

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Reports and financial statements

for the financial year ended 30 June 2017

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Reports and financial statements for the financial year ended 30 June 2017

Content	Page
Directors' report	1 - 24
Statements of financial position	25
Income statements	26
Statements of comprehensive income	27
Statements of changes in equity	28 - 31
Statements of cash flows	32 - 33
Summary of significant accounting policies	34 - 56
Notes to the financial statements	57 - 142
Statement by Directors	143
Statutory declaration	143
Independent auditors' report	144 - 147

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Directors' report

for the financial year ended 30 June 2017

The Directors of Hong Leong Investment Bank Berhad (the "Bank" or "HLIB") have pleasure in presenting their report together with the audited financial statements of the Group and of the Bank for the financial year ended 30 June 2017.

Principal activities

The Bank is principally engaged in investment banking, stockbroking business, futures broking and related financial services.

The principal activities of the subsidiary companies are nominee and custodian services as disclosed in Note 14 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 Bank RM'000
Net profit for the financial year	<u>64,834</u>	<u>64,927</u>

Dividends

Since the previous financial year ended 30 June 2016, a final single-tier dividend of 31.6969 sen per share on the Bank's issued and paid-up share capital of RM165,000,000 comprising of 165,000,000 shares, amounting to RM52,299,885 was paid on 9 November 2016.

The Directors of the Bank recommend a final single-tier dividend of 33.3333 sen per share on the Bank's adjusted issued and paid-up share capital amounting to RM54,999,945 for the financial year ended 30 June 2017.

Business strategy for the current financial year

The Bank's strategy is to focus to expand the range of investment banking products and to enable clients access to other foreign capital markets.

Outlook and business plan for the coming financial year

The key focus for the coming financial year is to strengthen and build on the existing stockbroking business and to offer innovative investment banking solutions while leveraging on Hong Leong Group relationship.

Significant events during the financial year

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

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Directors' report

for the financial year ended 30 June 2017 (continued)

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 Bank 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:

YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman	(Chairman, Non-Independent Non-Executive Director)
Mr Tan Kong Khoon	(Non-Independent Executive Director) <i>(Appointed on 01.01.2017)</i>
YBhg Dato' Mohzani bin Abdul Wahab	(Independent Non-Executive Director)
Mr Martin Giles Manen	(Independent Non-Executive Director)
Mr Yong Yoong Fa	(Independent Non-Executive Director)
Ms Lee Jim Leng	(Group Managing Director/Chief Executive Officer) <i>(Resigned as Board member on 01.01.2017)</i>

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.

Statements of Directors' Responsibility

In preparing the financial statements, the Directors have ensured that these financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia with reasonable and prudent judgements and estimates.

It is the responsibility of the Directors to ensure that the financial reporting of the Group and the Bank present a true and fair view of the financial position of the Group and the Bank as at 30 June 2017 and of its financial performance and cash flows of the Group and of the Bank for the financial year ended 30 June 2017.

The financial statements are prepared on a going concern basis and the Directors have ensured that proper accounting records are kept so as to enable the preparation of the financial statements with reasonable accuracy.

The Directors also have overall responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the Group and of the Bank and for the implementation and continued operation of adequate accounting and internal control systems for the prevention and detection of fraud and other irregularities. The system of internal controls is designed to provide reasonable and not absolute assurance for achieving certain internal control standards and helps the Group and the Bank manage the risk of failure to achieve business.

The Statement by Directors pursuant to Section 251 of the Companies Act 2016 is set out on page 143.

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Directors' report

for the financial year ended 30 June 2017 (continued)

Directors' interests

None of the Directors holding office at the end of the financial year end had any beneficial interest in the ordinary shares/options of the Bank and/or its related corporations during the financial year ended 30 June 2017, as recorded in the Register of Directors' Shareholdings kept by the Bank under Section 59 of the Companies Act 2016, except for YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman whose interests are disclosed in the Directors' Report of the immediate holding company as provided for under Section 59 of the Companies Act 2016.

Directors' benefits

Since the end of the previous financial year, none of the Directors of the Bank received or became entitled to receive any benefits (other than the benefit included in the aggregate amount of remuneration received or due and receivable by the Directors as shown in the financial statements or the fixed salary of a full-time employee of the Bank or of related corporations) by reason of a contract made by the Bank 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 Bank is a party, with the object or objects of enabling Directors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of the Bank or any other body corporate.

During the financial year, Directors & Officers of the Bank are covered under the Directors' & Officers' Liability Insurance in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors & Officers of the Bank subject to the terms of the policy. The total amount of premium for the Directors' & Officers' Liability Insurance was paid by the intermediate holding company, Hong Leong Capital Berhad.

Share capital

During the financial year, there was no issuance of new ordinary shares. As at 30 June 2017, the issued and paid-up share capital of the Company comprise of 165,000,000 ordinary shares.

The new Companies Act 2016 ("New Act"), which came into effect on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, any amount standing to the credit of the share premium account of RM87,950,000 becomes part of the Bank's share capital pursuant to the transitional provisions set out in Section 618(2) of the New Act. Notwithstanding this provision, the Bank may within 24 months from the commencement of the New Act, use the amount standing to the credit of its share premium account of RM87,950,000 for the purposes as set out in Section 618 (4) of the New Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Directors' report

for the financial year ended 30 June 2017 (continued)

Corporate Governance

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

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

A Board of Directors ("Board")

I Roles and Responsibilities of the Board

The Board assumes responsibility for effective stewardship and control of the Bank and has established terms of reference ("TOR") to assist in the discharge of this responsibility.

In discharging its responsibilities, the Board established functions which are reserved for the Board and those which are delegated to management. The key roles and responsibilities of the Board are set out in the Board Charter, which is reviewed periodically by the Board. The key roles and responsibilities of the Board broadly covers formulation of corporate policies and strategies; overseeing and evaluating the conduct of the Bank's businesses; identifying principal risks and ensuring the implementation of appropriate systems to manage those risks; and reviewing and approving key matters such as financial results, investments and divestments, acquisitions and disposals, and major capital expenditure and such other responsibilities that are required of them by BNM as specified in guidelines and circulars issued by BNM from time to time.

The day-to-day business of the Bank is managed by the Group Managing Director/Chief Executive Officer ("GMD/CEO") who is assisted by the management team. The GMD/CEO and his management team are accountable to the Board for the performance of the Bank. 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 function, internal controls; and risk management to the Board Audit and Risk Management Committee ("BARMC"). The Nomination and Remuneration Committee ("NRC") is delegated the authority to, inter alia, assess and review Board, Board Committees and GMD/CEO appointments and re-appointments and oversee management succession planning. Although the Board has granted such authority to Board Committees, the ultimate responsibility and the final decision rest with the Board. The chairmen of Board Committees report to the Board on matters dealt with at their respective Board Committee meetings. Minutes of Board Committee meetings are also tabled at Board meetings.

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

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

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Directors' report

for the financial year ended 30 June 2017 (continued)

Corporate Governance (continued)

A Board of Directors (continued)

I Roles and Responsibilities of the Board (continued)

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

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

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

II Board Composition

The Board comprises five (5) directors, four (4) of whom are non-executive. Of the non-executive directors, three (3) are independent.

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

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

Based on the review of the board composition in July 2017, 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 Bank.

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Directors' report

for the financial year ended 30 June 2017 (continued)

Corporate Governance (continued)

A Board of Directors (continued)

III Board Meetings

The Board met eight (8) times during the financial year ended 30 June 2017 with timely notices of issues to be discussed. Details of attendance of each director are as follow:

Director	Attendance
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman	8/8
Mr Tan Kong Khoon (Appointed on 01.01.2017)	4/4
YBhg Dato' Mohzani bin Abdul Wahab	8/8
Mr Martin Giles Manen	8/8
Mr Yong Yoong Fa	8/8
Ms Lee Jim Leng (Resigned on 01.01.2017)	3/4

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

IV Supply of Information

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

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

V Directors' Profile

YBHG TAN SRI DATO' SERI KHALID AHMAD BIN SULAIMAN

Chairman/Non-Independent Non-Executive Director

Age 81, Male, Malaysian

YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman was educated in England and was called to the English Bar at Middle Temple in 1964. He was admitted to the Malaysian Bar in 1965 and Singapore Bar in 1970. He was a founding partner of K Ahmad & Yong, a legal firm in Penang in 1970 and was a Senior Partner till June 2008. He was a Consultant with K Ahmad & Yong from 2008 to June 2016. He was the Chairman of the Advocates and Solicitors Disciplinary Board Malaysia from 2005 to 2013. He was the Penang State Executive Councillor from 1974 to 1982 and was the acting Penang Chief Minister in 1979 and has also served on various statutory boards.

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Directors' report

for the financial year ended 30 June 2017 (continued)

Corporate Governance (continued)

A Board of Directors (continued)

V Directors' Profile (continued)

YBHG TAN SRI DATO' SERI KHALID AHMAD BIN SULAIMAN (continued)

YBhg Tan Sri Khalid was appointed to the Board of Directors of Hong Leong Investment Bank Berhad ("HLIB") on 29 September 2012. He is currently the Chairman of HLIB and a member of the Nomination and Remuneration Committee ("NRC") of HLIB.

YBhg Tan Sri Khalid is also a Director of Hong Leong Financial Group Berhad ("HLFG") and Hong Leong Capital Berhad ("HLCB"), both companies listed on the Main Market of Bursa Malaysia Securities Berhad.

MR TAN KONG KHOON

Executive Director/Non-Independent

Age 60, Male, Singaporean

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 Advance Management Program.

Mr Tan was appointed to the Board of Directors of HLIB on 1 January 2017.

Mr Tan is the President & Chief Executive Officer of 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 bank in Thailand listed on the Thailand Stock Exchange.

Mr Tan is a Director of HLFG, HLB and HLCB, companies listed on the Main Market of Bursa Malaysia Securities Berhad. He is also a Director of Hong Leong Assurance Berhad, a public company.

MR MARTIN GILES MANEN

Non-Executive Director/Independent

Age 61, Male, Malaysian

Mr Martin Giles Manen is a Chartered Accountant and a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants.

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Directors' report

for the financial year ended 30 June 2017 (continued)

Corporate Governance (continued)

A Board of Directors (continued)

V Directors' Profile (continued)

MR MARTIN GILES MANEN (continued)

Mr Manen was appointed to the Board of Directors of HLIB on 29 September 2012. He is the Chairman of the Board Audit and Risk Management Committee ("BARMC") and a member of the NRC of HLIB.

Mr Manen was the Chief Executive Officer of Perception Management Sdn Bhd ("PMSB"), a public relations and communications consultancy firm for the period up to May 2009. Prior to joining PMSB in January 2008, he served more than 21 years with Sime Darby Group, holding various senior positions including Group Tax Controller, Group Company Secretary, Group Finance Director and Divisional Director of the Allied Products & Services Division. He started his career at KPMG with whom he served 11 years in Malaysia and United Kingdom undertaking audit, tax and business advisory assignments.

Mr Manen had served as a member of the Malaysian Accounting Standard Board, the Executive Committee of the International Fiscal Association (Malaysian Branch), the Task Force on the formation of an Audit Oversight Board chaired by the Securities Commission and the Accounting Technical Panel of the SC.

Mr Manen is also an Independent Non-Executive Director of Heineken Malaysia Berhad and Unisem (M) Berhad, both companies listed on the Main Market of Bursa Malaysia Securities Berhad.

YBHG DATO' MOHZANI ABDUL WAHAB

Non-Executive Director/Independent

Age 63, Male, Malaysian

YBhg Dato' Mohzani bin Abdul Wahab graduated in Economics from the University of Malaya.

YBhg Dato' Mohzani was appointed to the Board of Directors of HLIB on 29 September 2012. He is the Chairman of the NRC and a member of BARMC of HLIB.

YBhg Dato' Mohzani joined the Shell Group in 1976. In his 33 years of service, he has held various senior positions in supply, distribution, brand & communication, marketing economics, sales and operations, marketing and retail management in Shell's Downstream Oil Products sector. Internationally, he had been responsible for the Shell retail business in Singapore, Brunei, Hong Kong and Oman and served as a member of the leadership team for the East Region.

He had served as the Managing Director of Shell Malaysia Trading Sdn Bhd and Shell Timur Sdn Bhd from 2001 and 2005 respectively, until his retirement at the end of 2009. Previously, he was a Non-Independent Non-Executive Director of Shell Refining Company (FOM) Berhad for 8 years until his resignation from the Board at the end of 2009 including as a Board member of Brunei Shell Marketing. His Board experiences include serving on Shell Oman Marketing plc and the JV companies with Petronas and Exxon/Mobil and other Shell downstream subsidiaries. He also served as a Director of the largest multi-party loyalty programme in Asia, Bonus Loyalty Sdn Bhd. In addition, he has sat as Director of the Petroleum Industry of Malaysia Mutual Aid Group (PIMAG).

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Directors' report

for the financial year ended 30 June 2017 (continued)

Corporate Governance (continued)

A Board of Directors (continued)

V Directors' Profile (continued)

YBHG DATO' MOHZANI ABDUL WAHAB (continued)

Since his retirement, he had served on the Board of Ramunia Holdings Bhd as a Non-Independent and Non-Executive Director and Chairman of TH-Alam Holdings, a JV company between Lembaga Tabung Haji and Alam Maritim (M) Sdn Bhd and as Chairman of TH Marine Sdn Bhd. He was also an Independent Director of EON Bank Bhd and EONCAP Islamic Bank Berhad. In July 2011, he was appointed as an Independent Director of Pavilion REIT Management Sdn Bhd. He was also appointed as an Independent Director of Celcom Axiata Berhad in March 2012 and Boustead Plantations Berhad in October 2013.

He is currently a member of the Investment Panel of Lembaga Tabung Haji, a role he assumed in October 2007.

MR YONG YOONG FA

Non-Executive Director/Independent

Age 60, Male, Malaysian

Mr Yong Yoong Fa is an Accountant by profession. He is a member of the Malaysian Institute of Certified Public Accountants ("CPA") and Malaysian Institute of Accountants.

Mr Yong was appointed to the Board of Directors of HLIB on 15 July 2015 and is a member of the BARMC of HLIB.

Mr Yong was the Chief Operating Officer ("COO") of TAHPS Group Berhad, a plantation and property development company listed on the Main Market of Bursa Malaysia Securities Berhad from 2004 until his retirement in 2014.

Prior to joining TAHPS Group Berhad, he was in the investment banking and stockbroking industry for more than 20 years in merchant banks and securities firms namely Public Merchant Bank Berhad, PB Securities Sdn Bhd, Kuala Lumpur City Securities Sdn Bhd, Arab-Malaysia Securities Sdn Bhd and Arab-Malaysian Merchant Bank Berhad where he held key positions including inter alia Chief Executive Officer, COO and Executive Director (Dealing).

Before embarking on his career in the investment banking field, he was with the Nestle Group of Companies, in the trading and manufacturing industry. He obtained his CPA and served his articleship in Price Waterhouse where he garnered his experience in professional public accounting.

VI Directors' Training

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

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Directors' report

for the financial year ended 30 June 2017 (continued)

Corporate Governance (continued)

A Board of Directors (continued)

VI Directors' Training (continued)

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

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

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

During the financial year ended 2017, the directors received regular briefings and updates on the Bank's businesses, operations, risk management, internal controls, corporate governance, finance and any changes to relevant legislation, rules and regulations from in-house professionals. The Bank also organised an in-house programme for its Directors and senior management.

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

During the financial year ended 2017, the Directors of the Bank, collectively or on their own, attended various training programmes, seminars, briefings and/or workshops including:

- Unisem Worldwide Sales Meeting: New products and technology update
- Securities Commission Malaysia – Capital Market Director Programme
- Clarification of Audit Rating Methodology
- Corporate Governance Statement Workshop: The interplay between CG, Non-Financial Information (NFI) and Investment Decisions
- International Bureau of Fiscal Documentation: International Tax Today
- The Institute of Internal Auditors Malaysia (IIAM) & Malaysian Institute of Corporate Governance (MICG) – The Evolving Role of Audit Committee in Governance, Risk & Control Forum
- Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 : The Law & Compliance
- The New Companies Act – What changes for PLCs and Directors of PLCs

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Directors' report

for the financial year ended 30 June 2017 (continued)

Corporate Governance (continued)

A Board of Directors (continued)

VI Directors' Training (continued)

- Security and Terrorism in Malaysia – A Very Real Threat?
- The Power of Social Media and How it Impacts our Business
- CG Breakfast Series: The Cybersecurity Threat and How Boards should mitigate the Risks
- CG Breakfast Series: How to Leverage on AGMs for Better Engagement with Shareholders Launch of AGM Guide
- Briefing Session on Shariah Compliance Trading Window
- International Fiscal Association: Substance over Form, Anti Avoidance & Treaty Abuse, The Future of Transfer Pricing and Base Erosion and Profit Shifting
- Unisem Worldwide Sales Meeting: New products and technology update, Industry Update and Companies Bill, New Listing Requirements and Sustainability Reporting
- Sustainability Forum 2017: The Velocity of Global Change & Sustainability - The New Business Model
- Asian Outlook and RMB Forum: Asian economic outlook, global foreign exchange, the economy of China and the RMB
- Global Business Insights Series - Embracing Paradoxes
- Breakfast Talk with Asian Corporate Governance Association (ACGA) : CG Watch 2016 - Ecosystems Matter
- Companies Act 2016 Update
- Companies Act 2016: Changes and Implications To Company Directors
- An Overview of Latest Development of Shariah Standards issued by Bank Negara Malaysia - Investment Account & Investment Account Platform
- Market Integrity Symposium: Building and Maintaining Confidence
- BNM Compliance Conference 2017
- 4th Industrial Revolution: Impact and Opportunities for Manufacturing and Financial Services

V Board Audit and Risk Management Committee (“BARMC”)

The financial reporting and internal control system of the Bank are overseen by the BARMC.

Composition

The BARMC is chaired by an independent director and comprises:

Mr Martin Giles Manen	(Chairman, Independent Non-Executive Director)
YBhg Dato' Mohzani bin Abdul Wahab	(Independent Non-Executive Director)
Mr Yong Yoong Fa	(Independent Non-Executive Director)

Secretary

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

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Directors' report

for the financial year ended 30 June 2017 (continued)

Corporate Governance (continued)

A Board of Directors (continued)

V Board Audit and Risk Management Committee (“BARMC”) (continued)

Terms of Reference

External Audit

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

Financial Reporting

- (a) To review the accuracy and adequacy of the chairman’s statement (if any) in the directors’ report, corporate governance disclosures, interim financial reports and annual financial statements.

Related Party/Connected Party Transactions

- (a) To review and update the Board on any related party transactions that may arise within the Bank.
- (b) To review and recommend for Board approval, any credit transactions and exposure with connected parties.
- (c) To monitor compliance with the Board’s conflict of interest policy.

Internal Audit

- (a) To review and approve the adequacy of the internal audit scope, procedures, plan, and assess the performance and effectiveness of the internal audit function.
- (b) To review the adequacy and effectiveness of internal controls and risk management processes.
- (c) To review reports and significant findings by Internal Audit Division, including any findings of internal investigations, and to ensure that management has taken the necessary corrective actions in a timely manner to address control weaknesses, non-compliance with laws, regulatory requirements, policies and other problems identified by the internal audit and other control functions.

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Directors' report

for the financial year ended 30 June 2017 (continued)

Corporate Governance (continued)

A Board of Directors (continued)

V Board Audit and Risk Management Committee ("BARMC") (continued)

Terms of Reference (continued)

Internal Audit (continued)

- (d) To review reports and findings issued by regulatory authorities, and to ensure that management has taken the necessary corrective actions in a timely manner to address control weaknesses, non-compliance with laws, regulatory requirements, policies and other problems identified by the regulatory authorities.
- (e) Support the Board in meeting the expectations on Internal Audit management as set out in Bank Negara Malaysia ("BNM") policy document on Guidelines on Internal Audit Function of Licensed Institutions issued on 1 July 2010.
- (f) To decide on the appointment, remuneration, appraisal, transfer and dismissal of the Head of Investment Bank Audit, and to provide oversight on the adequacy of resources and remuneration of the internal auditors. This includes regular review to determine whether the internal audit function has appropriate standing within the Bank to undertake its activities independently and objectively.
- (g) To engage privately with the Head of Investment Bank Audit on a regular basis (and in any case at least twice annually) to provide the opportunity for the Head of Investment Bank Audit to discuss issues faced by the internal audit function.
- (h) To review the Audit Charter and recommend for Board approval.
- (i) Other audit functions as may be agreed to by the BARMC and the Board.

