

CORPORATE INFORMATION





DIRECTORS

YBhg Tan Sri Quek Leng Chan
(Chairman)

Mr Choong Yee How
(President & Chief Executive Officer)

Mr Quek Kon Sean
(Executive Director)

**YBhg Tan Sri Dato' Seri Khalid
Ahmad bin Sulaiman**

YBhg Datuk Yvonne Chia

Ms Lim Tau Kien

Ms Lim Lean See

Mr Saw Kok Wei

GROUP COMPANY SECRETARY

Ms Christine Moh Suat Moi
MAICSA 7005095

AUDITORS

Messrs PricewaterhouseCoopers
Chartered Accountants
Level 10, 1 Sentral
Jalan Travers
Kuala Lumpur Sentral
50706 Kuala Lumpur
Tel : 03-2173 1188
Fax : 03-2173 1288

REGISTRAR

**Hong Leong Share Registration
Services Sdn Bhd**
Level 5, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur
Tel : 03-2164 1818
Fax : 03-2164 3703

REGISTERED OFFICE

Level 8, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur
Tel : 03-2164 8228
Fax : 03-2164 2503

WEBSITE

www.hlfg.com.my

BOARD OF DIRECTORS' PROFILE

"Hong Leong Financial Group Berhad has over the years grown in strength and size through sound and focused business strategies aided by strong management and financial disciplines."

■ YBHG TAN SRI QUEK LENG CHAN

*Chairman/Non-Executive/
Non-Independent*

Aged 69, YBhg Tan Sri Quek Leng Chan, a Malaysian, qualified as a Barrister-at-Law from Middle Temple, United Kingdom. He has extensive business experience in various business sectors, including financial services, manufacturing and real estate.

YBhg Tan Sri Quek is the Chairman of Hong Leong Financial Group Berhad ("HLFG") and was appointed to the Board of Directors ("Board") of HLFG on 6 September 1968. He is a member of the Remuneration Committee ("RC") and Nominating Committee ("NC") of HLFG.

He is the Chairman & Chief Executive Officer of Hong Leong Company (Malaysia) Berhad, a public company; Executive Chairman of GuocoLand (Malaysia) Berhad; Chairman of Hong Leong Bank Berhad ("HLB") and Hong Leong Capital Berhad ("HLCB"), companies listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"); and Chairman of Hong Leong Assurance Berhad ("HLA"), Hong Leong Islamic Bank Berhad ("HLISB") and Hong Leong Foundation; and a member of the Board of Trustees of the Community Chest, all public companies.

BOARD OF DIRECTORS' PROFILE

(continued)

■ MR CHOONG YEE HOW

*President & Chief Executive
Officer/Non-Independent*

Aged 56, Mr Choong Yee How, a Malaysian, obtained a Bachelor of Science in Biochemistry (Honours) degree in 1979 and a Master of Business Administration in 1981 from the University of Otago, New Zealand. Mr Choong has over 28 years of experience in banking, of which 23 were with Citibank in Malaysia. Mr Choong started his career with Citibank Malaysia as a Management Associate and was promoted to assume various senior positions within the Citibank Group; the last being President and Chief Executive Officer of Citibank Savings Inc, Philippines. Mr Choong is currently the President & Chief Executive Officer of HLFGB.

Mr Choong was appointed to the Board of HLFGB on 1 December 2005.

Mr Choong is also a Director of HLB and HLCB, both companies listed on the Main Market of Bursa Securities and HLA, HLISB, Hong Leong MSIG Takaful Berhad and Hong Leong Investment Bank Berhad ("HLIB"), all public companies.

■ MR QUEK KON SEAN

*Executive Director/
Non-Independent*

Aged 32, Mr Quek Kon Sean, a Malaysian, obtained a Bachelor of Science and Master of Science degree in Economics from the London School of Economics and Political Science. In 2002, he joined Goldman Sachs International, London as an Analyst in the Investment Banking Division and in 2003 he joined HSBC, London in Debt Capital Markets. Mr Quek is currently the Executive Director of HLFGB. Prior to joining HLFGB, Mr Quek was a Management Executive of HL Management Co Sdn Bhd.

Mr Quek was appointed to the Board of HLFGB on 1 December 2005.

Mr Quek is also a Director of HLB and HLCB, both companies listed on the Main Market of Bursa Securities and HLA, a public company.

■ YBHG TAN SRI DATO' SERI KHALID AHMAD BIN SULAIMAN

*Non-Executive Director/
Independent*

Aged 76, YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman, a Malaysian, was educated in England and was called to the English Bar at Middle Temple in 1964. He is a Consultant in a legal firm in Penang in which he was a Senior Partner from 1969 till June 2008. He is the Chairman of the Advocates and Solicitors Disciplinary Board. He was in the Penang State Executive Council from 1974 to 1982 and has served on various statutory boards.

YBhg Tan Sri Khalid was appointed to the Board of HLFGB on 1 July 1982. YBhg Tan Sri Khalid is also the Chairman of the Board Audit and Risk Management Committee ("BARMC"), RC and NC of HLFGB.

YBhg Tan Sri Khalid is also a Director of HLCB, a company listed on the Main Market of Bursa Securities, and HLIB, a public company.

BOARD OF DIRECTORS' PROFILE

(continued)

■ YBHG DATUK YVONNE CHIA

*Non-Executive Director/
Non-Independent*

Aged 59, YBhg Datuk Yvonne Chia, a Malaysian, an Economics graduate, has more than 26 years experience in the financial services industry, having held leading positions in foreign and local institutions. She started her career in Bank of America and held various roles in Asia. In 1996, she joined RHB Bank Berhad ("RHB") as CEO and under her helm, she brought RHB from 6th to 3rd largest bank in Malaysia. YBhg Datuk Chia was appointed an Executive Director of HLB on 17 March 2003. She was re-designated as Group Managing Director/Chief Executive of HLB on 10 November 2003 and had led the growth of HLB to be the 4th largest bank in Malaysia in May 2011.

YBhg Datuk Chia is also a Certified Risk Professional (CRP). In 2005, she was appointed to the Wharton Fellows, and in 2008, CNBC nominated her as a finalist in the Asia Business Leaders Awards.

YBhg Datuk Chia was appointed to the Board of HLFG on 9 January 2004.

YBhg Datuk Chia is the Group Managing Director/Chief Executive of HLB, a company listed on the Main Market of Bursa Securities. She is also a Director of HLISB, a public company and Chairman of Asean Finance Corporation Limited.

■ MS LIM TAU KIEN

*Non-Executive Director/
Independent*

Aged 56, Ms Lim Tau Kien, a Malaysian, graduated with a Bachelor of Accountancy from the University of Glasgow Faculty of Law and is a Chartered Accountant registered with the Institute of Chartered Accountants of Scotland.

Ms Lim forged her early career with Ernst & Young, United Kingdom, before joining the Ministry of Finance and Prime Minister's Department as a Federal Accountant. She subsequently moved to Shell where she held various senior financial positions over a period of 25 years, her last position being the Country Chief Financial Officer/ Finance Director of Shell China.

Ms Lim was appointed to the Board of HLFG on 8 April 2010 and is a member of the Board BARMC and NC of HLFG.

■ MS LIM LEAN SEE

*Non-Executive Director/
Independent*

Aged 59, Ms Lim Lean See, a Malaysian, holds an Associateship in Accounting and an Associateship in Secretarial and Administrative Practice both from the Curtin University, Australia. Her professional qualifications include being a Fellow of the Australian Society of Certified Practising Accountants, Registered Accountant with the Malaysian Institute of Accountants, a Trade Member of Financial Planning Association of Malaysia and a member of the Institut Bank-Bank Malaysia.

Ms Lim has 33 years experience in the banking industry and has held various senior positions including the Head of Corporate Banking and Head of Business Banking Division, the last being the Chief Representative of a foreign bank Representative Office with the corporate rank of an Executive Director.

Ms Lim was appointed to the Board of HLFG on 22 August 2011 and she is a member of the NC and RC of HLFG.

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

BOARD OF DIRECTORS' PROFILE

(continued)

■ MR SAW KOK WEI

*Non-Executive Director/
Independent*

Aged 49, Mr Saw Kok Wei, a Malaysian, holds a B.Sc (Hons) in Accounting and Finance degree from the University of Warwick, United Kingdom. Mr Saw has been with Electrolux Major Appliances – Asia Pacific for eight years since 2004 and is currently the Deputy Head of Strategy, Asia Pacific, based in Singapore. Prior to his current position, Mr Saw was the Chief Financial Officer of Electrolux China, based in Shanghai from 2008 to June 2011 where he was responsible for the finance, IT, legal and supply chain functions. From 2007 to 2008, he was the General Manager of P.T. Electrolux Indonesia, where he was the head of Electrolux's Indonesia sales company and before that from 2004 to 2006, he was the Vice President, Finance & Administration – East Asia.

Before joining Electrolux, Mr Saw was with Merck Sharp & Dohme (I.A.) Corp from 2001 to 2003 and Nike Southeast Asia from 1999 to 2001, where he held the position of Finance Director in both companies.

Mr Saw was appointed to the Board of HLFGB on 22 August 2011 and is a member of the BARMC and NC of HLFGB.

Notes:

1. **Family Relationship with Director and/or Major Shareholder**
YBhg Tan Sri Quek Leng Chan and Mr Quek Leng Chye, a deemed major shareholder of HLFGB, are brothers. YBhg Tan Sri Quek Leng Chan is the father of Mr Quek Kon Sean. Save as disclosed herein, none of the Directors has any family relationship with any other Director and/or major shareholder of HLFGB.
2. **Conflict of Interest**
None of the Directors has any conflict of interest with HLFGB.
3. **Conviction of Offences**
None of the Directors has been convicted of any offences in the past 10 years.
4. **Attendance of Directors**
Details of Board meeting attendance of each Director are disclosed in the Statement on Corporate Governance and Internal Control in the Annual Report.

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT

CONSTITUTION

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

COMPOSITION

YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman
(Chairman, Independent Non-Executive Director)

Ms Lim Tau Kien
(Independent Non-Executive Director)

Mr Saw Kok Wei
(Independent Non-Executive Director)

SECRETARY

The Secretary to the BARMC is the Group Company Secretary.

TERMS OF REFERENCE

- To nominate and recommend for the approval of the Board of Directors ("Board"), a person or persons as external auditor(s).
- To review the external audit fees.
- To review, with the external auditors, the audit scope and plan.
- To review, with the external auditors, the audit report and audit findings and the management's response thereto.
- To review the assistance given by the officers of HLFG and its subsidiaries ("the Group") to the external auditors.
- To review the quarterly reports and annual financial statements of the Company and of the Group prior to the approval by the Board.
- To review the adequacy of the internal audit scope and plan, functions, competency and resources of the internal audit functions.
- To review the report and findings of the internal audit department including any findings of internal investigation and the management's response thereto.
- To review the adequacy and integrity of internal control systems, including risk management and management information system.
- To review and monitor the business and financial risks facing the Group and to ensure that all high impact risks are adequately managed at various levels within the Group.
- To review any related party transactions that might arise within the Company or the Group.
- Other 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 Group within its Terms of Reference. It is authorised to seek any information it requires from any Director or member of management and all employees are directed to co-operate with any request made by the BARMC.

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

MEETINGS

The BARMC meets at least four (4) times a year and additional meetings may be called at any time as and when necessary. All meetings to review the quarterly reports and annual financial statements are held prior to such quarterly reports and annual financial statements being presented to the Board for approval.

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT

(continued)

MEETINGS (continued)

The chief financial officer, Group risk and compliance officers and external auditors are invited to attend the BARMC meetings, whenever required. At least twice a year, the BARMC will have separate sessions with the external auditors without the presence of Executive Directors and management.

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.

ACTIVITIES

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

During the financial year ended 30 June 2012 ("FYE 2012"), four (4) BARMC meetings were held and the attendance of the BARMC members was as follows:-

Members	Attendance
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman	4/4
Ms Lim Tau Kien	4/4
* Mr Saw Kok Wei	3/3
^ Dr Poh Soon Sim	2/2

Notes:

* Appointed on 22 August 2011

^ Retired on 25 November 2011

The BARMC also had two (2) separate sessions with the external auditors without the presence of executive directors and management.

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

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 processes put in place to identify, evaluate and manage the significant risks encountered by the Group.

The BARMC reviewed and verified that the allocation and vesting of the conditional incentive share options granted to the option holders pursuant to the Executive Share Option Scheme of the Company were in accordance with the performance criteria as approved by the Board.

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

INTERNAL AUDIT

The Group's Internal Audit function is carried out by the Group Internal Audit Division.

During the FYE 2012, the Group Internal Audit Division carried out its duties covering business audit, system and financial audit.

The cost incurred for the Internal Audit function in respect of the FYE 2012 was RM12.1 million.

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

CORPORATE GOVERNANCE & INTERNAL CONTROL

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

~ Finance Committee on Corporate Governance

The Board of Directors (“Board”) has reviewed the manner in which the Malaysian Code on Corporate Governance (“the Code”) is applied in the Group as set out below. The Board is pleased to report compliance of the Group with the Best Practices set out in Part 2 of the Code except where otherwise stated.

A. DIRECTORS

I The Board

The Board assumes responsibility for effective stewardship and control of the Company and has established terms of reference to assist in the discharge of this responsibility.

The role and responsibilities of the Board broadly cover formulation of corporate policies and strategies; overseeing and evaluating the conduct of the Group’s businesses; identifying principal risks and ensuring the implementation of appropriate systems to manage these 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 Bank Negara Malaysia (“BNM”) as specified in guidelines and circulars issued by BNM from time to time.

The Board observes the Company Directors’ Code of Ethics established by the Companies Commission of Malaysia.

II Board Balance

The Board comprises eight (8) directors, six (6) of whom are non-executive. Of the non-executive directors, four (4) are independent. The profiles of the members of the Board are provided in the Annual Report.

The Board is of the view that the current Board composition fairly reflects the investment of shareholders in the Company.

The Chairman ensures the smooth functioning of the Board. The President & Chief Executive Officer (“CEO”) is responsible for the vision and strategic direction of the Group as well as to monitor progress on implementation of Key Performance Areas (“KPIAs”) and strategic developments.

The CEO’s main responsibility is to work with the operating managers to develop strategic business plans and to set out the KPIAs for the operating managers as well as to focus on creating value through deployment of the assets in the Group and to seek optimal use of the capital resources available to him.

The Board has identified YBhg Tan Sri Dato’ Seri Khalid Ahmad bin Sulaiman, the Chairman of the Board Audit & Risk Management Committee (“BARMC”), as the Independent Non-Executive Director of the Board to whom concerns may be conveyed, and who would bring the same to the attention of the Board.

CORPORATE GOVERNANCE & INTERNAL CONTROL

(continued)

A. DIRECTORS (continued)

III Board Meetings

The Board met five (5) times during the financial year ended 30 June 2012 ("FYE 2012") with timely notices of issues to be discussed. Details of attendance of each director are as follows:-

Directors	Attendance
YBhg Tan Sri Quek Leng Chan	5/5
Mr Choong Yee How	5/5
Mr Quek Kon Sean	5/5
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman	5/5
YBhg Datuk Yvonne Chia	5/5
Ms Lim Tau Kien	5/5
#Ms Lim Lean See	4/4
#Mr Saw Kok Wei	4/4
*YBhg General Tan Sri (Dr) Mohamed Hashim bin Mohd Ali (Rtd)	1/1
^Dr Poh Soon Sim	2/2

Note:

Appointed on 22 August 2011

* Retired on 28 October 2011

^ Retired on 25 November 2011

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

IV Supply of Information

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

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

CORPORATE GOVERNANCE & INTERNAL CONTROL

(continued)

A. DIRECTORS (continued)

V Appointments to the Board

The Nominating Committee ("NC") was established on 30 October 2008 and the members are as follows:-

YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman
(Chairman, Independent Non-Executive Director)

YBhg Tan Sri Quek Leng Chan
(Non-Independent Non-Executive Director)

Ms Lim Tau Kien
(Independent Non-Executive Director)

Ms Lim Lean See
(Independent Non-Executive Director)

Mr Saw Kok Wei
(Independent Non-Executive Director)

The NC's functions and responsibilities are set out in the terms of reference as follows:-

- Recommend to the Board the minimum requirements for appointments to the Board, Board committees and for the position of Chief Executive Officer.
- Review and recommend to the Board all Board appointments and re-appointments and removals including of the Chief Executive Officer.
- Review annually the overall composition of the Board in terms of the appropriate size and skills, the balance between executive directors, non-executive and independent directors, and mix of skills and other core competencies required.
- Assess annually the effectiveness of the Board and key senior management officers as a whole and the contribution by each individual director to the effectiveness of the Board and various Board committees based on criteria approved by the Board.
- Oversee the appointment, management succession planning and performance evaluation of key senior management officers and recommend their removal if they are found ineffective, errant and negligent in discharging their responsibilities.
- Ensure that the Board receives an appropriate continuous training programme.

In connection with the appointment and re-appointment of Directors and Chief Executive Officers of the Company, the NC is guided by a Fit and Proper Policy.

The Fit and Proper Policy includes a policy in relation to the tenure for Independent Directors of the Company ("Tenure Policy"). Pursuant to the Tenure Policy, an independent director who had served on the board of directors of any company in Hong Leong Financial Group Berhad and/or its subsidiaries for a period of 12 years continuously or more shall submit a Letter of Intent to the NC informing of his intention to continue in office or to retire from the Board as an independent director, upon:-

- a) expiry of his term of office approved by BNM; or
- b) the due date for his retirement either by rotation pursuant to the Articles of Association of the Company or pursuant to Section 129(2) of the Companies Act, 1965 as the case may be.

CORPORATE GOVERNANCE & INTERNAL CONTROL

(continued)

A. DIRECTORS (continued)

V Appointments to the Board (continued)

If the intention of the independent director is to continue in office, the NC shall consider the re-appointment based on the assessment criteria and guidelines set out in the Fit & Proper Policy and make the appropriate recommendation to the Board. If the intention is to retire from office, an application shall be submitted to BNM to seek clearance, in accordance with the BNM Guidelines.

During the FYE 2012, two (2) NC meetings were held and the attendance of the NC members was as follows:-

Members	Attendance
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman	2/2
YBhg Tan Sri Quek Leng Chan	2/2
#Ms Lim Lean See	1/1
#Mr Saw Kok Wei	1/1
^YBhg General Tan Sri (Dr) Mohamed Hashim bin Mohd Ali (Rtd)	1/1
*Dr Poh Soon Sim	1/1

Note:

- # Appointed on 22 August 2011
- ^ Retired on 28 October 2011
- * Retired on 25 November 2011

Ms Lim Tau Kien was appointed to the NC on 22 August 2011 and there was one (1) NC meeting held on 9 December 2011 after the said appointment date. The NC had excused her from attending the NC meeting of 9 December 2011 in view that the only agenda of the meeting was her re-appointment as Independent Non-Executive Director, in which she is deemed interested.

The NC 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 NC 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.

VI Re-appointment and Re-election

All Directors are required to submit themselves for re-election every three years.

Pursuant to Section 129(6) of the Companies Act, 1965, directors who are over the age of seventy (70) years shall retire at every Annual General Meeting ("AGM") and may offer themselves for re-appointment as directors of the Company to hold office until the conclusion of the next AGM.

VII Training And Education

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

The Company is guided by a Directors' Training Policy, which covers an Induction Programme for newly appointed directors to assist them to familiarise and to get acquainted with the Company's business, governance process, roles and responsibilities as director of the Company and Continuing Professional Development which encompasses areas related to the industry or business of the Company, governance, risk management and regulations through a combination of briefings, courses and conferences.

CORPORATE GOVERNANCE & INTERNAL CONTROL

(continued)

A. DIRECTORS (continued)

VII Training And Education (continued)

As part of the training programme for its Directors, the Company has prepared for the use of its Directors, the Director Manual, and regularly organises in-house programmes and 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.

The Director Manual which is given to every director for their reference, highlights, amongst others, the major duties and responsibilities of a director vis-à-vis various laws, regulations and guidelines governing the same.

During the FYE 2012, the Directors received regular briefings and updates on the Group's businesses, operations, risk management, internal controls, corporate governance, finance and any new or changes to the companies and other relevant legislation, rules and regulations from in-house professionals. The Company also organised an in-house programmes for its directors and senior management.

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

During the FYE 2012, the Directors of the Company, collectively or on their own, attended the following training programmes, seminars, briefings and/or workshops:-

- BNM – Financial Institutions Directors' ("FIDE") Education Programme
- Optimising IFRS/MFRS Convergence
- An Overview of the Amendments to the Main Market Listing Requirements and Corporate Governance Development
- Corporate Governance updates
- Financial Reporting
- Bursa Malaysia – Role of Audit Committee in Assuring Audit Quality
- Bursa Malaysia – Corporate Governance Blueprint and Malaysian Code of Corporate Governance 2012
- BNM FIDE Forum 2012
- Risk Management Conference of Institute of Bankers in Malaysia ("IBBM"): After the Perfect Storm - The Future of Risk Management
- Connected Leadership and Creating Sustainable Value
- National Chamber of Commerce and Industry of Malaysia (NCCIM) – Malaysian-Vietnam Business Forum
- Wholesale Sales Convention
- Bursa Malaysia – Invest Malaysia-Hong Kong (Powering Global Excellence - change perspective)
- National Transformation Summit: Business Roundtable Discussion - Public-Private Partnership Transforming Malaysian Economy
- 2nd Annual Women in Leadership Forum Asia 2012
- 109 Financial Sector Talent Enrichment Programme (FSTEP)
- Young Corporate Malaysians CEO Series 39, Great Ladies at Work
- Asian Bankers – Dialogue Session with Dr Dick Kovacevich
- IBBM – The Asian-Pacific Association of Banking Institutes Conference on "Global Challenges, Local Opportunities"
- ICLIF Leadership Voices – Creating Cross-Boarder Champions
- Breakthrough Leadership Training Session
- Gallup Executive Roundtable Luncheon on Understanding Cross Selling
- Bursa Malaysia – Invest Malaysia KL 2012

CORPORATE GOVERNANCE & INTERNAL CONTROL

(continued)

B. DIRECTORS' REMUNERATION

I Level and make-up of remuneration

The Remuneration Committee ("RC") was established on 30 October 2008 and the members are as follows:-

YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman
(Chairman, Independent Non-Executive Director)

YBhg Tan Sri Quek Leng Chan
(Non-Independent Non-Executive Director)

Ms Lim Lean See
(Independent Non-Executive Director)

The RC's functions and responsibilities are set out in the terms of reference as follows:

- i) Recommend to the Board the framework governing the remuneration of the:
 - Directors;
 - Chief Executive Officer; and
 - key senior management officers.
- ii) Review and recommend to the Board the specific remuneration packages of executive directors and the Chief Executive Officer.
- iii) Review the remuneration package of key senior management officers.

During the FYE 2012, one (1) RC meeting was held and the attendance of the RC members was as follows:-

Members	Attendance
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman	1/1
YBhg Tan Sri Quek Leng Chan	1/1
#Ms Lim Lean See	1/1

Note:

Appointed on 22 August 2011

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.

For Non-Executive Directors, the level of remuneration reflects the level of responsibilities undertaken by them.

II Procedure

The RC in assessing and reviewing the remuneration packages of executive directors, ensures that a strong link is maintained between their rewards and individual performance, based on the provisions in the Group's Human Resources Manual, which are reviewed from time to time to align with market/industry practices.

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

CORPORATE GOVERNANCE & INTERNAL CONTROL

(continued)

B. DIRECTORS' REMUNERATION (continued)

III Disclosure

The aggregate remuneration of Directors (including Directors who were appointed or who retired during the financial year, and remuneration earned as directors of subsidiaries) for the FYE 2012 is as follows:

	Fees (RM)	Salaries & Other Emoluments (RM)	Total (RM)
Executive Directors	550,000	12,629,181	13,179,181
Non-Executive Directors	1,245,410	5,170,489	6,415,899

The number of directors whose remuneration (including directors who were appointed or who retired during the FYE 2012) falls into the following bands is as follows:

Range Of Remuneration (RM)	Executive	Non-Executive
1 – 50,000	-	2
50,001 – 100,000	-	1
100,001 – 150,000	-	1
300,001 – 350,000	-	1
350,001 – 400,000	-	1
450,001 – 500,000	-	1
3,250,001 – 3,300,000	1	-
4,950,001 – 5,000,000	-	1
9,900,001 – 9,950,000	1	-

C. SHAREHOLDERS

I Dialogue between Companies and Investors

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

The Company has a website at www.hlfg.com.my which the shareholders can access for corporate information, including announcements made to Bursa Malaysia Securities Berhad by the Company.

In addition, the Chief Financial Officer could provide shareholders and investors with a channel of communication in which they can provide feedback to the Group.

Queries may be conveyed to the Chief Financial Officer at:

Tel No : 03-2164 8228
 Fax No No : 03-2715 8988
 E-mail address : cfo-hlfg@hongleong.com.my

CORPORATE GOVERNANCE & INTERNAL CONTROL

(continued)

C. SHAREHOLDERS (continued)

II AGM

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

D. ACCOUNTABILITY AND AUDIT

The Board Audit Committee was established on 23 March 1994 and had been re-designated as the BARMC on 29 August 2001. The financial reporting and internal control system of the Group is overseen by the BARMC, which comprises three (3) Non-Executive Directors. The primary responsibilities of the BARMC are set out in the BARMC Report.

