST OF PROPERTIES

Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM'000)	Date of acquisition
51-53, Persiaran Greenhill, 30450, Ipoh, Perak	Freehold & leasehold – 999 years	Branch premises	4,793	26	1,747	31/12/1993

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FORM OF PROXY

HongLeong Capital Berhad
Registration No. 199101002695 (213006-U)

I/We ______________________________

NRIC/Passport/Company No. ______________________________

of ______________________________

being a member of HONG LEONG CAPITAL BERHAD (the "Company"), hereby appoint ______________________________

____

NRIC/Passport No. ______________________________

of ______________________________

____

or failing him/her ______________________________

NRIC/Passport No. ______________________________

of ______________________________

____

or failing him/her, the Chairman of the meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Twenty-Ninth Annual General Meeting of the Company to be held at Wau Bulan 2, Level 2, Sofitel Kuala Lumpur Damansara, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur on Tuesday, 27 October 2020 at 10.30 a.m. and at any adjournment thereof.

My/Our proxy/proxies is/are to vote as indicated below with an "X":

	RESOLUTIONS	**FOR**	**AGAINST**
1.	To declare a final single-tier dividend of 23 sen per share		
2.	To approve the payment of Director Fees and Directors' Other Benefits		
3.	To re-elect Ms Tai Siew Moi as a Director		
4.	To re-appoint PricewaterhouseCoopers PLT as Auditors of the Company and to authorise the Directors to fix their remuneration		
	SPECIAL BUSINESS		
5.	To approve the ordinary resolution on the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Hong Leong Company (Malaysia) Berhad ("HLCM") and persons connected with HLCM		
6.	To approve the ordinary resolution on the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Tower Real Estate Investment Trust		

Dated this ________ day of ________ 2020

____
Number of shares held

____
Signature(s) of Member

Notes:-

1. *For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 20 October 2020 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.*
2. *If you wish to appoint other person(s) to be your proxy, insert the name(s) and address(es) of the person(s) desired in the space so provided.*
3. *If there is no indication as to how you wish your vote(s) to be cast, the proxy will vote or abstain from voting at his/her discretion.*
4. *A proxy may but need not be a member of the Company.*
5. *Save for a member who is an exempt authorised nominee, a member shall not be entitled to appoint more than two (2) proxies to attend, participate, speak and vote at the same meeting. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. A member who is an exempt authorised nominee for multiple beneficial owners in one securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.*
6. *Where two (2) or more proxies are appointed, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which the appointments shall be invalid (please see note 9 below).*
7. *In the case where a member is a corporation, this Form of Proxy must be executed under its Common Seal or under the hand of its Attorney.*
8. *All Forms of Proxy must be duly executed and deposited at the Registered Office of the Company at Level 30, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur or lodged electronically via email at cosec-hlfg@hongleong.com.my, not less than forty-eight (48) hours before the time appointed for holding of the meeting or adjourned meeting.*
9. *In the event two (2) or more proxies are appointed, please fill in the ensuing section:*

Name of Proxies	% of shareholdings to be represented

10. *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out In the notice will be put to a vote by way of a poll.*

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Then fold here

AFFIX
STAMP

The Group Company Secretary

HONG LEONG CAPITAL BERHAD
Registration No. 199101002695 (213006-U)

Level 30, Menara Hong Leong
No. 6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Malaysia

1st fold here

Hong Leong Capital Berhad
Registration No: 199101002695 (213006-U)

Level 28, Menara Hong Leong
No.6, Jalan Damanlela, Bukit Damansara
50490 Kuala Lumpur
Tel : 03-2083 1800
Fax : 03-2083 1990

www.hlcap.com.my

As part of Hong Leong Capital's support for environmental sustainability, this Annual Report is printed on Forest Stewardship Council (FSC) certified paper.