Risk Management

- (a) To review management's activities in managing principal risks such as credit, market, liquidity, operational, compliance and IT risks and the risk management process.
- (b) To review management's reporting to the Board on measures taken to:
 - (i) Identify and examine principal risks faced by the Bank.
 - (ii) Implement appropriate systems and internal controls to manage these risks.
- (c) To review management's major risk management strategies, policies and risk tolerance for Board's approval.
- (d) To review management's overall framework on Internal Capital Adequacy Assessment Process ("ICAAP"), annual risk appetite and Capital Management Plan for Board's approval.
- (e) To review management's development and effective implementation of the ICAAP.
- (f) To review management's stress testing governance including the evaluation on the capital stress test scenarios, parameters, key assumptions and results.
- (g) To review management's periodic reports on risk appetite, risk exposure, risk portfolio composition, stress testing and risk management activities.
- (h) To review the adequacy and effectiveness of management's internal controls and risk management process.
- (i) To review the adequacy of risk management policies and frameworks in identifying, measuring, monitoring and controlling risk and the extent to which these are operating effectively.

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Directors' report

for the financial year ended 30 June 2017 (continued)

Corporate Governance (continued)

A Board of Directors (continued)

V Board Audit and Risk Management Committee (“BARMC”) (continued)

Risk Management (continued)

- (j) To review risk management function's infrastructure, resources and systems and that the staff responsible are in place for risk management functions and to ensure that the staff responsible for implementing risk management systems perform those duties independently of the Group's risk taking activities.
- (k) To receive reports from pertinent management committee.
- (l) To review management's implementation of risk management as set out in BNM policy document on Risk Governance, Approaches to Regulating and Supervising Financial Group and Corporate Governance.
- (m) To review and advise on the appointment, remuneration, removal and redeployment of the Chief Risk Officer (“CRO”).
- (n) To engage privately with the CRO on a regular basis (and in any case at least twice annually) to provide the opportunity for the CRO to discuss issues faced by the risk management function.
- (o) To review management's implementation of the remuneration system on whether incentives provided by the remuneration system take into consideration risks, capital, liquidity and the likelihood and timing of earnings, without prejudice to the tasks of the Board Remuneration Committee.
- (p) Other risk management functions as may be agreed to by the BARMC and the Board.

Compliance

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

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Directors' report

for the financial year ended 30 June 2017 (continued)

Corporate Governance (continued)

A Board of Directors (continued)

V Board Audit and Risk Management Committee (“BARMC”) (continued)

Compliance (continued)

(c) Other compliance functions as may be agreed to by the BARMC and the Board.

Authority

The BARMC is authorised by the Board to review any activity of the Bank 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 Managing Director, Chief Executive Officer, Chief Risk Officer, Chief Compliance Officer, Head of Investment Bank 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 Senior Management.

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 and non-executive, shall constitute a quorum.

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.

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Directors' report

for the financial year ended 30 June 2017 (continued)

Corporate Governance (continued)

A Board of Directors (continued)

V Board Audit and Risk Management Committee (“BARMC”) (continued)

Activities

The BARMC carried out its duties in accordance with its terms of reference.

During the financial year ended 30 June 2017, four (4) BARMC meetings were held and the attendance of the Members was as follows:-

Member	Attendance
Mr Martin Giles Manen	4/4
YBhg Dato' Mohzani bin Abdul Wahab	4/4
Mr Yong Yoong Fa	4/4

The BARMC reviewed the quarterly reports and annual financial statements of the Bank. The BARMC met with the external auditors and discussed the nature and scope of the audit, considered significant changes in accounting and auditing issues, reviewed the management letter and management's response, examined pertinent issues which had significant impact on the results of the Bank and discussed applicable accounting and auditing standards. The BARMC also reviewed the internal auditors' audit findings and recommendations as well as Bank Negara Malaysia's Examination Reports on the Bank.

In addition, the BARMC reviewed the adequacy and integrity of internal control systems, including risk management and relevant management information system. It also reviewed the process put in place to identify, evaluate and manage the significant risks encountered by the Bank.

The BARMC reviewed various related party transactions carried out by the Bank.

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Directors' report

for the financial year ended 30 June 2017 (continued)

Corporate Governance (continued)

A Board of Directors (continued)

VI Nomination and Remuneration Committee (“NRC”)

Composition

The NRC is chaired by an independent director and comprises:

YBhg Dato' Mohzani bin Abdul Wahab	(Chairman, Independent Non-Executive Director)
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman	(Non-Independent Non-Executive Director)
Mr Martin Giles Manen	(Independent Non-Executive Director)
Mr Yong Yoong Fa	(Independent Non-Executive Director) <i>(Resigned as NRC Member on 01.01.2017)</i>

Secretary

The Secretaries of the Bank or such other person as nominated by the Board will be the secretary of the NRC.

Responsibilities

The nomination responsibilities of NRC are as follows:

- (a) Support the Board in carrying out its functions in the following matters concerning the board, senior management and company secretary:
 - (i) appointments and removals;
 - (ii) composition;
 - (iii) performance evaluation and development; and
 - (iv) fit and proper assessments.
- (b) Recommend to the Board the minimum criteria and skill sets for appointments to the Board, Board committees and for the position of Chief Executive Officer.
- (c) Review and recommend to the Board all Board appointments, re-appointments and removals including of the Chief Executive Officer.
- (d) Review annually the overall composition of the Board in terms of the appropriate size and skills, and the balance between executive directors, non-executive directors and independent directors, and mix of skills and other core competencies required.
- (e) Assess annually the performance and effectiveness of the Board, Board Committees and each individual director. Such performance criteria should be approved by the full Board.
- (f) Review annually the term of office and performance of the Board Audit and Risk Management Committee (“BARMC”) and each of its members to determine whether the BARMC and its members have carried out their duties in accordance with the Terms of Reference of the BARMC.

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Directors' report

for the financial year ended 30 June 2017 (continued)

Corporate Governance (continued)

A Board of Directors (continued)

VI Nomination and Remuneration Committee (“NRC”) (continued)

Responsibilities (continued)

The nomination responsibilities of NRC are as follows: (continued)

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

The remuneration responsibilities of NRC are as follows:

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

During the financial year ended 30 June 2017, two (2) NRC meetings were held and the attendance of the members was as follows:-

Member	Attendance
YBhg Dato' Mohzani bin Abdul Wahab (Chairman)	2/2
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman	2/2
Mr Martin Giles Manen	2/2
Mr Yong Yoong Fa	2/2
<i>(Resigned as NRC member on 01.01.2017)</i>	

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Directors' report

for the financial year ended 30 June 2017 (continued)

Corporate Governance (continued)

A Board of Directors (continued)

VI Nomination and Remuneration Committee (“NRC”) (continued)

The NRC reviewed the membership of the Board, the professional qualifications and experience of the directors and was satisfied that the Board composition in terms of size, the balance between executive, non-executive and independent directors and mix of skills was adequate. The NRC also reviewed the performance of the Board against its terms of reference and was satisfied that the Board was competent and effective in discharging its functions.

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 level of responsibilities undertaken by them.

The fees of Directors are recommended and endorsed by the Board for approval by the shareholder of the Bank at its AGM.

Remuneration

Hong Leong Investment Bank adopts Hong Leong Group's total compensation philosophy which promotes high performing culture, alignment of corporate values and vertical and horizontal equity. The key principles are to achieve sustainability, partnership for success and reward for contributions.

The strategies are to:

- 1) recognise, attract and retain talents;
- 2) embrace group's values and progressive culture; and
- 3) promote prudent risk-taking and long-term stability.

Under the total compensation framework, HLIB is constantly focusing on balanced and right pay mix to achieve the desired long term business performance. The total compensation framework includes base pay, fixed allowance, performance based variable pay, sales incentive, long term incentives, benefits and employee development.

The rewards framework ensures that employees are paid competitively against the industry and talent market the Bank is operating in; delivered via a combination of cash and non-cash elements such as ESOS.

The Bank also adopts a rigorous and robust process for setting key performance indicators that incorporates compliance management as part of the Key Result Areas (KRAs) for all critical departments.

Another critical part of remuneration delivery process is the review and approving structure. Each year, variable remuneration pool is reviewed and approved by Hong Leong Financial Group's Management. Guided by HLIB CEO, the pool will be allocated to the business units and functions corresponding to their respective performance.

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Directors' report

for the financial year ended 30 June 2017 (continued)

Corporate Governance (continued)

A Board of Directors (continued)

VI Nomination and Remuneration Committee (“NRC”) (continued)

Remuneration (continued)

Remuneration of each individual is then formulated based on the bank’s performance, the department’s performance and individual contribution. Senior Officers and other material risk takers’ remuneration will be tabled to the Hong Leong Investment Bank’s NRC for consideration and recommendation to the Board for approval.

BARMC is tasked to review Management’s implementation of the remuneration system on whether remuneration provided by the remuneration system take into consideration risks, compliance, capital, liquidity and the likelihood and timing of earnings, without prejudice to the tasks of the Board Remuneration Committee.

The remuneration of GMD/CEO, Senior Management and other Material Risk Takers for FYE 2017 is shown in the table below:

Total value of remuneration awards for FYE 2017	GMD/CEO		Senior Management and other Material Risk Takers	
	Unrestricted (RM)	Deferred (RM)	Unrestricted (RM)	Deferred (RM)
Fixed Remuneration				
• Cash-based	1,638,000	-	6,859,920	-
• Shares and share-linked instruments	-	-	-	-
• Other	-	-	-	-
Variable Remuneration				
• Cash-based	1,360,610	340,149	3,891,362	234,734
• Shares and share-linked instruments	-	-	-	-
• Other	-	-	-	-

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Directors' report

for the financial year ended 30 June 2017 (continued)

Corporate Governance (continued)

A Board of Directors (continued)

VII Directors' remuneration

Details of Directors' remuneration are set out in Note 33 to the financial statements.

B Accountability and Audit

The BARMC is supported by the Internal Audit Department whose principal responsibility is to conduct periodic audits on the internal control matters to ensure compliance with systems and/or standard operating procedures of the Bank. Investigation will be made at the request of the Board and senior management on specific areas of concern when necessary. Significant breaches and deficiencies identified are discussed at the Board meetings where appropriate actions will be taken.

I Financial Reporting

The Board is responsible for ensuring the proper maintenance of accounting records of the Bank. The Board receives the recommendation to adopt the financial statements from the BARMC which assesses the financial statements with the assistance of the external auditors.

II 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.

III Relationship with Auditors

The appointment of external auditors is recommended by the BARMC to the Board, which determines the remuneration 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 met with the BARMC Members twice a year without the presence of executive directors and the management.

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Directors' report

for the financial year ended 30 June 2017 (continued)

Corporate Governance (continued)

B Accountability and Audit (continued)

C Risk Management

I Overview

The risk management functions of the Bank are undertaken by its immediate holding company, Hong Leong Capital Berhad (“HLCB”), under its established risk management framework. To support risk management at executive management level, a dedicated capability for monitoring, measuring and evaluating risk has been established and is undertaken by the Risk Management Department, which reports to the BARMC at HLIB and HLCB.

II Overall Risk Management Framework

The Board oversees the implementation of the risk management framework of the Bank. In discharging this responsibility, the Board ensures that the Bank has in place their respective risk management policies, methodologies and control limits for management of key areas of risks i.e. credit, market, liquidity and operational risks. The Board provides oversight on the proper functioning of risk management framework of the Bank by undertaking periodic review of their risk management processes to the extent permissible under the regulatory framework of the Bank and is also given assurance at these reviews on the adequacy and integrity of the system of internal controls. In discharging this oversight role, the Board is assisted by the Risk Management Department, Group Internal Audit Department, the Bank’s Compliance Officer and the Head of Finance.

The controls built into the risk management framework are not expected to eliminate all risks of failure to achieve business objectives but to provide reasonable and not absolute assurance against material misstatement of management and financial information or against financial losses and fraud. Refer to Note 43 for further details.

Statutory information regarding the Group and the Bank

(a) As at the end of the financial year

Before the financial statements of the Group and the Bank 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.

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Directors' report

for the financial year ended 30 June 2017 (continued)

Statutory information regarding the Group and the Bank (continued)

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

(ii) In the opinion of the Directors:

- the results of the operations of the Group and the Bank for the financial year ended 30 June 2017 are not likely to be substantially affected by any item, transaction or event of a material and unusual nature which had arisen in the interval between the end of the financial year and the date of this report; and
- 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 Bank 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 Bank 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 HLCB and Hong Leong Company (Malaysia) Berhad respectively, both incorporated in Malaysia. HLCB is listed on the Main Market of Bursa Malaysia Securities Berhad.

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Directors' report

for the financial year ended 30 June 2017 (continued)

Subsidiaries

Details of subsidiaries are set out in Note 14 to the financial statements.

Auditors' remuneration

Details of auditors' remuneration and the indemnity given/insurance effected for the auditor are set out in Note 31 to the financial statements.

Auditors

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

This report was approved by the Board of Directors on 18 September 2017.

Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman
Director



Tan Kong Khoon
Director



Kuala Lumpur

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Statements of Financial Position as at 30 June 2017

	Note	The Group		The Bank	
		30.06.2017 RM'000	30.06.2016 RM'000	30.06.2017 RM'000	30.06.2016 RM'000
Assets					
Cash and short-term funds	4	206,739	230,436	206,669	228,694
Clients' and brokers' balances	5	267,774	192,239	267,774	192,239
Securities purchased under resale agreements		35,123	-	35,123	-
Deposits and placements with banks and other financial institutions	6	-	40,359	-	40,359
Financial assets at fair value through profit or loss	7	1,080,680	1,416,719	1,080,680	1,416,719
Financial investments available-for-sale	8	973,149	865,113	972,915	864,761
Financial investments held-to-maturity	9	909,215	528,100	909,215	528,100
Loans and advances	10	236,592	372,162	236,592	372,162
Other assets	11	48,021	45,679	48,020	45,674
Derivative financial assets	23	19,916	42,694	19,916	42,694
Statutory deposits with Bank Negara Malaysia	12	58,100	32,400	58,100	32,400
Deferred tax assets	13	90,153	91,882	90,153	91,882
Investment in subsidiary companies	14	-	-	200	361
Property and equipment	16	4,755	5,551	4,755	5,551
Other intangible assets	17	4,810	5,393	4,810	5,393
Goodwill	18	28,986	28,986	28,986	28,986
Total assets		3,964,013	3,897,713	3,963,908	3,895,975
Liabilities					
Clients' and brokers' balances		220,494	241,167	220,494	241,167
Deposits from customers	19	648,867	1,031,929	648,867	1,031,929
Deposits and placements of banks and other financial institutions	20	2,247,733	1,904,770	2,247,733	1,904,770
Obligations on securities sold under repurchase agreements	21	149,111	-	149,111	-
Other liabilities	22	95,599	93,264	95,678	91,803
Derivative financial liabilities	23	47,959	80,685	47,959	80,685
Subordinated obligations	24	50,262	50,247	50,262	50,247
Total liabilities		3,460,025	3,402,062	3,460,104	3,400,601
Equity					
Share capital	25	252,950	165,000	252,950	165,000
Reserves	27	251,038	330,651	250,854	330,374
Total equity		503,988	495,651	503,804	495,374
Total equity and liabilities		3,964,013	3,897,713	3,963,908	3,895,975
Commitments and contingencies	38	7,931,230	8,731,501	7,931,230	8,731,501

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Income Statements

for the financial year ended 30 June 2017

	Note	The Group		The Bank	
		30.06.2017 RM'000	30.06.2016 RM'000	30.06.2017 RM'000	30.06.2016 RM'000
Interest income	28	148,651	126,930	148,577	126,930
Interest expense	29	(105,859)	(85,109)	(105,859)	(85,109)
Net interest income		42,792	41,821	42,718	41,821
Non-interest income	30	121,017	103,214	120,966	103,029
		163,809	145,035	163,684	144,850
Overhead expenses	31	(95,853)	(87,473)	(95,635)	(87,270)
Operating profit before allowances (Allowance for)/write-back of impairment losses on loans and advances and other losses	32	67,956	57,562	68,049	57,580
		(68)	68	(68)	68
Profit before taxation		67,888	57,630	67,981	57,648
Taxation	34	(3,054)	(1,904)	(3,054)	(1,901)
Net profit for the financial year		64,834	55,726	64,927	55,747
Earnings per share (sen)					
- Basic	35	39.3	33.8	39.3	33.8
- Diluted	35	39.3	33.8	39.3	33.8

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Statements of Comprehensive Income for the financial year ended 30 June 2017

	Note	The Group		The Bank	
		30.06.2017 RM'000	30.06.2016 RM'000	30.06.2017 RM'000	30.06.2016 RM'000
Net profit for the financial year		64,834	55,726	64,927	55,747
Other comprehensive income/(expense):					
Items that will be reclassified subsequently to profit or loss:					
Net fair value changes on financial investments available-for-sale					
- Unrealised net (loss)/gain on revaluation of financial investments available-for-sale		(665)	5,569	(665)	5,569
- Net transfer to income statements on disposal of financial investments available-for-sale		(4,857)	(491)	(4,857)	(491)
Income tax relating to net fair value changes on financial investments available-for-sale	13	1,325	(1,219)	1,325	(1,219)
Other comprehensive income for the financial year, net of tax		(4,197)	3,859	(4,197)	3,859
Total comprehensive income for the financial year, net of tax		60,637	59,585	60,730	59,606

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Statements of changes in equity for the financial year ended 30 June 2017

	Note	Attributable to owner of the parent						Total RM'000
		Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Fair value reserve RM'000	Retained profits RM'000	
The Group								
At 1 July 2016		165,000	87,950	196,867	3,563	5,637	36,634	495,651
Net profit for the financial year		-	-	-	-	-	64,834	64,834
Other comprehensive expense, net of tax		-	-	-	-	(4,197)	-	(4,197)
Total comprehensive (expense)/income for the financial year		-	-	-	-	(4,197)	64,834	60,637
Transfer pursuant to Companies Act 2016 *		87,950	(87,950)	-	-	-	-	-
Transfer from statutory reserve		-	-	(196,867)	-	-	196,867	-
Transfer from regulatory reserve	27	-	-	-	(1,059)	-	1,059	-
Dividend paid	37	-	-	-	-	-	(52,300)	(52,300)
At 30 June 2017		252,950	-	-	2,504	1,440	247,094	503,988

* The New Companies Act 2016 (“New Act”), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, any amount standing to credit of the share premium account of RM87,950,000 becomes part of Group's share capital pursuant to the transitional provisions set out in Section 618 (2) of the New Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Statements of changes in equity for the financial year ended 30 June 2017 (continued)

	Note	Attributable to owner of the parent					Retained profits RM'000	Total RM'000
		Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Fair value reserve RM'000		
The Group								
At 1 July 2015		165,000	87,950	196,867	3,031	1,778	23,040	477,666
Net profit for the financial year		-	-	-	-	-	55,726	55,726
Other comprehensive income, net of tax		-	-	-	-	3,859	-	3,859
Total comprehensive income for the financial year		-	-	-	-	3,859	55,726	59,585
Transfer to regulatory reserve	27	-	-	-	532	-	(532)	-
Dividend paid	37	-	-	-	-	-	(41,600)	(41,600)
At 30 June 2016		165,000	87,950	196,867	3,563	5,637	36,634	495,651

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Statements of changes in equity for the financial year ended 30 June 2017 (continued)

	Note	Non-distributable				Distributable		Total RM'000
		Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Fair value reserve RM'000	Retained profits RM'000	
The Bank								
At 1 July 2016		165,000	87,950	196,867	3,563	5,637	36,357	495,374
Net profit for the financial year		-	-	-	-	-	64,927	64,927
Other comprehensive expense, net of tax		-	-	-	-	(4,197)	-	(4,197)
Total comprehensive (expense)/income for the financial year		-	-	-	-	(4,197)	64,927	60,730
Transfer pursuant to Companies Act 2016 *		87,950	(87,950)	-	-	-	-	-
Transfer from statutory reserve		-	-	(196,867)	-	-	196,867	-
Transfer from regulatory reserve	27	-	-	-	(1,059)	-	1,059	-
Dividend paid	37	-	-	-	-	-	(52,300)	(52,300)
At 30 June 2017		252,950	-	-	2,504	1,440	246,910	503,804

* The New Companies Act 2016 ("New Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, any amount standing to credit of the share premium account of RM87,950,000 becomes part of Bank's share capital pursuant to the transitional provisions set out in Section 618 (2) of the New Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Statements of changes in equity for the financial year ended 30 June 2017 (continued)