The BARMC met four (4) times during the FYE 2012. The attendance of the members are set out in the BARMC Report. The chief financial officer, head of internal audit, Group risk and compliance officers and the CEO may attend BARMC meetings, on the invitation of the BARMC, to provide information and clarification required on items on the agenda. Representatives of the external auditors are also invited to attend the BARMC meetings to present their audit scope and plan, audit report and findings together with management's response thereto, and to brief the BARMC members on significant audit and accounting areas which they noted in the course of their audit.

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

The BARMC is supported by the Group Internal Audit Division ("GIAD") and Group Integrated Risk Management & Compliance Division. GIAD's principal responsibility is to conduct periodic audits on the internal control matters to ensure compliance with systems and/or standard operating procedures of the Group. Investigation will be made at the request of the BARMC and senior management on specific areas of concern when necessary. Significant breaches and deficiencies identified are discussed at the BARMC meetings where appropriate actions will be taken.

I Financial reporting

The Board is responsible for ensuring the proper maintenance of accounting records of the Group. The Board receives the recommendation to adopt the financial statements from the BARMC, which assesses the 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.

Following the re-designation of the BARMC mentioned above, the BARMC is also entrusted with the responsibility of identifying and communicating to the Board critical risks the Group faces, changes to the Group's risk profile and management's action plans to manage the risks.

The Statement on Internal Control as detailed under Section E of this Statement provides an overview of the state of internal controls within the Group.

III Relationship with auditors

The appointment of external auditors is recommended by the BARMC, which determines the remuneration of the external auditors. The external auditors meet with the BARMC to:

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

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

CORPORATE GOVERNANCE & INTERNAL CONTROL

(continued)

E. STATEMENT ON INTERNAL CONTROL

I The responsibility of the Board

The Board of Directors recognises its responsibilities for the system of internal controls of the Group and for reviewing its adequacy and integrity. Accordingly, the Board has established and maintained a Risk Management Framework appropriate to the operations of the Group, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The controls built into the Risk Management Framework of the Group are designed to ensure that all relevant and significant risks are identified and managed as part of the risk management process and are not intended to eliminate all risks of failure to achieve business objectives. It only provides a reasonable and not absolute assurance against material misstatements, losses or frauds that may affect the Group's financial position or its operations.

II The Risk Management Framework

The Risk Management Framework established by the Board is to assist it in:

- identifying the significant risks faced by the Group in the operating environment, as well as evaluating the impact of such risks;
- developing and approving the necessary measures to manage these risks; and
- monitoring the effectiveness of such measures and to develop, approve and monitor any corrective actions as may be deemed necessary.

These processes have been in place throughout the FYE 2012 and have continued up to the date this statement was approved.

The Board has entrusted the BARMC with the responsibility to oversee the implementation of the Risk Management Framework of the Group.

The Group's Risk Officers administer the Risk Management Framework of the Group. The primary responsibilities of the Group's Risk Officers are:

- periodically evaluate all identified risks for their relevance in the operating environment and inclusion in the Risk Management Framework;
- oversee and monitor the implementation of appropriate systems and controls to manage these risks;
- assess the adequacy of existing action plans and control systems developed to manage these risks;
- monitor the performance of management in executing the action plans and operating the control systems; and
- regularly report to the BARMC on the state of internal controls and the efficacy of management of risks throughout the Group.

In discharging the above responsibilities, the Group's Risk Officers are guided by but are not limited to the Statement on Internal Control - Guidance for Directors of Public Listed Companies.

III Internal Control Review and Regulatory Compliance Procedures

The GIAD, under the direction of the BARMC, provides the BARMC and the Board the assurance it requires regarding the adequacy and integrity of the system of internal controls.

The GIAD undertakes periodic and systematic reviews of internal control systems and the review of compliance with the business objectives, policies, reporting standards and control procedures of the Group. This is to provide reasonable assurance to the Board on the proper functioning of the Risk Management Framework.

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

CORPORATE GOVERNANCE & INTERNAL CONTROL

(continued)

E. STATEMENT ON INTERNAL CONTROL (continued)

IV Management and Decision-Making Processes

The Board has incorporated the Risk Management Framework as an integral component in the management and decision-making process of the Group.

The vision and mission statements of the Group form the basis of medium-term business plans and budgets. The key strategies to achieve these business plans and budgets are approved by the Board. The management performs monthly review to monitor the performance of all operating units against the business plans and budgets. The budget is monitored and major variances are followed-up by the management. These are then reported to the Board on a quarterly basis.

The Company's financial system records business transactions to produce quarterly reports that allow management to focus on key areas of concern. The public release of quarterly financial reporting of the Group will only be made after being reviewed by the BARMC and approved by the Board.

The Group has a well-defined organisational structure with clearly defined authorities, accountability and segregation of duties. The respective heads of the operating subsidiaries of the Group operate their respective units within the policies, functional, financial and operating reporting standards and control procedures developed by the Group. Such reporting standards and control procedures are supplemented by operating procedures developed by the operating units to suit the regulatory and business environment, in which they operate.

The Group has identified the major risks that has significant impact on its operations, namely; credit risk, market risk, liquidity risk, settlement risk, operational risk, and legal and compliance risk. Each operating unit has a number of functional departments and/or units that will be responsible for managing and monitoring these risks through limits, procedures and oversight. Where feasible and necessary, relevant group resources are focused to manage and monitor common risks on an integrated and Group-wide basis, using common tools, procedures and control systems as appropriate.

F. DIRECTORS' RESPONSIBILITY IN FINANCIAL REPORTING

The Main Market Listing Requirements of Bursa Malaysia Securities Berhad requires the Directors to prepare financial statements for each financial year which give a true and fair view of the financial position of the Group and of the Company as at the end of financial year and of its financial performance and cash flow of the Group and of the Company for the financial year.

The Directors are satisfied that in preparing the financial statements of the Group and of the Company for the FYE 2012, the Group has used the appropriate accounting policies and applied them consistently. The Directors are also of the view that relevant approved accounting standards have been followed in the preparation of these financial statements.

This Statement on Corporate Governance and Internal Control is made in accordance with the resolution of the Board of Directors.

DIRECTORS' REPORT

for the financial year ended 30 June 2012

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2012.

PRINCIPAL ACTIVITIES

The principal activities of the Company are those of investment holding and provision of services to its subsidiaries to enhance group value.

The Hong Leong Financial Group (the Company and its subsidiaries) is a diversified financial group whose businesses provide a broad range of financial products and services to consumer, corporate and institutional customers.

The principal activities of the significant subsidiaries consist of commercial banking business, Islamic banking services, insurance and takaful business, investment banking, futures and stock broking and asset management business as disclosed in Note 11 to the financial statements.

There have been no significant changes in the principal activities of the Group during the financial year.

FINANCIAL RESULTS

	The Group	The Company
	RM'000	RM'000
Net profit after taxation and zakat:		
- Equity holders of the Company	1,154,766	145,116
- Non-controlling interests	571,905	-
	<u>1,726,671</u>	<u>145,116</u>

DIVIDENDS

The dividends on ordinary shares paid or declared by the Company since the previous financial year ended 30 June 2011 were as follows:

- A first interim single-tier dividend of 10 sen per share, amounting to RM104,049,738.10 in respect of the financial year ended 30 June 2012, was paid on 28 December 2011.
- A second interim single-tier dividend of 15 sen per share, amounting to RM156,456,807.15 in respect of the financial year ended 30 June 2012, was paid on 26 June 2012.

The Directors do not recommend the payment of any final dividend for the financial year ended 30 June 2012.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 53 to the financial statements.

SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR

Significant events subsequent to the statements of financial position date are disclosed in Note 54 to the financial statements.

DIRECTORS' REPORT

for the financial year ended 30 June 2012
(continued)

CREDIT RATING

On 12 September 2012, Malaysian Rating Corporation Berhad ("MARC") has affirmed a MARC-1/AA rating to Hong Leong Financial Group Berhad ("HLFG")'s proposed Commercial Paper and Medium Term Notes Programmes with a combined limit of RM1.8 billion. The rating outlook for the long-term rating is stable. The ratings are based on the continued ability of HLFG's enlarged banking subsidiary, Hong Leong Bank Berhad, to generate strong earnings, the stable financial and operating performance of its insurance business and the well-capitalised positions of both its banking and insurance subsidiaries.

Details of the ratings are as follows:

RM1,800 million Commercial Paper and Medium Term Notes Programmes

Date accorded	Rating Action	Rating Classification	Definition
September 2012	Affirmed	Short-term rating : MARC-1	Highest category; indicates a very high likelihood that interest and principal will be paid on a timely basis.
September 2012	Affirmed	Long-term rating : AA	Indicates a very strong ability to repay principal and pay interest on a timely basis, with limited incremental risk compared to issues rated in the highest category.

RESERVES AND PROVISIONS

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

DIRECTORS

The Directors who have held office since the date of the last report and at the date of this report are as follows:

YBhg Tan Sri Quek Leng Chan	<i>(Chairman, Non-Executive Non-Independent)</i>
Mr Choong Yee How	<i>(President & Chief Executive Officer, Non-Independent)</i>
Mr Quek Kon Sean	<i>(Executive Director, Non-Independent)</i>
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman	<i>(Independent Non-Executive Director)</i>
YBhg Datuk Yvonne Chia	<i>(Non-Independent Non-Executive Director)</i>
Ms Lim Tau Kien	<i>(Independent Non-Executive Director)</i>
Ms Lim Lean See	<i>(Independent Non-Executive Director)</i>
Mr Saw Kok Wei	<i>(Independent Non-Executive Director)</i>
YBhg General Tan Sri (Dr) Mohamed Hashim bin Mohd Ali (Rtd) <i>(Retired on 28 October 2011)</i>	<i>(Independent Non-Executive Director)</i>
Dr Poh Soon Sim <i>(Retired on 25 November 2011)</i>	<i>(Non-Independent Non-Executive Director)</i>

In accordance with Article 115 of the Company's Articles of Association, YBhg Datuk Yvonne Chia and Ms Lim Tau Kien retire by rotation from the Board and being eligible, offer themselves for re-election.

In accordance with Section 129 of the Companies Act, 1965, YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman shall retire at the forthcoming Annual General Meeting. YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman, being eligible, had offered himself for re-appointment.

DIRECTORS' REPORT

for the financial year ended 30 June 2012
(continued)

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings kept by the Company under Section 134 of the Companies Act, 1965, the Directors holding office at the end of the financial year who had beneficial interests in the ordinary shares and/or preference shares and/or convertible bonds and/or options over ordinary shares of the Company and/or its related corporations during the financial year are as follows:

Shareholdings in which Directors have direct interests Number of ordinary shares/preference shares/*shares issued or to be issued or acquired arising from the exercise of options/convertible bonds					
	Nominal value per share RM	As at 1.7.11	Acquired	Sold	As at 30.6.12
Interests of YBhg Tan Sri Quek Leng Chan in:					
Hong Leong Company (Malaysia) Berhad	1.00	390,000	-	-	390,000
Hong Leong Financial Group Berhad	1.00	4,989,600	-	-	4,989,600
Narra Industries Berhad	1.00	8,150,200	-	-	8,150,200
Guoco Group Limited	USD0.50	1,056,325	-	-	1,056,325
GuocoLand Limited	⁽¹⁾	13,333,333	-	-	13,333,333
GuocoLand (Malaysia) Berhad	0.50	19,506,780	-	-	19,506,780
GuocoLeisure Limited	USD0.20	735,000	-	-	735,000
Interests of YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman in:					
Hong Leong Financial Group Berhad	1.00	5,544,000	-	-	5,544,000
Hong Leong Bank Berhad	1.00	400,000	-	-	400,000
Hong Leong Industries Berhad	0.50	52,800	-	-	52,800
Malaysian Pacific Industries Berhad	0.50	20,800	-	-	20,800
Interest of Mr Choong Yee How in:					
Hong Leong Financial Group Berhad	1.00	960,000	2,032,000 ⁽⁹⁾	-	2,992,000
		5,840,000 *	3,500,000 *	(1,120,000) ⁽¹⁰⁾ (2,032,000) ⁽⁹⁾	6,188,000 *
Interest of Mr Quek Kon Sean in:					
Hong Leong Financial Group Berhad	1.00	300,000	635,000 ⁽⁹⁾	-	935,000
		1,825,000 *	1,800,000 *	(350,000) ⁽¹⁰⁾ (635,000) ⁽⁹⁾	2,640,000 *
Interests of YBhg Datuk Yvonne Chia in:					
Hong Leong Bank Berhad	1.00	772,000	992,000 ⁽⁹⁾ 352,800 ⁽⁸⁾	(1,250,000)	866,800
		5,408,000 *	219,240 ⁽¹⁵⁾	(992,000) ⁽⁹⁾	4,635,240 *
GuocoLand (Malaysia) Berhad	0.50	10,000	-	-	10,000
Hong Leong Financial Group Berhad	1.00	20,000	-	-	20,000

DIRECTORS' REPORT

for the financial year ended 30 June 2012
(continued)

DIRECTORS' INTERESTS (continued)

Shareholdings in which Directors have indirect interests Number of ordinary shares/preference shares/*shares issued or to be issued or acquired arising from the exercise of options/convertible bonds					
	Nominal value per share RM	As at 1.7.11	Acquired	Sold	As at 30.6.12
Interests of YBhg Tan Sri Quek Leng Chan in:					
Hong Leong Company (Malaysia) Berhad	1.00	13,069,100	-	-	13,069,100
Hong Leong Financial Group Berhad	1.00	824,437,300	-	-	824,437,300
Hong Leong Capital Berhad	1.00	195,263,227	-	-	195,263,227
Hong Leong Bank Berhad	1.00	968,216,100	195,767,885 ⁽⁸⁾	-	1,163,983,985
Hong Leong MSIG Takaful Berhad	1.00	65,000,000	-	-	65,000,000
Hong Leong Assurance Berhad	1.00	140,000,000	-	-	140,000,000
Hong Leong Industries Berhad	0.50	246,136,603 ⁽⁶⁾	-	-	246,136,603 ⁽⁶⁾
Hong Leong Yamaha Motor Sdn Bhd	1.00	17,352,872	-	-	17,352,872
	1.00	6,941 ⁽⁷⁾	-	-	6,941 ⁽⁷⁾
Guocera Tile Industries (Meru) Sdn Bhd	1.00	19,600,000	-	-	19,600,000
Hong Leong Maruken Sdn Bhd (In members' voluntary liquidation)	1.00	1,750,000	-	-	1,750,000
Century Touch Sdn Bhd (formerly known as Guocera Tile Industries (Labuan) Sdn Bhd (In members' voluntary liquidation)	1.00	6,545,001	-	-	6,545,001
Varinet Sdn Bhd (In members' voluntary liquidation)	1.00	10,560,627	-	-	10,560,627
RZA Logistics Sdn Bhd	1.00	7,934,247	-	-	7,934,247
Guocera Tile Industries (Vietnam) Co., Ltd	⁽⁵⁾	5,286,500	-	-	5,286,500
Malaysian Pacific Industries Berhad	0.50	110,245,457 ⁽⁶⁾	-	-	110,245,457 ⁽⁶⁾
Carter Realty Sdn Bhd	1.00	7	-	-	7
Carsem (M) Sdn Bhd	1.00	84,000,000	-	-	84,000,000
	100.00	22,400 ⁽⁷⁾	-	-	22,400 ⁽⁷⁾
Narra Industries Berhad	1.00	38,314,000	-	-	38,314,000
Guoco Group Limited	USD0.50	235,798,529	150,000	-	235,948,529

DIRECTORS' REPORT

for the financial year ended 30 June 2012
(continued)

DIRECTORS' INTERESTS (continued)

Shareholdings in which Directors have indirect interests Number of ordinary shares/preference shares/*shares issued or to be issued or acquired arising from the exercise of options/convertible bonds					
	Nominal value per share RM	As at 1.7.11	Acquired	Sold	As at 30.6.12
Interests of YBhg Tan Sri Quek Leng Chan in: (continued)					
GuocoLand Limited	(1)	819,244,363 ⁽⁶⁾	-	-	819,244,363 ⁽⁶⁾
		8,724,438 *	283,875 *	(9,008,313) ^{*(14)}	-
Southern Steel Berhad	1.00	301,541,202 ⁽¹¹⁾	-	-	301,541,202
Southern Speciality Wire Sdn Bhd	1.00	5,625,000 ⁽¹¹⁾	1,875,000	-	7,500,000 ⁽¹²⁾
Southern Pipe Industry (Malaysia) Sdn Bhd	1.00	54,383,093 ⁽¹¹⁾	-	-	54,383,093
	1.00	100,000 ⁽⁷⁾⁽¹¹⁾	-	-	100,000 ⁽⁷⁾
Belmeth Pte. Ltd.	(1)	40,000,000	-	-	40,000,000
Guston Pte. Ltd.	(1)	8,000,000	-	-	8,000,000
Perfect Eagle Pte. Ltd.	(1)	24,000,000	-	-	24,000,000
First Garden Development Pte Ltd	(1)	63,000,000	-	-	63,000,000
Sanctuary Land Pte Ltd	(1)	90,000	-	-	90,000
Beijing Minghua Property Development Co., Ltd (In members' voluntary liquidation)	(2)	150,000,000	-	-	150,000,000
Nanjing Mahui Property Development Co., Ltd	(2)	271,499,800	-	-	271,499,800
Nanjing Xinhaoning Property Development Co., Ltd	(3)	11,800,800	-	-	11,800,800
Nanjing Xinhaoxuan Property Development Co. Ltd	(3)	11,800,800	-	-	11,800,800
Shanghai Xinhaojia Property Development Co., Ltd	(2)	-	3,150,000,000	-	3,150,000,000
Shanghai Xinhaozhong Property Development Co., Ltd	(3)	19,600,000	-	-	19,600,000
Beijing Cheng Jian Dong Hua Real Estate Development Company Limited	(2)	50,000,000	-	-	50,000,000
Lam Soon (Hong Kong) Limited	HKD1.00	140,008,659	-	-	140,008,659
Kwok Wah Hong Flour Company Limited	HKD100.00	9,800	-	-	9,800
M.C. Packaging Offshore Limited	HKD0.01	812,695	-	(812,695) ⁽¹³⁾	-
Guangzhou Lam Soon Food Products Limited	(4)	6,570,000	-	-	6,570,000
GuocoLand (Malaysia) Berhad	0.50	456,055,616	-	-	456,055,616
Guoman Hotel & Resort Holdings Sdn Bhd	1.00	277,000,000	-	-	277,000,000

DIRECTORS' REPORT

for the financial year ended 30 June 2012
(continued)

DIRECTORS' INTERESTS (continued)

Shareholdings in which Directors have indirect interests Number of ordinary shares/preference shares/*shares issued or to be issued or acquired arising from the exercise of options/convertible bonds					
	Nominal value per share RM	As at 1.7.11	Acquired	Sold	As at 30.6.12
Interests of YBhg Tan Sri Quek Leng Chan in: (continued)					
JB Parade Sdn Bhd	1.00	28,000,000	-	-	28,000,000
	0.01	68,594,000 ⁽⁷⁾	-	-	68,594,000 ⁽⁷⁾
GuocoLeisure Limited	USD0.20	918,501,425	3,339,000	-	921,840,425
The Rank Group Plc	GBP13 ^{8/9} p	266,044,391	25,002,149	-	291,046,540
Park House Hotel Limited (In members' voluntary liquidation)	GBP10p	2,883,440	-	-	2,883,440
Interests of YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman in:					
Hong Leong Financial Group Berhad	1.00	3,600 ⁽¹⁶⁾	-	-	3,600 ⁽¹⁶⁾
Hong Leong Capital Berhad	1.00	100,000 ⁽¹⁶⁾	-	-	100,000 ⁽¹⁶⁾
Interests of Mr Quek Kon Sean in:					
Hong Leong Industries Berhad	0.50	750,000	-	-	750,000
Malaysian Pacific Industries Berhad	0.50	281,250	-	-	281,250
Interest of YBhg Datuk Yvonne Chia in:					
Hong Leong Financial Group Berhad	1.00	10,000 ⁽¹⁶⁾	-	-	10,000 ⁽¹⁶⁾

Notes:

- (1) Concept of par value was abolished with effect from 30 January 2006 pursuant to the Singapore Companies (Amendment) Act, 2005
- (2) Capital contribution in RMB
- (3) Capital contribution in USD
- (4) Capital contribution in HKD
- (5) Capital contribution in VND
- (6) Inclusive of interest pursuant to Section 134(12)(c) of the Companies Act, 1965 in shares held by family member
- (7) Redeemable Preference Shares
- (8) Inclusive of shares acquired from rights issue
- (9) Exercise of share options
- (10) Share options lapsed
- (11) Shareholding as at 3 January 2012 when the corporation concerned became a related corporation
- (12) Became a wholly owned subsidiary during the financial year
- (13) Struck off during the financial year
- (14) Inclusive of redemption of convertible bonds
- (15) Additional options - adjustment to the number of options arising from rights issue pursuant to ESOS Bye-Laws
- (16) Interest pursuant to Section 134(12)(c) of the Companies Act, 1965 in shares held by family member

DIRECTORS' REPORT

for the financial year ended 30 June 2012
(continued)

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company received or became entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements or as fixed salary of a full-time employee of the Company or of related corporations) by reason of a contract made by the Company or its related corporations with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except for YBhg Tan Sri Quek Leng Chan who may be deemed to derive a benefit by virtue of those transactions, contracts and agreements for the acquisition and/or disposal of stocks and shares, stocks-in-trade, products, parts, accessories, plants, chattels, fixtures, buildings, land and other properties or any interest in any properties; and/or for the provision of services, including but not limited to project and sales management and any other management and consultancy services; and/or for construction, development, leases, tenancy, licensing, dealership and distributorship; and/or for the provision of treasury functions, advances in the conduct of normal trading, banking, insurance, investment, stockbroking and/or other businesses between the Company or its related corporations and corporations in which YBhg Tan Sri Quek Leng Chan is deemed to have interests.

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

EXECUTIVE SHARE OPTION SCHEME

The Executive Share Option Scheme ("ESOS" or "Scheme") of up to fifteen percent (15%) of the issued and paid-up ordinary share capital of the Company which was approved by the shareholders of the Company on 8 November 2005, was established on 23 January 2006 and would be in force for a period of ten (10) years.

On 18 January 2006, the Company announced that Bursa Malaysia Securities Berhad had approved-in-principle the listing of new ordinary shares of the Company to be issued pursuant to the exercise of options under the ESOS at any time during the existence of the ESOS.

The ESOS would provide an opportunity for eligible executives who had contributed to the growth and development of the Group to participate in the equity of the Company.

The main features of the ESOS are, inter alia, as follows:

1. Eligible executives are those executives of the Group who have been confirmed in service on the date of offer or Directors (executive or non-executive) of the Company and its subsidiaries. The maximum allowable allotments for the full time Executive Directors had been approved by the shareholders of the Company in a general meeting. The Board may from time to time at its discretion select and identify suitable eligible executives to be offered options.
2. The aggregate number of shares to be issued under the ESOS shall not exceed 15% of the issued and paid-up ordinary share capital of the Company for the time being ("Aggregate Maximum Allocation").
3. The Scheme shall be in force for a period of ten (10) years from 23 January 2006.
4. The option price shall not be at a discount of more than ten percent (10%) (or such discount as the relevant authorities shall permit) from the 5-day weighted average market price of the shares of the Company preceding the date of offer and shall in no event be less than the par value of the shares of the Company.
5. The options granted to an option holder under the ESOS is exercisable by the option holder only during his employment with the HLF Group and within the option exercise period subject to any maximum limit as may be determined by the Board under the Bye-Laws of the ESOS.
6. The exercise of the options may, at the absolute discretion of the Board of Directors of the Company, be satisfied by way of issuance of new shares; transfer of existing shares purchased by a trust established for the ESOS; or a combination of both new shares and existing shares.

Pursuant to this, a trust has been set up for the ESOS and it is administered by an appointed trustee. This trustee will be entitled from time to time to accept financial assistance from the Company upon such terms and conditions as the Company and the trustee may agree to purchase the Company's shares from the open market for the purposes of this trust. In accordance with FRS 132, the shares purchased for the benefit of the ESOS holdings are recorded as "Treasury Shares for ESOS Scheme" in equity on the balance sheet. The cost of operating the ESOS scheme is charged to the statements of income.

DIRECTORS' REPORT

for the financial year ended 30 June 2012
(continued)

EXECUTIVE SHARE OPTION SCHEME (continued)

The trustee will manage the trust in accordance with the trust deed. Upon termination of the trust, the trustee will dispose all remaining trust shares, if any, and deal with any surplus or deficit of the trust in accordance with the instructions of the Company.

The Company has granted 6,000,000 share options at an exercise price of RM11.77 during the financial year to eligible executives of the Company.

As at 30 June 2012, a total of 20,451,000 options have been granted under the ESOS, out of which 4,721,900 options have been exercised, with 11,249,100 options remaining outstanding. The aggregate options granted to directors and chief executives of the HLF Group under the ESOS amounted to 15,800,000, out of which 3,927,000 options have been exercised, with 8,828,000 options outstanding.

Since the commencement of the ESOS, the maximum allocation applicable to directors and senior management of the HLF Group is 50% of the Aggregate Maximum Allocation.

As at 30 June 2012, the actual percentage of options granted to directors and senior management of the HLF Group under the ESOS was 1.79% of the issued and paid up ordinary share capital of the Company, and the actual percentage granted to the directors and senior management of the HLF Group during the financial year ended 30 June 2012 was 0.55% of the issued and paid up ordinary share capital of the Company.