	Note	Non-distributable				Distributable		Total RM'000
		Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Fair value reserve RM'000	Retained profits RM'000	
The Bank								
At 1 July 2015		165,000	87,950	196,867	3,031	1,778	22,742	477,368
Net profit for the financial year		-	-	-	-	-	55,747	55,747
Other comprehensive income, net of tax		-	-	-	-	3,859	-	3,859
Total comprehensive income for the financial year		-	-	-	-	3,859	55,747	59,606
Transfer to regulatory reserve	27	-	-	-	532	-	(532)	-
Dividend paid	37	-	-	-	-	-	(41,600)	(41,600)
At 30 June 2016		165,000	87,950	196,867	3,563	5,637	36,357	495,374

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Statements of cash flows for the financial year ended 30 June 2017

	The Group		The Bank	
	30.06.2017 RM'000	30.06.2016 RM'000	30.06.2017 RM'000	30.06.2016 RM'000
Cash flows from operating activities				
Profit before taxation	67,888	57,630	67,981	57,648
Adjustments for:				
Depreciation of property and equipment	1,604	1,647	1,604	1,647
Amortisation of intangible assets	2,657	1,454	2,657	1,454
Loss/(gain) on liquidation of subsidiaries	7	(589)	4	(579)
Gain on disposal of property and equipment	(121)	(4)	(121)	(4)
Property and equipment written off	-	360	-	360
(Write-back of)/allowance for impairment losses on loans and advances	(564)	22	(564)	22
Allowance for/(write-back of) impairment losses on clients' and brokers' balances	146	(85)	146	(85)
Allowance for losses on fee income receivables	987	-	987	-
Net unrealised loss on revaluation of financial assets at fair value through profit or loss	5,622	2,770	5,622	2,770
Net unrealised (gain)/loss on revaluation of derivative financial instruments	(9,937)	24,272	(9,937)	24,272
Interest income:				
- financial assets at fair value through profit or loss	(40,852)	(38,079)	(40,852)	(38,079)
- financial investments available-for-sale	(39,959)	(34,744)	(39,959)	(34,744)
- financial investments held-to-maturity	(27,754)	(14,233)	(27,754)	(14,233)
- derivative financial instruments	(8,032)	(5,836)	(8,032)	(5,836)
Interest expense:				
- derivative financial instruments	15,012	11,408	15,012	11,408
- subordinated obligations	2,680	2,710	2,680	2,710
Dividends from financial assets at fair value through profit or loss and financial investments available-for-sale	(1,763)	(2,019)	(1,751)	(2,019)
	(100,267)	(50,946)	(100,258)	(50,936)
Operating (loss)/profit before working capital changes	(32,379)	6,684	(32,277)	6,712
(Increase)/decrease in operating assets				
Clients' and brokers' balances	(75,681)	(3,316)	(75,681)	(3,316)
Securities purchased under resale agreements	(35,123)	-	(35,123)	-
Deposits and placements with banks and other financial institutions with original maturity of more than three	-	124,587	-	124,587
Financial assets at fair value through profit or loss	327,351	(492,697)	327,351	(492,697)
Loans and advances	136,134	(46,201)	136,134	(46,201)
Other assets	(3,521)	(21,301)	(3,356)	(21,289)
Derivative financial assets	18	(45)	18	(45)
Statutory deposits with Bank Negara Malaysia	(25,700)	23,780	(25,700)	23,780

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Statements of cash flows for the financial year ended 30 June 2016 (continued)

	The Group		The Bank		
	30.06.2017	30.06.2016	30.06.2017	30.06.2016	
Note	RM'000	RM'000	RM'000	RM'000	
Increase/(decrease) in operating liabilities					
Clients' and brokers' balances	(20,673)	76,024	(20,673)	76,024	
Deposits from customers	(383,062)	190,182	(383,062)	190,182	
Deposits and placements of banks and other financial institutions	342,963	57,379	342,963	57,379	
Obligations on securities sold under repurchase agreements	149,111	-	149,111	-	
Other liabilities	2,335	21,038	3,875	21,543	
Cash generated from/(used in) operating activities	381,773	(63,886)	383,580	(63,341)	
Income tax refund/(paid)	5	(3)	-	-	
Net cash generated from/(used in) operating activities	381,778	(63,889)	383,580	(63,341)	
Cash flows from investing activities					
Proceeds from liquidation of subsidiaries	157	602	157	602	
Net purchase of:					
- financial investments available-for-sale	(109,857)	(59,995)	(109,975)	(59,883)	
- financial investments held-to-maturity	(378,428)	(146,697)	(378,428)	(146,697)	
Interest received from financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity	113,054	85,203	113,054	85,203	
Interest expense paid for derivative financial instruments	(14,820)	(11,821)	(14,820)	(11,821)	
Dividends from financial assets at fair value through profit or loss and financial investments available-for-sale	1,763	2,019	1,751	2,019	
Proceeds from disposal of property and equipment	189	5	189	5	
Purchase of intangible assets	(2,074)	(3,958)	(2,074)	(3,958)	
Purchase of property and equipment	(853)	(2,391)	(853)	(2,391)	
Net cash used in investing activities	(390,869)	(137,033)	(390,999)	(136,921)	
Cash flows from financing activities					
Interest paid on subordinated obligations	(2,665)	(2,657)	(2,665)	(2,657)	
Dividend paid	(52,300)	(41,600)	(52,300)	(41,600)	
Net cash used in financing activities	(54,965)	(44,257)	(54,965)	(44,257)	
Net decrease in cash and cash equivalents	(64,056)	(245,179)	(62,384)	(244,519)	
Cash and cash equivalents at beginning of financial year	270,795	515,974	269,053	513,572	
Cash and cash equivalents at end of financial year	206,739	270,795	206,669	269,053	
Cash and cash equivalents comprise:					
Cash and short-term funds	4	206,739	230,436	206,669	228,694
Deposits and placements with banks and other financial institutions	6	-	40,359	-	40,359
		206,739	270,795	206,669	269,053

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 30 June 2017

The following accounting policies have been used consistently in dealing with items that are considered material in relation to the financial statements. These policies have been consistently applied to all the financial years presented, unless otherwise stated.

1 Basis of preparation of the financial statements

The financial statements of the Group and the Bank 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 available-for-sale 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 Bank'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 13)

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 assess 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 capital market and Kuala Lumpur Composite Index ("KLCTI") in deriving the profit projections. Profits beyond the three year period are extrapolated using the estimated growth rate of 3.8% (2016: 3.8%), based on the historical GDP growth rate of Malaysia on perpetual basis. Management has assumed a percentage of probability factors for taxable profits for fourth year and onwards.

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

The Group and the Bank have applied the following amendments for the first time for the financial year beginning on 1 July 2016:

- Amendments to MFRS 101 "Presentation of Financial Statements" - Disclosure Initiative
- Amendments to MFRS 10, 12 & 128 "Investment Entities - Applying the Consolidation Exception"
- Annual Improvements to MFRSs 2012 - 2014 Cycle

The adoption of these amendments did not have any impact on the current or any prior financial year and are not likely to affect future periods.

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 30 June 2017 (continued)

1 Basis of preparation of the financial statements (continued)

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

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 July 2016. None of these is expected to have a significant effect on the financial statements of the Group and the Bank, except the following:

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

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

The amendments shall be applied retrospectively.

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

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

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

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

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

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

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

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 30 June 2017 (continued)

1 Basis of preparation of the financial statements (continued)

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

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 July 2016. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following: (continued)

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

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

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

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

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

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

Key provisions of the new standard are as follows:

- Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
- If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc), minimum amounts of revenue must be recognised if they are not at significant risk of reversal.
- The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
- There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to name a few.
- As with any new standard, there are also increased disclosures.

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 30 June 2017 (continued)

1 Basis of preparation of the financial statements (continued)

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

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 July 2016. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following: (continued)

- MFRS 16 "Leases" (effective from 1 January 2019) supersedes MFRS 117 "Leases" and the related interpretations.

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

The right-of-use asset is depreciated in accordance with the principle in MFRS 116 "Property, Plant and Equipment" and the lease liability is accreted over time with interest expense recognised in the income statement.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

The Group will apply these standards when effective. The adoption of the above standards, amendments to published standards and interpretations to existing standards are not expected to have any significant impact on the financial statements of the Group except for MFRS 9. The financial effect of adoption of MFRS 9 is still being assessed by the Group.

(c) Significant changes in regulatory requirements

Bank Negara Malaysia ("BNM") has issued the policy document on Capital Funds which came into effect on 3 May 2017. The policy document has been updated to remove the requirement for a banking institution to maintain a reserve fund.

BNM expects banking institutions to exercise prudence before submitting an application to distribute the reserves as dividends. BNM in considering the dividend application, shall consider, among others, the banking institution's ability to comply with the fully phased-in capital conservation buffer requirement and any other buffers that the BNM may specify.

During the financial year, the Group and the Bank have transferred RM196,867,000 respectively from its statutory reserve to retained profits in accordance with BNM's requirements.

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 30 June 2017 (continued)

1 Basis of preparation of the financial statements (continued)

(d) Companies Act, 2016

The Companies Act 2016 (“New Act”) was enacted to replace the Companies Act 1965 with the objectives to create a legal and regulatory structure that will facilitate business, and promote accountability as well as protection of corporate directors and shareholders, taking into consideration the interest of other stakeholders. The New Act was passed on 4 April 2016 by the Dewan Rakyat (House of Representative) and gazetted on 15 September 2016. On 26 January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism announced that the date on which the New Act comes into operation while section 241 and Division 8 of Part III of the New Act come into operation on 31 January 2017.

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

- (i) removal of the authorised share capital;
- (ii) shares of the Group and the Bank will cease to have par or nominal value; and
- (iii) the Group and the Bank’s share premium account will become part of the Group and the Bank’s share capital.

Notwithstanding this provision, the Group and the Bank may within 24 months from the commencement of the New Act, use the amount standing to the credit of its share premium account for purposes as set out in Section 618 (3) of the New Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

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

2 Summary of significant accounting policies

A 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 Bank 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 Bank.

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 30 June 2017 (continued)

2 Summary of significant accounting policies (continued)

A Consolidation (continued)

(i) Subsidiaries (continued)

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 earnings. 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 profit or loss.

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 139 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 30 June 2017 (continued)

2 Summary of significant accounting policies (continued)

A 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 statement, statement of comprehensive income, statement of changes in equity and statement 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 profit or loss. 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 profit or loss.

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

(iv) Investment in subsidiaries

In the Bank's separate financial statements, the investment in subsidiaries is stated at cost less accumulated impairment losses. At each reporting date, the Bank 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 profit or loss.

On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 30 June 2017 (continued)

2 Summary of significant accounting policies (continued)

A Consolidation (continued)

(iv) Investment in subsidiaries (continued)

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

B Recognition of interest income

Interest income and expense for all interest-bearing financial instruments are recognised within “interest income” and “interest expense” in the profit or loss using the effective interest method.

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 recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

C 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 held-for-trading, financial investments available-for-sale, financial investments held-to-maturity and subsidiary companies are recognised when the rights to receive payment is established.

Net profit from financial assets held-for-trading and financial investments available-for-sale 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. Rollover fees, nominees services and handling charges are recognised on an accrual basis.

Corporate advisory fees are recognised as income on completion of each stage of the engagement and issuance of invoice.

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

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 30 June 2017 (continued)

2 Summary of significant accounting policies (continued)

D Financial assets

(a) Classification

The Group and the Bank classify their financial assets in the following categories: at fair value through profit or loss, loans and receivables, available-for-sale and held-to-maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise of financial assets held-for-trading and other financial assets designated by the Group and the Bank as fair value through profit or loss upon initial recognition.

A financial asset 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.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

(iii) Financial investments held-to-maturity

Financial investments held-to-maturity are non-derivative instruments with fixed or determinable payments and fixed maturities that the Group's and the Bank's management has the positive intent and ability to hold to maturity. If the Group and the Bank sell other than an insignificant amount of financial investments held-to-maturity, the entire category will be tainted and reclassified as financial investments available-for-sale.

(iv) Financial investments available-for-sale

Financial investments available-for-sale are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rate, exchange rates or equity prices or that are not classified as financial assets at fair value through profit or loss, loans and receivables and financial investments held-to-maturity.

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 30 June 2017 (continued)

2 Summary of significant accounting policies (continued)

D Financial assets (continued)

(b) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the settlement date, the date an asset is delivered to or by the Group.

Financial assets are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss.

(c) Subsequent measurement

Financial assets at fair value through profit or loss and financial investments available-for-sale are subsequently carried at fair value, except for investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured in which case the investments are stated at cost. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss are included in the profit or loss in the period which they arise. Gains and losses arising from changes in fair value of financial investments available-for-sale are recognised directly in other comprehensive income, until the securities are derecognised or impaired at which time the cumulative gains or losses previously recognised in equity are recognised in the profit or loss. Foreign exchange gains or losses of financial investments available-for-sale are recognised in the profit and loss in the period it arises.

Financial investments held-to-maturity are subsequently measured at amortised cost using the effective interest method. Gains or losses arising from de-recognition or impairment of the securities are recognised in the profit or loss.

Interest from financial assets held at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity is calculated using the effective interest method and is recognised in the profit or loss. Dividends from available-for-sale equity instruments are recognised in the profit or loss when the entity's right to receive payment is established.

Loans and receivables are initially recognised at fair value – which is the cash consideration to originate or purchase the loan including the transaction costs, and measured subsequently at amortised cost using the effective interest rate method. Interest on loans is included in the profit or loss. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognised in the profit or loss.

E 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 profit or loss. Financial liabilities are derecognised when extinguished.

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 30 June 2017 (continued)

2 Summary of significant accounting policies (continued)

E Financial liabilities (continued)

(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.

(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.

F Impairment of financial assets

(a) Assets carried at amortised cost

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

The criteria the Group and the Bank use to determine that there is objective evidence of impairment loss include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation, default of delinquency in interest or principal payments and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The Group and the Bank first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group and the Bank determine that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, they include the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 30 June 2017 (continued)

2 Summary of significant accounting policies (continued)

F Impairment of financial assets (continued)

(a) Assets carried at amortised cost (continued)

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Group and the Bank and historical loss experience for assets with credit risk characteristics similar to those in the Group and in the Bank. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the financial period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from financial period to financial period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Bank and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group and the Bank to reduce any differences between loss estimates and actual loss experience.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in profit or loss. If 'loans and receivables' or a 'held-to-maturity investment' has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

When an asset is uncollectible, it is written-off against the related allowance account. Such assets are written-off after taking into consideration the realisable value of collateral, if any, when in the judgement of the management, there is no prospect of recovery.

If in a subsequent period, the amount of impairment losses decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

(b) Assets carried at available-for-sale

The Group and the Bank assesses at each reporting date whether there is objective evidence that the financial asset is impaired.

For debt securities, the Group and the Bank uses criteria and measurement of impairment loss applicable for "assets carried at amortised cost" above. If in a subsequent period, the fair value of a debt instrument classified as financial investments available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 30 June 2017 (continued)

2 Summary of significant accounting policies (continued)

F Impairment of financial assets (continued)

(b) Assets carried at available-for-sale (continued)

In the case of equity instruments classified as financial investments available-for-sale, in addition to the criteria for assets carried at amortised cost above, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If there is an objective evidence that an impairment loss on financial investments available-for-sale has been incurred, the cumulative loss that has been recognised directly in equity is removed from equity and recognised in the profit or loss. The amount of cumulative loss that is reclassified to profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through the profit or loss in subsequent periods.

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

H 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.

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 30 June 2017 (continued)

2 Summary of significant accounting policies (continued)

I Clients' and brokers' balances

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

<u>Types</u>	<u>Criteria for classification as impaired</u>
Contra losses	When account remains outstanding for 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.

J Property and equipment and depreciation

Freehold land is not depreciated as it has an infinite life. 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 will flow to the Group and the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the profit or loss during the financial year in which they are incurred.

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:

Leasehold land	Over the remaining period of the lease or 100 years whichever is shorter
Buildings on leasehold land	Over the remaining period of the lease or 50 years whichever is shorter
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 values and useful lives are reviewed and adjusted if appropriate, at each reporting date.

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 30 June 2017 (continued)

2 Summary of significant accounting policies (continued)

J Property and equipment and depreciation (continued)

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 the carrying amount of the asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. Any subsequent increase in the recoverable amount is recognised in the profit or loss. Refer to Note M on the impairment of non-financial assets.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in “non-interest income” in profit or loss.

K 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 profit or loss.

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.

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 30 June 2017 (continued)

2 Summary of significant accounting policies (continued)

L Lease

(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 Bank 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 profit or loss.

(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. Payments made under operating leases 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.

M 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 of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the profit or loss 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 profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus reserve.

N 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 profit or loss, except to the extent that it 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.

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 30 June 2017 (continued)

2 Summary of significant accounting policies (continued)

N Income taxes (continued)

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.

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 available-for-sale, 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.

O Currency translations

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's and the Bank'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 Bank's functional and presentation currency.

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 30 June 2017 (continued)

2 Summary of significant accounting policies (continued)

O Currency translations (continued)

(b) Foreign currency transactions and balances

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 profit or loss.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale 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 profit or loss, 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 available-for-sale are included in other comprehensive income.

P Derivative financial instruments

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 profit or loss.

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 and the Bank recognise the fair value of derivatives in profit or loss immediately.

Cash collateral held in relation to derivative transaction are carried at amortised cost.

As at reporting date, the Group and the Bank have not designated any derivatives as hedging instruments.

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 30 June 2017 (continued)

2 Summary of significant accounting policies (continued)

Q 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 Bank recognise a liability and an expense for bonuses. The Group and the Bank 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 Bank 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 Bank contributes 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 statement in the period to which they relate. Once the contributions have been paid, the Group and the Bank has no further payment obligations.

Share-based compensation

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

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 Group and the Bank measure the fair value of the liability and at the date of settlement, with any changes in fair value recognised in profit or loss. The Group and the Bank revise its estimate 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 profit or loss, with a corresponding adjustment to liability.

A trust has been set up for the Employee Share Option Scheme ("ESOS") and is administered by an appointed trustee.

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 30 June 2017 (continued)

2 Summary of significant accounting policies (continued)

R Provision

Provisions are recognised when the Group and the Bank 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 Bank 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.

S 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 and subsequently at the higher of the amount determined in accordance with MFRS 137 "Provisions, Contingent Liabilities and Contingent Assets" and the amount initially recognised less cumulative amortisation, where appropriate.

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.

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

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 30 June 2017 (continued)

2 Summary of significant accounting policies (continued)

T Cash and cash equivalents

Cash and cash equivalents are cash and short-term 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 statement 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.

U Share capital

(a) Classification

Ordinary shares and redeemable preference shares with discretionary dividends are classified as equity. Other shares are classified as equity and/or liability according to the contractual substance of the particular instrument.

(b) Share issue costs

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

(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 is recognised directly in equity.

V Sale and repurchase agreements

Securities purchased under resale agreements are securities which the Group and the Bank have 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 and the Bank have 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.

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 30 June 2017 (continued)

2 Summary of significant accounting policies (continued)

W Contingent assets and liabilities

The Group and the Bank 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 Bank 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 Bank. The Group and the Bank do not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

X 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 profit or loss 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 statement 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 profit or loss within interest expense.

Where the terms of a financial liability are renegotiated and the Bank 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 profit or loss, 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 profit or loss in the period in which they are incurred.

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Summary of Significant Accounting Policies for the financial year ended 30 June 2017 (continued)

2 Summary of significant accounting policies (continued)

Y Transaction with owners

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

Z 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
- 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.

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

3 General information

The principal activities of the Bank are investment banking, stockbroking business, futures broking and related financial services.

The principal activities of the subsidiary companies are stated in Note 14 to the financial statements.

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

The address of the registered office of the Bank is Level 8, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur.

4 Cash and short-term funds

	The Group		The Bank	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances with banks and other financial institutions	104,605	66,994	104,535	65,252
Money at call and deposit placements maturing within one month	102,134	163,442	102,134	163,442
	<u>206,739</u>	<u>230,436</u>	<u>206,669</u>	<u>228,694</u>

Inclusive in cash and short-term funds of the Group are accounts in trust for dealer's representative amounting to RM13,786,000 (30.06.2016: RM12,998,000).

5 Clients' and brokers' balances

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

	The Group and the Bank	
	30.06.2017	30.06.2016
	RM'000	RM'000
Performing accounts	266,955	191,148
Impaired accounts	1,264	1,390
	<u>268,219</u>	<u>192,538</u>
Less: Allowance for bad and doubtful debts		
- individual assessment allowance	(417)	(282)
- collective assessment allowance	(28)	(17)
	<u>267,774</u>	<u>192,239</u>

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

5 Clients' and brokers' balances (continued)

	The Group and the Bank	
	30.06.2017	30.06.2016
	RM'000	RM'000
Movements of impaired accounts are as follows:		
At 1 July	1,390	1,532
Impaired during the financial year	574	581
Amount written-back during the financial year	(700)	(723)
At 30 June	<u>1,264</u>	<u>1,390</u>

Movements in the allowance for losses on clients' and brokers' balances are as follows:

Individual assessment allowance

At 1 July	282	361
Allowance made during the financial year	245	150
Allowance written-back during the financial year	(110)	(229)
At 30 June	<u>417</u>	<u>282</u>

Collective assessment allowance

At 1 July	17	23
Allowance made/(written-back) during the financial year	11	(6)
At 30 June	<u>28</u>	<u>17</u>

6 Deposits and placements with banks and other financial institutions

	The Group		The Bank	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
	RM'000	RM'000	RM'000	RM'000
Licensed banks	<u>-</u>	<u>40,359</u>	<u>-</u>	<u>40,359</u>

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

7 Financial assets at fair value through profit or loss

	The Group and the Bank	
	30.06.2017	30.06.2016
	RM'000	RM'000
Financial assets held-for-trading		
Money market instruments		
Malaysian Government Investment Issues	30,561	-
Negotiable instruments of deposits	831,596	763,252
	<u>862,157</u>	<u>763,252</u>
Quoted securities		
In Malaysia:		
Shares	19,501	14,450
Unquoted securities		
Foreign currency bonds	-	21,057
Corporate bond and/or sukuk	198,943	617,820
	<u>198,943</u>	<u>638,877</u>
	<u>1,080,601</u>	<u>1,416,579</u>
Financial assets designated at fair value through profit or loss		
Quoted securities		
In Malaysia:		
Shares	79	140
	<u>1,080,680</u>	<u>1,416,719</u>

8 Financial investments available-for-sale

	The Group		The Bank	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
	RM'000	RM'000	RM'000	RM'000
Money market instruments				
Malaysian Government Securities	30,378	30,606	30,378	30,606
Malaysian Government Investment Issues	60,896	30,889	60,896	30,889
Cagamas bonds	65,442	15,094	65,442	15,094
	<u>156,716</u>	<u>76,589</u>	<u>156,716</u>	<u>76,589</u>
Quoted securities				
Unit trust investment	234	352	-	-
Unquoted securities				
Shares	245	245	245	245
Foreign currency bonds	74,832	168,754	74,832	168,754
Corporate bond and/or sukuk	741,122	619,173	741,122	619,173
	<u>816,199</u>	<u>788,172</u>	<u>816,199</u>	<u>788,172</u>
	<u>973,149</u>	<u>865,113</u>	<u>972,915</u>	<u>864,761</u>

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

9 Financial investments held-to-maturity

	The Group and the Bank	
	30.06.2017	30.06.2016
	RM'000	RM'000
Money market instruments		
Malaysian Government Securities	211,031	81,194
Malaysian Government Investment Issues	518,643	266,161
	<u>729,674</u>	<u>347,355</u>
Unquoted securities		
Foreign currency bonds	93,757	125,456
Corporate bond and/or sukuk	85,784	55,289
	<u>179,541</u>	<u>180,745</u>
	<u>909,215</u>	<u>528,100</u>

Included in financial investments held-to-maturity are Malaysian Government Investment Issues, which are pledged as collateral for obligations on securities sold under repurchase agreements amounting to RM155,077,000 (30.06.2016: RM Nil).

10 Loans and advances

	The Group and the Bank	
	30.06.2017	30.06.2016
	RM'000	RM'000
Term loan financing	25,685	84,527
Share margin financing	210,707	288,004
Staff loans	64	71
Other loans	586	574
Gross loans and advances	<u>237,042</u>	<u>373,176</u>
Less:		
Allowance for losses on loans and advances:		
- individual assessment allowance	(110)	(100)
- collective assessment allowance	(340)	(914)
Total net loans and advances	<u>236,592</u>	<u>372,162</u>

(i) The maturity structure of loans and advances is as follows:

Maturing within one year	225,988	308,648
One year to three years	10,990	64,457
Over five years	64	71
Gross loans and advances	<u>237,042</u>	<u>373,176</u>

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

10 Loans and advances (continued)

	The Group and the Bank	
	30.06.2017	30.06.2016
	RM'000	RM'000
(ii) The loans and advances are disbursed to the following type of customers:		
Domestic business enterprises		
- small and medium enterprises	110	20,273
- others	120,574	216,899
Individuals	108,535	127,909
Foreign entities	7,823	8,095
Gross loans and advances	237,042	373,176
(iii) Loans and advances analysed by interest rate sensitivity are as follows:		
Variable rate	236,392	372,531
Fixed rate		
- staff housing loans	64	71
- other fixed rate loans	586	574
Gross loans and advances	237,042	373,176
(iv) Loans and advances analysed by their economic purposes are as follows:		
Purchase of securities	210,707	338,562
Purchase of transport vehicles	110	100
Purchase of landed properties	540	545
Working capital	25,685	33,969
Gross loans and advances	237,042	373,176
(v) Loans and advances analysed by geographical distribution are as follows:		
Malaysia	237,042	373,176
(vi) Movement in the impaired loans and advances are as follows:		
At 1 July	574	623
Impaired during the financial year	11,002	-
Amount written-back during the financial year	-	(38)
Amount written off during the financial year/period	-	(11)
At 30 June	11,576	574
% of impaired loans to total loans and advances net of individual assessment allowance	4.9%	0.2%

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

10 Loans and advances (continued)

	The Group and the Bank	
	30.06.2017	30.06.2016
	RM'000	RM'000
(vii) Movement in the allowance for losses on loans and advances are as follows:		
Individual assessment allowance		
At 1 July	100	111
Allowance made during the financial year	10	-
Allowance written-off during the financial year	-	(11)
At 30 June	110	100
Collective assessment allowance		
At 1 July	914	892
Allowance (written-back)/made during the financial year	(574)	22
At 30 June	340	914
(viii) Impaired loans and advances analysed by their economic purposes are as follows:		
Purchase of transport vehicles	110	100
Purchase of landed properties	476	474
Working capital	10,990	-
	11,576	574
(ix) Impaired loans and advances analysed by geographical distribution are as follows:		
Malaysia	11,576	574

11 Other assets

	The Group		The Bank	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
	RM'000	RM'000	RM'000	RM'000
Tax recoverable	1	6	-	-
Amounts due from related companies	20	331	20	331
Deposits	3,647	4,873	3,647	4,873
Prepayments	1,357	2,362	1,357	2,362
Fee income receivables net of allowance for impairment losses of RM1,015,000 (30.06.2016: RM28,000) (a)	16,076	7,743	16,076	7,743
Cash collaterals pledged for derivative transactions	22,531	27,271	22,531	27,271
Other receivables	4,389	3,093	4,389	3,094
	48,021	45,679	48,020	45,674

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

11 Other assets (continued)

(a) Movements of allowance for impairment losses on fee income receivables is as follows:

	The Group		The Bank	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
	RM'000	RM'000	RM'000	RM'000
Individual assessment allowance				
At 1 July	28	28	28	28
Allowance made during the financial year	987	-	987	-
At 30 June	1,015	28	1,015	28

12 Statutory deposits with Bank Negara Malaysia (“BNM”)

The non-interest bearing statutory deposits are maintained by the Bank with BNM in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act 2009, the amount is determined at set percentages of total eligible liabilities.

13 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:

	The Group and the Bank	
	30.06.2017	30.06.2016
	RM'000	RM'000
Deferred tax assets	90,153	91,882
At 1 July	91,882	95,002
Charged to income statements (Note 33)	(3,054)	(1,901)
Credited/(charged) to equity	1,325	(1,219)
At 30 June	90,153	91,882
Deferred tax assets		
- settled more than 12 months	68,235	71,706
- settled within 12 months	23,298	23,627
Deferred tax liabilities		
- settled more than 12 months	(1,191)	(2,630)
- settled within 12 months	(189)	(821)
	90,153	91,882

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

13 Deferred tax assets/(liabilities) (continued)

The movements in deferred tax assets and liabilities during the financial year comprise the following:

The Group and the Bank	Property and equipment RM'000	Financial investments available-for-sale RM'000	Unutilised tax credits RM'000	Provisions RM'000	Total RM'000
At 1 July 2016	(1,671)	(1,780)	89,692	5,641	91,882
Credited/(charged) to income statements	746	-	(4,078)	278	(3,054)
Credited to equity	-	1,325	-	-	1,325
At 30 June 2017	<u>(925)</u>	<u>(455)</u>	<u>85,614</u>	<u>5,919</u>	<u>90,153</u>
At 1 July 2015	(1,110)	(561)	89,297	7,376	95,002
(Charged)/credited to income statements	(561)	-	395	(1,735)	(1,901)
Charged to equity	-	(1,219)	-	-	(1,219)
At 30 June 2016	<u>(1,671)</u>	<u>(1,780)</u>	<u>89,692</u>	<u>5,641</u>	<u>91,882</u>

Deferred tax assets have not been recognised on the following as it is not probable that the Group and the Bank will generate sufficient future taxable profits available against which the unused tax credits can be utilised:

	The Group and the Bank	
	30.06.2017	30.06.2016
	RM'000	RM'000
Unused tax credits carried forward	<u>108,489</u>	<u>121,830</u>

14 Investment in subsidiary companies

	The Bank	
	30.06.2017	30.06.2016
	RM'000	RM'000
Subsidiary companies:		
Unquoted shares, at cost	<u>200</u>	<u>361</u>

The subsidiary companies of the Bank are as follows:

Name of company	Country of incorporation	Effective equity interest		Principal activities
		30.06.2017	30.06.2016	
		%	%	
HLIB Nominees (Tempatan) Sdn Bhd	Malaysia	100	100	Nominee and custodian services for Malaysia clients

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

14 Investment in subsidiary companies (continued)

The subsidiary companies of the Bank are as follows: (continued)

Name of company	Country of incorporation	Effective equity interest		Principal activities
		30.06.2017	30.06.2016	
		%	%	
HLIB Nominees (Asing) Sdn Bhd	Malaysia	100	100	Nominee and custodian services for foreign clients
SSSB Jaya (1987) Sdn Bhd and its subsidiaries	Malaysia	100	100	In creditor's voluntary liquidation
HLG Nominee (Tempatan) Sdn Bhd ¹	Malaysia	-	100	Dissolved
HLG Nominee (Asing) Sdn Bhd ²	Malaysia	-	100	Dissolved
Unincorporated trust for ESOS	Malaysia	-	-	Special purpose vehicle for ESOS purpose

¹ The subsidiary was dissolved on 7 December 2016.

² The subsidiary was dissolved on 15 October 2016.

Significant judgments and assumptions used to determine the scope of the consolidation

Determining whether the Group has control of an entity is generally straight forward 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.

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

15 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 ongoing 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.

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.

The carrying amounts of assets and liabilities recognised in the Group's and the Bank's statement of financial position relating to the interests in unconsolidated SEs is summarised as below:

	The Group and the Bank	
	30.06.2017	30.06.2016
	RM'000	RM'000
<u>Assets</u>		
Derivative financial assets	635	1,271
<u>Liabilities</u>		
Other liabilities	423	1,274
Derivative financial liabilities	1,644	3,363

The Group's and the Bank's income and expenses in relation to unconsolidated SEs recognised during the financial year is summarised as below:

	The Group and the Bank	
	30.06.2017	30.06.2016
	RM'000	RM'000
<u>Interest income</u>		
- Loans and advances	-	1,015
<u>Non-interest income</u>		
- Arranger fees	-	4,717
- Other fee income	-	3,158
- Realised loss on interest rate swaps	-	(4,150)
- Unrealised (loss)/gain on revaluation of derivative financial assets and derivative financial liabilities - call options	(636)	(1,826)
- interest rate swaps	1,386	7,113

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

15 Structured entities (continued)

Unconsolidated structured entities in which the Group has an interest (continued)

The Group's and the Bank's income and expenses in relation to unconsolidated SEs recognised during the financial year is summarised as below: (continued)

	The Group and the Bank	
	30.06.2017	30.06.2016
	RM'000	RM'000
<u>Interest expense</u>		
- Interest rate swaps	1,475	2,585

The principal amount of the derivative financial instruments relating to unconsolidated SEs is summarised as below:

	The Group and the Bank	
	30.06.2017	30.06.2016
	RM'000	RM'000
<u>Commitments and contingencies</u>		
Interest rate related contracts:		
- Interest rate swaps	35,000	108,500
Equity related contracts:		
- Call options	7,000	7,000

The Group's and the Bank's maximum exposure to loss is the total of its on-balance sheet positions. Exposure to loss is mitigated through collateral held.

During the year, a SE has exercised its right to redeem all the bonds and the term loan has been fully settled.

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

16 Property and equipment

The Group and the Bank	Freehold	Leasehold land more than 50 years	Leasehold building	Office and computer equipment	Furniture and fittings	Office renovations	Motor vehicles	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost								
At 1 July 2016	350	780	804	5,070	1,026	3,441	209	11,680
Additions	-	-	-	45	-	808	-	853
Disposals	-	-	-	(87)	(9)	(2)	(3)	(101)
Adjustments	-	-	-	-	5	62	-	67
At 30 June 2017	350	780	804	5,028	1,022	4,309	206	12,499
Accumulated depreciation								
At 1 July 2016	-	30	60	3,368	766	1,713	192	6,129
Charge for the financial year	-	8	16	737	132	697	14	1,604
Disposals	-	-	-	(19)	(9)	(2)	(3)	(33)
Adjustments	-	-	-	-	4	40	-	44
At 30 June 2017	-	38	76	4,086	893	2,448	203	7,744
Net book value								
At 30 June 2017	350	742	728	942	129	1,861	3	4,755

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

16 Property and equipment (continued)

The Group and the Bank	Freehold	Leasehold	Leasehold	Office and	Furniture	Office	Motor	Total
	land	land						
	RM'000	more than 50 years RM'000	RM'000	equipment RM'000	RM'000	RM'000	RM'000	RM'000
Cost								
At 1 July 2015	350	780	804	3,652	1,019	5,228	209	12,042
Additions	-	-	-	708	90	1,593	-	2,391
Disposals	-	-	-	-	(3)	-	-	(3)
Write-offs	-	-	-	(23)	(80)	(3,380)	-	(3,483)
Reclassification	-	-	-	733	-	-	-	733
At 30 June 2016	350	780	804	5,070	1,026	3,441	209	11,680
Accumulated depreciation								
At 1 July 2015	-	22	44	2,538	685	4,081	164	7,534
Charge for the financial year	-	8	16	780	143	672	28	1,647
Disposals	-	-	-	-	(2)	-	-	(2)
Write-offs	-	-	-	(23)	(60)	(3,040)	-	(3,123)
Reclassification	-	-	-	73	-	-	-	73
At 30 June 2016	-	30	60	3,368	766	1,713	192	6,129
Net book value								
At 30 June 2016	350	750	744	1,702	260	1,728	17	5,551

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

17 Other intangible assets

	The Group and the Bank	
	30.06.2017	30.06.2016
	RM'000	RM'000
Computer software		
Cost		
At 1 July	8,547	5,322
Additions	2,074	3,958
Reclassification	-	(733)
At 30 June	<u>10,621</u>	<u>8,547</u>
Amortisation		
At 1 July	3,154	1,773
Charge for the financial year	2,657	1,454
Reclassification	-	(73)
At 30 June	<u>5,811</u>	<u>3,154</u>
Net book value	<u>4,810</u>	<u>5,393</u>

18 Goodwill

	The Group and the Bank	
	30.06.2017	30.06.2016
	RM'000	RM'000
Cost		
At 1 July/30 June	<u>28,986</u>	<u>28,986</u>

Allocation of goodwill to cash-generating unit

Goodwill has been allocated to the following cash-generating unit ("CGU"):

	The Group and the Bank	
	30.06.2017	30.06.2016
	RM'000	RM'000
CGU		
Investment banking and stockbroking	<u>28,986</u>	<u>28,986</u>

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

18 Goodwill (continued)

Impairment test on goodwill

The recoverable amount of CGU has 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 3.8% (2016: 3.8%), based on historical Gross Domestic Product ("GDP") growth rate of Malaysia on a 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 on the market development. The following are the discount rates used in determining the recoverable amount of the CGU:

	The Group and the Bank	
	30.06.2017	30.06.2016
Investment banking and stockbroking	8.3%	10.5%

For the current financial year, impairment was not required for goodwill arising from investment banking and stockbroking CGU. Management believes that any reasonable possible change to the assumptions applied is not likely to cause the recoverable amount to be lower than the carrying amount.

19 Deposits from customers

	The Group and the Bank	
	30.06.2017	30.06.2016
	RM'000	RM'000
Fixed deposits	648,867	1,031,929
(i) The maturity structure of fixed deposits is as follows:		
Due within:		
- six months	642,665	1,030,876
- six months to one year	6,202	1,053
	648,867	1,031,929
(ii) The deposits are sourced from the following customers:		
Government and statutory bodies	456,337	873,906
Business enterprises	171,984	144,774
Individuals	20,546	13,249
	648,867	1,031,929

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

20 Deposits and placements of banks and other financial institutions

	The Group and the Bank	
	30.06.2017 RM'000	30.06.2016 RM'000
Licensed banks	778,053	641,635
Licensed investment banks	50,004	-
Other financial institutions	1,419,676	1,263,135
	<u>2,247,733</u>	<u>1,904,770</u>

21 Obligations on securities sold under repurchase agreements

Obligations on securities sold under repurchased agreements are securities which the Group and the Bank have sold from its investment 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 financial assets sold under repurchase agreements are as follows:

	The Group and the Bank	
	30.06.2017 RM'000	30.06.2016 RM'000
Financial investments held-to-maturity	155,077	-

22 Other liabilities

	The Group		The Bank	
	30.06.2017 RM'000	30.06.2016 RM'000	30.06.2017 RM'000	30.06.2016 RM'000
Amount due to holding company (a)	265	1,283	265	1,283
Amounts due to subsidiary companies (a)	-	-	-	1
Remisiers' trust deposits	13,786	12,998	13,786	12,998
Other payables and accrued liabilities	81,346	78,786	81,425	77,324
Post employment benefits obligation:				
- defined contribution plan	202	197	202	197
	<u>95,599</u>	<u>93,264</u>	<u>95,678</u>	<u>91,803</u>

(a) The amounts due to holding company, subsidiary and related companies are unsecured, interest free and repayable on demand.

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

23 Derivative financial assets/(liabilities)

The table below shows the Group's and the Bank'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 and the Bank		
	Contract or underlying principal amount RM'000	Year-end positive fair value RM'000	Year-end negative fair value RM'000
30.06.2017			
Interest rate related contracts:			
- interest rate swaps	5,015,000	12,806	(23,881)
- futures	322,498	337	-
- cross currency swaps	171,770	83	(16,724)
Foreign exchange related contracts:			
- foreign currency swaps	1,520,828	5,883	(7,345)
- foreign currency forwards	73,399	171	(6)
- foreign currency spots	17,735	1	(3)
Equity related contracts:			
- call options	7,000	635	-
	7,128,230	19,916	(47,959)
30.06.2016			
Interest rate related contracts:			
- interest rate swaps	5,413,500	19,664	(36,729)
- futures	139,893	-	(1,567)
- cross currency swaps	120,945	3,412	(11,085)
Foreign exchange related contracts:			
- foreign currency swaps	2,308,659	18,347	(30,597)
- foreign currency forwards	45,938	-	(696)
Equity related contracts:			
- futures	5,032	-	(11)
- call options	7,000	1,271	-
	8,040,967	42,694	(80,685)

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

24 Subordinated obligations

	The Group and the Bank	
	30.06.2017	30.06.2016
	RM'000	RM'000
RM50.0 million Tier 2 subordinated notes, at par	50,000	50,000
Add: Interest payable	392	407
	50,392	50,407
Less: Unamortised discounts	(130)	(160)
	50,262	50,247

On 6 November 2014, the Bank had completed the first issuance of RM50 million nominal value of Tier 2 Subordinated Notes (“Sub-Notes”) out of its RM1.0 billion Multi-Currency Sub-Notes Programme. The RM50 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 the Bank, and is subordinated in right of payment to the deposit liabilities and all other liabilities of the Bank 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 the Bank.