SHARE CAPITAL

During the financial year, there was no issuance of new ordinary shares. As at 30 June 2012, the issued and paid-up share capital of the Company is RM1,052,767,789 comprising 1,052,767,789 ordinary shares of RM1.00 each.

STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(a) As at the end of the financial year

- (i) Before the statements of income and statements of financial position of the Group and the Company were made out, the Directors took reasonable steps:
 - to ascertain that proper action had been taken in relation to the writing off of bad debts and financing and the making of allowance for doubtful debts and financing and had satisfied themselves that all known bad debts and financing had been written off and that adequate allowance had been made for doubtful debts and financing; and
 - to ensure that any current assets, other than debts and financing, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.
- (ii) In the opinion of the Directors, the results of the operations of the Group and the Company during the financial year had not been substantially affected by any item, transaction or event of a material and unusual nature, other than those disclosed in Notes 55 and 56 to the financial statements.

(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 and financing or the amount of the allowance for doubtful debts and financing in the financial statements of the Group and the Company, inadequate to any substantial extent;
 - which would render the values attributed to current assets in the financial statements of the Group and the Company misleading; and
 - which had arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

DIRECTORS' REPORT

for the financial year ended 30 June 2012
(continued)

STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (continued)

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

(ii) In the opinion of the Directors:

- the results of the operations of the Group and the Company for the financial year ended 30 June 2012 are not likely to be substantially affected by any item, transaction or event of a material and unusual nature which had arisen in the interval between the end of the financial year and the date of this report; and
- no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and the Company to meet their obligations as and when they fall due.

(c) As at the date of this report

- (i) There are no charges on the assets of the Group and the Company which had arisen since the end of the financial year to secure the liabilities of any other person.
- (ii) There are no contingent liabilities which had arisen since the end of the financial year.
- (iii) The Directors are not aware of any circumstances not otherwise dealt with in the report or financial statements of the Group and the Company which would render any amount stated in the financial statements misleading.

DISCLOSURE OF SHARIAH COMMITTEE

The Group's Islamic banking and takaful business activities are subject to the Shariah compliance and confirmation by the Shariah Committee consisting of 5 scholars, at all times, appointed by the Board of Directors of Hong Leong Islamic Bank Berhad and Hong Leong MSIG Takaful Berhad for a 2 year term.

The primary role of the Shariah Advisor is mainly advising on matters relating to the business operations and products of the Group and providing support by attending regular meetings with the Group to ensure that they are in conformity with Shariah principles.

ULTIMATE HOLDING COMPANY

The ultimate holding company is Hong Leong Company (Malaysia) Berhad, a company incorporated in Malaysia.

AUDITORS

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

Signed on behalf of the Board of Directors in accordance with their resolution dated 30 July 2012.

CHOONG YEE HOW
Director

DATUK YVONNE CHIA
Director

Kuala Lumpur
18 September 2012

STATEMENTS OF FINANCIAL POSITION

as at 30 June 2012

	Note	The Group		The Company	
		2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Assets					
Cash and short-term funds	2	21,582,839	32,424,991	40,900	114,679
Deposits and placements with banks and other financial institutions	3	4,534,620	5,213,395	-	-
Securities purchased under resale agreements		590,521	159,770	-	-
Financial assets held-for-trading	4	23,066,887	6,974,724	-	37,814
Financial investments available-for-sale	5	15,393,755	10,798,973	-	-
Financial investments held-to-maturity	6	4,587,966	8,108,198	-	-
Derivative financial assets	21	980,880	798,164	196	2,342
Loans, advances and financing	7	89,120,706	82,240,056	-	-
Clients' and brokers' balances	8	269,404	236,393	-	-
Other receivables	9	659,451	1,155,873	2,390	2,554
Amount due from subsidiaries	49	-	-	60,461	2,357,479
Statutory deposits with Bank Negara Malaysia	10	3,350,987	2,220,366	-	-
Tax recoverable		18,330	9,752	16,113	8,475
Investment in subsidiary companies	11	-	-	4,095,940	2,393,350
Investment in associated companies	12	2,209,079	1,964,951	-	-
Investment in jointly controlled entity	13	76,871	75,252	-	-
Deferred tax assets	14	-	72,694	-	-
Property and equipment	15	1,037,885	1,010,913	1,092	1,577
Investment properties	16	1,680	1,680	-	-
Goodwill arising on consolidation	17	2,410,644	2,410,644	-	-
Intangible assets	18	454,058	382,986	15	12
Total assets		170,346,563	156,259,775	4,217,107	4,918,282

STATEMENTS OF FINANCIAL POSITION

as at 30 June 2012

(continued)

	Note	The Group		The Company	
		2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Liabilities					
Deposits from customers	19	123,216,802	114,748,978	-	-
Deposits and placements of banks and other financial institutions	20	10,879,507	11,445,660	-	-
Obligations on securities sold under repurchase agreements		633,797	-	-	-
Bills and acceptances payable		486,091	683,996	-	-
Derivative financial liabilities	21	1,137,906	682,098	17,545	8,454
Clients' and brokers' balances	22	590,071	591,595	-	-
Payables and other liabilities	23	3,864,180	3,854,889	12,868	5,970
Amount due to subsidiaries	49	-	-	-	15
Provision for claims		96,818	63,763	-	-
Provision for taxation		164,331	80,575	-	-
Deferred tax liabilities	14	106,196	-	-	-
Borrowings	24	1,744,338	2,214,240	1,579,288	2,194,165
Senior bonds	25	1,907,793	910,810	-	-
Subordinated obligations	26	4,369,385	2,885,028	-	-
Non-innovative Tier 1 stapled securities	27	1,407,283	1,405,706	-	-
Innovative Tier 1 capital securities	28	574,581	595,720	-	-
Insurance funds	29	6,620,850	5,834,179	-	-
Total liabilities		157,799,929	145,997,237	1,609,701	2,208,604
Equity attributable to owners of the parent					
Share capital	30	1,052,768	1,052,768	1,052,768	1,052,768
Reserves	31	7,403,382	6,490,748	1,601,723	1,712,696
Treasury shares for ESOS scheme	32	(62,705)	(72,517)	(47,085)	(55,786)
		8,393,445	7,470,999	2,607,406	2,709,678
Non-controlling interests		4,153,189	2,791,539	-	-
Total equity		12,546,634	10,262,538	2,607,406	2,709,678
Total equity and liabilities		170,346,563	156,259,775	4,217,107	4,918,282
Commitments and contingencies	43	153,874,343	142,202,689	1,165,672	921,000

STATEMENTS OF INCOME

for the financial year ended 30 June 2012

	Note	The Group		The Company	
		2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Interest income	33	5,585,186	3,340,436	32,094	17,299
Interest expense	34	(2,993,439)	(1,669,106)	(68,587)	(30,406)
Net interest income/(expense)		2,591,747	1,671,330	(36,493)	(13,107)
Income from Islamic banking business	35	447,598	227,090	-	-
		3,039,345	1,898,420	(36,493)	(13,107)
Non-interest income	36	1,092,869	1,767,085	277,486	1,182,739
		4,132,214	3,665,505	240,993	1,169,632
Overhead expenses	37	(2,094,398)	(1,342,242)	(34,135)	(33,142)
Operating profit before allowances		2,037,816	2,323,263	206,858	1,136,490
Allowance for impairment on loans, advances and financing and other losses	38	(108,030)	(136,521)	-	-
Write-off of goodwill	17	-	(12,707)	-	-
Writeback of/(allowance for) impairment losses		22,147	(1,434)	-	309
		1,951,933	2,172,601	206,858	1,136,799
Share of results of associated companies	12	268,994	250,854	-	-
Share of results of jointly controlled entity	13	1,619	(771)	-	-
Profit before taxation and zakat		2,222,546	2,422,684	206,858	1,136,799
Taxation and zakat	40	(495,875)	(350,817)	(61,742)	(53,348)
Net profit for the financial year		1,726,671	2,071,867	145,116	1,083,451
Attributable to:					
Owners of the parent		1,154,766	1,673,579	145,116	1,083,451
Non-controlling interests		571,905	398,288	-	-
		1,726,671	2,071,867	145,116	1,083,451
Earnings per share attributable to equity holders of the Company (sen)					
- Basic	41	111.1	161.4	13.9	104.1
- Diluted	41	110.5	160.9	13.8	103.8

STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 30 June 2012

	Note	The Group		The Company	
		2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Net profit for the financial year		1,726,671	2,071,867	145,116	1,083,451
Other comprehensive income					
Currency translation differences		14,124	(46,441)	-	-
Share of other comprehensive loss of associated companies and jointly controlled entity		(185)	(549)	-	-
Net fair value changes on financial investments available-for-sale	57	50,925	32,159	-	-
Income tax relating to components of other comprehensive income	57	(10,185)	(6,432)	-	-
Other comprehensive income/(loss) for the financial year, net of tax		54,679	(21,263)	-	-
Total comprehensive income for the financial year, net of tax		1,781,350	2,050,604	145,116	1,083,451
Attributable to:					
Owners of the parent		1,177,291	1,658,618	145,116	1,083,451
Non-controlling interest		604,059	391,986	-	-
		1,781,350	2,050,604	145,116	1,083,451

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 30 June 2012

		Attributable to owners of the parent												
The Group	Note	Share capital RM'000	Share premium RM'000	Treasury shares for ESOS scheme RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Fair value reserve RM'000	Other capital reserve RM'000	Share options reserve RM'000	Exchange fluctuation reserve RM'000	Retained profits RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 July 2011														
- as previously reported		1,052,768	117,229	(72,517)	1,241,179	726	88,880	133,258	34,965	(36,857)	4,909,703	7,469,334	2,790,686	10,260,020
- prior year adjustments	56	-	-	-	-	-	-	-	-	-	1,665	1,665	853	2,518
As restated		1,052,768	117,229	(72,517)	1,241,179	726	88,880	133,258	34,965	(36,857)	4,911,368	7,470,999	2,791,539	10,262,538
Comprehensive income														
Net profit for the financial year		-	-	-	-	-	-	-	-	-	1,154,766	1,154,766	571,905	1,726,671
Currency translation differences		-	-	-	-	-	-	-	-	13,875	-	13,875	249	14,124
Share of other comprehensive income of associated companies		-	-	-	-	-	(177)	-	-	-	-	(177)	(8)	(185)
Net fair value changes in financial investments available-for-sale, net of tax	31	-	-	-	-	-	8,827	-	-	-	-	8,827	31,913	40,740
Total comprehensive income		-	-	-	-	-	8,650	-	-	13,875	1,154,766	1,177,291	604,059	1,781,350
Transaction with owners														
Transfer to statutory reserve/regulatory reserve		-	-	-	232,277	5,319	-	-	-	-	(237,596)	-	-	-
Allocation of other reserves to non-controlling interest		-	-	-	-	-	-	-	-	-	(16,250)	(16,250)	(26,993)	(43,243)
Subscription of rights shares of a subsidiary company		-	-	-	-	-	-	-	-	-	-	-	916,325	916,325
Dividends paid	42	-	-	-	-	-	-	-	-	-	(260,506)	(260,506)	(131,741)	(392,247)
Options charge arising from ESOS		-	-	-	-	-	-	4,534	-	-	2,614	7,148	-	7,148
Purchase of treasury shares		-	-	(6,060)	-	-	-	-	-	-	-	(6,060)	-	(6,060)
Exercise of ESOS		-	-	15,872	-	-	-	(4,054)	-	-	9,005	20,823	-	20,823
Transfer to capital reserve		-	-	-	-	-	-	735	-	-	(735)	-	-	-
Total transaction with owners		-	-	9,812	232,277	5,319	-	735	480	-	(503,468)	(254,845)	757,591	502,746
At 30 June 2012		1,052,768	117,229	(62,705)	1,473,456	6,045	97,530	133,993	35,445	(22,982)	5,562,666	8,393,445	4,153,189	12,546,634

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 30 June 2012
(continued)

The Group	Note	Attributable to owners of the parent												Non-controlling interests	Total equity
		Share capital	Share premium	Treasury shares for ESOS scheme	Statutory reserve	Regulatory reserve	Fair value reserve	Other capital reserve	Share options reserve	Exchange fluctuation reserve	Retained profits	Total			
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 July 2010		1,052,768	117,229	(78,171)	1,190,262	-	70,158	133,258	26,655	(3,174)	2,791,123	5,300,108	2,302,372	7,602,480	
Comprehensive income															
Net profit for the financial year		-	-	-	-	-	-	-	-	-	1,673,579	1,673,579	398,288	2,071,867	
Currency translation differences		-	-	-	-	-	-	-	-	(33,142)	-	(33,142)	(13,299)	(46,441)	
Share of other comprehensive income of associated companies		-	-	-	-	-	-	-	-	(541)	-	(541)	(8)	(549)	
Net fair value changes in financial investments available-for-sale, net of tax	31	-	-	-	-	-	18,722	-	-	-	-	18,722	7,005	25,727	
Total comprehensive income/(loss)		-	-	-	-	-	18,722	-	-	(33,683)	1,673,579	1,658,618	391,986	2,050,604	
Transaction with owners															
Transfer to statutory reserve/regulatory reserve		-	-	-	50,917	726	-	-	-	-	(50,917)	726	-	726	
Allocation of other reserves to non-controlling interest		-	-	-	-	-	-	-	-	-	-	-	201,827	201,827	
Dividends paid	42	-	-	-	-	-	-	-	-	-	(274,891)	(274,891)	(104,646)	(379,537)	
Options charge arising from ESOS		-	-	-	-	-	-	-	10,623	-	-	10,623	-	10,623	
Exercise of ESOS		-	-	5,654	-	-	-	-	(2,313)	-	6,009	9,350	-	9,350	
Gain on partial disposal of subsidiary		-	-	-	-	-	-	-	-	-	766,465	766,465	-	766,465	
Total transaction with owners		-	-	5,654	50,917	726	-	-	8,310	-	446,666	512,273	97,181	609,454	
At 30 June 2011		1,052,768	117,229	(72,517)	1,241,179	726	88,880	133,258	34,965	(36,857)	4,911,368	7,470,999	2,791,539	10,262,538	

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 30 June 2012
(continued)

The Company	Note	Non-distributable					Distributable		Total equity RM'000
		Share capital RM'000	Share premium RM'000	Treasury shares for ESOS scheme RM'000	Other capital reserve RM'000	Share options reserve RM'000	Retained profits RM'000		
At 1 July 2011		1,052,768	117,229	(55,786)	254,991	13,557	1,326,919	2,709,678	
Net profit for the financial year		-	-	-	-	-	145,116	145,116	
Dividends paid	42	-	-	-	-	-	(260,506)	(260,506)	
Options charge arising from ESOS		-	-	-	-	(1,479)	2,614	1,135	
Purchase of treasury shares		-	-	(6,060)	-	-	-	(6,060)	
Exercise of ESOS		-	-	14,761	-	-	3,282	18,043	
At 30 June 2012		1,052,768	117,229	(47,085)	254,991	12,078	1,217,425	2,607,406	
At 1 July 2010		1,052,768	117,229	(65,750)	254,991	10,827	513,767	1,883,832	
Net profit for the financial year		-	-	-	-	-	1,083,451	1,083,451	
Dividends paid	42	-	-	-	-	-	(274,891)	(274,891)	
Options charge arising from ESOS		-	-	-	-	2,730	-	2,730	
Exercise of ESOS		-	-	6,550	-	-	1,976	8,526	
Transfer of treasury shares		-	-	3,414	-	-	2,616	6,030	
At 30 June 2011		1,052,768	117,229	(55,786)	254,991	13,557	1,326,919	2,709,678	

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the financial year ended 30 June 2012

	The Group	
	2012 RM'000	2011 RM'000
Cash flow from operating activities		
Profit before taxation and zakat	2,222,546	2,422,684
Adjustments for:		
Unearned premium reserves	9,279	(77,781)
Life fund - underwriting surplus	846,968	989,506
Depreciation of property and equipment	109,246	65,946
Amortisation of intangible assets	75,842	27,683
Intangible assets written off	919	-
Property and equipment written off	1,660	-
Gain on sale of property and equipment	(959)	(477)
Gain on sale of intangible assets	-	(1,360)
Gain on disposal of general insurance business	-	(618,646)
Gain from redemption of financial investments held-to-maturity	(1,839)	(2,109)
Gain from disposal of financial investments available-for-sale	(44,112)	(43,150)
Gain from disposal of financial assets held-for-trading	(35,536)	(35,439)
Net unrealised loss/(gain) on revaluation of financial assets held-for-trading and derivative financial instruments	136,917	(63,970)
Net realised gain on revaluation of financial assets held-for-trading and derivative financial instruments	(69,430)	(24,017)
Net realised loss on fair value changes arising from fair value hedges	28,336	30,352
Net unrealised gain on fair value changes arising from fair value hedges	(8,774)	(27,805)
(Writeback of)/allowance for impairment losses	(22,147)	1,434
Allowances for losses on loans, advances and financing	108,030	136,521
Interest expense on borrowings	81,253	30,637
Interest expense on subordinated obligations	138,439	61,216
Interest expense on senior bonds	42,756	10,108
Interest expense on non-innovative Tier 1 stapled securities	72,858	11,412
Interest expense on innovative Tier 1 capital securities	21,198	2,630
Interest income from financial assets held-for-trading	(565,967)	(322,409)
Interest income from financial investments available-for-sale	(239,138)	(115,343)
Interest income from financial investments held-to-maturity	(199,690)	(209,820)
Dividend income from financial investments available-for-sale, held-to-maturity and financial assets held-for-trading	(75,083)	(65,551)
Option charge arising from ESOS	7,148	10,623
Write-off of goodwill	-	12,707
Surplus transferred from life insurance business	(66,000)	(241,000)
Share of results of jointly controlled entity	(1,619)	771
Share of results of associated companies	(268,994)	(250,854)
	81,561	(708,185)
Operating profit before working capital changes	2,304,107	1,714,499

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the financial year ended 30 June 2012
(continued)

	Note	The Group	
		2012 RM'000	2011 RM'000
(Increase)/decrease in operating assets			
Deposits and placements with banks and other financial institutions		678,775	3,247,613
Securities purchased under resale agreements		(430,751)	(159,770)
Financial assets held-for-trading		(15,627,577)	3,402,941
Loan, advances and financing		(6,988,680)	(6,675,450)
Clients' and brokers' balances		(33,011)	(80,770)
Other receivables		841,531	162,119
Statutory deposits with Bank Negara Malaysia		(1,130,621)	(1,132,033)
Increase/(decrease) in operating liabilities			
Deposits from customers		8,467,824	3,277,509
Deposits and placements of banks and other financial institutions		(566,153)	1,956,673
Obligations on securities sold under repurchase agreements		633,797	-
Bills and acceptances payable		(197,905)	(25,401)
Payables and other liabilities		(304,835)	(1,456,424)
Provision for claims		33,055	11,036
Clients' and brokers' balances		(1,524)	329,180
		(14,626,075)	2,857,223
Cash (used in)/generated from operating activities		(12,321,968)	4,571,722
Proceeds from exercising of ESOS		14,763	9,350
Income tax refund/(paid)		7,598	(369,420)
Interest received		32,094	2,658
		54,455	(357,412)
Net cash flows (used in)/generated from operating activities		(12,267,513)	4,214,310
Cash flows from investing activities			
Acquisition of assets and liabilities of EON Capital Berhad ("ECB"), net of cash acquired	55	-	4,729,494
Net (purchases)/proceeds of financial investments available-for-sale		(4,483,895)	1,224,518
Net proceeds/(purchases) of financial investments held-to-maturity		3,522,071	(1,149,468)
Interest received on financial investments available-for-sale and held-to-maturity		438,828	560,953
Dividends received on financial investments available-for-sale, held-to-maturity and financial assets held-for-trading		75,083	65,551
Dividends received from associated company		24,681	76,175
Proceeds from disposal of property and equipment		16,317	2,768
Proceeds from disposal of intangible assets		-	1,551
Purchase of property and equipment		(161,913)	(101,065)
Purchase of intangible assets		(145,876)	(34,596)
Proceeds from disposal of general insurance business and equity interest in Hong Leong Assurance Berhad ("HLA")		-	940,000
Net cash flows (used in)/generated from investing activities		(714,704)	6,315,881

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the financial year ended 30 June 2012
(continued)

	The Group		
	Note	2012 RM'000	2011 RM'000
Cash flows from financing activities			
Interest paid on subordinated obligations		(136,754)	(30,637)
Interest paid on borrowings		(78,805)	(66,708)
Interest paid on senior bonds		(36,232)	(286)
Interest paid on non-innovative Tier 1 stapled securities		(71,281)	(371)
Interest paid on innovative Tier 1 capital securities		(21,198)	-
Drawdown/(repayment) of revolving credit		144,975	(32,925)
Issuance of medium term notes and commercial papers		432,574	458,874
(Repayment)/drawdown on borrowings		(1,053,271)	1,046,033
Proceeds from senior bonds		910,959	910,738
Proceeds from subordinated obligations		1,453,587	1,030,610
Proceeds from non-innovative Tier 1 stapled securities		-	1,394,665
Issuance of rights issue by subsidiary company		916,325	-
Dividends paid to			
- owners of the parent		(260,506)	(274,891)
- non-controlling interest		(131,741)	(104,646)
Net cash flows generated from financing activities		2,068,632	4,330,456
Net (decrease)/increase in cash and cash equivalents		(10,913,585)	14,860,647
Effects of exchange rate changes		96,481	(51,890)
Cash and cash equivalents at beginning of financial year		31,923,312	17,114,555
Cash and cash equivalents at end of financial year		21,106,208	31,923,312
Cash and cash equivalents comprise:			
Cash and short-term funds	2	21,582,839	32,424,991
Less: Fixed deposits placed with a bank during the tenure of term loans taken		(9,300)	(8,400)
Remisiers' and clients' trust monies		(467,331)	(493,279)
		21,106,208	31,923,312

COMPANY STATEMENTS OF CASH FLOWS

for the financial year ended 30 June 2012

	The Company	
	2012 RM'000	2011 RM'000
Cash flows from operating activities		
Profit before taxation	206,858	1,136,799
Adjustments for:		
Write-off of property and equipment	-	7
Gain on sale of property and equipment	(4)	-
Gain on capital redemption	-	(937,500)
Net realised (gain)/loss on sale of financial assets held-for-trading	(122)	78
Net unrealised foreign exchange gain/(loss)	5,820	(7,992)
Net unrealised gain on revaluation of financial assets held-for-trading and derivative financial instruments	11,237	10,205
Depreciation of property and equipment	593	755
Amortisation of intangible assets	9	115
Interest expense	68,587	30,406
Interest income	(32,094)	(17,299)
Writeback of impairment loss in subsidiary	-	(309)
Dividend income from financial assets held-for-trading	(1,728)	(7,208)
Dividend income from subsidiary companies	(297,422)	(228,491)
Option charge arising from ESOS	1,135	2,730
	(243,989)	(1,154,503)
Operating loss before working capital changes	(37,131)	(17,704)
(Increase)/decrease in receivables	(12,809)	617,043
Decrease/(increase) in financial assets held-for-trading	37,936	(14,848)
Increase in payables	13,526	10,652
	38,653	612,847
Cash generated from operations	1,522	595,143
Proceeds from exercising ESOS	18,043	7,630
Income tax refund	4,975	-
Interest received	32,094	2,658
	55,112	10,288
Net cash flows generated from operating activities	56,634	605,431

COMPANY STATEMENTS OF CASH FLOWS

for the financial year ended 30 June 2012
(continued)

	Note	The Company	
		2012 RM'000	2011 RM'000
Cash flows from investing activities			
Dividend income from subsidiary companies		223,067	171,368
Dividends received on financial assets held-for-trading		1,728	7,209
Proceeds from disposal of property and equipment		4	-
Purchase of property and equipment		(108)	(385)
Purchase of intangible assets		(12)	(3)
Purchase of treasury shares		(6,060)	-
Proceeds from capital redemption		-	551,000
Increase in investment in subsidiaries		(1,659,818)	(172,842)
(Subscription)/proceeds from redemption of redeemable preference shares		(42,772)	58,797
Transfer of treasury shares to subsidiary		-	6,030
Repayment/(issuance) of bridging loan from/(to) subsidiary		2,300,000	(2,300,000)
Net cash flows generated from/(used in) investing activities		816,029	(1,678,826)
Cash flows from financing activities			
Interest paid on borrowings		(66,139)	(26,951)
Repayment of revolving credit		-	(31,000)
(Repayment)/drawdown of term loans		(1,053,271)	1,050,000
Drawdown of medium term notes and commercial papers		432,574	458,875
Dividends paid to shareholders of the Company		(260,506)	(274,891)
Net cash flows (used in)/generated from financing activities		(947,342)	1,176,033
Net (decrease)/increase in cash and cash equivalents		(74,679)	102,638
Cash and cash equivalents at beginning of financial year		106,279	3,641
Cash and cash equivalents at end of financial year		31,600	106,279
Cash and cash equivalents comprise:			
Cash and short-term funds	2	40,900	114,679
Less: Fixed deposits placed with a bank during the tenure of term loans taken		(9,300)	(8,400)
		31,600	106,279

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2012

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

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and the Company have been prepared in accordance with the Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards in Malaysia for Entities Other than Private Entities, as modified by Bank Negara Malaysia ("BNM") Guidelines and comply with provisions of the Companies Act, 1965 and the Insurance Act, 1996. The financial statements incorporate the activities relating to the Islamic Banking and takaful businesses which have been undertaken by its subsidiaries, Hong Leong Islamic Bank Berhad ("HLISB") and Hong Leong MSIG Takaful Berhad ("HLMT") in compliance with Shariah principles. Islamic Banking business refers generally to the acceptance of deposits and granting of financing under Shariah principles while takaful business refers generally to underwriting of Islamic insurance under the Shariah principles. The Company has been granted relief by the Companies Commission of Malaysia to prepare its consolidated financial statements on the basis consistent with the basis of preparation of the Group's insurance subsidiary company.

The preparation of financial statements in conformity with Financial Reporting Standards ("FRS") 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 income and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the management and Directors' best knowledge of current events and actions, actual results may differ from those estimates.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 58.

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

The new accounting standards, amendments and improvements to published standards and interpretations that are applicable and effective for the Group and the Company financial year ended 30 June 2012 are as follows:

- Revised FRS 1 "First-time Adoption of Financial Reporting Standards"
- Revised FRS 127 "Consolidated and Separate Financial Statements"
- Amendment to FRS 2 "Share-based Payment - Group Cash-settled Share-based Payment Transactions"
- Amendment to FRS 7 "Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments"
- Amendments to FRS 1 "First-time Adoption of Financial Reporting Standards"
- Amendment to FRS 132 "Financial Instruments: Presentation - Classification of Rights Issues"
- IC Interpretation 4 "Determining Whether an Arrangement Contains a Lease"
- IC Interpretation 12 "Service Concession Arrangements"
- IC Interpretation 18 "Transfers of Assets from Customers"

The adoption of the new accounting standards, amendments, improvements and interpretations to standards, did not materially affect the Group and the Company.

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

In the next financial year, the Group and the Company will be adopting the new IFRS-compliant framework, Malaysian Financial Reporting Standards ("MFRS"). In adopting the new framework, the Group and the Company will be applying MFRS 1 "First-time Adoption of MFRS".

The Group and the Company will apply the new standards, amendments to standards and interpretations in the following period:

(i) Financial year beginning on/after 1 July 2012

- MFRS 139 "Financial Instruments: Recognition and Measurement" (effective from 1 July 2012) - Bank Negara Malaysia has removed the transitional provision for banking institutions on loan impairment assessment and provisioning to comply with the MFRS 139 requirements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2012
(continued)

A 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 Company but not yet effective (continued)

(i) Financial year beginning on/after 1 July 2012 (continued)

- The revised MFRS 124 “Related Party Disclosures” (effective from 1 July 2012) removes the exemption to disclose transactions between government-related entities and the government, and all other government-related entities. The following new disclosures are now required for government related entities:
 - The name of the government and the nature of their relationship;
 - The nature and amount of each individually significant transactions; and
 - The extent of any collectively significant transactions, qualitatively or quantitatively.
- Amendment to MFRS 112 “Income Taxes” (effective from 1 July 2012) introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. MFRS 112 currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in MFRS 140 “Investment Property”. As a result of the amendments, IC Interpretation 121 “Income Taxes - Recovery of Revalued Non-depreciable Assets” will no longer apply to investment properties carried at fair value. The amendments also incorporate into MFRS 112 the remaining guidance previously contained in IC Interpretation 121 which is withdrawn.
- Amendment to MFRS 1 “First-time Adoption on Fixed Dates and Hyperinflation” (effective from 1 July 2012) includes two changes to MFRS 1. The first replaces references to a fixed date of 1 January 2004 with ‘the date of transition to MFRSs’, thus eliminating the need for entities adopting MFRSs for the first time to restate de-recognition transactions that occurred before the date of transition to MFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with MFRSs after a period when the entity was unable to comply with MFRSs because its functional currency was subject to severe hyperinflation.
- Amendment to MFRS 7 “Financial Instruments: Disclosures on Transfers of Financial Assets” (effective from 1 July 2012) promotes transparency in the reporting of transfer transactions and improve users’ understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity’s financial position, particularly those involving securitisation of financial assets.
- Amendment to MFRS 101 “Presentation of Items of Other Comprehensive Income” (effective from 1 July 2012) requires entities to separate items presented in ‘other comprehensive income’ (OCI) in the statement of comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. The amendments do not address which items are presented in OCI.

(ii) Financial year beginning on/after 1 July 2013

- MFRS 9 “Financial Instruments - Classification and Measurement of Financial Assets and Financial Liabilities” (effective from 1 July 2015) replaces the multiple classification and measurement models in MFRS 139 with a single model that has only two classification categories: amortised cost and fair value. The basis of classification depends on the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

The accounting and presentation for financial liabilities and for de-recognising financial instruments has been relocated from MFRS 139, without change, except for financial liabilities that are designated at fair value through profit or loss (“FVTPL”). Entities with financial liabilities designated at FVTPL recognise changes in the fair value due to changes in the liability’s credit risk directly in other comprehensive income (OCI). There is no subsequent recycling of the amounts in OCI to profit or loss, but accumulated gains or losses may be transferred within equity.

The guidance in MFRS 139 on impairment of financial assets and hedge accounting continues to apply.

MFRS 7 requires disclosures on transition from MFRS 139 to MFRS 9.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2012
(continued)

A 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 Company but not yet effective (continued)

(ii) Financial year beginning on/after 1 July 2013 (continued)

- MFRS 10 "Consolidated Financial Statements" (effective from 1 July 2013) changes the definition of control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. It establishes control as the basis for determining which entities are consolidated in the consolidated financial statements and sets out the accounting requirements for the preparation of consolidated financial statements. It replaces all the guidance on control and consolidation in MFRS 127 "Consolidated and Separate Financial Statements" and IC Interpretation 112 "Consolidation – Special Purpose Entities".
- MFRS 11 "Joint Arrangements" (effective from 1 July 2013) requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement, rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.
- MFRS 12 "Disclosures of Interests in Other Entities" (effective from 1 July 2013) sets out the required disclosures for entities reporting under the two new standards, MFRS 10 and MFRS 11, and replaces the disclosure requirements currently found in MFRS 128 "Investments in Associates". It requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities.
- MFRS 13 "Fair Value Measurement" (effective from 1 July 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7 "Financial Instruments: Disclosures", but apply to all assets and liabilities measured at fair value, not just financial ones.
- The revised MFRS 127 "Separate Financial Statements" (effective from 1 July 2013) includes the provisions on separate financial statements that are left after the control provisions of MFRS 127 have been included in the new MFRS 10.
- The revised MFRS 128 "Investments in Associates and Joint Ventures" (effective from 1 July 2013) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of MFRS 11.
- Amendment to MFRS 119 "Employee Benefits" (effective from 1 July 2013) makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. Actuarial gains and losses will no longer be deferred using the corridor approach. MFRS 119 shall be withdrawn on application of this amendment.
- Amendment to MFRS 132 "Financial Instruments: Presentation" (effective from 1 July 2014) does not change the current offsetting model in MFRS 132. It clarifies the meaning of 'currently has a legally enforceable right of set-off' that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. It clarifies that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2012
(continued)

A 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 Company but not yet effective (continued)

(ii) Financial year beginning on/after 1 July 2013 (continued)

- Amendment to MFRS 7 "Financial Instruments: Disclosures" (effective from 1 July 2013) requires more extensive disclosures focusing on quantitative information about recognised financial instruments that are offset in the statement of financial position and those that are subject to master netting or similar arrangements irrespective of whether they are offset.

The Group has not finalised the financial impact of the change to MFRS and is expected to complete the process by the first quarter of financial year ending 30 June 2013.

B CONSOLIDATION

(a) Subsidiaries

The Company treats as subsidiaries those corporations, partnerships or other entities (including special purpose entities) in which the Company has the power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than half of the voting rights.

Investment in subsidiaries is stated at cost less accumulated impairment losses. Where there is an indication of impairment, the carrying amount of the investment is assessed. A write down is made if the carrying amount exceeds its recoverable amount.

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to the end of the financial year.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceases. Subsidiaries are consolidated using the purchase method of accounting, except for business combinations which were accounted for using predecessor basis of accounting as follows:

- subsidiaries that were consolidated prior to 1 April 2002 in accordance with Malaysian Accounting Standard 2 "Accounting for Acquisitions and Mergers", the generally accepted accounting principles prevailing at that time;
- business combinations consolidated on/after 1 April 2002 but with agreement dates before 1 January 2006 that meet the conditions of a merger as set out in FRS 122₂₀₀₄ "Business Combinations";
- internal group reorganisations, as defined in FRS 122₂₀₀₄, consolidated on/after 1 April 2002 but with agreement dates before 1 January 2006 where:
 - the ultimate shareholders remain the same, and the rights of each such shareholder, relative to the others, are unchanged;
 - the minorities' share of net assets of the Group is not altered by the transfer; and
- business combinations involving entities or businesses under common control with agreement dates on/after 1 January 2006.

The Group has taken advantage of the exemption provided by FRS 122₂₀₀₄ and FRS 3 (revised) to apply these Standards prospectively. Accordingly, business combinations entered into prior to the respective effective dates have not been restated to comply with these Standards.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2012
(continued)

B CONSOLIDATION (continued)

(a) Subsidiaries (continued)

The consideration transferred for acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred 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. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

In a business combination achieved in stages, the previously held equity interest in the acquiree is re-measured at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss.

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 Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the gain is recognised in profit or loss.

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to a parent. On an acquisition-by-acquisition basis, the Group measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. At the end of reporting period, non-controlling interest consists of amount calculated on the date of combinations and its share of changes in the subsidiary's equity since the date of combination.

All earnings and losses of the subsidiary are attributed to the parent and the non-controlling interest, even if the attribution of losses to the non-controlling interest results in a debit balance in the shareholders' equity. Profit or loss attribution to non-controlling interests for prior years is not restated.

Previously, the Group had stopped attributing losses to the non-controlling interest because the losses exceeded the carrying amount of the non-controlling interest. The Group has applied this policy prospectively. On the date of adoption of the new policy, the non-controlling interest reflects its previous carrying amount (that is, zero).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. This may indicate an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences that relate to the subsidiary is recognised in profit or loss attributable to the parent.

For business combinations involving entities or businesses under common control, the Group applies predecessor (or common control) accounting, whereby no assets or liabilities are restated to their fair values. Instead, the acquirer incorporates predecessor carrying values. No new goodwill arises in predecessor accounting.

The acquirer only incorporates the acquired entity's results and balance sheet prospectively from the date on which the business combination between entities under common control occurred. Consequently, the acquirer's financial statements do not reflect the results of the acquired entity for the period before the transaction occurred. The corresponding amounts for the previous year are also not restated.

Predecessor accounting may lead to a difference between the cost of the transaction and the carrying value of the net assets. The difference is recorded in retained profits.

(b) Transaction with non-controlling interests

The Group applies a policy of treating transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired is deducted from equity. For disposals to non-controlling interests, differences between any proceeds received and the relevant share of non-controlling interests are also recognised in equity.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2012
(continued)

B CONSOLIDATION (continued)

(c) Investment in jointly controlled entity

Jointly controlled entities are corporations, partnerships or other entities over which there is contractually agreed sharing of control by the Group with one or more parties where the strategic financial and operating decisions relating to the entities require unanimous consent of the parties sharing control.

The Group's interest in jointly controlled entities is accounted for in the financial statements by the equity method of accounting. Equity accounting involves recognising the Group's share of the post-acquisition results of jointly controlled entities in profit or loss and its share of post-acquisition changes of the investee's reserves in other comprehensive income. The cumulative post-acquisition changes are adjusted against the cost of the investment and include goodwill on acquisition (net of accumulated impairment loss).

The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the purchase of assets by the Group from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

Where necessary, adjustments have been made to the financial statements of jointly controlled entities to ensure consistency of accounting policies with those of the Group.

(d) Associated companies

Associated companies are those corporations, partnerships or other entities in which the Group exercises significant influence, but which it does not control, generally accompanying a shareholding of between 20% and 50% of voting rights. Significant influence is power to participate in financial and operating policy decisions of associates but not power to exercise control over those policies.

Investments in associated companies are accounted for using equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associated companies' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. If the Group's share of losses of an associate equals or exceeds its interest in the associated companies, the Group discontinues recognising its share of further losses. The interest in the associated companies is the carrying amount of the investment in the associated companies under the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associated companies. After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the investor has incurred legal or constructive obligations or made payments on behalf of the associated companies. If the associated companies subsequently report profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Where necessary, in applying the equity method, adjustments are made to the financial statements of associated companies to ensure consistency of accounting policies with those of the Group.

(e) Changes in ownership interest

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognised in profit or loss. This fair value is its fair value on initial recognition as a financial asset in accordance with FRS 139. 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2012
(continued)

C GOODWILL

Goodwill arises on business combinations when the cost of acquisition of subsidiaries, jointly controlled entity and associated companies exceeds the fair value of the Group's share of the identifiable net assets at the date of acquisition.

Goodwill on acquisition of associated companies and jointly controlled entity are included in investment in associated companies and jointly controlled entity. Such goodwill is tested for impairment as part of the overall balance.

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.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment testing is performed annually by comparing the present value of the CGU's projected cash flows against the carrying amount of its net assets which include the allocated goodwill. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill on acquisition of associated companies are included in investment in associates. Such goodwill is tested for impairment as part of the overall balance.

D PROPERTY AND EQUIPMENT AND DEPRECIATION

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses (if any). Freehold land and capital work-in-progress are not depreciated. Depreciation on capital work-in-progress commences when the assets are ready for their intended use. Depreciation of other property and equipment is calculated to write-off the cost of property and equipment to their residual values over the 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
Equipment, 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 the end of each reporting period.

Property and equipment are reviewed for impairment at each statements of financial position date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2012
(continued)

E INVESTMENT PROPERTIES

Investment properties are properties which are held for rentals or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs.

Investment properties are initially stated at cost and subsequently carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. The fair values of investment properties are reviewed annually, and a formal valuation by an independent professional valuer is carried out once in every three years. All gains or losses arising from a change in fair value of an investment property are recognised in the statements of income.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the profit or loss in the year in which they arise.

F INTANGIBLE ASSETS

(i) 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 5 years.

(ii) Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries, jointly controlled entities and associated companies over the fair value of the Group's share of the identifiable net assets at the date of acquisition. Goodwill on acquisition of associates is included in 'Investment in associated company' and is tested for impairment as part of the overall balance.

Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(iii) Other intangible assets

Other intangible assets include core deposits and customer relationships. These intangible assets were acquired in a business combination and are valued using income approach methodologies. These intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. The useful lives of the intangible assets are as follows:

Core deposit	: 7 years
Customer relationships	: 10 years

G LEASES

Finance Lease

Assets purchased under lease which in substance transfers the risks and benefits of ownership of the assets to the Group or the Company are capitalised under property, plant 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2012
(continued)

G LEASES (continued)

Operating Lease

Leases of assets under which all 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 profit or loss 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.

H FINANCIAL ASSETS

(a) Classification

The Group and the Company classify their financial assets into the following categories: at fair value through profit or loss, loans and receivables, financial investments available-for-sale and financial investments held-to-maturity. Management determines the classifications of its securities up-front at the point when transactions are entered into.

(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 Company 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 and the Company's management has the positive intent and ability to hold to maturity. If the Group or the Company 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 rates, 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.

(b) Recognition and initial measurement

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Transaction costs for securities carried at fair value through profit or loss are taken directly to the profit and loss.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2012
(continued)

H FINANCIAL ASSETS (continued)

(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 equity, until the securities are derecognised or impaired at which time the cumulative gains or loss 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 the 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.

(d) Reclassification of financial assets

The Group and the Company may choose to reclassify a non-derivative financial assets held-for-trading out of the held-for-trading category if the financial asset is no longer held for the purposes of selling in the near term. In addition, the Group and the Company may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Group and the Company have the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at the fair value at the date of the reclassification. The fair values of the securities becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before the reclassification date are subsequently made. The effective interest rates for the securities reclassified to held-to-maturity category are determined at the reclassification date. Further changes in estimates of future cash flows are recognised as an adjustment to the effective interest rates.

I RECEIVABLES

Clients' and brokers' balances arising from share and stockbroking business are carried at cost, net of allowance for bad and doubtful debts (anticipated realisable values). Other receivables are carried at cost, net of allowance for bad and doubtful debts (anticipated realisable values). An estimate is made for allowance for bad and doubtful debts based on the review of all outstanding amounts at the end of the financial year. Bad debts are written off during the financial year in which they are identified.

J FORECLOSED PROPERTIES

Foreclosed properties are stated at the lower of carrying amount and fair value less costs to sell.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2012
(continued)

K DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

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 value. 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 statements of income.

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 profits immediately.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group and the Bank designated certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge) or (2) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge) or (3) hedges of a net investment in a foreign operation (net investment hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

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

(a) Fair value hedges

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

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

(b) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain and loss relating to the ineffective portion is recognised immediately in the statements of income. Amounts accumulated in equity are recycled to the statements of income in the periods in which the hedged item will affect statements of income.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statements of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statements of income.

(c) Net investment hedges

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the statements of income.

Gains and losses accumulated in the equity are included in the statements of income when the foreign operation is partially disposed or sold.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2012
(continued)

K DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (continued)

(d) Derivatives that do not qualify for hedge accounting

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

L BILLS AND ACCEPTANCES PAYABLE

Bills and acceptances payable represent the banking subsidiaries' own bills and acceptances rediscounted and outstanding in the market.

M PROVISIONS

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

N BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

O UNEARNED PREMIUM RESERVES

Premium liabilities refer to the higher of:

- (i) the aggregate of the unearned premium reserves ("UPR"); or
- (ii) the best estimate value of the insurer's unexpired risk reserves ("URR") at the valuation date and the provision of risk margin for adverse deviation ("PRAD") calculated at the overall insurance subsidiary level. The best estimate value is a prospective estimate of the expected future payments arising from future events insured under policies in force as at the valuation date and also includes allowance for the insurer's expense including overheads and cost of reinsurance, expected to be incurred during the unexpired period in administering these policies and settling the relevant claims, and allows for expected future premium refunds.

(a) Premium liabilities

UPR are calculated for direct and reinsurance inwards business. The UPR represents the portion of the net premium of insurance policies written that relate to the unexpired periods of the policies at the end of the financial year. In determining the UPR at the statements of financial position date, the method that most accurately reflects the actual unearned premium is used, as follows:

- (i) 25% method for marine and aviation cargo, and transit business;
- (ii) 1/24th method for all other classes of general business except for non-annual policies in respect of Malaysian policies, reduced by the percentage of accounted gross direct business commission to the corresponding premium, not exceeding limits specified by BNM; and
- (iii) time apportionment method for non-annual policies (including long-term inwards treaty business) reduced by the percentage of accounted gross direct business commission to the corresponding premium, not exceeding limits specified by BNM.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2012
(continued)

O UNEARNED PREMIUM RESERVES (continued)

(b) Claims liabilities

A liability for outstanding claims is recognised in respect of both direct insurance and inward reinsurance.

The amount of outstanding claims is the best estimate of the expenditure required together with related expenses less recoveries to settle the present obligation at the statements of financial position date.

Provision is also made for the cost of claims, together with related expenses, incurred but not reported at the balance sheet date, based on an actuarial valuation with a PRAD at a 75% confidence level as required by BNM, based on actuarial valuation.

(c) Acquisition costs

The gross cost of acquiring and renewing insurance policies, net of income derived from ceding reinsurance premiums, are recognised as incurred and properly allocated to the periods in which it is probable they give rise to income.

P BENEFITS, CLAIMS AND EXPENSES

Benefits and claims that are incurred during the financial year are recognised when a claimable event occurs and/or the insurer/takaful operator is notified.

Recoveries on reinsurance/retakaful claims are accounted for in the same financial year as the original claims are recognised.

Claims and provisions for claims arising on life insurance policies/family takaful certificates, including settlement costs, are accounted for using the case basis method and for this purpose, the benefits payable under a life insurance policy/family takaful certificates are recognised as follows:-

- (i) maturity or other policy benefit payments due on specified dates are treated as claims payable on the due dates; and
- (ii) death, surrender and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the assured or occurrence of contingency covered.

Q INSURANCE CONTRACT LIABILITIES

These liabilities comprise of claims liabilities, actuarial liabilities, unallocated surpluses, financial investments available-for-sale fair value reserves and net asset value attributable to unitholders.

(a) Actuarial liabilities

Actuarial liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured by a prospective actuarial valuation method. The liability is determined as the sum of the present value of future guaranteed and, in the case of a participating life policy, appropriate level of non-guaranteed benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at the appropriate risk discount rate. The liability is based on best estimate assumptions and with due regard to significant recent experience. An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of non-participating life policies, the guaranteed benefits liabilities of participating life policies, and non-unit liabilities of investment-linked policies.

The liability in respect of policies of a participating insurance contract is taken as the higher of the guaranteed benefit liabilities or the total benefit liabilities at the fund level.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2012
(continued)

Q INSURANCE CONTRACT LIABILITIES (continued)

(a) Actuarial liabilities (continued)

In the case of a life policy where a part of, or the whole of the premiums are accumulated in a fund, the accumulated amount, as declared to the policy owners, are set as the liabilities if the accumulated amount is higher than the figure as calculated using the prospective actuarial valuation method.

Where policies or extensions of a policy are collectively treated as an asset at the fund level under the valuation method adopted, the value of such asset is eliminated through zerorisation.

The liability is derecognised when the contract expires, is discharged or is cancelled.

(b) Unallocated surplus

Surplus in discretionary participation features ("DPF") are distributable to policyholders and shareholders in accordance with the relevant terms under Insurance Act, 1996. The insurance subsidiary, however, has discretion over the amount and timing of these surpluses to policy holders and shareholders. Surpluses on non-DPF are attributable wholly to the shareholders and the amount and timing of the distribution to the shareholders and is subject to the recommendation of the company's appointed actuary.

As required by BNM Guidelines, unallocated surplus of both DPF and non-DPF where the amounts are yet to be allocated or distributed to either policyholders or shareholders by the end of the financial year, are held within insurance contract liabilities.

R LIFE INSURANCE CONTRACT

The valuation of the insurance liability arising from policy benefits made under life insurance contracts is the insurance subsidiary's most critical accounting estimate. The assumptions in relation to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates are used for calculating the liabilities during the life of the contract. Such assumptions require a significant amount of professional judgment and therefore, actual experience may be materially different than the assumptions made by the insurance subsidiary. Actual experience is monitored to assess whether the assumptions remain appropriate and assumptions are changed as warranted. Any movement in the key assumptions will have an effect in determining the insurance contract liabilities.

S FAMILY TAKAFUL FUND

The family takaful fund is maintained in accordance with the requirements of the Takaful Act, 1984 and includes the amount attributable to participants. The amount attributable to participants represents the accumulated surplus attributable in accordance with the terms and conditions prescribed by the Shariah Advisory Committee of Hong Leong MSIG Takaful Berhad ("HLMT").

The family takaful fund surplus/deficit is determined by an annual actuarial valuation of the family takaful fund. Any actuarial deficit in the family takaful fund will be made good by the shareholder's fund via a benevolent loan or Qardhul Hassan.

T GENERAL TAKAFUL FUND

The general takaful fund is maintained in accordance with the Takaful Act, 1984 and consists of unearned contribution reserves, and accumulated surplus attributable to participants which represents the participants' share in the net surplus of the general takaful revenue account, distributable in accordance with the terms and conditions prescribed by the Shariah Advisory Committee of HLMT. The general takaful underwriting results are determined for each class of takaful business after taking into account retakaful, unearned contributions and claims incurred. Underwriting deficit will be made good by the shareholders' fund via a benevolent loan or Qardhul Hassan.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2012
(continued)

U INCOME TAXES

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and includes all taxes based upon the taxable profits.

Deferred income tax is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income 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 assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax is recognised on temporary differences arising on investments in subsidiaries, associated company and joint ventures except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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 statement together with the deferred gain or loss.

Deferred income tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

V RECOGNITION OF INTEREST INCOME AND INTEREST EXPENSE

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 on impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. 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.

Income from Islamic banking business is recognised on an accrual basis in accordance with the principles of Shariah.

W RECOGNITION OF FEES AND OTHER INCOME

Loan arrangement fees and commissions are recognised as income when all conditions precedent are fulfilled. 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.

Commitment fees for loans, advances and financing that are likely to be drawn down and deferred (together with direct costs) and income which forms an integral part of the effective interest rate of a financial instrument is regarded as an adjustment to the effective interest rate of the financial instrument.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2012

(continued)

W RECOGNITION OF FEES AND OTHER INCOME (continued)

Net profit from financial assets held-for-trading and financial investments available-for-sale are recognised upon disposal of the securities, as the difference between net disposal proceeds and the carrying amount of the securities.

Net brokerage income, margin income, rollover fees, nominees service 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.

Rental income is recognised on an accrual basis.

(a) Management expenses, commission expenses and wakalah fees

Acquisition costs, commissions and management fees are borne by the family takaful and general takaful funds respectively in the revenue accounts of HLMT at an agreed percentage of the gross contribution, in accordance with the principles of Wakalah as approved by HLMT's Shariah Advisory Committee and agreed between the participants and HLMT.

These are transferred to the shareholders' fund via upfront wakalah fee and deferred wakalah fee.

(b) Upfront wakalah fee is recognised as income upon issuance of the certificate

Deferred wakalah fee is allocated to the Shareholders' fund upon monthly allocation of tabarru/donation charge from participants' funds to the risk fund and is deferred as a liability under "deferred wakalah fee reserve". Deferred wakalah fee is recognised as income based on the recommendation by the appointed actuary when the risk fund is in a surplus position after an annual actuarial valuation of the risk fund at the end of the financial year.