25 Share capital

	The Group and the Bank			
	30.06.2017		30.06.2016	
	Number of ordinary shares	RM'000	Number of ordinary shares	RM'000
Authorised share capital*:				
Ordinary shares of RM1.00 each	-	-	600,000	600,000
Ordinary share issued and fully paid:				
At 1 July - Ordinary shares of RM1.00 each	165,000	165,000	165,000	165,000
Transition to no-par value regime under the Companies Act 2016 *	-	87,950	-	-
At 30 June - Ordinary shares with no par value (2016: par value of RM1.00 each)	165,000	252,950	165,000	165,000

* The new Companies Act 2016 (“New Act”), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account of RM87,950,000 becomes part of the Group and the Bank's share capital pursuant to the transitional provisions set out in Section 618 (2) of the New Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

26 Redeemable preference shares ("RPS")

	The Group and the Bank	
	30.06.2017	30.06.2016
	RM'000	RM'000
Authorised:		
Non-cumulative redeemable preference shares of RM0.01 each		
At 1 July/30 June	20,000	20,000
Issued and fully paid capital:		
At 1 July/30 June	-	-

The main features of the RPS are as follows:

- The RPS have right to dividends at the discretion of the Directors of the Bank, subject to BNM's approval pursuant to Section 51 of Financial Services Act 2013.
- The RPS rank pari passu in all respects among themselves.
- The RPS will not be convertible into ordinary shares.
- The RPS have no fixed maturity date and can be redeemed at any time by giving 7 days notice in writing.
- The RPS will not be listed on any stock exchange.

On 28 May 2015, the Bank redeemed 163,076,524 RPS of RM0.01 each, representing 100% of its issued RPS capital held by HLG Securities Sdn Bhd.

27 Reserves

	The Group		The Bank	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
	RM'000	RM'000	RM'000	RM'000
Share premium (a)	-	87,950	-	87,950
Statutory reserve (b)	-	196,867	-	196,867
Regulatory reserve (c)	2,504	3,563	2,504	3,563
Fair value reserve (d)	1,440	5,637	1,440	5,637
Retained profits (e)	247,094	36,634	246,910	36,357
	251,038	330,651	250,854	330,374

- Prior to 31 January 2017, the application of the share premium account was governed by Section 60 of the Companies Act 1965. In accordance with the transitional provisions set out in Section 618 (2) of the New Act, on 31 January 2017 any amount standing to the credit of the Group and the Bank's share premium account has become part of the Group and the Bank's share capital (refer to Note 25).

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

27 Reserves (continued)

- (b) The requirement to maintain a statutory reserve funds has been removed pursuant to BNM's Capital Fund Policy with effect from 3 May 2017. Consequently, the statutory reserve amount has been transferred to the retained profits.
- (c) The Bank is required to maintain in aggregate collective impairment allowances and regulatory reserve of no less than 1.2% of total outstanding loans and advances, net of individual impairment allowances. The transfer to regulatory reserve is by debiting the retained profits.
- (d) Fair value reserve arises from a change in the fair value of financial investments available-for-sale. The gains or losses are transferred to the profit or loss upon derecognition or impairment of such financial investments.
- (e) The Bank can distribute dividends out of its entire retained earnings under the single-tier system.

28 Interest income

	The Group		The Bank	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
	RM'000	RM'000	RM'000	RM'000
Loans and advances	19,026	20,508	19,026	20,508
Money at call and deposit placements with financial institutions	1,672	3,713	1,598	3,713
Financial assets at fair value through profit or loss	40,852	38,079	40,852	38,079
Financial investments available-for-sale	39,959	34,744	39,959	34,744
Financial investments held-to-maturity	27,754	14,233	27,754	14,233
Derivative financial instruments	8,032	5,836	8,032	5,836
Others	11,356	9,817	11,356	9,817
	148,651	126,930	148,577	126,930

29 Interest expense

	The Group and the Bank	
	30.06.2017	30.06.2016
	RM'000	RM'000
Deposits and placements of banks and other financial institutions	30,340	23,053
Deposits from customers	57,110	47,668
Derivative financial instruments	15,012	11,408
Subordinated obligations	2,680	2,710
Others	717	270
	105,859	85,109

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

30 Non-interest income

	The Group		The Bank	
	30.06.2017 RM'000	30.06.2016 RM'000	30.06.2017 RM'000	30.06.2016 RM'000
Fee income				
Fee on loans and advances	785	320	785	320
Arranger fees	9,633	15,428	9,633	15,428
Guarantee fees	-	52	-	52
Placement fees	12,451	9,001	12,451	9,001
Corporate advisory fees	5,630	6,204	5,630	6,204
Underwriting commissions	1,795	1,206	1,795	1,206
Brokerage income	59,321	52,535	59,321	52,535
Commissions from future contracts	620	472	620	472
Other fee income	13,792	8,583	13,750	8,408
	104,027	93,801	103,985	93,626
Net income from securities				
Net realised gain/(loss) arising from sale/early redemption of:				
- Financial assets at fair value through profit or loss	5,735	15,090	5,735	15,090
- Financial investments available-for-sale	3,990	1,003	3,990	1,003
- Financial investments held-to-maturity	189	-	189	-
- Derivative financial instruments	18,129	(13,414)	18,129	(13,414)
Net (loss)/gain on revaluation of:				
- Financial assets at fair value through profit or loss	(5,622)	(2,770)	(5,622)	(2,770)
- Derivative financial instruments	9,937	(24,272)	9,937	(24,272)
Dividend income from:				
- Financial assets at fair value through profit or loss	1,751	1,946	1,751	1,946
- Financial investments available-for-sale	12	73	-	73
	34,121	(22,344)	34,109	(22,344)
Other income				
(Loss)/gain on liquidation of subsidiaries	(7)	589	(4)	579
Gain on disposal of property and equipment	121	4	121	4
Foreign exchange (loss)/gain	(17,280)	30,914	(17,280)	30,914
Other non-operating income	35	250	35	250
	(17,131)	31,757	(17,128)	31,747
Total non-interest income	121,017	103,214	120,966	103,029

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

31 Overhead expenses

	The Group		The Bank	
	30.06.2017 RM'000	30.06.2016 RM'000	30.06.2017 RM'000	30.06.2016 RM'000
Personnel costs				
Salaries, allowances and bonuses	53,055	45,353	52,924	45,235
Others	8,539	9,011	8,516	8,990
	61,594	54,364	61,440	54,225
Establishment costs				
Depreciation of property and equipment	1,604	1,647	1,604	1,647
Amortisation of intangible assets	2,657	1,454	2,657	1,454
Rental expenses	4,005	5,633	3,971	5,599
Information technology expenses	4,918	4,133	4,918	4,133
Others	2,136	2,757	2,120	2,743
	15,320	15,624	15,270	15,576
Marketing expenses				
Advertisement and publicity	35	40	35	40
Entertainment and business improvement	2,063	1,762	2,063	1,762
Others	254	329	254	329
	2,352	2,131	2,352	2,131
Administration and general expenses				
Management fees	2,725	2,566	2,724	2,566
Teletransmission expenses	4,764	4,474	4,764	4,474
Auditors' remuneration				
- Statutory audit fees	285	261	278	254
- Regulatory related fees	23	23	23	23
- Tax compliance fee	15	14	15	14
- Other fees	168	17	168	17
Legal and professional fees	3,930	3,161	3,930	3,161
Property and equipment written off	-	360	-	360
Others	4,677	4,478	4,671	4,469
	16,587	15,354	16,573	15,338
Total overhead expenses	95,853	87,473	95,635	87,270

Included in the overhead expenses of the Group and the Bank are Chief Executive Officer ("CEO") and Directors' remuneration totalling RM4,568,000 (2016: RM5,308,000).

There was no indemnity given or insurance effected for any auditor of the Group and the Bank during the annual financial year and its comparative financial year.

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

32 (Allowance for)/write-back of impairment losses on loans and advances and other losses

	The Group and the Bank	
	30.06.2017	30.06.2016
	RM'000	RM'000
Write-back of/(allowance for) losses on impaired loans and advances:		
(a) Individual assessment allowance		
- made during the financial year	(10)	-
(b) Collective assessment allowance		
- written-back/(made) during the financial year	574	(22)
	564	(22)
Bad debts on loans and advances		
- recovered	-	5
(Allowance for)/write-back of losses on clients' and brokers' balances:		
(a) Individual assessment allowance		
- made during the financial year	(245)	(150)
- written-back during the financial year	110	229
(b) Collective assessment allowance		
- (made)/written-back during the financial year	(11)	6
	(146)	85
Bad debts on clients' and brokers' balances		
- written-off	(12)	-
- recovered	513	-
Allowance for losses on fee income receivables:		
(a) Individual assessment allowance		
- made during the financial year	(987)	-
	(68)	68

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

33 Chief Executive Officer ("CEO") and Directors' remuneration

Forms of remuneration in aggregate for CEO and all Directors for the financial year as follows:

	The Group and the Bank	
	30.06.2017	30.06.2016
	RM'000	RM'000
Group Managing Director/Chief Executive Officer:		
Ms Lee Jim Leng (Resigned as Board member on 01.01.2017)		
- salary and other remunerations	4,120	4,797
- benefits-in-kind	-	-
	4,120	4,797
Non-Executive Directors - Fees:		
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman	95	95
YBhg Tan Sri A. Razak bin Ramli (Resigned on 06.05.2016)	-	106
YBhg Dato' Mohzani bin Abdul Wahab	115	115
Mr Martin Giles Manen	125	117
Mr Yong Yoong Fa	113	78
	448	511
Directors of subsidiaries	-	-
Total directors' remuneration	4,568	5,308

The movement and details of the Directors of the Bank in office and interests in shares and share options are reported in the Directors' Report.

The Directors' Remuneration in the current financial year represents remuneration for Directors' of the Group, the Bank and its subsidiaries to comply with the requirements of the Companies Act, 2016. The comparative figures have not been restated to include the Directors in the subsidiaries of the Bank. 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 & Officers of the Bank are covered under the Directors' & Officers' Liability Insurance in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors & Officers of the Bank subject to the terms of the policy. The total amount of premium for the Directors' & Officers' Liability Insurance was paid by the intermediate holding company, Hong Leong Capital Berhad.

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

34 Taxation

	Note	The Group		The Bank	
		30.06.2017 RM'000	30.06.2016 RM'000	30.06.2017 RM'000	30.06.2016 RM'000
Malaysian income tax:					
- current financial year's charge		-	3	-	-
		<u>-</u>	<u>3</u>	<u>-</u>	<u>-</u>
Deferred taxation					
- relating to origination and reversal of temporary differences	13	3,054	1,901	3,054	1,901
		<u>3,054</u>	<u>1,901</u>	<u>3,054</u>	<u>1,901</u>
		3,054	1,904	3,054	1,901

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

	The Group		The Bank	
	30.06.2017 RM'000	30.06.2016 RM'000	30.06.2017 RM'000	30.06.2016 RM'000
Profit before taxation	67,888	57,630	67,981	57,648
Tax calculated at a rate of 24% (2016: 24%)	16,293	13,831	16,315	13,836
Tax effects of:				
- Income not subject to tax	(403)	(656)	(373)	(625)
- Expenses not deductible for tax purposes	757	831	705	792
- Recognition of unutilised tax credit previously not recognised	(13,341)	(12,091)	(13,341)	(12,091)
- Origination of temporary differences previously not recognised	(252)	(11)	(252)	(11)
Tax expense for the financial year	3,054	1,904	3,054	1,901

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

35 Earnings per share

	The Group		The Bank	
	30.06.2017 RM'000	30.06.2016 RM'000	30.06.2017 RM'000	30.06.2016 RM'000
(a) Basic earnings per share				
Weighted average number of number of ordinary shares in issue	165,000	165,000	165,000	165,000
Net profit attributable to equity holder of the Bank	64,834	55,726	64,927	55,747
Basic earnings per share (sen)	39.3	33.8	39.3	33.8
(b) Diluted earnings per share				

There is no diluted earnings per share as the Group and the Bank have no category of dilutive potential ordinary shares outstanding as at 30 June 2017 and 30 June 2016.

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

36 Significant related party transaction

(a) Related parties and relationships

The related parties and their relationships with the Bank are as follows:

<u>Related parties</u>	<u>Relationship</u>
Hong Leong Company (Malaysia) Berhad ("HLCM")	Ultimate holding company
Hong Leong Financial Group Berhad ("HLFG")	Penultimate holding company
Hong Leong Capital Berhad ("HLCB")	Immediate holding company
Subsidiary companies of the Bank as disclosed in Note 14	Subsidiaries
Subsidiary companies of HLCM	Subsidiaries of ultimate holding company
Subsidiary companies of HLFG	Subsidiaries of penultimate holding company
Subsidiary companies of HLCB	Subsidiaries of immediate holding company
Key management personnel	The key management personnel of the Bank consists of: - All Directors of the Bank and its holding company - Key management personnel of the Bank who have the authority and responsibility for planning, directing and controlling the activities of the Bank either directly or indirectly
Related parties of key management personnel (deemed as related to the Bank)	(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

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

36 Significant related party transaction (continued)

(b) Related parties transactions

Transactions with related parties are as follows:

The Group	Holding and ultimate holding companies	Other related companies	Key management personnel
30.06.2017	RM'000	RM'000	RM'000
Income			
Interest income	-	17,783	-
Brokerage income	-	4,814	125
Arranger fee	-	80	-
Other fee	45	239	-
Loss on securities and derivatives	-	(2,737)	-
	45	20,179	125
Expenditure			
Interest expense	-	31,220	493
Rental	-	2,615	-
Management fees	2,724	-	-
Other miscellaneous	-	3,266	-
	2,724	37,101	493
Amounts due from:			
Cash and short-term funds	-	7,691	-
Financial assets at fair value through profit or loss	79	7,123	-
Financial investments available-for-sale	-	234	-
Derivative financial assets	-	2,175	-
Clients' and brokers' balances	-	1,833	-
Other assets	232	803	-
	311	19,859	-
Amounts due to:			
Deposits from customers	-	3,225	11,124
Deposits and placements of banks and other financial institutions	-	434,238	-
Derivative financial liabilities	-	2,562	-
Clients' and brokers' balances	-	20,149	-
Other liabilities	265	423	-
	265	460,597	11,124

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

36 Significant related party transaction (continued)

(b) Related parties transactions (continued)

Transactions with related parties are as follows: (continued)

The Group	Holding and	Other	Key
30.06.2017	ultimate holding	related	management
	companies	companies	personnel
	RM'000	RM'000	RM'000
Commitments and contingencies			
Derivative financial instruments	-	42,000	-
The Group			
30.06.2016			
Income			
Interest income	-	25,010	-
Brokerage income	-	4,703	74
Corporate advisory fee	220	380	-
Arranger fee	-	4,810	-
Other fee	146	3,677	-
Gain on securities and derivatives	-	8,019	-
	366	46,599	74
Expenditure			
Interest expense	-	35,598	499
Rental	-	3,580	-
Management fees	2,535	-	-
Other miscellaneous	4	3,730	-
	2,539	42,908	499
Amounts due from:			
Cash and short-term funds	-	11,165	-
Financial assets at fair value through profit or loss	140	287,231	-
Financial investments available-for-sale	-	352	-
Derivative financial assets	-	3,868	-
Clients' and brokers' balances	-	11,030	-
Other assets	-	1,186	-
	140	314,832	-

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

36 Significant related party transaction (continued)

(b) Related parties transactions (continued)

Transactions with related parties are as follows: (continued)

The Group	Holding and	Other	Key
30.06.2016	ultimate holding	related	management
	companies	companies	personnel
	RM'000	RM'000	RM'000
Amounts due to:			
Deposits from customers	-	1,264	13,249
Deposits and placements of banks and other financial institutions	-	697,568	-
Derivative financial liabilities	-	4,879	-
Clients' and brokers' balances	-	696	-
Other assets	1,283	1,274	-
	<u>1,283</u>	<u>705,681</u>	<u>13,249</u>

Commitments and contingencies

Derivative financial instruments	-	115,500	-
----------------------------------	---	---------	---

The Bank	Holding and	Other	Key
30.06.2017	ultimate holding	related	management
	companies	companies	personnel
	RM'000	RM'000	RM'000
Income			
Interest income	-	17,709	-
Brokerage income	-	4,814	125
Arranger fee	-	80	-
Other fee	45	228	-
Loss on securities and derivatives	-	(2,737)	-
	<u>45</u>	<u>20,094</u>	<u>125</u>
Expenditure			
Interest expense	-	31,220	493
Rental	-	2,615	-
Management fees	2,724	-	-
Other miscellaneous	-	3,250	-
	<u>2,724</u>	<u>37,085</u>	<u>493</u>

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

36 Significant related party transaction (continued)

(b) Related parties transactions (continued)

Transactions with related parties are as follows: (continued)

The Bank	Holding and		Other	Key
30.06.2017	ultimate holding	Subsidiaries	related	management
	companies		companies	personnel
	RM'000	RM'000	RM'000	RM'000
Amounts due from:				
Cash and short-term funds	-	-	7,621	-
Financial assets at fair value through profit or loss	79	-	7,123	-
Derivative financial assets	-	-	2,175	-
Clients' and brokers' balances	-	-	1,833	-
Other assets	232	-	803	-
	311	-	19,555	-
Amounts due to:				
Deposits from customers	-	-	3,225	11,124
Deposits and placements of banks and other financial institutions	-	-	434,238	-
Derivative financial liabilities	-	-	2,562	-
Clients' and brokers' balances	-	-	20,149	-
Other liabilities	265	-	423	-
	265	-	460,597	11,124
Commitments and contingencies				
Derivative financial instruments	-	-	42,000	-
The Bank				
30.06.2016				
Income				
Interest income	-	-	24,947	-
Brokerage income	-	-	4,703	74
Corporate advisory fee	220	-	380	-
Arranger fee	-	-	4,810	-
Other fee	146	-	3,666	-
Gain on securities and derivatives	-	-	8,019	-
	366	-	46,525	74

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

36 Significant related party transaction (continued)

Transactions with related parties are as follows: (continued)

The Bank 30.06.2016	Holding and ultimate holding companies RM'000	Subsidiaries RM'000	Other related companies RM'000	Key management personnel RM'000
Expenditure				
Interest expense	-	-	35,598	499
Rental	-	-	3,508	-
Management fees	2,535	-	-	-
Other miscellaneous	4	-	3,722	-
	<u>2,539</u>	<u>-</u>	<u>42,828</u>	<u>499</u>
Amounts due from:				
Cash and short-term funds	-	-	9,619	-
Financial assets at fair value through profit or loss	140	-	287,231	-
Derivative financial assets	-	-	3,868	-
Clients' and brokers' balances	-	-	11,030	-
Other assets	-	-	1,186	-
	<u>140</u>	<u>-</u>	<u>312,934</u>	<u>-</u>
Amounts due to:				
Deposits from customers	-	-	1,264	13,249
Deposits and placements of banks and other financial institutions	-	-	697,568	-
Derivative financial liabilities	-	-	4,879	-
Clients' and brokers' balances	-	-	696	-
Other liabilities	1,283	1	1,274	-
	<u>1,283</u>	<u>1</u>	<u>705,681</u>	<u>13,249</u>
Commitments and contingencies				
Derivative financial instruments	-	-	115,500	-

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

36 Significant related party transaction (continued)

(c) Key management personnel

	The Group and the Bank	
	30.06.2017	30.06.2016
	RM'000	RM'000
Salaries and other short-term employee benefits	8,308	9,096
Fees	448	511
	8,756	9,607

Included in the above is the Directors' remuneration which is disclosed in Note 33.

(d) Credit transactions and exposure with connected parties

Credit exposures with connected parties as per Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties are as follows:

	The Group and the Bank	
	30.06.2017	30.06.2016
	RM'000	RM'000
Outstanding credit exposures with connected parties	10,525	13,972
Percentage of outstanding credit exposures with connected parties as a proportion of total credit exposures	0.35%	0.55%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	0.00%	0.00%

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

37 Dividends

Dividends declared and proposed as follows:-

	The Group and the Bank			
	30.06.2017		30.06.2016	
	Single-tier dividend per share Sen	Amount of dividend RM'000	Single-tier dividend per share Sen	Amount of dividend RM'000
Ordinary shares	33.33	55,000	31.70	52,300

At the forthcoming Annual General Meeting, the Directors of the Bank propose a final single-tier dividend of 33.3333 sen per share on the Bank's adjusted issued and paid-up share capital amounting to RM54,999,945 for the financial year ended 30 June 2017.

Dividends recognised as distribution to ordinary equity holders of the Bank.

	The Group and the Bank			
	30.06.2017		30.06.2016	
	Single-tier dividend per share Sen	Amount of dividend RM'000	Single-tier dividend per share Sen	Amount of dividend RM'000
Ordinary shares	31.70	52,300	25.21	41,600

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

38 Commitments and Contingencies

In the normal course of business, the Bank makes 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.