(c) Premium/contribution - general insurance and general takaful fund

Premiums/contributions are recognised in a financial year in respect of risks assumed during that particular financial year. Inward treaty reinsurance premium/retakaful contribution is recognised on the basis of periodic advices received from ceding insurers/takaful operator.

(d) Premium/contribution - life insurance and family takaful fund

Premiums/contributions are recognised as soon as the amount of premiums/contributions can be reliably measured. First premium premium/contribution is recognised from inception date and subsequent premiums/contributions are recognised on due dates.

Inward treaty reinsurance premiums/retakaful contributions are recognised on the basis of periodic advices received from ceding companies.

Outward reinsurance premiums/retakaful contributions are recognised in the same accounting period as the original policies certificates to which the reinsurance/retakaful relates.

(e) Surplus transferable from Life fund to statements of income

The surplus transferable from Life fund to the statements of income is based on the surplus determined by an annual actuarial valuation of the long-term liabilities to policyholders made in accordance with the provisions of the Insurance Act, 1996 and related regulations by the Insurance subsidiary's appointed actuary.

X INSURANCE COMMISSION AND AGENCY EXPENSES

Commission and agency expenses, which costs directly incurred in securing premium on insurance policies, net of income derived from reinsurers in the course of ceding of premium to reinsurers, are charged to the revenue account in the financial year in which they are incurred.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2012
(continued)

Y 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 Company 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 Company first assesses 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 determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

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 discounted at the financial assets' original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss. If a loan or financial investments held-to-maturity have a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

In accordance with the Amendments to FRS 139, MASB has included an additional transitional arrangement for entities in the financial sector, whereby BNM may prescribe an alternative basis for collective assessment of impairment by banking institutions. This transitional arrangement is prescribed in BNM's guidelines on Classification and Impairment Provisions for Loans/Financing issued on 26 January 2010, whereby banking institutions are required to maintain collective assessment impairment allowances of at least 1.5% of total outstanding loans/financing, net of individual impairment allowance. The collective assessment impairment allowance of the Company's banking subsidiaries as at the reporting date have been arrived at based on this transitional arrangement issued by BNM.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans 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 the profit or loss.

(b) Assets classified as available-for-sale

The Group and the Company assess at each date of the statements of financial position whether there is objective evidence that the financial asset is impaired. For debt securities, the Group and the Company use 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.

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 the 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2012
(continued)

Z EMPLOYEE BENEFITS

(a) Short-term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group and the Company.

(b) Defined contribution plans

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

The Group and the Company 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 profit or loss in the period to which they relate. Once the contributions have been paid, the Group and the Company has no further payment obligations.

(c) Share-based compensation

The Company operates an equity-settled, share-based compensation plan for the employees of the Company. The fair value of the employee services received in exchange for the grant of the share options is recognised as an expense in the statements of income over the vesting periods of the grant with a corresponding increase in equity.

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

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

In accordance with FRS 132, the shares purchases for the benefit of the ESOS holders are recorded as "Treasury Shares for ESOS Scheme" in equity on the statements of financial position. The cost of operating the ESOS scheme would be charged to the profit or loss when incurred in accordance with accounting standards.

Details of treasury shares are as discussed in Note 32 of the financial statements.

AA CURRENCY TRANSLATIONS

(a) Functional and presentation currency

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

(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. 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, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2012
(continued)

AA CURRENCY TRANSLATIONS (continued)

(b) Foreign currency transactions and balances (continued)

Changes in the fair value of monetary securities denominated in foreign currency classified as financial investments 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 income, and other changes in the carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets are recognised in income as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the fair value reserve in equity.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each statements of financial position presented are translated at the closing rate at the date of the balance sheet;
- (ii) income and expenses for each profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

AB 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, net of monies that are not readily available for use by the Group and the Company.

AC IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2012
(continued)

AD ZAKAT

In respect of the Islamic Banking operations, the Group only pays zakat on its business and does not pay zakat on behalf of depositors or shareholders. The amount is payable by the Group in compliance with Shariah principles.

AE SEGMENT REPORTING

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

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

AF 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.

(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.

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.

AG NON-CURRENT ASSETS/DISPOSAL GROUPS HELD-FOR-SALE

Non-current assets/disposal groups are classified as assets held-for-sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use.

AH 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 Company tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition). Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2012
(continued)

AI 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, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the bank's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with FRS 137 "Provision, Contingent Liabilities and Contingent Assets", and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgement of management. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the profit or loss.

AJ SHARE CAPITAL

(a) Classification

Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument. Distributions to holders of a financial instrument classified as an equity instrument are charged directly to equity.

(b) Share issue costs

Incremental external costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(c) Dividends

Dividends on ordinary shares are recognised as a liability when the shareholders' right to receive the dividend is established.

AK TREASURY SHARES

The Company has repurchased its shares and designated as treasury shares in accordance with FRS 132 – Financial Statements: Presentation. Treasury shares consist of those own shares purchased pursuant to Section 67A of the Companies Act, 1965 and those purchased pursuant to ESOS scheme. Details of treasury shares are as detailed in Note 32 of the financial statements.

AL CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent assets arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the Group. As this may result in the recognition of income that may never be realised, contingent assets are not recognised in the Group's financial statements.

Contingent liabilities, which include certain guarantees and letters of credit pledged as collateral security, are possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the control of the Group; or are present obligations that have arisen from past events but are not recognised because it is not probable that settlement will require the outflow of economic benefits, or because the amount of the obligations cannot be reliably measured.

Contingent liabilities are not recognised in the financial statements but are disclosed unless the probability of settlement is remote.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012

1 GENERAL INFORMATION

The principal activities of the Company are those of investment holding and provision of services to its subsidiaries to enhance group value.

The Hong Leong Financial Group (the Company and its subsidiaries) is a diversified financial group whose businesses provide a broad range of financial products and services to consumer, corporate and institutional customers.

The principal activities of the subsidiary companies are disclosed in Note 11 to the financial statements. There were no significant changes in the nature of the activities of the Company and its subsidiaries during the financial year.

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

The address of the registered office and principal place of business of the Company is Level 8, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur.

2 CASH AND SHORT-TERM FUNDS

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Cash and balances with banks and other financial institutions	1,390,695	1,965,321	300	629
Money at call and deposit placements maturing within one month	20,192,144	30,459,670	40,600	114,050
	21,582,839	32,424,991	40,900	114,679

Included in cash and short-term funds of the Group are accounts held in trust representatives amounting to RM476,631,000 (2011: RM501,679,000).

As at 30 June 2012, the Company has placed a fixed deposit of RM9.3 million (2011: RM8.4 million) with a bank for the RM100 million in revolving credit, RM150 million and RM200 million term loan facilities and has agreed not to withdraw the fixed deposits during the tenure. The bank has a right to set-off any sums placed by the Company in the fixed deposit account.

3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group	
	2012 RM'000	2011 RM'000
Bank Negara Malaysia ("BNM")	954,422	-
Licensed banks	2,089,529	3,551,572
Licensed investment banks	317,441	60,204
Other financial institutions	1,173,228	1,601,619
	4,534,620	5,213,395

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

4 FINANCIAL ASSETS HELD-FOR-TRADING

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Money market instruments				
Bank Negara Malaysia bills	11,244,208	767,821	-	-
Malaysian Government treasury bills	253,388	49,185	-	-
Malaysian Government securities	240,511	118,769	-	-
Malaysian Government investment certificates	2,177,642	388,068	-	-
Bankers' acceptances and Islamic accepted bills	4,204,306	3,944,863	-	-
Negotiable instruments of deposit	3,445,966	479,071	-	-
Cagamas bonds	72,214	-	-	-
	21,638,235	5,747,777	-	-
Quoted securities				
Shares quoted in Malaysia	354,829	401,376	-	-
Shares quoted outside Malaysia	42,468	22,557	-	-
Unit trust investments	26,029	62,288	-	37,814
Loan stocks in Malaysia	500	525	-	-
Warrants quoted in Malaysia	486	-	-	-
	22,062,547	6,234,523	-	37,814
Unquoted securities				
Foreign currency bonds	390,858	383,748	-	-
Private and Islamic debt securities	613,482	356,453	-	-
	23,066,887	6,974,724	-	37,814

5 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	The Group	
	2012 RM'000	2011 RM'000
Money market instruments		
Government treasury bills	375,160	364,156
Bank Negara Malaysia Bills	-	248,165
Malaysian Government securities	415,728	1,047,502
Malaysian Government investment certificates	1,369,664	1,911,745
Islamic negotiable instrument debt securities	-	28,833
Other Government securities	196,949	49,857
Bankers acceptance	-	44,853
Cagamas bonds	633,775	141,231
Negotiable instruments of deposit	11,826	522,051
	3,003,102	4,358,393

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

5 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE (continued)

	The Group	
	2012 RM'000	2011 RM'000
Quoted securities		
Shares quoted in Malaysia	692,636	683,663
Shares quoted outside Malaysia	550,314	461,289
Warrants quoted in Malaysia	122	-
Loan stocks quoted in Malaysia	6,420	1,112
Wholesale fund	999,800	-
Unit trust investments	217,574	127,900
	5,469,968	5,632,357
Unquoted securities		
Shares in Malaysia	317,351	234,025
Shares outside Malaysia	3,468	3,298
Private and Islamic debt securities	6,179,327	4,116,990
Foreign currency bonds	3,486,589	838,280
Investment Linked Funds	4,867	-
	15,461,570	10,824,950
Accumulated impairment losses	(67,815)	(25,977)
	15,393,755	10,798,973

The table below shows the movements in allowance for impairment losses during the financial year for the Group:

	The Group	
	2012 RM'000	2011 RM'000
At beginning of financial year	25,977	-
Impairment during the financial year	41,838	20,735
Acquisition of assets and liabilities of ECB	-	5,242
At the end of financial year	67,815	25,977

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

6 FINANCIAL INVESTMENTS HELD-TO-MATURITY

	The Group	
	2012 RM'000	2011 RM'000
Money market instruments		
Malaysian Government securities	1,867,919	3,577,908
Malaysian Government investment certificates	1,091,531	1,128,464
Cagamas bonds	258,310	170,942
Negotiable instruments of deposit	20,593	2,677,278
Other government securities	151,958	14,043
	3,390,311	7,568,635
Unquoted securities		
Loan stocks	11,781	2,953
Private and Islamic debt securities	1,303,007	740,366
Investment in preference shares	52,000	-
	4,757,099	8,311,954
Accumulated impairment losses	(169,133)	(203,756)
	4,587,966	8,108,198

The table below shows the movements in allowance for impairment losses during the financial year for the Group:

	The Group	
	2012 RM'000	2011 RM'000
At beginning of financial year		
- as previously reported	170,620	4,673
- fair value adjustments on completion of business combination accounting	33,136	-
As restated	203,756	4,673
Acquisition of assets and liabilities of ECB	-	168,000
Fair value adjustments on completion of business combination accounting	-	33,136
Amount written back in respect of recoveries	(36,413)	(2,053)
Allowance made during the financial year	1,790	-
At the end of financial year	169,133	203,756

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

7 LOANS, ADVANCES AND FINANCING

	The Group	
	2012 RM'000	2011 RM'000
Overdrafts	4,073,003	4,185,914
Term loans/financing:		
- Housing loans/financing	37,066,670	31,761,748
- Syndicated term loans/financing	5,468,161	4,669,705
- Hire purchase receivables	17,373,330	17,214,483
- Lease receivables	106,391	4,486
- Other term loans/financing	10,114,562	10,484,564
Credit/charge card receivables	4,233,382	4,262,859
Bills receivable	651,240	354,250
Trust receipts	342,745	302,959
Policy and premium loans	683,482	676,745
Claims on customer under acceptance credits	7,251,829	6,621,138
Block discounting	6,582	8,391
Revolving credit	3,770,367	3,771,610
Staff loans/financing	244,089	283,247
Other loans/financing	118,005	210,477
Gross loans, advances and financing	91,503,838	84,812,576
Fair value changes arising from fair value hedges	23,852	-
Unamortised fair value changes arising from terminated fair value hedges	21,570	17,177
Less: Allowance for impaired loans, advances and financing		
- collective assessment	(1,885,320)	(1,791,958)
- individual assessment	(543,234)	(797,739)
Total net loans, advances and financing	89,120,706	82,240,056

The Group has designation fair value hedges on certain receivables using interest rate swaps during the current financial year. The total fair value loss of the said interest rate swaps related to these hedges at 30 June 2012 amounted to RM51,380,000.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

7 LOANS, ADVANCES AND FINANCING (continued)

(a) The maturity structure of loans, advances and financing is as follows:

	The Group	
	2012 RM'000	2011 RM'000
Maturing within:		
- one year	26,023,577	23,116,320
- one year to three years	7,140,438	5,753,032
- three years to five years	9,388,281	8,732,468
- over five years	48,951,542	47,210,756
Gross loans, advances and financing	91,503,838	84,812,576

(b) The loans, advances and financing are disbursed to the following types of customers:

	The Group	
	2012 RM'000	2011 RM'000
Domestic non-bank financial institutions other than stockbroking companies	528,174	718,366
Domestic business enterprises:		
- small medium enterprises	12,068,244	12,199,764
- others	19,938,097	15,871,681
Government and statutory bodies	26,256	28,898
Individuals	56,250,945	53,214,510
Other domestic entities	29,549	30,678
Foreign entities	2,662,573	2,748,679
Gross loans, advances and financing	91,503,838	84,812,576

(c) Loans, advances and financing analysed by their interest rate sensitivity are as follows:

	The Group	
	2012 RM'000	2011 RM'000
Fixed rate		
- Housing loans/financing	2,997,728	3,467,141
- Hire purchase receivables	16,843,527	17,158,926
- Credit card	4,233,382	4,262,859
- Other fixed rate loan/financing	4,378,431	4,229,456
Variable rate		
- Base lending rate plus	51,203,453	43,544,696
- Cost plus	11,591,814	11,634,807
- Other variable rates	255,503	514,691
Gross loans, advances and financing	91,503,838	84,812,576

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

7 LOANS, ADVANCES AND FINANCING (continued)

(d) Loans, advances and financing analysed by their economic purposes are as follows:

	The Group	
	2012 RM'000	2011 RM'000
Purchase of securities	1,168,474	1,240,342
Purchase of transport vehicles	17,252,312	17,270,583
Residential property (Housing)	30,691,075	27,648,543
Non-residential property	9,985,329	9,059,391
Purchase of fixed assets (excluding landed properties)	638,350	668,935
Personal use	3,576,501	3,567,683
Credit card	4,233,382	4,262,859
Purchase of consumer durables	103	198
Construction	924,674	836,005
Mergers and acquisition	388,832	-
Working capital	19,988,086	17,856,413
Other purpose	2,656,720	2,401,624
Gross loans, advances and financing	91,503,838	84,812,576

(e) Loans, advances and financing analysed by their geographical distribution are as follows:

	The Group	
	2012 RM'000	2011 RM'000
In Malaysia	89,562,987	82,990,260
Outside Malaysia		
- Singapore	1,767,575	1,807,973
- Hong Kong	20,488	-
- Vietnam	152,788	14,343
Gross loans, advances and financing	91,503,838	84,812,576

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

7 LOANS, ADVANCES AND FINANCING (continued)

(f) Impaired loans, advances and financing analysed by their economic purposes are as follows:

	The Group	
	2012 RM'000	2011 RM'000
Purchase of securities	11,197	11,379
Purchase of transport vehicles	216,114	185,001
Residential property (Housing)	342,581	458,242
Non-residential property	73,388	79,403
Fixed assets	21,667	21,067
Personal use	86,654	93,742
Credit card	66,949	58,100
Consumer durable	7	17
Construction	26,388	31,075
Working capital	649,243	940,998
Others	39,082	45,751
Impaired loans, advances and financing	1,533,270	1,924,775

(g) Movements in the impaired loans, advances and financing are as follows:

	The Group	
	2012 RM'000	2011 RM'000
At beginning of financial year		
- as previously reported	1,892,304	942,902
- fair value adjustments on completion of business combination accounting	32,471	-
As restated	1,924,775	942,902
Acquisition of assets and liabilities of ECB	-	1,294,351
Fair value adjustments on completion of business combination accounting	-	32,471
Impaired during the financial year	2,078,588	883,759
Performing during the financial year	(1,081,218)	(493,248)
Amount written back in respect of recoveries	(808,389)	(461,787)
Amount written off	(584,256)	(278,682)
Exchange differences	3,770	5,009
At the end of financial year	1,533,270	1,924,775
Gross impaired/non performing loans to gross loans, advances and financing	1.7%	2.3%

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

7 LOANS, ADVANCES AND FINANCING (continued)

(h) Impaired loans, advances and financing analysed by their geographical distribution are as follows:

	The Group	
	2012 RM'000	2011 RM'000
In Malaysia	1,490,699	1,879,750
Outside Malaysia		
- Singapore	42,571	45,025
	1,533,270	1,924,775

(i) Movements in the allowance for impaired loans, advances and financing are as follows:

	The Group	
	2012 RM'000	2011 RM'000
Collective assessment allowance		
At beginning of financial year		
- as previously reported	1,576,741	771,288
- fair value adjustments on completion of business combination accounting	215,217	-
As restated	1,791,958	771,288
Acquisition of assets and liabilities of ECB	-	742,983
Fair value adjustments on completion of business combination accounting	-	215,217
Net allowance made during the financial year	794,400	390,985
Amount transferred from individual assessment	55,688	-
Amount written back in respect of recoveries	(331,924)	(101,290)
Amount written off	(416,452)	(217,424)
Unwinding income	(8,819)	(11,018)
Exchange differences	469	1,217
At the end of financial year	1,885,320	1,791,958

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

7 LOANS, ADVANCES AND FINANCING (continued)

(i) Movements in the allowance for impaired loans, advances and financing are as follows: (continued)

	The Group	
	2012 RM'000	2011 RM'000
Individual assessment allowance		
At beginning of financial year		
- as previously reported	670,993	234,265
- fair value adjustments on completion of business combination accounting	126,746	-
As restated	797,739	234,265
Acquisition of assets and liabilities of ECB	-	505,525
Fair value adjustments on completion of business combination accounting	-	126,746
Net allowance made during the financial year	61,291	72,384
Amount transferred to collective assessment	(55,688)	-
Amount written back in respect of recoveries	(139,313)	(83,718)
Amount written off	(116,873)	(45,286)
Unwinding income	(9,716)	(14,974)
Exchange differences	5,794	2,797
At the end of financial year	543,234	797,739

8 CLIENTS' AND BROKERS' BALANCES

Clients' and brokers' balances represent amount receivable from outstanding purchase contracts in respect of the Group's stockbroking and futures clients, amount due from brokers and contra losses and trade receivables from insurance clients.

	The Group	
	2012 RM'000	2011 RM'000
Performing accounts	271,602	236,185
Impaired accounts	1,170	12,589
	272,772	248,774
Less: Allowances for bad and doubtful debts		
- individual assessment allowance	(3,368)	(12,381)
	269,404	236,393

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

8 CLIENTS' AND BROKERS' BALANCES (continued)

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

	The Group	
	2012 RM'000	2011 RM'000
Individual assessment allowance		
At beginning of financial year	12,381	37,043
Allowances made during the financial year	107	1,562
Allowances written back during the financial year	(888)	(1,442)
Allowances written off	(8,232)	(24,782)
At the end of financial year	3,368	12,381

9 OTHER RECEIVABLES

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Foreclosed properties	1,338	1,458	-	-
Sundry debtors and other prepayments	189,173	753,840	540	97
Amount due from other related companies	240	62	3	3
Treasury related receivable	220,591	134,571	-	-
Other receivables	248,109	265,942	1,847	2,454
	659,451	1,155,873	2,390	2,554

10 STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA ("BNM")

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

11 INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2012 RM'000	2011 RM'000
Subsidiary companies		
Unquoted shares at cost	556,053	513,282
Shares quoted in Malaysia at cost	3,539,887	1,880,068
	4,095,940	2,393,350
At beginning of financial year	2,393,350	2,278,996
Add: Subscription of rights shares of a subsidiary	1,659,818	-
Add: Subscription of shares in a subsidiary	176,786	284,400
Add: Impairment writeback	-	309
Less: Redemption of shares	(134,014)	(170,355)
At the end of financial year	4,095,940	2,393,350

The subsidiary companies of the Company as at 30 June 2012 are as follows:

Name of companies	Place of incorporation	Effective percentage of ownership		Principal activities
		2012 %	2011 %	
(a) HLA Holdings Sdn Bhd and its subsidiary companies:	Malaysia	100.00	100.00	Investment Holding
(i) Hong Leong Assurance Berhad and its subsidiary:	Malaysia	70.00	70.00	Life insurance business
- Allstate Health Benefits Sdn Bhd*	Malaysia	-	70.00	Dissolved
- Unincorporated trust for ESOS ^Ω *	Malaysia	-	-	Special purpose vehicle for ESOS
(ii) Hong Leong Insurance (Asia) Limited*	Hong Kong	100.00	100.00	General insurance business
(iii) Hong Leong MSIG Takaful Berhad	Malaysia	65.00	65.00	Takaful business
(iv) HLAH Assets Sdn Bhd	Malaysia	100.00	100.00	Investment holding
(v) RC Holdings Sdn Bhd	Malaysia	100.00	-	Dormant
(b) Hong Leong Equities Sdn Bhd	Malaysia	100.00	100.00	Investment in stocks, shares and other securities
(c) HLFG Assets Sdn Bhd	Malaysia	100.00	100.00	Investment holding
(d) Wing Trade Investments Limited*	British Virgin Islands	100.00	100.00	Investment holding
(e) Unincorporated trust for ESOS ^Ω *	Malaysia	-	-	Special purpose vehicle for ESOS
(f) Hong Leong Capital Berhad and its subsidiary companies	Malaysia	81.85	81.85	Investment holding
(i) HLG Asset Management Sdn Bhd	Malaysia	81.85	81.85	In member's voluntary liquidation

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

11 INVESTMENT IN SUBSIDIARY COMPANIES (continued)

The subsidiary companies of the Company as at 30 June 2012 are as follows: (continued)

Name of companies	Place of incorporation	Effective percentage of ownership		Principal activities
		2012 %	2011 %	
(ii) HLG Securities Sdn Bhd	Malaysia	81.85	81.85	Investment holding
(iii) HLG Capital Markets Sdn Bhd and its subsidiary company:	Malaysia	81.85	81.85	Investment holding
- HLG Principal Investments (L) Limited	Labuan	81.85	81.85	Dormant
(iv) Hong Leong Investment Bank Berhad and its subsidiary companies:	Malaysia	81.85	81.85	Securities and stock broking, investment banking and futures broking
- HLG Nominee (Tempatan) Sdn Bhd	Malaysia	81.85	81.85	Nominee and custodian services for Malaysian clients
- HLG Nominee (Asing) Sdn Bhd	Malaysia	81.85	81.85	Nominee and custodian services for foreign clients
- RC Holdings Sdn Bhd	Malaysia	-	81.85	Dormant
- RC Research Sdn Bhd	Malaysia	81.85	81.85	Dormant
- RC Nominees (Asing) Sdn Bhd	Malaysia	81.85	81.85	Dormant
- RC Nominees (Tempatan) Sdn Bhd	Malaysia	81.85	81.85	Dormant
(v) HLG Futures Sdn Bhd	Malaysia	81.85	81.85	Ceased operation
(vi) Hong Leong Asset Management Bhd and its subsidiary company:	Malaysia	81.85	81.85	Sales of unit trusts, unit trust management and fund management
- HL Asset Management Pte Ltd	Singapore	81.85	81.85	Dormant
(vii) MIMB Investment Bank Berhad and its subsidiary companies:	Malaysia	66.13	66.04	Investment banking
- ECS Jaya (1969) Sdn Bhd	Malaysia	66.13	66.04	Dormant
- MIMB Nominees (Tempatan) Sendirian Berhad	Malaysia	66.13	66.04	Dormant
- MIMB Nominees (Asing) Sendirian Berhad	Malaysia	66.13	66.04	Dormant
- M.I.T. Nominees (Tempatan) Sdn Bhd	Malaysia	66.13	66.04	Nominee services
- F.I.T. Nominees (Asing) Sdn Bhd	Malaysia	66.13	66.04	Nominee services
- SSSB Jaya (1987) Sdn Bhd and its subsidiary companies:	Malaysia	66.13	66.04	In creditors' voluntary liquidation
• SSSB Nominees (Tempatan) Sdn Bhd	Malaysia	66.13	66.04	In member's voluntary liquidation
• SSSB Nominees (Asing) Sdn Bhd	Malaysia	66.13	66.04	In member's voluntary liquidation
(viii) Unincorporated trust for ESOS ^{o*}	Malaysia	-	-	Special purpose vehicle for ESOS

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

11 INVESTMENT IN SUBSIDIARY COMPANIES (continued)

The subsidiary companies of the Company as at 30 June 2012 are as follows: (continued)

Name of companies	Place of incorporation	Effective percentage of ownership		Principal activities
		2012 %	2011 %	
(g) Hong Leong Bank Berhad and its subsidiary companies:	Malaysia	66.13	66.04	Licensed bank
(i) Hong Leong Islamic Bank Berhad	Malaysia	66.13	66.04	Islamic banking business
(ii) Hong Leong Bank Vietnam Limited ⁺	Vietnam	66.13	66.04	Commercial banking business
(iii) HLF Credit (Perak) Bhd and its subsidiary companies:	Malaysia	66.13	66.04	Investment holding
- Gensource Sdn Bhd and its subsidiary company:	Malaysia	66.13	66.04	Investment holding
• Pelita Terang Sdn Bhd	Malaysia	66.13	66.04	Dormant
- WTB Corporation Sdn Bhd and its subsidiary companies:	Malaysia	66.13	66.04	Investment holding
• Wah Tat Nominees (Tempatan) Sdn Bhd	Malaysia	66.13	66.04	Agent and nominee for Malaysian clients
• Wah Tat Nominees (Asing) Sdn Bhd	Malaysia	66.13	66.04	Agent and nominee for foreign clients
- Chew Geok Lin Finance Sdn Bhd	Malaysia	66.13	66.04	Investment holding
- Hong Leong Leasing Sdn Bhd*	Malaysia	66.13	66.04	Investment holding
- HL Leasing Sdn Bhd	Malaysia	66.13	66.04	Investment holding
- HLB Realty Sdn Bhd	Malaysia	66.13	66.04	Real property investment and investment holding
(iv) HLB Nominees (Tempatan) Sdn Bhd	Malaysia	66.13	66.04	Agent and nominee for Malaysian clients
(v) HL Bank Nominees (Singapore) Pte Ltd ⁺	Singapore	66.13	66.04	Agent and nominee for clients
(vi) HLB Nominees (Asing) Sdn Bhd	Malaysia	66.13	66.04	Agent and nominee for foreign clients
(vii) HLB Trade Services (Hong Kong) Limited ⁺	Hong Kong	66.13	66.04	Ceased operations
(viii) HLB Principal Investments (L) Limited and its subsidiary company:	Malaysia	66.13	66.04	Holding of or dealings in offshore securities
- Promino Sdn Bhd (formerly known as EON Bank Berhad)	Malaysia	66.13	66.04	Ceased operations
(ix) Prominic Berhad	Malaysia	66.13	66.04	To issue Subordinated Notes under a Stapled Securities structure and to on-lend the proceeds from the issuance to Hong Leong Bank Berhad, the issuer of the Capital Securities
(x) Promitol Sdn Bhd (formerly known as EONCAP Islamic Bank Berhad)	Malaysia	66.13	66.04	Ceased operations

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

11 INVESTMENT IN SUBSIDIARY COMPANIES (continued)

The subsidiary companies of the Company as at 30 June 2012 are as follows: (continued)

Name of companies	Place of incorporation	Effective percentage of ownership		Principal activities
		2012 %	2011 %	
(xi) EFB Berhad	Malaysia	66.13	66.04	In member's voluntary liquidation
(xii) EB Nominees (Tempatan) Sendirian Berhad	Malaysia	66.13	66.04	Nominee services
(xiii) EB Nominees (Asing) Sendirian Berhad	Malaysia	66.13	66.04	Nominee services
(xiv) EB Realty Sendirian Berhad	Malaysia	66.13	66.04	Property investment
(xv) OBB Realty Sdn Bhd	Malaysia	66.13	66.04	Property investment
(xvi) Oriental Nominee (Tempatan) Sdn Bhd	Malaysia	66.13	66.04	In member's voluntary liquidation
(xvii) OFB Berhad	Malaysia	66.13	66.04	In member's voluntary liquidation
(xviii) CFB Asa Berhad	Malaysia	66.13	66.04	In member's voluntary liquidation
(xix) CFB Nominee (Tempatan) Sdn Bhd	Malaysia	66.13	66.04	In member's voluntary liquidation
(xx) PFB Asa Berhad	Malaysia	66.13	66.04	In member's voluntary liquidation
(xxi) Perkasa Nominees (Tempatan) Sdn Bhd	Malaysia	66.13	66.04	In member's voluntary liquidation
(xxii) Unincorporated trust for ESOS ^{Ω*}	Malaysia	-	-	Special purpose vehicle for ESOS
(xxiii) Famehub Quest Sdn Bhd ^{Ω*}	Malaysia	-	-	Special purpose vehicle
(xxiv) Famehub Capital Sdn Bhd ^{Ω*}	Malaysia	-	-	Special purpose vehicle
(xxv) Allegra Capital Investments Ltd ^{Ω@*}	British Virgin Islands	-	-	Special purpose vehicle
(xxvi) GoldPearl International Ltd ^{Ω@*}	British Virgin Islands	-	-	Special purpose vehicle

* Not audited by PricewaterhouseCoopers

+ Audited by member firms of PricewaterhouseCoopers International which is a separate and independent legal entity from PricewaterhouseCoopers Malaysia.

Ω Deemed subsidiary pursuant to IC 112 - Consolidation: Special Purpose Entities.

@ Compartment subsidiary consolidated pursuant to IC 112 - Consolidation: Special Purpose Entities.

12 INVESTMENT IN ASSOCIATED COMPANIES

	The Group	
	2012 RM'000	2011 RM'000
Unquoted shares outside Malaysia, at cost	1,565,151	1,565,151
Cumulative share of results, net of dividend received	645,347	401,034
Cumulative share of changes in other comprehensive income	(1,419)	(1,234)
	2,209,079	1,964,951

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

12 INVESTMENT IN ASSOCIATED COMPANIES (continued)

(a) The Group's share of income and expenses of the associated companies is as follows:

	The Group	
	2012 RM'000	2011 RM'000
Revenue	1,145,842	661,245
Profit after taxation	268,994	250,854

(b) The Group's share of assets and liabilities of the associated companies is as follows:

	The Group	
	2012 RM'000	2011 RM'000
Total assets	21,021,097	15,970,397
Total liabilities	19,269,327	14,478,819

Details of the associated companies held by the Group are as follows:

Name	Principal activities	Percentage (%) of equity held	
		2012 %	2011 %
Bank of Chengdu Co., Ltd	Commercial banking	20	20
MSIG Insurance (Malaysia) Bhd	Insurance	30	30
Community CSR Sdn Bhd	Investment holding	20	-

13 INVESTMENT IN JOINTLY CONTROLLED ENTITY

	The Group	
	2012 RM'000	2011 RM'000
Unquoted shares outside Malaysia, at cost	76,711	76,711
Cumulative share of results	160	(1,459)
	76,871	75,252

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

13 INVESTMENT IN JOINTLY CONTROLLED ENTITY (continued)

(a) The Group's share of income and expenses of the jointly controlled entity is as follows:

	The Group	
	2012 RM'000	2011 RM'000
Revenue	6,749	2,188
Profit/(loss) after taxation	1,619	(771)

(b) The Group's share of assets and liabilities of the jointly controlled entity is as follows:

	The Group	
	2012 RM'000	2011 RM'000
Total assets	79,105	72,101
Total liabilities	620	244

Details of the jointly controlled entity held by the Group are as follows:

Name	Principal activity	Percentage (%) of equity held	
		2012 %	2011 %
Sichuan Jincheng Consumer Finance Limited Company	Consumer finance	49	49

14 DEFERRED TAXATION

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	
	2012 RM'000	2011 RM'000
Deferred tax assets	28,596	106,486
Deferred tax liabilities	(134,792)	(33,792)
	(106,196)	72,694

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

14 DEFERRED TAXATION (continued)

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

The Group		Loans, advances and financing	Property and equipment	Financial investments available-for- sale	Intangible assets	Unabsorbed tax losses	Other temporary differences	Total
	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2012								
At the beginning of financial year								
- as previously reported		342,115	(49,643)	(64,371)	-	317,102	32,681	577,884
- prior year adjustments	56	(128,664)	(12,402)	(13,514)	(68,527)	(278,223)	(3,860)	(505,190)
As restated		213,451	(62,045)	(77,885)	(68,527)	38,879	28,821	72,694
(Charged)/credited to statements of income	40	(170,652)	(45,846)	-	8,630	(13,740)	54,469	(167,139)
Transferred from Life fund		-	-	-	-	-	6,104	6,104
Transferred to equity		-	-	(17,855)	-	-	-	(17,855)
At the end of financial year		42,799	(107,891)	(95,740)	(59,897)	25,139	89,394	(106,196)
2011								
At the beginning of financial year		144,697	(15,813)	(44,113)	-	52,359	11,836	148,966
Acquisition of assets and liabilities of ECB		167,619	(30,536)	(7,649)	-	278,223	46,342	453,999
Fair value adjustments on completion of business combination accounting	55	(128,664)	(12,439)	(13,514)	(69,965)	(278,223)	(3,860)	(506,665)
Credited/(charged) to statements of income	40	29,799	(3,257)	-	1,438	(13,480)	(22,531)	(8,031)
Transferred from Life fund		-	-	-	-	-	(2,966)	(2,966)
Transferred to equity		-	-	(12,609)	-	-	-	(12,609)
At the end of financial year		213,451	(62,045)	(77,885)	(68,527)	38,879	28,821	72,694

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

15 PROPERTY AND EQUIPMENT

The Group		Land and building*	Office and computer equipment	Furniture, fittings and renovation	Motor vehicles	Capital work-in-progress	Total
2012	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net book value at the beginning of financial year							
- as previously reported		629,929	165,099	119,233	9,075	36,916	960,252
- fair value adjustments on completion of business combination accounting	55	49,747	1,865	(672)	(134)	-	50,806
As restated		679,676	166,964	118,561	8,941	36,916	1,011,058
Exchange differences		2,488	37	(42)	16	57	2,556
Reclassification		1,399	(1,988)	(6,022)	(146)	(4,148)	(10,905)
Additions		-	94,385	45,890	750	20,888	161,913
Disposals/write-off		(4,679)	(2,269)	(1,270)	(1,413)	-	(9,631)
Depreciation charge during the financial year		(11,545)	(68,673)	(34,045)	(2,843)	-	(117,106)
Net book value at the end of financial year		667,339	188,456	123,072	5,305	53,713	1,037,885
At 30 June 2012							
Cost		746,429	810,328	400,492	17,745	53,713	2,028,707
Accumulated depreciation		(79,090)	(621,872)	(277,420)	(12,440)	-	(990,822)
Net book value		667,339	188,456	123,072	5,305	53,713	1,037,885

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

15 PROPERTY AND EQUIPMENT (continued)

* Land and building consists of the following:

The Group	Note	Freehold		Long-term leasehold		Short-term leasehold		Total
		land	building	land	building	land	building	
2012		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net book value at the beginning of financial year								
- as previously reported		141,828	236,859	24,104	222,036	3,045	2,057	629,929
- fair value adjustments on completion of business combination accounting	55	12,030	37,726	-	(9)	-	-	49,747
As restated		153,858	274,585	24,104	222,027	3,045	2,057	679,676
Exchange differences		-	-	-	2,488	-	-	2,488
Reclassification		-	6,457	-	(5,058)	-	-	1,399
Disposals		-	(4,679)	-	-	-	-	(4,679)
Depreciation charge during the financial year		-	(3,305)	(455)	(7,570)	(210)	(5)	(11,545)
Net book value at the end of financial year		153,858	273,058	23,649	211,887	2,835	2,052	667,339
At 30 June 2012								
Cost		153,858	322,766	26,256	235,334	5,271	2,944	746,429
Accumulated depreciation		-	(49,708)	(2,607)	(23,447)	(2,436)	(892)	(79,090)
Net book value		153,858	273,058	23,649	211,887	2,835	2,052	667,339

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

15 PROPERTY AND EQUIPMENT (continued)

The Group		Land and building*	Office and computer equipment	Furniture, fittings and renovation	Motor vehicles	Capital work-in-progress	Total
2011	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net book value at the beginning of financial year		470,039	96,830	58,864	6,018	27,168	658,919
Acquisition of assets and liabilities of ECB		156,343	70,111	43,453	3,143	-	273,050
Fair value adjustments on completion of business combination accounting	55	49,747	1,865	(672)	(134)	-	50,806
Exchange differences		(3,273)	(244)	(300)	20	-	(3,797)
Impairment		(819)	-	-	-	-	(819)
Additions		15,200	39,847	33,698	2,572	9,748	101,065
Disposals/write-off		(309)	(228)	(1,740)	(14)	-	(2,291)
Depreciation charge during the financial year		(8,216)	(42,904)	(19,364)	(2,835)	-	(73,319)
Transfer from assets in disposal groups held-for-sale		819	1,687	4,622	171	-	7,299
Net book value at the end of financial year		679,531	166,964	118,561	8,941	36,916	1,010,913
At 30 June 2011							
Cost		748,701	738,854	370,437	20,302	36,916	1,915,210
Accumulated depreciation		(69,170)	(571,890)	(251,876)	(11,361)	-	(904,297)
Net book value		679,531	166,964	118,561	8,941	36,916	1,010,913

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

15 PROPERTY AND EQUIPMENT (continued)

* Land and building consists of the following:

The Group	Note	Freehold		Long-term leasehold		Short-term leasehold		Total
		land	building	land	building	land	building	
2011		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net book value at the beginning of financial year		101,220	132,663	14,170	216,988	3,090	1,908	470,039
Acquisition of assets and liabilities of ECB		40,608	107,650	713	7,186	-	186	156,343
Fair value adjustments on completion of business combination accounting	55	12,030	37,726	-	(9)	-	-	49,747
Exchange differences		-	-	-	(3,273)	-	-	(3,273)
Impairment		(218)	-	-	(601)	-	-	(819)
Additions		-	-	9,500	5,700	-	-	15,200
Disposals		-	(254)	(54)	(1)	-	-	(309)
Depreciation charge during the financial year		-	(3,345)	(225)	(4,564)	(45)	(37)	(8,216)
Transfer from assets in disposal groups held-for-sale		218	-	-	601	-	-	819
Net book value at the end of financial year		153,858	274,440	24,104	222,027	3,045	2,057	679,531
At 30 June 2011								
Cost		153,858	323,769	26,256	236,603	5,271	2,944	748,701
Accumulated depreciation		-	(49,329)	(2,152)	(14,576)	(2,226)	(887)	(69,170)
Net book value		153,858	274,440	24,104	222,027	3,045	2,057	679,531

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

15 PROPERTY AND EQUIPMENT (continued)

The Company	Office and computer equipment	Furniture, fittings and renovation	Motor vehicles	Total
	RM'000	RM'000	RM'000	RM'000
2012				
Net book value at the beginning of financial year	47	716	814	1,577
Additions	65	43	-	108
Depreciation charge during the financial year	(38)	(116)	(439)	(593)
Net book value at the end of financial year	74	643	375	1,092
At 30 June 2012				
Cost	491	1,404	3,069	4,964
Accumulated depreciation	(417)	(761)	(2,694)	(3,872)
Net book value	74	643	375	1,092
2011				
Net book value at the beginning of financial year	81	840	1,033	1,954
Additions	27	-	358	385
Disposals	-	(7)	-	(7)
Depreciation charge during the financial year	(61)	(117)	(577)	(755)
Net book value at the end of financial year	47	716	814	1,577
At 30 June 2011				
Cost	451	1,391	3,069	4,911
Accumulated depreciation	(404)	(675)	(2,255)	(3,334)
Net book value	47	716	814	1,577

16 INVESTMENT PROPERTIES

	The Group	
	2012 RM'000	2011 RM'000
Fair value		
At the beginning/end of financial year	1,680	1,680
The analysis of investment properties is as follows:		
Leasehold land and building	1,680	1,680

The fair value of the properties was estimated at RM1,680,000 (2011: RM1,680,000) based on open market valuation by an independent professional valuer, Messrs Rahim & Co International Property Consultants.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

17 GOODWILL ARISING ON CONSOLIDATION

	Note	The Group	
		2012 RM'000	2011 RM'000
At the beginning of financial year			
- as previously reported		1,696,344	574,408
- fair value adjustments on completion of business combination accounting		714,300	-
As restated		2,410,644	574,408
Fair value adjustments on completion of business combination accounting	55	-	714,300
Rateable goodwill attributable to share buy back of a subsidiary company		-	17,631
Goodwill arising during the financial year		-	1,117,012
Goodwill written off	(a)	-	(12,707)
At the end of financial year		2,410,644	2,410,644

Allocation of goodwill to cash-generating units

Goodwill has been allocated to the following cash-generating-units ("CGUs"):

	The Group	
	2012 RM'000	2011 RM'000
CGU		
Commercial banking	2,246,484	2,246,484
Investment banking and asset management	99,803	99,803
Insurance	64,357	64,357
	2,410,644	2,410,644

(a) During the previous financial year, the Group wrote off goodwill of RM12,707,000 attributable to the Insurance CGU, arising from the Group's disposal of the general insurance business of HLA.

Impairment test for goodwill

The recoverable amount of the CGUs as at 30 June 2012 are determined based on either the fair value less cost to sell or value-in-use.

(i) Fair value less costs to sell

Commercial banking CGU

The recoverable amount of the Banking CGU has been determined using the quoted market prices as at 30 June 2012 by Bursa Malaysia Securities Berhad.

(ii) Value-in-use

Insurance CGU

The fair value of the Insurance CGU is derived using the actuarial valuation for the Life insurance business. The actuarial valuation of the Life insurance fund is based on the latest position as at statements of financial position date, using the most recent available assumptions at the point of assessment. Such assumptions are derived from historical experience of the insurer and current industry trends and positions.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

17 GOODWILL ARISING ON CONSOLIDATION (continued)

(ii) Value-in-use (continued)

Investment banking and asset management CGU

The recoverable amount is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by directors covering a three-year period. Cash flows beyond the three-year period are assumed to grow at 4% (2011: 4%) to perpetuity.

The cash flow projections are derived based on a number of key factors including the past performance and management's expectations at the market development. The pre-tax discount rate is 13.0% (2011: 14.7%) and reflect specific risks relating to the segment.

Management believes that no reasonable possible change to the assumptions applied would cause the carrying value of the CGU to exceed its recoverable amount.

18 INTANGIBLE ASSETS

The Group		Core Deposit	Customer Relationship	Computer Software	Total
2012	Note	RM'000	RM'000	RM'000	RM'000
Cost or valuation					
At the beginning of financial year					
- as previously reported		-	-	355,516	355,516
- prior year adjustments	56	152,434	127,426	2,242	282,102
As restated		152,434	127,426	357,758	637,618
Additions		-	-	145,876	145,876
Disposals/write-off		-	-	(1,687)	(1,687)
Exchange fluctuation		-	-	598	598
Reclassifications from property and equipment	15	-	-	3,373	3,373
At the end of financial year		152,434	127,426	505,918	785,778
Amortisation and impairment					
At the beginning of financial year					
- as previously reported		-	-	245,587	245,587
- prior year adjustments	56	3,629	2,124	3,292	9,045
As restated		3,629	2,124	248,879	254,632
Amortisation during the financial year		21,777	12,742	43,144	77,663
Disposals/write-off		-	-	(768)	(768)
Exchange fluctuation		-	-	193	193
At the end of financial year		25,406	14,866	291,448	331,720
Net book value		127,028	112,560	214,470	454,058

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

18 INTANGIBLE ASSETS (continued)

The Group		Core Deposit	Customer Relationship	Computer Software	Total
2011	Note	RM'000	RM'000	RM'000	RM'000
Cost or valuation					
At the beginning of financial year		-	-	207,721	207,721
Additions		-	-	34,596	34,596
Acquisition of assets and liabilities of ECB		-	-	86,733	86,733
Fair value adjustments on completion of business combination accounting	55	152,434	127,426	2,242	282,102
Disposals/write-off		-	-	(5,490)	(5,490)
Exchange fluctuation		-	-	(491)	(491)
Transfer from assets in disposal groups held-for-sale		-	-	32,447	32,447
At the end of financial year		152,434	127,426	357,758	637,618
Amortisation and impairment					
At the beginning of financial year		-	-	153,306	153,306
Acquisition of assets and liabilities of ECB		-	-	42,826	42,826
Fair value adjustments on completion of business combination accounting	55	-	-	3,292	3,292
Amortisation during the financial year		3,629	2,124	23,846	29,599
Disposals/write-off		-	-	(5,299)	(5,299)
Exchange fluctuation		-	-	13	13
Transfer from assets in disposal groups held-for-sale		-	-	30,895	30,895
At the end of financial year		3,629	2,124	248,879	254,632
Net book value		148,805	125,302	108,879	382,986

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

18 INTANGIBLE ASSETS (continued)

The Company	Computer Software	
	2012 RM'000	2011 RM'000
Cost or valuation		
At the beginning of financial year	517	527
Additions	12	3
Disposals/write-off	(11)	(13)
At the end of financial year	518	517
Amortisation and impairment		
At the beginning of financial year	505	403
Amortisation during the financial year	9	115
Disposals/write-off	(11)	(13)
At the end of financial year	503	505
Net book value	15	12

The Group recognised RM322,717,000 intangible assets (includes computer software) in relation to the acquisition of the banking business and related assets and liabilities of EON Capital. The intangible assets were in the form of business banking customer relationships, core deposits and computer software.

Customer relationships acquired in a business combination have value when they represent an identifiable and predictable source of future cash flow to the combined business.

The valuation of business banking customer relationships was determined using an income approach, specifically the multi-period excess earning method ("MEEM"). This was done by discounting forecasted incremental customer revenues attributable solely to EON Banking Group's existing business banking customer.

Core deposits comprising savings and current accounts are low cost source of funds. The valuation of core deposits was derived using an income approach, specifically the cost savings method under the incremental cash flow method. This was done by discounting forecast net interest savings from core deposits.

The discount rate used in discounting incremental cash flows was based on the risk associated with the identified intangible assets. The remaining amortisation period of core deposits and customer relationships are 6 to 9 years, respectively.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

19 DEPOSITS FROM CUSTOMERS

	The Group	
	2012 RM'000	2011 RM'000
Fixed deposits	75,220,529	68,788,096
Negotiable instruments of deposit	5,828,928	5,584,465
	81,049,457	74,372,561
Demand deposits	14,644,399	14,893,230
Savings deposits	14,815,602	12,515,496
Short-term corporate placements	12,311,878	12,561,243
Others	395,466	406,448
	123,216,802	114,748,978

(a) Maturity structure of fixed deposits and negotiable instruments of deposit is as follows:

	The Group	
	2012 RM'000	2011 RM'000
Due within:		
- six months	61,202,332	57,182,990
- six months to one year	14,405,933	12,967,434
- one year to five years	5,441,192	4,222,137
	81,049,457	74,372,561

(b) The deposits are sourced from the following customers:

	The Group	
	2012 RM'000	2011 RM'000
Government and statutory bodies	4,479,480	5,777,465
Business enterprises	57,524,535	49,354,634
Individuals	59,427,461	51,479,665
Others	1,785,326	8,137,214
	123,216,802	114,748,978

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

20 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group	
	2012 RM'000	2011 RM'000
Licensed banks and investment banks	8,555,164	7,673,057
Bank Negara Malaysia	150,152	1,897,375
Licensed Islamic Bank	1,556,675	581,968
Other financial institutions	617,516	1,293,260
	10,879,507	11,445,660

21 DERIVATIVE FINANCIAL INSTRUMENTS

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Derivatives at fair value through profit or loss				
- interest rate swaps	628,771	347,975	196	2,342
- cross currency swaps	110,138	275,216	-	-
- foreign currency forwards	171,954	152,468	-	-
- foreign currency options	26,377	13,001	-	-
- futures	1,023	747	-	-
- equity options	3,046	4,434	-	-
- swaption	39,571	4,323	-	-
Total derivative financial instruments assets	980,880	798,164	196	2,342
Derivatives at fair value through profit or loss				
- interest rate swaps	(679,888)	(293,384)	(15,619)	(836)
- cross currency swaps	(99,901)	(187,944)	(1,445)	(7,601)
- foreign currency forwards	(232,535)	(178,225)	(481)	(17)
- foreign currency options	(26,845)	(13,968)	-	-
- equity options	(796)	(1,501)	-	-
- futures	(4,864)	(3,507)	-	-
- swaption	(40,296)	(3,569)	-	-
Derivatives designated as fair value hedge				
- interest rate swaps	(52,781)	-	-	-
Total derivative financial instruments liabilities	(1,137,906)	(682,098)	(17,545)	(8,454)

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

22 CLIENTS' AND BROKERS' BALANCES

Included in clients' and brokers' balances are clients' trust balances, held in trust for clients of RM416,549,000 (2011: RM235,034,000).

23 PAYABLES AND OTHER LIABILITIES

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Trade payables	862,878	672,751	-	-
Amount due to other related companies	-	1,327	14	428
Amount due to Cagamas Berhad	179,719	187,217	-	-
Post employment benefits obligation				
- defined contribution plan	4,304	4,779	52	17
Zakat	222	128	-	-
Profit equalisation reserve	-	2,298	-	-
Loan advance payment	1,444,836	1,122,560	-	-
Treasury clearing	312	194,688	-	-
Cheque clearing	114,253	407,480	-	-
Treasury related payable	199,745	135,701	-	-
Sundry creditors and accruals	687,942	537,646	1,069	966
Provision for bonus and staff related expenses	161,299	80,358	11,733	4,559
Others	208,670	507,956	-	-
	3,864,180	3,854,889	12,868	5,970

The amount due to other related companies are unsecured, interest free and repayable on demand.