	30.06.2017	30.06.2016
	Principal amount RM'000	Principal amount RM'000
The Group and the Bank		
Commitments and contingencies		
Direct credit substitutes	1,000	1,000
Obligations under underwriting agreement	130,000	-
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	10,352	-
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice		
- maturity less than one year	661,322	686,780
Other commitments, such as formal standby facilities and credit lines		
- maturity one year or less	326	2,165
- maturity over one year	-	589
	803,000	690,534
Derivative financial instruments		
Interest rate related contracts [^] :		
- One year or less	1,778,383	1,388,708
- Over one year to five years	3,485,885	3,630,630
- Over five years	245,000	655,000
Foreign exchange related contracts [^] :		
- One year or less	1,611,962	2,354,597
Equity related contracts [^] :		
- One year or less	-	5,032
- Over one year to five years	7,000	7,000
	7,128,230	8,040,967
	7,931,230	8,731,501

[^] These derivatives are revalued at gross position basis and the fair value have been reflected in Note 23 to the financial statements as derivative financial assets or derivatives financial liabilities.

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

39 Capital commitments

	The Group and the Bank	
	30.06.2017	30.06.2016
	RM'000	RM'000
Property and equipment		
- approved and contracted but not provided for	1,130	4,472
- approved but not contracted for	4,918	1,238
	6,048	5,710

40 Lease commitments

The Group and the Bank have lease commitments in respect of rented premises and hired equipments, all of which are classified as operating lease. A summary of the future minimum lease payments, net of sublease, under non-cancellable operating lease commitments are as follows:

	The Group and the Bank	
	30.06.2017	30.06.2016
	RM'000	RM'000
Less than one year	2,235	3,789
More than one year	39	1,757
More than five years	-	1
	2,274	5,547

41 Capital Management

The Bank's capital is in relation to its risk profile and strategic objectives set by the Board to meet shareholder's requirements and expectations. The Bank'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 components of the total capital and capital adequacy ratios are disclosed in Note 42.

42 Capital adequacy

The Group's and the Bank's regulatory capital is governed by BNM Capital Adequacy Framework guidelines. With effect from 1 January 2016, the capital adequacy ratios of the Group and the Bank are computed in accordance with BNM's Capital Adequacy Framework issued on 13 October 2015. The Framework sets out the approach for computing the regulatory capital adequacy ratios, as well as the levels of the ratios at which banking institutions are required to operate. The Framework is to strengthen capital adequacy standards, in line with the requirements set forth under Basel III. The minimum capital adequacy requirement for common equity Tier I (CET I) capital ratio and Tier I capital ratio are 4.5% and 6.0% respectively. The minimum regulatory capital adequacy requirement remains at 8.0%.

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

42 Capital adequacy (continued)

The risk-weighted assets ("RWA") of the Group and the Bank have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk computation.

(i) The capital adequacy ratios of the Group and the Bank are as follows:

	The Group		The Bank	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
Before deducting proposed dividends:				
Common equity tier 1 ("CET1") capital ratio	29.759%	29.225%	29.744%	29.202%
Tier I capital ratio	29.759%	29.225%	29.744%	29.202%
Total capital ratio	33.928%	33.608%	33.912%	33.576%
After deducting proposed dividends: ⁽¹⁾				
CET I capital ratio	25.414%	25.011%	25.398%	24.986%
Tier I capital ratio	25.414%	25.011%	25.398%	24.986%
Total capital ratio	29.583%	29.394%	29.566%	29.360%

Note:

(1) Proposed dividends of RM55,000,000 (2016: RM52,300,000).

(ii) The components of CET1, Tier 1 and total capital of the Group and the Bank are as follows:

	The Group		The Bank	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
	RM'000	RM'000	RM'000	RM'000
CET1 capital				
Paid-up ordinary share capital	252,950	165,000	252,950	165,000
Share premium	-	87,950	-	87,950
Retained profits	247,094	36,634	246,910	36,357
Other reserves	1,440	202,504	1,440	202,504
Less: goodwill and intangibles	(33,796)	(34,379)	(33,796)	(34,379)
Less: deferred tax assets	(90,153)	(91,882)	(90,153)	(91,882)
Less: investment in subsidiary companies	-	-	(160)	(217)
Less: 55% of cumulative gains of financial instruments available-for-sale	(792)	(3,100)	(792)	(3,100)
Total CET1 capital	376,743	362,727	376,399	362,233
Tier 1 capital	376,743	362,727	376,399	362,233

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

42 Capital adequacy (continued)

(ii) The components of CET1, Tier 1 and total capital of the Group and the Bank are as follows: (continued)

	The Group		The Bank	
	30.06.2017 RM'000	30.06.2016 RM'000	30.06.2017 RM'000	30.06.2016 RM'000
Tier 2 capital				
Collective assessment allowance ⁽²⁾ and regulatory reserve ⁽³⁾	2,783	4,394	2,783	4,394
Subordinated obligations	50,000	50,000	50,000	50,000
Regulatory adjustments: - investment in subsidiary companies	-	-	(40)	(144)
Total Tier 2 capital	<u>52,783</u>	<u>54,394</u>	<u>52,743</u>	<u>54,250</u>
Total capital	<u>429,526</u>	<u>417,121</u>	<u>429,142</u>	<u>416,483</u>

Note:

⁽²⁾ Excludes collective assessment allowance attributable to loans and advances classified as impaired.

⁽³⁾ Includes the qualifying regulatory reserve for non-impaired loans and advances of RM2,504,000 (2016: RM3,563,000).

(iii) Breakdown of risk-weighted assets in the various risk weights:

	The Group		The Bank	
	30.06.2017 RM'000	30.06.2016 RM'000	30.06.2017 RM'000	30.06.2016 RM'000
Credit risk	462,211	520,793	461,963	520,091
Market risk	517,433	416,042	517,433	416,042
Operational risk	286,353	304,312	286,064	304,287
	<u>1,265,997</u>	<u>1,241,147</u>	<u>1,265,460</u>	<u>1,240,420</u>

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

43 Financial instruments

(a) Risk management objectives and policies

Risk Management is one of the core activities of the Bank to strike a balance between sound practices and risk-return. An effective risk management is therefore vital to ensure that the Bank 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 include settlement risk, default risk and concentration risk. Exposure to credit risk arises mainly from financing, underwriting, securities and derivative exposures of the Bank.

The Bank has set out Board approved policies and guidelines for the management of credit risk. The Management Credit and Underwriting Committee ("MCUC") shall oversee all credit related matters of the Bank, 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.

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 Bank 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.

The Bank has in place a set of policies, guidelines for the management of 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 Bank'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.

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

43 Financial instruments (continued)

(a) Risk management objectives and policies (continued)

Operational Risk

Operational risk is the risk of direct and indirect loss resulting from inadequate or failed internal processes and controls due to error, inefficiencies, omission and unauthorised access, including external events beyond the control of the Bank. In order to reduce or mitigate these risks, the Bank has established internal control mechanisms within the various levels of the organisation, which include the setting up of procedural and control systems by the various units to manage the day-to-day operational risk inherent in their respective business and functional areas.

The Operational Risk Management ("ORM") Policy is in place to ensure that controls and segregation of duties exists to mitigate operational risks. The Bank has taken an initiative to promote operational risk awareness among its staff and an in-house awareness programme was completed in 2011. The Bank has begun presenting loss data reports on monthly basis to the senior management and the Board. This will also provide the foundation for mapping and collecting data on loss events and self-assessment models in subsequent phases of the ORM initiatives.

(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 unchanged. 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 and the Bank as at the 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 Bank 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 and the Bank's profit after tax and its equity with an immediate up and down +/-100 basis points ('bps') parallel shift in the interest rate.

	The Group		The Bank	
	Impact on profit after tax RM'000	Impact on equity RM'000	Impact on profit after tax RM'000	Impact on equity RM'000
30.06.2017				
+100 bps	<u>18,855</u>	<u>(25,652)</u>	<u>18,855</u>	<u>(25,652)</u>
-100 bps	<u>(18,855)</u>	<u>25,652</u>	<u>(18,855)</u>	<u>25,652</u>

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

43 Financial instruments (continued)

(b) Market risk (continued)

(i) Interest rate sensitivity analysis (continued)

The following table shows the sensitivity of the Group's and the Bank's profit after tax and its equity with an immediate up and down +/-100 basis points ('bps') parallel shift in the interest rate.

	The Group		The Bank	
	Impact on profit after tax RM'000	Impact on equity RM'000	Impact on profit after tax RM'000	Impact on equity RM'000
30.06.2016				
+100 bps	1,916	(19,665)	1,916	(19,665)
-100 bps	(1,916)	19,665	(1,916)	19,665

(ii) Foreign currency sensitivity analysis

The foreign currency sensitivity represents the affect of the appreciation or depreciation of the foreign currency rates against Ringgit Malaysia on the consolidated currency position, while other variables remain constant.

Impact on profit after tax

	30.06.2017		30.06.2016	
	+1% RM'000	-1% RM'000	+1% RM'000	-1% RM'000
The Group and the Bank				
USD	(21)	21	(19)	19
SGD	2	(2)	(1)	1
Others	(2)	2	(10)	10
	<u>(21)</u>	<u>21</u>	<u>(30)</u>	<u>30</u>

(iii) Equity prices sensitivity analysis

The Group and the Bank's exposure to equity securities price risk arises from investments held by the Group and classified in the statements of financial position as financial assets held-for-trading and financial investments available-for-sale.

The Group and the Bank do not have significant exposure to equity price risks.

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

43 Financial instruments (continued)

(b) Market risk (continued)

Interest rate risk

The tables below summarise the Group's and the Bank's exposure to interest rate risks. Included in the tables are the Group's and the Bank'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 Bank may be exposed to loss in earnings due to the effects of interest rates on the structure of the statements 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 30.06.2017	← Non-trading book →					Non-interest rate sensitive RM'000	Trading book RM'000	Total RM'000
	Up to 1 month RM'000	1 – 3 months RM'000	3 to 12 months RM'000	1 – 5 years RM'000	Over 5 years RM'000			
Assets								
Cash and short-term funds	102,046	-	-	-	-	104,693	-	206,739
Clients' and brokers' balances	-	-	-	-	-	267,774	-	267,774
Securities purchased under resale agreements	-	-	35,000	-	-	123	-	35,123
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	-
Financial assets at fair value through profit or loss	-	-	-	-	-	-	1,080,680	1,080,680
Financial investments available-for-sale	-	26,935	102,857	521,514	311,850	9,993	-	973,149
Financial investments held-to-maturity	-	50,047	84,125	454,092	310,500	10,451	-	909,215
Loans and advances	211,293	-	14,674	10,960	64	(399)	-	236,592
Derivative financial assets	-	-	-	-	-	-	19,916	19,916
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	58,100	-	58,100
Other assets	-	-	-	-	-	46,663	-	46,663
Total assets	313,339	76,982	236,656	986,566	622,414	497,398	1,100,596	3,833,951

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

43 Financial instruments (continued)

(b) Market risk (continued)

Interest rate risk (continued)

The Group 30.06.2017	Non-trading book					Non-interest rate sensitive RM'000	Trading book RM'000	Total RM'000
	Up to 1 month RM'000	1 – 3 months RM'000	3 to 12 months RM'000	1 – 5 years RM'000	Over 5 years RM'000			
Liabilities								
Clients' and brokers' balances	-	-	-	-	-	220,494	-	220,494
Deposits from customers	534,215	106,964	6,101	-	-	1,587	-	648,867
Deposits and placements of banks and other financial institutions	1,905,269	308,695	31,002	-	-	2,767	-	2,247,733
Obligations on securities sold under repurchase agreements	-	149,111	-	-	-	-	-	149,111
Other liabilities	-	-	-	-	-	95,599	-	95,599
Derivative financial liabilities	-	-	-	-	-	-	47,959	47,959
Subordinated obligations	-	-	-	-	49,870	392	-	50,262
Total liabilities	2,439,484	564,770	37,103	-	49,870	320,839	47,959	3,460,025
Net interest sensitivity gap	(2,126,145)	(487,788)	199,553	986,566	572,544			
Direct credit substitutes	-	-	-	-	-	1,000		
Credit related commitments and contingencies	-	-	-	-	-	802,000		
Net interest sensitivity gap	-	-	-	-	-	803,000		

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

43 Financial instruments (continued)

(b) Market risk (continued)

Interest rate risk (continued)

The Group 30.06.2016	Non-trading book					Non-interest rate sensitive RM'000	Trading book RM'000	Total RM'000
	Up to 1 month RM'000	1 – 3 months RM'000	3 to 12 months RM'000	1 – 5 years RM'000	Over 5 years RM'000			
Assets								
Cash and short-term funds	163,345	-	-	-	-	67,091	-	230,436
Clients' and brokers' balances	-	-	-	-	-	192,239	-	192,239
Deposits and placements with banks and other financial institutions	-	40,315	-	-	-	44	-	40,359
Financial assets at fair value through profit or loss	-	-	-	-	-	-	1,416,719	1,416,719
Financial investments available-for-sale	-	-	210,792	490,655	155,392	8,274	-	865,113
Financial investments held-to-maturity	-	-	28,509	291,404	201,883	6,304	-	528,100
Loans and advances	288,578	20,000	-	64,336	71	(823)	-	372,162
Derivative financial assets	-	-	-	-	-	-	42,694	42,694
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	32,400	-	32,400
Other assets	-	-	-	-	-	43,311	-	43,311
Total assets	451,923	60,315	239,301	846,395	357,346	348,840	1,459,413	3,763,533

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

43 Financial instruments (continued)

(b) Market risk (continued)

Interest rate risk (continued)

The Group 30.06.2016	Non-trading book					Non-interest rate sensitive RM'000	Trading book RM'000	Total RM'000
	Up to 1 month RM'000	1 – 3 months RM'000	3 to 12 months RM'000	1 – 5 years RM'000	Over 5 years RM'000			
Liabilities								
Clients' and brokers' balances	-	-	-	-	-	241,167	-	241,167
Deposits from customers	969,039	11,880	50,018	-	-	992	-	1,031,929
Deposits and placements of banks and other financial institutions	1,633,229	226,325	43,702	-	-	1,514	-	1,904,770
Other liabilities	-	-	-	-	-	93,264	-	93,264
Derivative financial liabilities	-	-	-	-	-	-	80,685	80,685
Subordinated obligations	-	-	-	-	49,840	407	-	50,247
Total liabilities	2,602,268	238,205	93,720	-	49,840	337,344	80,685	3,402,062
Net interest sensitivity gap	(2,150,345)	(177,890)	145,581	846,395	307,506			
Direct credit substitutes	-	-	-	-	-	1,000		
Credit related commitments and contingencies	-	-	-	-	-	689,534		
Net interest sensitivity gap	-	-	-	-	-	690,534		

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

43 Financial instruments (continued)

(b) Market risk (continued)

Interest rate risk (continued)

	← Non-trading book →					Non-interest rate sensitive RM'000	Trading book RM'000	Total RM'000
	Up to 1 month RM'000	1 – 3 months RM'000	3 to 12 months RM'000	1 – 5 years RM'000	Over 5 years RM'000			
The Bank								
30.06.2017								
Assets								
Cash and short-term funds	102,046	-	-	-	-	104,623	-	206,669
Clients' and brokers' balances	-	-	-	-	-	267,774	-	267,774
Securities purchased under resale agreements	-	-	35,000	-	-	123	-	35,123
Financial assets at fair value through profit or loss	-	-	-	-	-	-	1,080,680	1,080,680
Financial investments available-for-sale	-	26,935	102,857	521,514	311,850	9,759	-	972,915
Financial investments held-to-maturity	-	50,047	84,125	454,092	310,500	10,451	-	909,215
Loans and advances	211,293	-	14,674	10,960	64	(399)	-	236,592
Derivative financial assets	-	-	-	-	-	-	19,916	19,916
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	58,100	-	58,100
Other assets	-	-	-	-	-	46,663	-	46,663
Total assets	313,339	76,982	236,656	986,566	622,414	497,094	1,100,596	3,833,647

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

43 Financial instruments (continued)

(b) Market risk (continued)

Interest rate risk (continued)

The Bank 30.06.2017	Non-trading book					Non-interest rate sensitive RM'000	Trading book RM'000	Total RM'000
	Up to 1 month RM'000	1 – 3 months RM'000	3 to 12 months RM'000	1 – 5 years RM'000	Over 5 years RM'000			
Liabilities								
Clients' and brokers' balances	-	-	-	-	-	220,494	-	220,494
Deposits from customers	534,215	106,964	6,101	-	-	1,587	-	648,867
Deposits and placements of banks and other financial institutions	1,905,269	308,695	31,002	-	-	2,767	-	2,247,733
Obligations on securities sold under repurchase agreements	-	149,111	-	-	-	-	-	149,111
Other liabilities	-	-	-	-	-	95,678	-	95,678
Derivative financial liabilities	-	-	-	-	-	-	47,959	47,959
Subordinated obligations	-	-	-	-	49,870	392	-	50,262
Total liabilities	2,439,484	564,770	37,103	-	49,870	320,918	47,959	3,460,104
Net interest sensitivity gap	(2,126,145)	(487,788)	199,553	986,566	572,544			
Direct credit substitutes	-	-	-	-	-	1,000		
Credit related commitments and contingencies	-	-	-	-	-	802,000		
Net interest sensitivity gap	-	-	-	-	-	803,000		

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

43 Financial instruments (continued)

(b) Market risk (continued)

Interest rate risk (continued)

The Bank 30.06.2016	Non-trading book					Non-interest rate sensitive RM'000	Trading book RM'000	Total RM'000
	Up to 1 month RM'000	1 – 3 months RM'000	3 to 12 months RM'000	1 – 5 years RM'000	Over 5 years RM'000			
Assets								
Cash and short-term funds	163,345	-	-	-	-	65,349	-	228,694
Clients' and brokers' balances	-	-	-	-	-	192,239	-	192,239
Deposits and placements with banks and other financial institutions	-	40,315	-	-	-	44	-	40,359
Financial assets at fair value through profit or loss	-	-	-	-	-	-	1,416,719	1,416,719
Financial investments available-for-sale	-	-	210,792	490,655	155,392	7,922	-	864,761
Financial investments held-to-maturity	-	-	28,509	291,404	201,883	6,304	-	528,100
Loans and advances	288,578	20,000	-	64,336	71	(823)	-	372,162
Derivative financial assets	-	-	-	-	-	-	42,694	42,694
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	32,400	-	32,400
Other assets	-	-	-	-	-	43,312	-	43,312
Total assets	451,923	60,315	239,301	846,395	357,346	346,747	1,459,413	3,761,440

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

43 Financial instruments (continued)

(b) Market risk (continued)

Interest rate risk (continued)

The Bank 30.06.2016	Non-trading book					Non-interest rate sensitive RM'000	Trading book RM'000	Total RM'000
	Up to 1 month RM'000	1 – 3 months RM'000	3 to 12 months RM'000	1 – 5 years RM'000	Over 5 years RM'000			
Liabilities								
Clients' and brokers' balances	-	-	-	-	-	241,167	-	241,167
Deposits from customers	969,039	11,880	50,018	-	-	992	-	1,031,929
Deposits and placements of banks and other financial institutions	1,633,229	226,325	43,702	-	-	1,514	-	1,904,770
Other liabilities	-	-	-	-	-	91,803	-	91,803
Derivative financial liabilities	-	-	-	-	-	-	80,685	80,685
Subordinated obligations	-	-	-	-	49,840	407	-	50,247
Total liabilities	2,602,268	238,205	93,720	-	49,840	335,883	80,685	3,400,601
Net interest sensitivity gap	(2,150,345)	(177,890)	145,581	846,395	307,506			
Direct credit substitutes	-	-	-	-	-	1,000		
Credit related commitments and contingencies	-	-	-	-	-	689,534		
Net interest sensitivity gap	-	-	-	-	-	690,534		

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

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 Bank to meet its contractual or regulatory obligations when they fall due without incurring substantial losses. Liquidity obligations arise from withdrawals of deposits, repayments of purchased funds at maturity, extensions of credit and working capital needs. The Group and the Bank 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 30.06.2017	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	206,739	-	-	-	-	-	-	206,739
Clients' and brokers' balances	267,774	-	-	-	-	-	-	267,774
Securities purchased under resale agreements	-	-	-	35,123	-	-	-	35,123
Financial assets at fair value through profit or loss	12	300,652	430,692	100,253	-	229,492	19,579	1,080,680
Financial investments available-for-sale	-	-	27,185	90,184	13,075	842,226	479	973,149
Financial investments held-to-maturity	-	-	50,636	-	84,810	773,769	-	909,215
Loans and advances	210,894	-	-	14,674	-	11,024	-	236,592
Derivative financial assets	484	2,798	2,005	746	351	13,532	-	19,916
Other assets *	20	-	-	-	47,999	-	186,806	234,825
Total assets	685,923	303,450	510,518	240,980	146,235	1,870,043	206,864	3,964,013

* Includes statutory deposits with Bank Negara Malaysia, deferred tax assets, property and equipment, intangible assets and goodwill.

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

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	Up to	1 week to	1 to 3	3 to 6	6 to 12	Over 1	No specific	Total
30.06.2017	1 week	1 month	months	months	months	year	maturity	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Liabilities								
Clients' and brokers' balances	220,494	-	-	-	-	-	-	220,494
Deposits from customers	161,700	373,224	107,741	-	6,202	-	-	648,867
Deposits and placements of banks and other financial institutions	1,390,079	516,633	309,833	22,532	8,656	-	-	2,247,733
Obligations on securities sold under repurchase agreements	-	-	149,111	-	-	-	-	149,111
Other liabilities	14,268	-	-	-	81,129	202	-	95,599
Derivative financial liabilities	1,489	2,439	3,694	16,545	328	23,464	-	47,959
Subordinated obligations	-	-	-	-	-	50,262	-	50,262
Total liabilities	1,788,030	892,296	570,379	39,077	96,315	73,928	-	3,460,025
Total equity	-	-	-	-	-	-	503,988	503,988
Total liabilities and equity	1,788,030	892,296	570,379	39,077	96,315	73,928	503,988	3,964,013

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

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	Up to	1 week to	1 to 3	3 to 6	6 to 12	Over 1	No specific	Total
30.06.2016	1 week	1 month	months	months	months	year	maturity	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets								
Cash and short-term funds	190,121	40,315	-	-	-	-	-	230,436
Clients' and brokers' balances	192,239	-	-	-	-	-	-	192,239
Deposits and placements with banks and other financial institutions	-	-	40,359	-	-	-	-	40,359
Financial assets at fair value through profit or loss	50,550	511,833	200,906	-	-	638,840	14,590	1,416,719
Financial investments available-for-sale	-	-	-	30,240	182,432	651,844	597	865,113
Financial investments held-to-maturity	-	-	-	-	28,636	499,464	-	528,100
Loans and advances	287,755	-	20,000	-	-	64,407	-	372,162
Derivative financial assets	706	5,679	12,277	2,942	569	20,521	-	42,694
Other assets *	331	-	-	-	45,081	-	164,479	209,891
Total assets	721,702	557,827	273,542	33,182	256,718	1,875,076	179,666	3,897,713

* Includes statutory deposits with Bank Negara Malaysia, deferred tax assets, property and equipment, intangible assets and goodwill.

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

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	Up to	1 week to	1 to 3	3 to 6	6 to 12	Over 1	No specific	Total
30.06.2016	1 week	1 month	months	months	months	year	maturity	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Liabilities								
Clients' and brokers' balances	241,167	-	-	-	-	-	-	241,167
Deposits from customers	122,253	847,587	11,926	49,110	1,053	-	-	1,031,929
Deposits and placements of banks and other financial institutions	965,367	668,883	226,744	41,754	2,022	-	-	1,904,770
Other liabilities	14,282	-	-	-	78,785	197	-	93,264
Derivative financial liabilities	4,546	9,526	6,147	10,520	2,517	47,429	-	80,685
Subordinated obligations	-	-	-	-	-	50,247	-	50,247
Total liabilities	1,347,615	1,525,996	244,817	101,384	84,377	97,873	-	3,402,062
Total equity	-	-	-	-	-	-	495,651	495,651
Total liabilities and equity	1,347,615	1,525,996	244,817	101,384	84,377	97,873	495,651	3,897,713

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

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 Bank	Up to	1 week to	1 to 3	3 to 6	6 to 12	Over 1	No specific	Total
30.06.2017	1 week	1 month	months	months	months	year	maturity	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets								
Cash and short-term funds	206,669	-	-	-	-	-	-	206,669
Clients' and brokers' balances	267,774	-	-	-	-	-	-	267,774
Securities purchased under resale agreements	-	-	-	35,123	-	-	-	35,123
Financial assets at fair value through profit or loss	12	300,652	430,692	100,253	-	229,492	19,579	1,080,680
Financial investments available-for-sale	-	-	27,185	90,184	13,075	842,226	245	972,915
Financial investments held-to-maturity	-	-	50,636	-	84,810	773,769	-	909,215
Loans and advances	210,894	-	-	14,674	-	11,024	-	236,592
Derivative financial assets	484	2,798	2,005	746	351	13,532	-	19,916
Other assets *	20	-	-	-	47,999	-	187,005	235,024
Total assets	685,853	303,450	510,518	240,980	146,235	1,870,043	206,829	3,963,908

* Includes statutory deposits with Bank Negara Malaysia, deferred tax assets, investment in subsidiary companies, property and equipment, other intangible assets and goodwill.

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

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 Bank 30.06.2017	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	220,494	-	-	-	-	-	-	220,494
Deposits from customers	161,700	373,224	107,741	-	6,202	-	-	648,867
Deposits and placements of banks and other financial institutions	1,390,079	516,633	309,833	22,532	8,656	-	-	2,247,733
Obligations on securities sold under repurchase agreements	-	-	149,111	-	-	-	-	149,111
Other liabilities	14,268	-	-	-	81,208	202	-	95,678
Derivative financial liabilities	1,489	2,439	3,694	16,545	328	23,464	-	47,959
Subordinated obligations	-	-	-	-	-	50,262	-	50,262
Total liabilities	1,788,030	892,296	570,379	39,077	96,394	73,928	-	3,460,104
Total equity	-	-	-	-	-	-	503,804	503,804
Total liabilities and equity	1,788,030	892,296	570,379	39,077	96,394	73,928	503,804	3,963,908

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

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 Bank 30.06.2016	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	188,379	40,315	-	-	-	-	-	228,694
Clients' and brokers' balances	192,239	-	-	-	-	-	-	192,239
Deposits and placements with banks and other financial institutions	-	-	40,359	-	-	-	-	40,359
Financial assets at fair value through profit or loss	50,550	511,833	200,906	-	-	638,840	14,590	1,416,719
Financial investments available-for-sale	-	-	-	30,240	182,432	651,844	245	864,761
Financial investments held-to-maturity	-	-	-	-	28,636	499,464	-	528,100
Loans and advances	287,755	-	20,000	-	-	64,407	-	372,162
Derivative financial assets	706	5,679	12,277	2,942	569	20,521	-	42,694
Other assets *	331	-	-	-	45,076	-	164,840	210,247
Total assets	719,960	557,827	273,542	33,182	256,713	1,875,076	179,675	3,895,975

* Includes statutory deposits with Bank Negara Malaysia, deferred tax assets, investment in subsidiary companies, property and equipment, intangible assets and goodwill.

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

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 Bank 30.06.2016	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	241,167	-	-	-	-	-	-	241,167
Deposits from customers	122,253	847,587	11,926	49,110	1,053	-	-	1,031,929
Deposits and placements of banks and other financial institutions	965,367	668,883	226,744	41,754	2,022	-	-	1,904,770
Other liabilities	14,282	-	-	-	77,324	197	-	91,803
Derivative financial liabilities	4,546	9,526	6,147	10,520	2,517	47,429	-	80,685
Subordinated obligations	-	-	-	-	-	50,247	-	50,247
Total liabilities	1,347,615	1,525,996	244,817	101,384	82,916	97,873	-	3,400,601
Total equity	-	-	-	-	-	-	495,374	495,374
Total liabilities and equity	1,347,615	1,525,996	244,817	101,384	82,916	97,873	495,374	3,895,975

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

43 Financial instruments (continued)

(c) Liquidity risk (continued)

The following table shows 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 30.06.2017	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	220,494	-	-	-	-	-	220,494
Deposits from customers	535,347	108,314	6,328	-	-	-	649,989
Deposits and placements of banks and other financial institutions	1,907,952	333,727	8,855	-	-	-	2,250,534
Obligations on securities sold under repurchase agreements	-	149,780	-	-	-	-	149,780
Other liabilities	14,268	-	81,129	-	-	202	95,599
Derivative financial liabilities							
- gross settled derivatives							
- inflow	(958,944)	(570,185)	(85,885)	-	-	-	(1,615,014)
- outflow	959,397	571,687	86,790	-	-	-	1,617,874
- net settled derivatives	(234)	(1,009)	(549)	(3,379)	(6,035)	169	(11,037)
Subordinated obligations	-	1,336	1,314	5,307	5,300	56,636	69,893
Total financial liabilities	2,678,280	593,650	97,982	1,928	(735)	57,007	3,428,112

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

43 Financial instruments (continued)

(c) Liquidity risk (continued)

The following table shows 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 30.06.2016	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	241,167	-	-	-	-	-	241,167
Deposits from customers	970,871	61,288	1,074	-	-	-	1,033,233
Deposits and placements of banks and other financial institutions	1,635,266	270,215	2,048	-	-	-	1,907,529
Other liabilities	14,281	-	78,786	-	-	197	93,264
Derivative financial liabilities							
- gross settled derivatives							
- inflow	(1,522,694)	(764,461)	(80,508)	-	-	-	(2,367,663)
- outflow	1,530,500	769,155	81,060	-	-	-	2,380,715
- net settled derivatives	(201)	1,732	899	6,732	3,002	(555)	11,609
Subordinated obligations	-	1,350	1,315	5,300	5,307	59,286	72,558
Total financial liabilities	2,869,190	339,279	84,674	12,032	8,309	58,928	3,372,412

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

43 Financial instruments (continued)

(c) Liquidity risk (continued)

The following table shows 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 Bank 30.06.2017	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	220,494	-	-	-	-	-	220,494
Deposits from customers	535,347	108,314	6,328	-	-	-	649,989
Deposits and placements of banks and other financial institutions	1,907,952	333,727	8,855	-	-	-	2,250,534
Obligations on securities sold under repurchase agreements	-	149,780	-	-	-	-	149,780
Other liabilities	14,268	-	81,208	-	-	202	95,678
Derivative financial liabilities							
- gross settled derivatives							
- inflow	(958,944)	(570,185)	(85,885)	-	-	-	(1,615,014)
- outflow	959,397	571,687	86,790	-	-	-	1,617,874
- net settled derivatives	(234)	(1,009)	(549)	(3,379)	(6,035)	169	(11,037)
Subordinated obligations	-	1,336	1,314	5,307	5,300	56,636	69,893
Total financial liabilities	2,678,280	593,650	98,061	1,928	(735)	57,007	3,428,191

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

43 Financial instruments (continued)

(c) Liquidity risk (continued)

The following table shows 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 Bank 30.06.2016	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	241,167	-	-	-	-	-	241,167
Deposits from customers	970,871	61,288	1,074	-	-	-	1,033,233
Deposits and placements of banks and other financial institutions	1,635,266	270,215	2,048	-	-	-	1,907,529
Other liabilities	14,281	-	77,325	-	-	197	91,803
Derivative financial liabilities							
- gross settled derivatives							
- inflow	(1,522,694)	(764,461)	(80,508)	-	-	-	(2,367,663)
- outflow	1,530,500	769,155	81,060	-	-	-	2,380,715
- net settled derivatives	(201)	1,732	899	6,732	3,002	(555)	11,609
Subordinated obligations	-	1,350	1,315	5,300	5,307	59,286	72,558
Total financial liabilities	2,869,190	339,279	83,213	12,032	8,309	58,928	3,370,951

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

43 Financial instruments (continued)

(c) Liquidity risk (continued)

The following table presents the contractual expiry by maturity of the Group's and the Bank's commitments and contingencies:

The Group and Bank

	Less than 1 year RM'000	Over 1 year RM'000	Total RM'000
30.06.2017			
Direct credit substitutes	1,000	-	1,000
Obligations under underwriting agreement	130,000	-	130,000
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	10,352	-	10,352
Other commitments, such as formal standby facilities and credit lines	326	-	326
Any commitment that are unconditionally cancelled at anytime by the bank without prior notice	661,322	-	661,322
	803,000	-	803,000
30.06.2016			
Direct credit substitutes	1,000	-	1,000
Other commitments, such as formal standby facilities and credit lines	2,165	589	2,754
Any commitment that are unconditionally cancelled at anytime by the bank without prior notice	686,780	-	686,780
	689,945	589	690,534

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

43 Financial instruments (continued)

(d) Credit risk

(i) Maximum exposure to credit risk

The maximum exposure to credit risk at the statements of financial position is the amounts on the statements 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 Bank 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 Bank:

	The Group		The Bank	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
	RM'000	RM'000	RM'000	RM'000
Credit risk exposure relating to on-balance sheet assets:				
Short-term funds (exclude cash in hand)	206,727	230,424	206,657	228,682
Clients' and brokers' balances	267,774	192,239	267,774	192,239
Securities purchased under resale agreements	35,123	-	35,123	-
Deposits and placements with banks and other financial institutions	-	40,359	-	40,359
Financial assets and investments portfolios (exclude shares and unit trust investment)				
- financial assets at fair value through profit or loss	1,061,100	1,402,129	1,061,100	1,402,129
- financial investments available-for-sale	972,670	864,516	972,670	864,516
- financial investments held-to-maturity	909,215	528,100	909,215	528,100
Loans and advances	236,592	372,162	236,592	372,162
Other assets	46,663	43,311	46,663	43,312
Derivative financial assets	19,916	42,694	19,916	42,694
	3,755,780	3,715,934	3,755,710	3,714,193
Credit risk exposure relating to off-balance sheet assets:				
Commitments and contingencies	803,000	690,534	803,000	690,534
Total maximum credit risk exposure	4,558,780	4,406,468	4,558,710	4,404,727

The Group and the Bank 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.

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

43 Financial instruments (continued)

(d) Credit risk (continued)

(ii) Collaterals

The main type of collaterals obtained by the Group and the Bank 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 and the Bank 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 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 2017 for the Group and the Bank is 100% (30 June 2016: 100%). The financial effect of collateral held for the other financial assets is not significant.

(iii) Credit quality

(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 refer 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.

Loans and advances are summarised as follows:

	30.06.2017	30.06.2016
	RM'000	RM'000
The Group and the Bank		
Neither past due nor impaired	225,466	372,602
Past due but not impaired	-	-
Individually impaired	11,576	574
Gross loans and advances	237,042	373,176
Less: allowance for impaired loans, advances and financing		
- individual assessment allowance	(110)	(100)
- collective assessment allowance	(340)	(914)
Total net loans and advances	236,592	372,162

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

43 Financial instruments (continued)

(d) Credit risk (continued)

(iii) Credit quality (continued)

(a) Loans and advances (continued)

(i) Loans and advances neither past due nor impaired

Analysis of loans and advances that are neither past due nor impaired based on the Group's and the Bank's credit grading system is as follows:

The Group and the Bank	30.06.2017	30.06.2016
	RM'000	RM'000
Grading classification		
- Good	14,695	38,178
- Satisfactory	-	46,349
- Un-graded	210,771	288,075
Total neither past due nor impaired	<u>225,466</u>	<u>372,602</u>

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 was no loans and advances past due but not impaired for the Group and the Bank.

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

43 Financial instruments (continued)

(d) Credit risk (continued)

(iii) Credit quality (continued)

(a) Loans and advances (continued)

(iii) Loans and advances that are individually determined to be impaired as at reporting date are as follows:

The Group and the Bank	30.06.2017	30.06.2016
	RM'000	RM'000
Gross amount of individually impaired loans	11,576	574
Less: Individual assessment allowance	(110)	(100)
Total net amount individually impaired loans	<u>11,466</u>	<u>474</u>

(b) 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 below:

- AAA to AA3
- A1 to A3
- Baa1 to Baa3
- P1 to P3

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements for the financial year ended 30 June 2017 (continued)

43 Financial instruments (continued)

(d) Credit risk (continued)

(iii) Credit quality (continued)

- (b) 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	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Clients' and brokers' balances RM'000	Financial assets at fair value through profit or loss RM'000	Financial investments available-for- sale RM'000	Financial investments held-to- maturity RM'000	Other assets RM'000	Derivative financial assets RM'000
<u>30.06.2017</u>								
Neither past due nor impaired	206,727	35,123	266,955	1,061,100	972,670	909,215	46,663	19,916
Individually impaired	-	-	1,264	-	-	-	1,015	-
Less: Impairment losses	-	-	(445)	-	-	-	(1,015)	-
	206,727	35,123	267,774	1,061,100	972,670	909,215	46,663	19,916
<u>30.06.2016</u>								
Neither past due nor impaired	270,783	-	191,148	1,402,129	864,516	528,100	43,311	42,694
Individually impaired	-	-	1,390	-	-	-	28	-
Less: Impairment losses	-	-	(299)	-	-	-	(28)	-
	270,783	-	192,239	1,402,129	864,516	528,100	43,311	42,694

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements for the financial year ended 30 June 2017 (continued)

43 Financial instruments (continued)

(d) Credit risk (continued)

(iii) Credit quality (continued)

(b) 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 derivatives financial assets are summarised as follows:- (continued)

The Bank	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Clients' and brokers' balances RM'000	Financial assets at fair value through profit or loss RM'000	Financial investments available-for- sale RM'000	Financial investments held-to- maturity RM'000	Other assets RM'000	Derivative financial assets RM'000
<u>30.06.2017</u>								
Neither past due nor impaired	206,657	35,123	266,955	1,061,100	972,670	909,215	46,663	19,916
Individually impaired	-	-	1,264	-	-	-	1,015	-
Less: Impairment losses	-	-	(445)	-	-	-	(1,015)	-
	206,657	35,123	267,774	1,061,100	972,670	909,215	46,663	19,916
<u>30.06.2016</u>								
Neither past due nor impaired	269,041	-	191,148	1,402,129	864,516	528,100	43,312	42,694
Individually impaired	-	-	1,390	-	-	-	28	-
Less: Impairment losses	-	-	(299)	-	-	-	(28)	-
	269,041	-	192,239	1,402,129	864,516	528,100	43,312	42,694

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements for the financial year ended 30 June 2017 (continued)

43 Financial instruments (continued)

(d) Credit risk (continued)

(iii) Credit quality (continued)

- (b) 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 derivatives financial assets are summarised as follows:- (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	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Clients' and brokers' balances RM'000	Financial assets at fair value through profit or loss RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Other assets RM'000	Derivative financial assets RM'000
30.06.2017								
AAA to AA3	-	-	-	667,248	551,033	10,094	-	17,567
A1 to A3	-	-	-	240,558	39,234	67,463	-	1,205
Baa1 to Baa3	-	-	-	-	35,598	26,294	-	172
B1	-	-	-	-	-	-	-	-
P1 to P3	206,652	-	-	-	-	-	19,785	-
Non-rated, of which:								
- Bank Negara Malaysia	75	-	-	-	-	-	-	-
- Malaysia Government Investment Issues	-	-	-	30,561	60,896	518,643	-	-
- Malaysian Government Securities	-	-	-	-	30,378	211,031	-	-
- Government guaranteed corporate bond and/or sukuk	-	-	-	122,721	200,769	75,690	-	-
- Others	-	35,123	267,774	12	54,762	-	26,878	972
	75	35,123	267,774	153,294	346,805	805,364	26,878	972
	206,727	35,123	267,774	1,061,100	972,670	909,215	46,663	19,916

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements for the financial year ended 30 June 2017 (continued)

43 Financial instruments (continued)

(d) Credit risk (continued)

(iii) Credit quality (continued)

- (b) 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 derivatives financial assets are summarised as follows:- (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	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Clients' and brokers' balances RM'000	Financial assets at fair value through profit or loss RM'000	Financial investments available-for- sale RM'000	Financial investments held-to- maturity RM'000	Other assets RM'000	Derivative financial assets RM'000
30.06.2016							
AAA to AA3	-	-	813,817	541,895	10,096	-	40,690
A1 to A3	-	-	180,910	95,891	63,902	-	733
Baa1 to Baa3	-	-	21,058	72,863	61,553	-	-
B1	-	-	-	-	-	-	-
P1 to P3	270,765	-	-	-	-	22,680	-
Non-rated, of which:							
- Bank Negara Malaysia	18	-	-	-	-	-	-
- Malaysia Government Investment Issues	-	-	-	30,889	266,162	-	-
- Malaysian Government Securities	-	-	-	30,606	81,194	-	-
- Government guaranteed corporate bond and/or sukuk	-	-	386,309	33,775	45,193	-	-
- Others	-	192,239	35	58,597	-	20,631	1,271
	18	192,239	386,344	153,867	392,549	20,631	1,271
	270,783	192,239	1,402,129	864,516	528,100	43,311	42,694

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements for the financial year ended 30 June 2017 (continued)

43 Financial instruments (continued)

(d) Credit risk (continued)

(iii) Credit quality (continued)

- (b) 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 derivatives financial assets are summarised as follows:- (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 Bank	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Clients' and brokers' balances RM'000	Financial assets at fair value through profit or loss RM'000	Financial investments available-for- sale RM'000	Financial investments held-to- maturity RM'000	Other assets RM'000	Derivative financial assets RM'000
30.06.2017								
AAA to AA3	-	-	-	667,248	551,033	10,094	-	17,567
A1 to A3	-	-	-	240,558	39,234	67,463	-	1,205
Baa1 to Baa3	-	-	-	-	35,598	26,294	-	172
B1	-	-	-	-	-	-	-	-
P1 to P3	206,582	-	-	-	-	-	19,785	-
Non-rated, of which:								
- Bank Negara Malaysia	75	-	-	-	-	-	-	-
- Malaysia Government Investment Issues	-	-	-	30,561	60,896	518,643	-	-
- Malaysian Government Securities	-	-	-	-	30,378	211,031	-	-
- Government guaranteed corporate bond and/or sukuk	-	-	-	122,721	200,769	75,690	-	-
- Others	-	35,123	267,774	12	54,762	-	26,878	972
	75	35,123	267,774	153,294	346,805	805,364	26,878	972
	206,657	35,123	267,774	1,061,100	972,670	909,215	46,663	19,916

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements for the financial year ended 30 June 2017 (continued)

43 Financial instruments (continued)

(d) Credit risk (continued)

(iii) Credit quality (continued)

- (b) 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 derivatives financial assets are summarised as follows:- (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 Bank	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Clients' and brokers' balances RM'000	Financial	Financial	Financial	Other assets RM'000	Derivative financial assets RM'000
			assets at fair value through profit or loss RM'000	investments available-for- sale RM'000	investments held-to- maturity RM'000		
30.06.2016							
AAA to AA3	-	-	813,817	541,895	10,096	-	40,690
A1 to A3	-	-	180,910	95,891	63,902	-	733
Baa1 to Baa3	-	-	21,058	72,863	61,553	-	-
B1	-	-	-	-	-	-	-
P1 to P3	269,023	-	-	-	-	22,680	-
Non-rated, of which:							
- Bank Negara Malaysia	18	-	-	-	-	-	-
- Malaysia Government Investment Issues	-	-	-	30,889	266,162	-	-
- Malaysian Government Securities	-	-	-	30,606	81,194	-	-
- Government guaranteed corporate bond and/or sukuk	-	-	386,309	33,775	45,193	-	-
- Others	-	192,239	35	58,597	-	20,632	1,271
	18	192,239	386,344	153,867	392,549	20,632	1,271
	269,041	192,239	1,402,129	864,516	528,100	43,312	42,694

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

43 Financial instruments (continued)

(d) Credit risk (continued)

(iv) Collateral and other credit enhancements obtained

(a) Repossessed collateral

As and when required, the Group and the Bank 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. There is no repossessed collateral as at the reporting date.