24 BORROWINGS

	Note	The Group		The Company	
		2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Revolving credit	(a)	165,050	20,075	-	-
Commercial papers	(b)	559,262	678,381	559,262	678,381
Medium term notes	(b)	551,693	-	551,693	-
Term loans	(c)	468,333	1,515,784	468,333	1,515,784
		1,744,338	2,214,240	1,579,288	2,194,165

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

24 BORROWINGS (continued)

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Repayment of revolving credit				
- less than one year	165,050	20,075	-	-
Repayment of commercial papers				
- less than one year	559,262	678,381	559,262	678,381
Repayment of medium term notes				
- one to three years	150,433	-	150,433	-
- three years and above	401,260	-	401,260	-
Repayment of term loans				
- less than one year	-	1,403,669	-	1,403,669
- one to three years	468,333	112,115	468,333	112,115
	1,744,338	2,214,240	1,579,288	2,194,165

- (a) The revolving credit facilities carry interest rates ranging from 3.71% to 4.25% (2011: ranging from 3.62% to 4.16%) per annum.

The revolving credit facilities are unsecured and repayable within 12 months.

- (b) On 14 October 2011, the Company entered into RM1.8 billion CP/MTNs Programme comprising a seven (7) years Commercial Papers (CP) programmes and a twenty (20) years Medium Term Notes (MTN) programmes which were constituted by a Trust Deed between the Company and Malaysian Trustees Berhad as trustee. The CPs are issued at a discount and the issue price is calculated in accordance with the Rules on Fully Automated System for Issuing/Tendering ("FAST") issued by Bank Negara Malaysia at the tenure of one (1), two (2), three (3), six (6), nine (9) or twelve (12) months as the Company may select. The CPs carry interest rates ranging from 3.27% to 3.51% (2011: 3.30% to 3.50%) per annum.

The MTNs are issued at par and the issue price is calculated in accordance with the FAST Rules, at the tenure which shall be more than one (1) year as the Company may select. The MTNs carry interest rates ranging from 4.05% to 4.50% (2011: Nil) per annum.

The CP/MTNs are unsecured and the Company is required to maintain a debt to equity ratio for these facilities.

The Company's 7 years RM800 million CP/MTNs Programme was terminated on 11 November 2011. The Company has fully repaid the outstanding principal and accrued interest.

- (c) The Company has the following term loans for the financial year:
- (i) an unsecured 3 years term loan of USD37 million maturing on 12 April 2013 with a cross currency swap. The term loan with three months interest period bears LIBOR interest rate of ranging from 1.25% to 1.58% (2011: 1.28% to 1.53%) per annum.
 - (ii) an unsecured 1 year term loan of RM200 million maturing on 2 July 2012 which was further extended to 2 July 2013 on 29 June 2012. The term loan with one month interest period bears interest rate ranging from 3.61% to 3.75% (2011: 3.72%) per annum.
 - (iii) an unsecured short-term loan facility of RM150 million maturing on 11 January 2013. The term loan with one month interest period bears interest rate ranging from 3.71% to 3.84% (2011: Nil) per annum.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

25 SENIOR BONDS

	Note	The Group	
		2012 RM'000	2011 RM'000
USD300 million senior bonds, at par	(a)	916,350	916,350
USD300 million senior bonds, at par	(b)	919,200	-
Foreign exchange translations		69,750	(9,750)
		1,905,300	906,600
Add: Interest payable		16,274	9,822
		1,921,574	916,422
Less: Unamortised discounts		(13,781)	(5,612)
		1,907,793	910,810

- (a) On 17 March 2011, HLB issued USD300 million in aggregate principal amount of Senior Bonds ("the Bonds"), which will mature in 2016. The Bonds bear interest at the rate of 3.75% is payable semi-annually. The Bonds were issued at a price of 99.761 per cent of the principal amount of the Bonds.

The Bonds will constitute direct, general, unsubordinated and unsecured obligations of HLB which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of HLB.

- (b) On 20 April 2012, HLB announced that it has completed its inaugural US dollar senior unsecured notes issuance of USD300 million (the "Senior Notes") under its Euro Medium Term Note Programme of up to USD1.5 billion (or its equivalent in other currencies) in nominal value (the "Programme") which was established on 9 April 2012.

The Senior Notes will have a tenor of five years, maturing on 19 April 2017. The Senior Notes will pay a coupon of 3.125% per annum which is equivalent to a yield to investors of 3.269% (5-year US Treasury + 238bps).

26 SUBORDINATED OBLIGATIONS

	Note	The Group	
		2012 RM'000	2011 RM'000
RM700 million Tier 2 subordinated debt, at par	(a)	680,000	680,000
Add: Interest payable		12,734	12,565
		692,734	692,565
Less: Unamortised discounts		(1,603)	(2,792)
		691,131	689,773
RM1.0 billion Tier 2 subordinated debt, at par	(b)	1,000,000	1,000,000
Add: Interest payable		6,555	6,793
		1,006,555	1,006,793
Less: Unamortised discounts		(2,436)	(3,856)
		1,004,119	1,002,937

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

26 SUBORDINATED OBLIGATIONS (continued)

	Note	The Group	
		2012 RM'000	2011 RM'000
Subordinated medium term notes, at par	(c)	1,160,000	1,160,000
Add: Interest payable		9,267	8,983
		1,169,267	1,168,983
Less: Unamortised discounts		(14,214)	(23,750)
Add: Fair value adjustments on completion of business combination accounting		18,000	47,085
		1,173,053	1,192,318
RM1.5 billion Tier 2 subordinated debt, at par	(d)	1,500,000	-
Add: Interest payable		1,664	-
		1,501,664	-
Less: Unamortised discounts		(582)	-
		1,501,082	-
		4,369,385	2,885,028

- (a) On 10 August 2010, HLB had completed the first issuance of RM700 million nominal value of Tier 2 Subordinated Debt ("Sub Debt") out of its RM1.7 billion Tier 2 Subordinated Notes Programme. The RM700 million Sub Debt will mature in 2020 and is callable at the end of year 5 and on each subsequent coupon payment dates thereafter subject to approval of BNM. The Sub Debt which bears interest of 4.85% per annum is payable semi-annually in arrears.

The Sub Debt constitute unsecured liabilities of HLB, and is subordinated in right of payment to the deposit liabilities and all other liabilities of HLB in accordance with the terms and conditions of the issue and qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of HLB.

- (b) On 5 May 2011, HLB issued the remaining RM1 billion nominal value of Sub Debt which will mature in 2021 and is callable at the end of year 5 and on each subsequent coupon payment dates thereafter subject to approval of BNM. The second issuance of Sub Debt bears interest at the rate of 4.35% per annum and is payable semi-annually in arrears.

The Sub Debt constitute unsecured liabilities of HLB, and is subordinated in right of payment to the deposit liabilities and all other liabilities of HLB in accordance with the terms and conditions of the issue and qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of HLB.

- (c) On 27 February 2009, Promino Sdn Bhd ("Promino") (formerly known as EON Bank Berhad), a wholly-owned subsidiary of HLB, has successfully issued the first tranche of RM410 million nominal value of the 10 non-callable 5 years Subordinated Medium Term Notes ("MTN") callable on 27 February 2014 (and thereafter) and due on 27 February 2019 under the RM2 billion Subordinated MTN Programme. The coupon rate of the Subordinated MTN is 5.75% per annum, which is payable semi-annually in arrears from the date of the issue. Should Promino decide not to exercise its call option on the fifth (5) year from the issue date, the coupon rate will be revised to be equivalent to 7.75% or the then prevailing 5 years RM swap rate plus 3.70% per annum, whichever is higher, from the beginning of the sixth (6) year to the final maturity date.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

26 SUBORDINATED OBLIGATIONS (continued)

- (c) Subsequently, on 2 December 2009, Promino issued a second tranche of RM250 million nominal value of the 10 non-callable 5 years Subordinated MTN callable on 2 December 2014 (and thereafter) and due on 2 December 2019 under the RM2 billion Subordinated MTN Programme. The coupon rate of this second tranche of the Subordinated MTN is 5.75% per annum, which is payable semi-annually in arrears from the date of the issue. Should Promino decide not to exercise its call option on the fifth (5) year from the issue date, the coupon rate of this second tranche will be revised to be equivalent to 7.75% or the then prevailing 5 years RM swap rate plus 3.70% per annum, whichever is higher, from the beginning of the sixth (6) year to the final maturity date; similar to the step-up rates in the first tranche.

Subsequently, on 30 December 2010, Promino issued a third tranche of RM500 million nominal value of the 10 non-callable 5 years Subordinated MTN callable on 30 December 2015 (and at each anniversary date thereafter) and due on 30 December 2020 under the RM2 billion Subordinated MTN Programme. The coupon rate of this third tranche of the Subordinated MTN is 4.75% per annum, which is payable semi-annually in arrears from the date of the issue. Should HLB decide not to exercise its call option on the fifth (5) year from the issue date, or at each anniversary date thereafter, the coupon rate of this third tranche will remain at 4.75% per annum, from the beginning of the sixth (6) year to the final maturity date.

On 1 July 2011, the above Subordinated MTN was vested to HLB. The above tranches of Subordinated MTNs constitute unsecured liabilities of HLB and are subordinated to all deposit liabilities and all other liabilities except those liabilities, which by their terms, rank equally in rights of payment with the Subordinated MTNs. The Subordinated MTNs qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of the HLB.

- (d) On 22 June 2012, HLB had completed the issuance of RM1.5 billion nominal value of Tier 2 Subordinated Notes ("Sub Notes"). The RM1.5 billion Sub Notes will mature in 2024 and are callable on any interest payment date falling on or after the 7th anniversary of the issue date subject to approval of BNM. The Sub Notes which bears interest of 4.50% per annum is payable semi-annually in arrears.

The Sub Notes constitute unsecured liabilities of HLB, 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 and qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of HLB.

27 NON-INNOVATIVE TIER 1 STAPLED SECURITIES

	The Group	
	2012 RM'000	2011 RM'000
RM1.4 billion Non-innovative Tier 1 stapled securities, at par	1,400,000	1,400,000
Add: Interest payable	10,653	11,041
	1,410,653	1,411,041
Less: Unamortised discounts	(3,370)	(5,335)
	1,407,283	1,405,706

On 5 May 2011, HLB had completed its issuance of Non-innovative Tier 1 Stapled Securities ("NIT-1 Stapled Securities") of RM1.4 billion. The NIT-1 Stapled Securities which is perpetual in nature and callable at the end of year 5 and on each coupon payment date, pays a semi annual coupon of 5.05% per annum. The call option shall be subject to the approval of BNM.

The NIT-1 Stapled Securities constitute unsecured liabilities of HLB, and is subordinated in right of payment to the deposit liabilities and all other liabilities of HLB in accordance with the terms and conditions of the issue and qualify as Tier 1 capital for the purpose of determining the capital adequacy ratio of HLB.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

28 INNOVATIVE TIER 1 CAPITAL SECURITIES

	The Group	
	2012 RM'000	2011 RM'000
RM500 million Innovative Tier 1 capital securities, at par	500,000	500,000
Add: Interest payable	12,545	12,658
	512,545	512,658
Less: Unamortised discounts	(9,708)	(9,589)
Add: Fair value adjustments on completion of business combination accounting	71,744	92,651
	574,581	595,720

On 10 September 2009, Promino issued the first tranche of Innovative Tier 1 Capital Securities ("IT-1 Capital Securities") amounting to RM500 million in nominal value, from its RM1 billion IT-1 Capital Securities Programme. The IT-1 Capital Securities is structured in accordance with the Risk-Weighted Capital Adequacy Framework (General Requirements and Capital Components) issued by BNM.

The RM500 million IT-1 Capital Securities has a tenor of 30 years and Promino has the option to redeem the RM500 million IT-1 Capital Securities at the 10th anniversary, subject to BNM approval. The RM500 million IT-1 Capital Securities has a coupon rate of 8.25% per annum, payable semi-annually. In the event the IT-1 Capital Securities is not redeemed at the 10th anniversary (the First Optional Redemption Date), the coupon rate will be revised to 9.25% per annum from the 11th year to the final maturity.

On 1 July 2011, the above IT-Capital Securities was vested to HLB. The IT-1 Capital Securities constitute unsecured and subordinated obligations of HLB and are subordinated to all deposit liabilities and all other liabilities except those liabilities which rank equally in, and/or junior to, the rights of payment of the IT-1 Capital Securities. The IT-1 Capital Securities qualify as Tier 1 capital for the purpose of computing the capital adequacy ratio of the HLB.

29 INSURANCE FUNDS

	The Group	
	2012 RM'000	2011 RM'000
Unearned premium reserves	31,038	21,758
Life policyholders' fund	5,665,433	4,924,599
Fair value reserves - financial investments available-for-sale	211,182	241,050
Life investment-linked unitholders' fund	713,197	646,772
	6,620,850	5,834,179

The main insurance risks that the Group is exposed to are the following:

- Mortality risk – risk of loss arising due to policyholder's death experience being different than expected.
- Morbidity risk – risk of loss arising due to policyholder's health experience being different than expected.
- Longevity risk – risk of loss arising due to the annuitants living longer than expected.
- Investment return/interest rate risk – risk of loss arising from actual returns being different than expected.
- Expense risk – risk of loss arising from expense experience being different than expected.
- Lapse risk – risk of loss arising due to policyholder surrender experience being different than expected.

The risks vary in relation to the location of the risk insured by the Group, type of risk insured or by industry.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

30 SHARE CAPITAL

	The Group and The Company	
	2012 RM'000	2011 RM'000
Authorised		
Ordinary shares of RM1.00 each	2,000,000	2,000,000
Issued and fully paid capital		
Ordinary shares of RM1.00 each		
At the beginning/end of financial year	1,052,768	1,052,768

There were no new shares issued by the Company during the financial year ended 30 June 2012.

31 RESERVES

	Note	The Group		The Company	
		2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Retained profits	(a)	5,562,666	4,911,368	1,217,425	1,326,919
Share premium	(b)	117,229	117,229	117,229	117,229
Statutory reserve	(c)	1,473,456	1,241,179	-	-
Regulatory reserve	(d)	6,045	726	-	-
Fair value reserve	(e)	97,530	88,880	-	-
Other capital reserve	(f)	133,993	133,258	254,991	254,991
Share options reserve	(g)	35,445	34,965	12,078	13,557
Exchange fluctuation reserve	(h)	(22,982)	(36,857)	-	-
		7,403,382	6,490,748	1,601,723	1,712,696

(a) Under the single-tier tax system which came into effect on 1 January 2008, companies are not required to have tax credits under Section 108 of the Income Tax Act, 1967 for dividend payment purposes. Dividends paid under this system are single-tier dividends and are tax exempt in the hands of shareholders.

However, companies who have not utilised fully their Section 108 credits balances up to 31 December 2007 may continue to pay franked dividends until the Section 108 credits are exhausted or 31 December 2013 whichever is earlier unless they opt to disregard the Section 108 credits under the special transitional provisions of the Finance Act, 2007 and pay single-tier dividends.

As at 30 June 2012, the Company is already under the single-tier tax system. The Company also has no tax exempt income available for future distribution of tax exempt dividends.

- (b) Share premium is used to record premium arising from new shares issued by the Company.
- (c) The statutory reserve is maintained by the banking subsidiaries in compliance with Section 36 of the Banking and Financial Institutions Act, 1989 and is not distributable as cash dividend.
- (d) The regulatory reserve is maintained by the Group's banking subsidiary company in Vietnam in line with the requirements of the State Bank of Vietnam.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

31 RESERVES (continued)

(e) Movement of the fair value reserve is as follows:

	Note	The Group	
		2012 RM'000	2011 RM'000
At the beginning of financial year		88,880	70,158
Net gain from change in fair value		70,802	75,030
Reclassification adjustments to net profit on disposal and impairment	36	(44,112)	(43,150)
Deferred taxation	14	(17,855)	(12,609)
Share of fair value reserve of associated companies	12	(185)	(549)
Net change in fair value reserve		8,650	18,722
As at end of the financial year		97,530	88,880

(f) The other capital reserve of the Group arose from the capitalisation of bonus issue and gain on disposal of subsidiary company and assets in certain subsidiary companies and capital redemption reserve arising from redemption of RPS. The capital reserve of the Company arose from gain on disposal of a subsidiary company not recognised in the statements of income due to a common control transaction, and investments and proceeds on issuance of replacement warrants used for bond redemption in previous years.

(g) The share options reserve arose from the employee share option schemes granted to eligible executives of the Company. Terms of the share options and movements in the number of shares held by Trustee for ESOS Scheme are disclosed in Note 52 to the financial statements.

(h) Exchange differences arising on translation of foreign subsidiary and associated companies are taken to exchange fluctuation reserve.

32 TREASURY SHARES FOR ESOS SCHEME

Treasury shares for ESOS scheme

The Company has entered into a Trust for ESOS purposes established via the signing of a Trust Deed on 23 January 2006 with AmTrustee Berhad in conjunction with the establishment of Executive Share Option Schemes ("ESOS"). The trustee will be entitled from time to time to accept financial assistance from the Company upon such terms and conditions as the Company and the trustee may agree to purchase the Company's shares from the open market for the purposes of this trust.

FRS132 – Financial Instruments: Presentation requires that if an entity reacquires its own equity instruments, those instruments shall be deducted from equity and are not recognised as a financial asset regardless of the reason for which they are reacquired.

In accordance with FRS 132 – Financial Instruments: Presentation, the shares purchased for the benefit of the ESOS holders are recorded as "Treasury Shares for ESOS Scheme" in the equity on the balance sheet. As at 30 June 2012, the number of shares held by the appointed trustee was 9,722,408 shares (2011: 12,270,408) at an average price of RM4.84 per share (2011: RM4.55). The total consideration paid, including transaction costs was RM47,058,000 (2011: RM55,786,000).

Pursuant to the insurance subsidiary company's ESOS scheme, the insurance subsidiary company also held 3,286,092 (2011: 3,519,992) units of the Company's shares at an average price of RM4.75 (2011: RM4.75) per share with total consideration paid, including transaction costs of RM15,618,000 (2011: RM16,731,000), which have been classified as treasury shares held for ESOS at the Group level.

The main features of the ESOS are disclosed in the Director's Report and details of the ESOS are disclosed in Note 52 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

33 INTEREST INCOME

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Loans, advances and financing	3,943,718	2,129,290	-	-
Money at call and deposit placements with financial institutions	597,760	544,107	1,195	1,048
Securities purchased under resale agreements	10,433	2,011	-	-
Financial assets held-for-trading	565,967	322,409	-	-
Financial investments available-for-sale	239,138	115,343	-	-
Financial investments held-to-maturity	199,690	209,820	-	-
Others	28,480	17,456	30,899	16,251
	5,585,186	3,340,436	32,094	17,299
Of which:				
Accretion of discount less amortisation of premium	358,703	211,148	-	-
Interest income earned on impaired loans, advances and financing	18,250	25,274	-	-

34 INTEREST EXPENSE

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Deposits and placements of banks and other financial institutions	144,589	89,191	-	-
Deposits from other customers	2,489,416	1,461,119	-	-
Subordinated obligations	138,439	61,216	-	-
Senior bonds	42,756	10,108	-	-
Non-innovative Tier 1 stapled securities	72,858	11,412	-	-
Innovative Tier 1 capital securities	21,198	2,630	-	-
Borrowings	81,253	30,637	68,532	29,788
Others	2,930	2,793	55	618
	2,993,439	1,669,106	68,587	30,406

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

35 INCOME FROM ISLAMIC BANKING BUSINESS

	The Group	
	2012 RM'000	2011 RM'000
Income derived from investment of depositors' funds and others	861,386	441,012
Income derived from investment of shareholders' funds	74,119	44,488
Profit equalisation reserve	2,298	2,938
Total distributable income	937,803	488,438
Income attributable to depositors	(490,205)	(261,348)
Total net income	447,598	227,090
Of which:		
Financing income earned on impaired financing and advances	1,092	1,092

36 NON-INTEREST INCOME

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Insurance income	123,072	295,705	-	-
Brokerage income	82,502	83,518	-	-
Fee income				
Commissions	112,241	69,601	-	-
Service charges and fees	51,697	34,822	-	-
Guarantee fees	18,396	7,739	-	-
Credit card related fees	268,867	180,863	-	-
Corporate advisory fees	5,494	1,460	-	-
Commitment fees	33,148	16,322	-	-
Fee on loans, advances and financing	74,145	52,028	-	-
Brokerage	6,745	5,623	-	-
Unit trust fee income	16,750	22,035	-	-
Other fee income	3,097	4,831	8,012	7,388
	590,580	395,324	8,012	7,388

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

36 NON-INTEREST INCOME (continued)

	Note	The Group		The Company	
		2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Net income from securities					
Net realised gain/(loss) from sale/redemption of securities portfolio:					
- financial assets held-for-trading		35,536	35,439	122	(78)
- financial investments available-for-sale	31	44,112	43,150	-	-
- financial investments held-to-maturity		1,839	2,109	-	-
- derivatives		69,430	24,017	(13,721)	8,905
Dividend income from:					
- financial assets held-for-trading		2,070	7,571	1,728	7,208
- financial investments available-for-sale		51,070	31,978	-	-
- financial investments held-to-maturity		21,943	26,002	-	-
- subsidiary companies		-	-	297,422	228,491
Net unrealised gain/(loss) on revaluation of:					
- financial assets held-for-trading		12,713	(16,684)	-	30
- derivatives		(149,630)	80,654	(11,237)	(10,235)
Net realised loss on fair value changes arising from fair value hedges and amortisation of fair value changes arising from terminated fair value hedges					
		(28,336)	(30,352)	-	-
Net unrealised gain on fair value changes arising from fair value hedges					
		8,774	27,805	-	-
		69,521	231,689	274,314	234,321
Other income					
Foreign exchange gain/(loss)		195,871	112,231	(5,842)	7,634
Rental income		4,922	1,740	-	-
Gain from capital redemption		-	-	-	937,500
Gain on sale of property and equipment		959	477	4	-
Other non-operating income/(loss)		25,442	27,755	998	(4,104)
Gain on disposal of general insurance business		-	618,646	-	-
		227,194	760,849	(4,840)	941,030
		1,092,869	1,767,085	277,486	1,182,739

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

37 OVERHEAD EXPENSES

	Note	The Group		The Company	
		2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Personnel costs	(a)	1,217,674	686,600	28,286	15,194
Establishment costs	(b)	455,318	292,519	1,509	1,766
Marketing expenses	(c)	141,674	106,998	-	-
Administration and general expenses	(d)	279,732	256,125	4,340	16,182
		2,094,398	1,342,242	34,135	33,142

(a) Personnel costs comprise the following:

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Salaries, bonus and allowances	997,072	618,181	26,560	11,708
Voluntary separation scheme (VSS)	113,651	-	-	-
Medical expenses	29,573	15,540	86	89
Training and convention expenses	27,577	16,253	73	73
Staff welfare	22,945	13,263	222	207
Other employees benefits	26,856	23,363	1,345	3,117
	1,217,674	686,600	28,286	15,194

(b) Establishment costs comprise the following:

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Depreciation of property and equipment	109,246	65,946	593	755
Amortisation of intangible assets	75,842	27,683	9	115
Rental of premises	78,258	56,039	700	680
Information technology expenses	98,625	80,944	49	49
Security services	29,564	18,538	-	-
Electricity, water and sewerage	24,718	14,452	27	25
Hire of plant and machinery	13,749	8,996	28	25
Others	25,316	19,921	103	117
	455,318	292,519	1,509	1,766

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

37 OVERHEAD EXPENSES (continued)

(c) Marketing expenses comprise the following:

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Advertisement and publicity	40,527	37,328	-	-
Credit card related fees	65,051	50,809	-	-
Commission	18,096	10,804	-	-
Others	18,000	8,057	-	-
	141,674	106,998	-	-

(d) Administration and general expenses comprise the following:

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Teletransmission expenses	16,213	8,482	36	33
Stationery and printing expenses	21,946	14,093	45	49
Professional fees	83,331	77,489	3,004	14,819
Insurance fees	20,431	12,515	-	-
Stamp, postage and courier	25,588	13,342	-	-
Corporate expenses	-	78,561	-	-
Credit card fees	64,813	30,129	-	-
Travelling and transport expenses	7,325	3,926	415	390
Registration and license fees	5,096	3,510	-	-
Brokerage and comission	5,005	4,478	-	-
Others	29,984	9,600	840	891
	279,732	256,125	4,340	16,182

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

37 OVERHEAD EXPENSES (continued)

The above expenditure includes the following statutory disclosures:

	Note	The Group		The Company	
		2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Directors' remuneration	39	19,595	10,835	13,141	5,564
Hire of equipment		37	20	-	-
Auditors' remuneration:					
(i) PwC Malaysian firm					
- statutory audit		2,838	1,806	108	111
- audit related fees		1,911	1,585	5	20
- other services		190	-	-	-
- tax compliance		449	119	5	-
- other tax services		172	435	8	8
(ii) PwC overseas affiliated firms					
- statutory audit		251	220	-	-
- other services		296	102	-	-
Property and equipment written off		1,660	-	-	7
Loss on disposal of intangible assets		-	191	-	-
Intangible assets written off		919	-	-	-
Options charge arising from ESOS		7,148	10,623	1,135	2,730

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

38 ALLOWANCE FOR IMPAIRMENT ON LOANS, ADVANCES AND FINANCING AND OTHER LOSSES

	The Group	
	2012 RM'000	2011 RM'000
Allowance for impairment on loans, advances and financing		
(a) Collective assessment allowance		
- made during the financial year	794,400	390,985
- written back	(331,924)	(101,290)
(b) Individual assessment allowance		
- made during the financial year	61,291	72,384
- written back	(139,313)	(83,718)
	384,454	278,361
Allowance for impairment on clients' and brokers' balances		
(a) General allowance		
- written back	-	(1,905)
(b) Individual assessment allowance		
- made during the financial year	107	1,562
- written back	(888)	(1,442)
	(781)	(1,785)
Bad debts on loans, advances and financing		
- written off	45,431	10,576
- recovered	(321,074)	(150,631)
	(275,643)	(140,055)
	108,030	136,521

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

39 DIRECTORS' REMUNERATION

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

2012	The Group				The Company			
	Salaries and other remunerations RM'000	Director fees RM'000	Estimated monetary value for benefits-in-kind RM'000	Total RM'000	Salaries and other remunerations RM'000	Director fees RM'000	Estimated monetary value for benefits-in-kind RM'000	Total RM'000
Executive Directors								
Mr Choong Yee How	9,445	452 ^{N1}	32	9,929	9,445	-	32	9,477
Mr Quek Kon Sean	3,039	210 ^{N1}	1	3,250	3,039	-	1	3,040
	12,484	662	33	13,179	12,484	-	33	12,517
Non-executive Directors								
YBhg Tan Sri Quek Leng Chan	-	466 ^{N1}	28	494	-	100 ^{N1}	28	128
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman	-	309	-	309	-	130	-	130
YBhg Datuk Yvonne Chia	4,772	170 ^{N1}	22	4,964	-	-	-	-
Ms Lim Lean See	-	360	-	360	-	77	-	77
Mr Saw Kok Wei	-	99	-	99	-	99	-	99
Ms Lim Tau Kien	-	114	-	114	-	114	-	114
YBhg General Tan Sri (Dr) Mohamed Hashim bin Mohd Ali (Rtd) (Retired on 28 October 2011)	-	28	-	28	-	28	-	28
Dr Poh Soon Sim (Retired on 25 November 2011)	-	48	-	48	-	48	-	48
	4,772	1,594	50	6,416	-	596	28	624
Total Directors' remuneration	17,256	2,256	83	19,595	12,484	596	61	13,141

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

Included in the Non-Executive Directors' remunerations are amounts paid to Directors in their capacities as Executive Directors for certain subsidiary companies.