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

43 Financial instruments (continued)

(d) Credit risk (continued)

Credit risk exposure analysed by industry in respect of the Group's and the Bank's financial assets, including off-balance financial instruments are set out below:

The Group 30.06.2017	Short-term funds and deposits and placements with financial institutions RM'000	Securities purchased under resale agreements RM'000	Clients' and brokers' balances RM'000	Financial assets at fair value through profit or loss RM'000	Financial investments available-for- sale RM'000	Financial investments held-to- maturity 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
Manufacturing	-	-	-	-	-	-	-	476	-	476	-
Electricity, gas and water	-	-	-	20,328	118,918	-	-	471	-	139,717	-
Construction	-	35,123	-	-	112,531	-	14,667	13,744	-	176,065	1,326
Wholesale and retail	-	-	-	-	-	-	-	-	-	-	-
Transport, storage and communications	-	-	-	50,799	20,268	-	-	-	-	71,067	-
Finance, insurance, real estate and business services	206,652	-	-	944,194	518,587	179,541	-	1,325	19,916	1,870,215	10,352
Government and government agencies	75	-	-	45,779	141,757	729,674	-	-	-	917,285	-
Education, health and services	-	-	-	-	-	-	-	35	-	35	130,000
Purchase of securities	-	-	267,774	-	-	-	210,622	-	-	478,396	661,322
Others	-	-	-	-	60,609	-	11,303	30,612	-	102,524	-
	206,727	35,123	267,774	1,061,100	972,670	909,215	236,592	46,663	19,916	3,755,780	803,000

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

43 Financial instruments (continued)

(d) Credit risk (continued)

Credit risk exposure analysed by industry in respect of the Group's and the Bank's financial assets, including off-balance financial instruments are set out below: (continued)

The Group 30.06.2016	Short-term funds and deposits and placements with financial institutions	Clients' and brokers' balances	Financial assets at fair value through profit or loss	Financial investments available-for- sale	Financial investments held-to- maturity	Loans and advances	Other assets	Derivative financial assets	On-balance sheet total	Credit related commitments and contingencies
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Manufacturing	-	-	-	-	-	18,068	604	-	18,672	-
Electricity, gas and water	-	-	35,652	72,301	-	-	32	-	107,985	-
Construction	-	-	77,485	142,228	-	-	4,296	-	224,009	1,000
Wholesale and retail	-	-	-	83,758	-	-	555	-	84,313	-
Transport, storage and communications	-	-	-	-	-	-	-	-	-	-
Finance, insurance, real estate and business services	-	-	-	-	-	-	-	-	-	-
	270,765	-	1,082,774	408,186	172,585	52,021	2,082	42,694	2,031,107	2,754
Government and government agencies	-	-	-	-	-	-	-	-	-	-
	18	-	-	61,495	347,356	-	-	-	408,869	-
Education, health and services	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	35	-	35	-
Purchase of securities	-	192,239	-	-	-	287,888	-	-	480,127	686,780
Others	-	-	-	81,439	8,159	14,185	35,707	-	139,490	-
	270,783	192,239	1,402,129	864,516	528,100	372,162	43,311	42,694	3,715,934	690,534

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

43 Financial instruments (continued)

(d) Credit risk (continued)

Credit risk exposure analysed by industry in respect of the Group's and the Bank's financial assets, including off-balance financial instruments are set out below: (continued)

The Bank 30.06.2017	Short-term funds and deposits and placements with financial institutions RM'000	Securities purchased under resale agreements RM'000	Clients' and brokers' balances RM'000	Financial assets at fair value through profit or loss RM'000	Financial investments available-for- sale RM'000	Financial investments held-to- maturity 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
Manufacturing	-	-	-	-	-	-	-	476	-	476	-
Electricity, gas and water	-	-	-	20,328	118,918	-	-	471	-	139,717	-
Construction	-	35,123	-	-	112,531	-	14,667	13,744	-	176,065	1,326
Transport, storage and communications	-	-	-	50,799	20,268	-	-	-	-	71,067	-
Finance, insurance, real estate and business services	206,582	-	-	944,194	518,587	179,541	-	1,325	19,916	1,870,145	10,352
Government and government agencies	75	-	-	45,779	141,757	729,674	-	-	-	917,285	-
Education, health and services	-	-	-	-	-	-	-	35	-	35	130,000
Purchase of securities	-	-	267,774	-	-	-	210,622	-	-	478,396	661,322
Others	-	-	-	-	60,609	-	11,303	30,612	-	102,524	-
	206,657	35,123	267,774	1,061,100	972,670	909,215	236,592	46,663	19,916	3,755,710	803,000

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

43 Financial instruments (continued)

(d) Credit risk (continued)

Credit risk exposure analysed by industry in respect of the Group's and the Bank's financial assets, including off-balance financial instruments are set out below: (continued)

The Bank 30.06.2016	Short-term funds and deposits and placements with financial institutions	Clients' and brokers' balances	Financial assets at fair value through profit or loss	Financial investments available-for- sale	Financial investments held-to- maturity	Loans and advances	Other assets	Derivative financial assets	On-balance sheet total	Credit related commitments and contingencies
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Manufacturing	-	-	-	-	-	18,068	604	-	18,672	-
Electricity, gas and water	-	-	35,652	72,301	-	-	32	-	107,985	-
Construction	-	-	77,485	142,228	-	-	4,296	-	224,009	1,000
Wholesale and retail	-	-	-	83,758	-	-	555	-	84,313	-
Transport, storage and communications	-	-	206,218	15,109	-	-	-	-	221,327	-
Finance, insurance, real estate and business services	269,023	-	1,082,774	408,186	172,585	52,021	2,082	42,694	2,029,365	2,754
Government and government agencies	18	-	-	61,495	347,356	-	-	-	408,869	-
Education, health and services	-	-	-	-	-	-	35	-	35	-
Purchase of securities	-	192,239	-	-	-	287,888	-	-	480,127	686,780
Others	-	-	-	81,439	8,159	14,185	35,708	-	139,491	-
	269,041	192,239	1,402,129	864,516	528,100	372,162	43,312	42,694	3,714,193	690,534

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

43 Financial instruments (continued)

(e) Fair value measurement

The Group and the Bank 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 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 and the Bank'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 and the Bank'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 Bank 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 2016 - Nil).

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

43 Financial instruments (continued)

(e) Fair value measurement (continued)

- (i) The table below summarises the fair value hierarchy of the Group's and the Bank's financial assets and liabilities measured at fair values.

The Group 30.06.2017	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Financial assets at fair value through profit or loss	19,501	1,061,179	-	1,080,680
- money market instruments	-	862,157	-	862,157
- quoted securities	19,501	79	-	19,580
- unquoted securities	-	198,943	-	198,943
Financial investments available-for-sale	234	972,670	245	973,149
- money market instruments	-	156,716	-	156,716
- quoted securities	234	-	-	234
- unquoted securities	-	815,954	245	816,199
Derivative financial assets	-	19,916	-	19,916
	19,735	2,053,765	245	2,073,745
Financial liability				
Derivative financial liabilities	-	47,959	-	47,959
30.06.2016				
Financial assets				
Financial assets at fair value through profit or loss	14,450	1,402,269	-	1,416,719
- money market instruments	-	763,252	-	763,252
- quoted securities	14,450	140	-	14,590
- unquoted securities	-	638,877	-	638,877
Financial investments available-for-sale	352	864,516	245	865,113
- money market instruments	-	76,589	-	76,589
- quoted securities	352	-	-	352
- unquoted securities	-	787,927	245	788,172
Derivative financial assets	-	42,694	-	42,694
	14,802	2,309,479	245	2,324,526
Financial liability				
Derivative financial liabilities	-	80,685	-	80,685

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

43 Financial instruments (continued)

(e) Fair value measurement (continued)

- (i) The table below summarises the fair value hierarchy of the Group's and the Bank's financial assets and liabilities measured at fair values. (continued)

The Bank 30.06.2017	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Financial assets at fair value through profit or loss	19,501	1,061,179	-	1,080,680
- money market instruments	-	862,157	-	862,157
- quoted securities	19,501	79	-	19,580
- unquoted securities	-	198,943	-	198,943
Financial investments available-for-sale	-	972,670	245	972,915
- money market instruments	-	156,716	-	156,716
- unquoted securities	-	815,954	245	816,199
Derivative financial assets	-	19,916	-	19,916
	<u>19,501</u>	<u>2,053,765</u>	<u>245</u>	<u>2,073,511</u>
Financial liability				
Derivative financial liabilities	-	47,959	-	47,959
30.06.2016				
Financial assets				
Financial assets at fair value through profit or loss	14,450	1,402,269	-	1,416,719
- money market instruments	-	763,252	-	763,252
- quoted securities	14,450	140	-	14,590
- unquoted securities	-	638,877	-	638,877
Financial investments available-for-sale	-	864,516	245	864,761
- money market instruments	-	76,589	-	76,589
- unquoted securities	-	787,927	245	788,172
Derivative financial assets	-	42,694	-	42,694
	<u>14,450</u>	<u>2,309,479</u>	<u>245</u>	<u>2,324,174</u>
Financial liability				
Derivative financial liabilities	-	80,685	-	80,685

There were no transfers between Level 1 and 2 during the financial year.

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

43 Financial instruments (continued)

(e) Fair value measurement (continued)

Reconciliation of fair value measurement in Level 3 of the fair value hierarchy are as follows:

The Group and the Bank

	30.06.2017 RM'000	30.06.2016 RM'000
Financial investments available-for-sale		
As at 1 July/30 June	<u>245</u>	<u>245</u>

- (ii) The table below summarises the carrying amount and analyses the fair value within the fair value hierarchy of the Group's and the Bank's assets and liabilities not measured at fair value at reporting date but for which fair value is disclosed:

The Group and the Bank 30.06.2017	Carrying amount RM'000	Fair value			Total RM'000
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
Financial assets					
Financial investments					
held-to-maturity					
- money market instruments	729,674	-	732,870	-	732,870
- unquoted securities	179,541	-	179,776	-	179,776
	<u>909,215</u>	<u>-</u>	<u>912,646</u>	<u>-</u>	<u>912,646</u>
Financial liabilities					
Deposits from customers	648,867	-	648,871	-	648,871
Deposits and placements of banks and other financial institutions	2,247,733	-	2,247,750	-	2,247,750
Subordinated obligations	50,262	-	50,444	-	50,444
	<u>2,946,862</u>	<u>-</u>	<u>2,947,065</u>	<u>-</u>	<u>2,947,065</u>
30.06.2016					
Financial assets					
Financial investments					
held-to-maturity					
- money market instruments	347,355	-	351,388	-	351,388
- unquoted securities	180,745	-	182,079	-	182,079
	<u>528,100</u>	<u>-</u>	<u>533,467</u>	<u>-</u>	<u>533,467</u>
Financial liabilities					
Deposits from customers	1,031,929	-	1,031,931	-	1,031,931
Deposits and placements of banks and other financial institutions	1,904,770	-	1,904,778	-	1,904,778
Subordinated obligations	50,247	-	50,754	-	50,754
	<u>2,986,946</u>	<u>-</u>	<u>2,987,463</u>	<u>-</u>	<u>2,987,463</u>

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

43 Financial instruments (continued)

(e) Fair value measurement (continued)

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 Bank approximates the total carrying amount.

The fair values are based on the following methodologies and assumptions:

Short-term funds and placements with banks and 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 held-to-maturity

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.

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 individual assessment allowance, being the expected recoverable amount.

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.

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.

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements for the financial year ended 30 June 2017 (continued)

43 Financial instruments (continued)

(e) Fair value measurement (continued)

The fair values are based on the following methodologies and assumptions: (continued)

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.

Subordinated obligations

The fair value of subordinated obligations are based on quoted market prices where available.

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 statements of financial position 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 statements of financial position; 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 statements of financial position netting.

The table identifies the amounts that have been offset in the statements of financial position 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.

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

44 Offsetting financial assets and financial liabilities (continued)

The Group and the Bank	Effects of offsetting on the statements of financial position			Related amounts not offset		
	Gross Amount RM'000	Amounts Offset RM'000	Net amount reported on statements of financial position RM'000	Financial instruments RM'000	Financial collateral RM'000	Net Amount RM'000
30.06.2017						
Financial assets						
Clients' and brokers' balances	501,624	(233,850)	267,774	-	-	267,774
Derivative financial assets	19,916	-	19,916	(10,759)	(770)	8,387
Securities purchased under resale agreements	35,123	-	35,123	(35,441)	-	(318)
Total assets	556,663	(233,850)	322,813	(46,200)	(770)	275,843
Financial liabilities						
Clients' and brokers' balances	454,344	(233,850)	220,494	-	-	220,494
Derivative financial liabilities	47,959	-	47,959	(10,759)	(19,785)	17,415
Obligations on securities sold under repurchase agreements	149,111	-	149,111	(149,421)	-	(310)
Total liabilities	651,414	(233,850)	417,564	(160,180)	(19,785)	237,599
30.06.2016						
Financial assets						
Clients' and brokers' balances	435,412	(243,173)	192,239	-	-	192,239
Derivative financial assets	42,694	-	42,694	(18,942)	(640)	23,112
Total assets	478,106	(243,173)	234,933	(18,942)	(640)	215,351
Financial liabilities						
Clients' and brokers' balances	484,340	(243,173)	241,167	-	-	241,167
Derivative financial liabilities	80,685	-	80,685	(18,942)	(22,680)	39,063
Total liabilities	565,025	(243,173)	321,852	(18,942)	(22,680)	280,230

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

44 Offsetting financial assets and financial liabilities (continued)

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.

45 Equity compensation benefit

Executive Share Option Scheme ("ESOS" or "Scheme")

The Executive Share Option Scheme ("ESOS") of up to fifteen percent (15%) of the issued and paid-up ordinary share capital of the Bank's immediate holding company, HLCB which was approved by the shareholders of HLCB 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:

	The Group and The Bank			
	30.06.2017		30.06.2016	
	Number of trust shares held '000	Market value RM'000	Number of trust shares held '000	Market value RM'000
As at end of the financial year	105	79	105	140

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Notes to the financial statements

for the financial year ended 30 June 2017 (continued)

46 Significant events during the financial year

Member's voluntary winding-up

- (i) HLG Nominee (Asing) Sdn Bhd, a wholly-owned subsidiary of HLIB was dissolved on 15 October 2016.
- (ii) HLG Nominee (Tempatan) Sdn Bhd, a wholly-owned subsidiary of HLIB was dissolved on 7 December 2016.

47 Significant events subsequent to the financial year

There were no significant events subsequent to the financial year that require disclosure or adjustments to the financial statements.

48 Approval of financial statements

The financial statements were authorised for issue by the Board of Directors of the Bank in accordance with a resolution of the Directors on 18 September 2017.

Hong Leong Investment Bank Berhad

Company no: 10209-W

(Incorporated in Malaysia)

Statement by Directors pursuant to Section 251(2) of the Companies Act 2016

We, Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman and Tan Kong Khoon, being two of the Directors of Hong Leong Investment Bank Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 25 to 142 are drawn up so as to give a true and fair view of the financial position of the Group and of the Bank as at 30 June 2017 and the financial performance of the Group and the Bank for the financial year ended 30 June 2017, 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 18 September 2017.

Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman
Director



Tan Kong Khoon
Director



Kuala Lumpur
18 September 2017

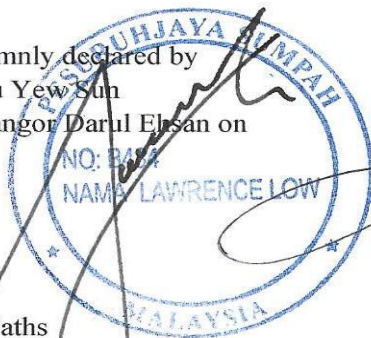
Statutory declaration pursuant to Section 251(1) of the Companies Act 2016

I, Lau Yew Sun, the Officer primarily responsible for the financial management of Hong Leong Investment Bank Berhad, do solemnly and sincerely declare that the financial statements set out on pages 25 to 142 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by
the abovenamed Lau Yew Sun
Petaling Jaya in Selangor Darul Ehsan on
18 September 2017

Before me,

Commissioner for Oaths



71A, JALAN SS 21/1A,
DAMANSARA UTAMA,
47400 PETALING JAYA,
SELANGOR DARUL EHSAN
TEL: 03-77269760



INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF HONG LEONG INVESTMENT BANK BERHAD
(Incorporated in Malaysia)
(Company No: 10209-W)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Hong Leong Investment Bank Berhad (“the Bank”) and its subsidiaries (“the Group”) give a true and fair view of the financial position of the Group and of the Bank as at 30 June 2017, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Bank, which comprise the statements of financial position as at 30 June 2017 of the Group and of the Bank, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 25 to 142.

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

*PricewaterhouseCoopers (AF 1146), Chartered Accountants,
Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my*



INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF HONG LEONG INVESTMENT BANK BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Company No: 10209-W)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Independence and other ethical responsibilities

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

Information other than the financial statements and auditors' report thereon

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

Our opinion on the financial statements of the Group and of the Bank 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 Bank, 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 Bank or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Responsibilities of the Directors for the financial statements

The Directors of the Bank are responsible for the preparation of the financial statements of the Group and of the Bank 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 Bank that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Bank, the Directors are responsible for assessing the Group's and the Bank'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 Bank or to cease operations, or have no realistic alternative but to do so.



INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF HONG LEONG INVESTMENT BANK BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Company No: 10209-W)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Bank 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 Bank, 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 Bank's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or Bank'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 Bank 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 Bank to cease to continue as a going concern.



INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF HONG LEONG INVESTMENT BANK BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Company No: 10209-W)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Bank, including the disclosures, and whether the financial statements of the Group and of the Bank 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.

OTHER MATTERS

This report is made solely to the member of the Bank, 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
(No. AF: 1146)
Chartered Accountants

NG YEE LING
03032/01/2019 J
Chartered Accountant

Kuala Lumpur
18 September 2017