^{N1} These fees have been assigned in favour of the company where the Director is employed

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

39 DIRECTORS' REMUNERATION (continued)

Forms of remuneration in aggregate for all Directors for the financial year are as follows: (continued)

2011	The Group				The Company			
	Salaries and other remunerations RM'000	Director fees RM'000	Estimated monetary value for benefits-in-kind RM'000	Total RM'000	Salaries and other remunerations RM'000	Director fees RM'000	Estimated monetary value for benefits-in-kind RM'000	Total RM'000
Executive Directors								
Mr Choong Yee How	4,250	406 ^{N1}	32	4,688	4,250	-	32	4,282
Mr Quek Kon Sean	745	200 ^{N1}	1	946	745	-	1	746
	4,995	606	33	5,634	4,995	-	33	5,028
Non-executive Directors								
YBhg Tan Sri Quek Leng Chan	-	427 ^{N1}	28	455	-	87 ^{N1}	28	115
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman	-	270	-	270	-	107	-	107
Dr Poh Soon Sim	-	97	-	97	-	97	-	97
YBhg General Tan Sri (Dr) Mohamed Hashim bin Mohd Ali (Rtd)	-	63	-	63	-	63	-	63
YBhg Datuk Yvonne Chia	4,037	70 ^{N1}	35	4,142	-	-	-	-
Ms Lim Tau Kien	-	80	-	80	-	80	-	80
YBhg Dato' Haji Kamarulzaman bin Mohammed (Retired on 26 October 2010)	-	50	-	50	-	30	-	30
Ms Leong Bee Lian (Resigned on 23 March 2011)	-	44	-	44	-	44	-	44
	4,037	1,101	63	5,201	-	508	28	536
Total Directors' remuneration	9,032	1,707	96	10,835	4,995	508	61	5,564

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

Included in the Non-Executive Directors' remunerations are amounts paid to Directors in their capacities as Executive Directors for certain subsidiary companies.

^{N1} These fees have been assigned in favour of the company where the Director is employed

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

40 TAXATION AND ZAKAT

	Note	The Group		The Company	
		2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Malaysian income tax		477,771	338,176	61,742	53,348
Overseas income tax		133	241	-	-
(Over)/under accrual in prior years		(149,390)	4,241	-	-
Transfer to deferred taxation	14				
- current year		(10,629)	8,258	-	-
- over accrual in prior years		177,768	(227)	-	-
		167,139	8,031	-	-
Taxation		495,653	350,689	61,742	53,348
Zakat		222	128	-	-
		495,875	350,817	61,742	53,348

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

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Profit before taxation and zakat	2,222,546	2,422,684	206,858	1,136,799
Tax calculated at a rate of 25% (2011: 25%)	555,637	605,671	51,715	284,200
Tax effects of:				
- Differences in tax rate of foreign inward and offshore insurance	(33)	(423)	-	-
- Income not subject to tax	(75,038)	(235,249)	(1,972)	(238,587)
- Share of net income of associates and joint venture company	(41,636)	(52,555)	-	-
- Expenses not deductible for tax purposes	28,345	30,077	11,999	7,735
- Other temporarily differences not recognised previously	-	(433)	-	-
- Deferred tax not recognised during the year	(51)	(413)	-	-
- Over accrual (net of deferred tax effects)	28,429	4,014	-	-
Taxation	495,653	350,689	61,742	53,348

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

40 TAXATION AND ZAKAT (continued)

	The Group	
	2012 RM'000	2011 RM'000
Tax losses		
Tax losses for which the related tax credit has not been recognised in the financial statements	53,010	54,009
Capital allowance		
Deductible temporary differences and unutilised capital allowances for which the related tax credit has not been recognised in the financial statements	391	2,065

The above unabsorbed tax losses of the Group have not been recognised as future realisation is uncertain.

41 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Net profit attributable to equity holders of the Company	1,154,766	1,673,579	145,116	1,083,451
Weighted average number of ordinary shares ('000)	1,039,760	1,036,978	1,043,046	1,040,498
Basic earnings per share (sen)	111.1	161.4	13.9	104.1

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

41 EARNINGS PER SHARE (continued)

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potential ordinary shares. For the share options, calculation is done to determine the number of shares that could be acquired at fair value based on the monetary value of the subscription rights attached to outstanding share options. The Group's dilutive potential ordinary shares is share option, of which the impact of dilution is as below:

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Net profit attributable to equity holders of the Company	1,154,766	1,673,579	145,116	1,083,451
Weighted average number of ordinary shares ('000)	1,039,760	1,036,978	1,043,046	1,040,498
Adjustment for ESOS shares ('000)	5,439	3,452	5,048	3,249
Diluted earnings per share (sen)	110.5	160.9	13.8	103.8

42 DIVIDENDS

Dividends recognised as distribution to ordinary equity holders of the Company:

	The Group and The Company	
	2012 RM'000	2011 RM'000
First interim single-tier dividend of 10 sen per share (2011: 6.3 sen per share less income tax at 25% and 0.17 sen per share tax exempt and 3.53 sen per share single-tier)	104,049	87,601
Second interim single-tier dividend of 15 sen per share (2011: 15 sen per share (single-tier))	156,457	156,075
Special dividend of 3 sen per share (single-tier)	-	31,215
	260,506	274,891

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

43 COMMITMENTS AND CONTINGENCIES

(a) Group related commitments and contingencies

In the normal course of business, the Group make various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions. These commitments and contingencies are also not secured over the assets of the Group.

The notional/principal amount of the commitments and contingencies constitute as follows:

	The Group	
	2012 Principal Amount RM'000	2011 Principal Amount RM'000
Direct credit substitutes	494,801	559,290
Certain transaction related contingent items	1,410,727	1,394,682
Short-term self liquidating trade related contingencies	1,557,667	616,404
Underwriting obligation	71,513	92,238
Commitments that are unconditionally cancellable at any time without prior notice	304,099	302,249
Irrevocable commitments to extend credit:		
- maturity more than one year	12,720,869	12,488,631
- maturity less than one year	17,750,840	17,617,166
Foreign exchange related contracts:		
- less than one year	38,678,198	36,380,533
- one year to less than five years	1,292,411	1,854,371
- five years and above	686,519	250,376
Interest rate related contracts:		
- less than one year	14,376,287	13,318,799
- one year to less than five years	44,441,902	38,049,651
- five years and above	10,798,842	9,756,310
Equity related contracts:		
- less than one year	69,293	208,621
- one year to less than five years	19,748	16,600
Unutilised credit card lines	9,200,627	9,296,768
	153,874,343	142,202,689

The Company's commitments and contingencies

	The Company	
	2012 RM'000	2011 RM'000
Forward foreign exchange	247,642	202,970
Interest rate swaps	800,000	600,000
Cross currency swaps	118,030	118,030
	1,165,672	921,000

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

43 COMMITMENTS AND CONTINGENCIES (continued)

(b) Other commitments and contingencies - unsecured

Hong Leong Asset Management Berhad, a wholly-owned subsidiary company of Hong Leong Capital Berhad ("HLCB"), is the Manager of HLG Sectoral Fund ("Funds"), which comprises five sector funds. HLCB provided a guarantee to Universal Trustee (Malaysia) Berhad, the trustee of the Funds, that if any of the five sector funds fall below the minimum fund size of RM1 million, HLCB would invest cash, equivalent to the shortfall, into the relevant fund.

The size of each of the five funds was above the minimum of RM1 million as at 30 June 2012.

44 CAPITAL COMMITMENTS

	The Group	
	2012 RM'000	2011 RM'000
Approved and contracted for	12,004	87,114
Approved but not contracted for	98,734	51,131
	110,738	138,245

The capital commitments are in respect of property and equipment.

45 LEASE COMMITMENTS

The Group has lease commitments in respect of rented premises and hired equipment, all of which are classified as operating leases. A summary of the future minimum lease payments, under non-cancellable operating lease commitment are as follows:

	The Group	
	2012 RM'000	2011 RM'000
Less than one year	8,795	7,697
More than one year but less than five years	16,203	10,224
More than 5 years	11,764	25,724

46 ULTIMATE HOLDING COMPANY

The ultimate holding company is Hong Leong Company (Malaysia) Berhad, a company incorporated in Malaysia.

47 CAPITAL ADEQUACY

BNM guidelines require the banking subsidiaries to maintain a certain minimum level of capital funds against the "risk-weighted" value of assets and certain commitments and contingencies. The capital funds of the banking subsidiaries as at 30 June 2012 met the minimum requirement.

The banking subsidiaries implemented the Basel II - Risk Weighted Assets Computation under the Bank Negara Malaysia's Risk Weighted Capital Adequacy Framework with effect from 1 January 2008.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

47 CAPITAL ADEQUACY (continued)

The Group have adopted the Standardised Approach for credit risk and market risk and Basic Indicator Approach for operational risk computation.

The capital adequacy ratios of the banking subsidiaries are as follows:

	Hong Leong Bank Group		Hong Leong Investment Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Tier-1 capital				
Paid-up share capital	1,879,909	1,580,107	265,535	265,535
Share premium	2,832,383	539,664	-	-
Other reserves ⁽¹⁾	7,237,813	5,917,527	15,936	53,414
Non-innovative Tier 1 stapled securities	1,396,630	1,394,665	-	-
Innovative Tier 1 capital securities	490,292	490,273	-	-
Less: Treasury shares	(714,792)	(671,744)	-	-
Less: Deferred tax assets	-	(63,907)	-	(41,716)
Less: Goodwill	(1,831,312)	(1,831,312)	-	(30,236)
Total Tier-1 capital	11,290,923	7,355,273	281,471	246,997
Tier-2 capital				
Subordinated obligations	4,341,165	2,833,327	-	-
Capital cumulative subordinated loan/redeemable preference shares	-	2,300,000	1,631	1,631
Collective assessment allowance ⁽²⁾	1,343,193	1,288,699	2,815	1,574
Total eligible Tier-2 capital	5,684,358	6,422,026	4,446	3,205
Total capital	16,975,281	13,777,299	285,917	250,202
Less: Investment in associated company	(1,540,288)	(1,325,707)	-	-
Less: Investment in subsidiaries	-	-	(588)	(588)
Less: Investment in jointly controlled entity	(76,871)	(75,252)	-	-
Total capital base	15,358,122	12,376,340	285,329	249,614
Capital ratios				
Core capital ratio	11.67%	8.47%	24.78%	38.18%
Risk-weighted capital ratio	15.88%	14.26%	25.12%	38.58%
Core capital ratio (net of proposed dividends)	11.30%	8.28%	23.15%	35.66%
Risk-weighted capital ratio (net of proposed dividends)	15.50%	14.06%	23.49%	36.06%

⁽¹⁾ Fair value reserve has been excluded from the banking subsidiaries' capital base.

⁽²⁾ Excludes collective assessment allowance attributable to loans and advances classified as impaired but not individually assessed for impairment.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

48 SEGMENTAL INFORMATION

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

Inter-segment pricing is determined based on arms-length basis. These transactions are eliminated on consolidation.

Segment results, assets and liabilities include items directly attributable to the segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise tax recoverable, tax payable, other corporate assets and other corporate liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used during more than one period.

Business segments

The Group comprises the following main business segments:

Commercial banking	- Commercial banking business
Investment banking and asset management	- Investment banking, futures and stock broking, fund and unit trust management
Insurance	- Life and general insurance and takaful business
Other operations	- Investment holding and provision of management services

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

48 SEGMENTAL INFORMATION (continued)

(i) Business segment reporting

Set out below is information of the Group by business segments:

The Group	Commercial banking	Investment banking	Insurance	Other operations	Eliminations/consolidation adjustments	Consolidated
2012	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue						
External sales	3,822,268	181,484	174,748	(46,286)	-	4,132,214
Inter-segment sales	24,360	1,857	2,290	310,464	(338,971)	-
Segment revenue	3,846,628	183,341	177,038	264,178	(338,971)	4,132,214
Overhead expenses	(1,777,093)	(237,672)	(83,666)	(34,562)	38,595	(2,094,398)
(Allowance for)/writeback of losses on loans, advances and financing and other losses	(111,338)	3,308	-	-	-	(108,030)
Writeback of/(allowance for) impairment losses	30,965	1,737	(1,103)	(9,452)	-	22,147
Share of results of associated companies	216,960	-	52,034	-	-	268,994
Share of results of jointly controlled entity	1,619	-	-	-	-	1,619
Segment results	2,207,741	(49,286)	144,303	220,164	(300,376)	2,222,546
Taxation and zakat						(495,875)
Net profit for the financial year						1,726,671
Non-controlling interest						(571,905)
Profit attributable to owners of the parent						1,154,766
Other information						
Segment assets	157,787,262	2,968,202	9,369,353	4,603,284	(4,381,538)	170,346,563
Segment liabilities	146,367,951	2,584,344	7,842,610	1,897,321	(892,297)	157,799,929
Other significant segment items						
Capital expenditure	293,676	2,155	11,839	119	-	307,789
Depreciation of property and equipment	104,034	2,478	2,141	593	-	109,246
Amortisation of intangible assets	74,614	820	399	9	-	75,842

Notes:

- Total segment revenue comprises of net interest income, income from Islamic banking business and non-interest income.
- Unallocated assets and liabilities are not directly attributable to the business segments and cannot be allocated on a reasonable basis.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

48 SEGMENTAL INFORMATION (continued)

(i) Business segment reporting (continued)

Set out below is information of the Group by business segments: (continued)

The Group	Commercial banking	Investment banking	Insurance	Other operations	Eliminations/ consolidation adjustments	Consolidated
2011	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue						
External sales	2,529,904	125,072	985,317	25,212	-	3,665,505
Inter-segment sales	18,435	5,437	6,615	1,177,557	(1,208,044)	-
Segment revenue	2,548,339	130,509	991,932	1,202,769	(1,208,044)	3,665,505
Overhead expenses	(1,206,971)	(81,942)	(59,777)	(46,349)	52,797	(1,342,242)
Write-off of goodwill	-	-	-	-	(12,707)	(12,707)
(Allowance for)/writeback of losses on loans, advances and financing and other losses	(137,101)	574	6	-	-	(136,521)
Writeback of/(allowance for) impairment losses	2,094	-	(3,528)	309	(309)	(1,434)
Share of results of associated companies	210,992	-	39,862	-	-	250,854
Share of results of jointly controlled entity	(771)	-	-	-	-	(771)
Segment results	1,416,582	49,141	968,495	1,156,729	(1,168,263)	2,422,684
Taxation and zakat						(350,817)
Net profit for the financial year						2,071,867
Non-controlling interest						(398,288)
Profit attributable to owners of the parent						<u>1,673,579</u>
Other information						
Segment assets	144,967,695	2,711,455	8,279,132	5,254,214	(4,952,721)	<u>156,259,775</u>
Segment liabilities	137,757,466	2,113,205	6,832,606	2,422,097	(3,128,137)	<u>145,997,237</u>
Other significant segment items						
Capital expenditure	122,406	4,491	8,376	388	-	135,661
Depreciation of property and equipment	60,144	2,539	2,508	755	-	65,946
Amortisation of intangible assets	25,716	881	971	115	-	27,683

Notes:

- Total segment revenue comprises of net interest income, income from Islamic banking business and non-interest income.
- Unallocated assets and liabilities are not directly attributable to the business segments and cannot be allocated on a reasonable basis.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

48 SEGMENTAL INFORMATION (continued)

(ii) Geographical segment reporting

The Group operates in two main geographical areas:

- Malaysia, the home country of the Group, which includes all the areas of operations in the primary business segments.
- Overseas operations, which includes branch, subsidiary, associate and joint venture operations in Singapore, Hong Kong, China and Vietnam. The overseas operations are mainly in commercial banking and insurance business.

The Group	Revenue	Non-current assets
	RM'000	RM'000
2012		
Malaysia	3,914,660	2,091,944
Overseas operations	217,554	1,687,629
	4,132,214	3,779,573
2011		
Malaysia	3,483,961	1,207,032
Overseas operations	181,544	1,905,032
	3,665,505	3,112,064

49 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Related parties and relationship

The related parties of and their relationship with the Company are as follows:

Related parties	Relationship
Hong Leong Company (Malaysia) Berhad ("HLCM")	Ultimate holding company
HLCM Capital Sdn Bhd, Hong Leong Share Registration Services Sdn Bhd, HL Management Co Sdn Bhd and GuoLine Capital Assets Limited ("HLCM Group")	Subsidiary companies of ultimate holding company
Guardian Security Consultants Sdn Bhd ("GSC")	Associated company of ultimate holding company
Hong Leong Industries Berhad and its subsidiary and associated companies as disclosed in its financial statements ("HLI Group")	Subsidiary and associated companies of ultimate holding company
Malaysian Pacific Industries Berhad and its subsidiary and associated companies as disclosed in its financial statements ("MPI Group")	Subsidiary and associated companies of ultimate holding company

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

49 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(a) Related parties and relationship (continued)

The related parties of and their relationship with the Company are as follows: (continued)

Related parties	Relationship
Narra Industries Berhad and its subsidiary and associated companies as disclosed in its financial statements ("Narra Group")	Subsidiary and associated companies of ultimate holding company
HLMG Management Co Sdn Bhd (formerly known as HLI-Hume Management Co Sdn Bhd ("HLMG"), Hume Cement Sdn Bhd, Hume Construction Sdn Bhd, Hume Plastics (Malaysia) Sdn Berhad, Hume Quarry (Sarawak) Sdn Bhd, Hongvilla Development Sdn Bhd, HIMB Overseas Limited, HIMB Trading Limited and Delta Touch Limited	Subsidiary companies of ultimate holding company
Guoco Group Limited and its subsidiary and associated companies as disclosed in its financial statements ("GGL Group")	Subsidiary and associated companies of ultimate holding company
GuocoLand (Malaysia) Berhad and its subsidiary and associated companies as disclosed in its financial statements ("GLM Group")	Subsidiary and associated companies of ultimate holding company
Subsidiary companies of the Company as disclosed in Note 11	Subsidiary companies of the Company
Key management personnel	The key management personnel of the Group and the Company consists of: <ul style="list-style-type: none"> - All Directors of the Company - Key management personnel of the Company who are in charge of the HLMG Group
Related parties of key management personnel (deemed as related to the Company)	(i) Close family members and dependents of key management personnel (ii) Entities that are controlled, jointly controlled or significant influenced by, or for which significant voting power in such entity resides with, directly or indirectly by key management personnel or its close family members

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

49 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(b) Related party transactions

Transactions with related parties are as follows:

2012	The Group		
	Parent company RM'000	Other related companies RM'000	Key management personnel RM'000
Income			
Interest on deposits	-	1,868	-
Interest on loans	-	-	8
Brokerage fee received	-	372	151
Insurance premium received	-	444	-
Others	-	5,168	39
	-	7,852	198
Expenditure			
Rental and maintenance	-	4,041	-
Interest on deposits	-	4,523	317
Management fees	-	34,612	-
Other miscellaneous expenses	-	2,070	-
	-	45,246	317
Amounts due from:			
Insurance premium receivable	-	93	-
Credit card	-	-	497
Others	-	176	-
	-	269	497
Amounts due to:			
Current account and fixed deposits	486	98,844	16,941
Others	-	1,298	-
	486	100,142	16,941

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

49 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(b) Related party transactions (continued)

Transactions with related parties are as follows: (continued)

2011	The Group		
	Parent company RM'000	Other related companies RM'000	Key management personnel RM'000
Income			
Interest on deposits	-	2,273	-
Interest on loans	-	-	114
Brokerage fee received	-	805	138
Insurance premium received	-	5,983	11
Others	-	5,277	6
	-	14,338	269
Expenditure			
Rental and maintenance	-	4,497	-
Interest on deposits	-	2,984	350
Management fees	-	21,613	-
Other miscellaneous expenses	-	2,749	-
	-	31,843	350
Amounts due from:			
Insurance premium receivable	-	58	-
Credit card	-	-	401
Others	-	18,165	-
	-	18,223	401
Amounts due to:			
Current account and fixed deposits	638	173,629	77,267
Others	-	21,456	-
	638	195,085	77,267

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

49 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(b) Related party transactions (continued)

Transactions with related parties are as follows: (continued)

	The Company			
	Parent company RM'000	Subsidiary companies RM'000	Other related companies RM'000	Key management personnel RM'000
2012				
Income				
Interest on deposit	-	228	-	-
Interest on loan	-	2,076	-	-
Management fee	-	8,012	-	-
Others	-	1,976	265	-
	-	12,292	265	-
Expenditure				
Insurance	-	10	-	-
Management fee	-	-	936	-
Other miscellaneous expenses	-	130	82	-
	-	140	1,018	-
Amounts due to:				
Others	-	-	14	-
Amounts due from:				
Current account	-	291	-	-
Others	-	60,461	3	-
	-	60,752	3	-
2011				
Income				
Interest on deposit	-	437	-	-
Interest on loan	-	1,469	-	-
Management fee	-	7,388	-	-
Others	-	7,588	116	-
	-	16,882	116	-
Expenditure				
Insurance	-	31	-	-
Management fee	-	-	935	-
Other miscellaneous expenses	-	63	122	-
	-	94	1,057	-

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

49 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(b) Related party transactions (continued)

Transactions with related parties are as follows: (continued)

	The Company			
	Parent company RM'000	Subsidiary companies RM'000	Other related companies RM'000	Key management personnel RM'000
2011				
Amounts due to:				
Others	-	15	428	-
Amounts due from:				
Current account	-	621	-	-
Others	-	2,357,479	-	-
	-	2,358,100	-	-

On 6 May 2011, the Company has provided HLB a Tier 2 Capital Cumulative Subordinated Loan Facility for RM2.3 billion pending the completion of a proposed rights issue exercise to be undertaken by HLB.

All amounts due from subsidiaries are unsecured, non interest bearing and expected to be repaid within 12 months except for amounts totalling RM58.6 million (2011: RM2,357.4 million) which bears interest rate ranging from 3.73% to 3.84% (2011: 3.74% to 3.99%) per annum and is repayable on demand.

All amounts due to subsidiaries are unsecured, non interest bearing and expected to be repaid within 12 months.

	The Group	
	2012 RM'000	2011 RM'000
The approved limit on loans, advances and financing for key management personnel	420	105

(c) Key management personnel

Key management compensation

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Salaries and other short-term employee benefits	22,299	12,175	15,845	6,904
	Units '000	Units '000	Units '000	Units '000
Share options balance of the Company	10,032	8,760	10,032	8,760

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

49 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(c) Key management personnel (continued)

Key management compensation (continued)

Included in the above is the Directors' compensation which is disclosed in Note 39.

Loans made to key management personnel of the Group and the Company are on similar terms and conditions generally available to other employees within the Group. No specific allowances were required in financial years 2012 and 2011 for loans made to key management personnel.

50 FINANCIAL INSTRUMENTS

(a) Risk management objectives and policies

The Group's financial risk management policies are adopted from its main operating subsidiary companies which are involved in banking and finance, securities and insurance related business.

The Board of Directors ("The Board") of each main operating subsidiary company has the overall responsibility to ensure there is proper oversight of the management of risks in each of the subsidiary company. The Board sets the risk appetite and tolerance level that are consistent with each subsidiary company's overall business objectives and desired risk profile. A number of committees and dedicated risk management functions have been established to address and manage specific areas of risk and implement various risk management policies and procedures.

Specifically, a Board Audit & Risk Management Committee ("BARMC") comprising members of the Directors, has been set up to oversee that risk management at all levels is being managed effectively. They, in turn, report all the risk management activities to the Directors.

Commercial Banking

Integrated Risk Management ("IRM")

Managing risks is an integral part of the Banking Group's overall business strategy, as risks, if left unchecked against a backdrop of rapidly changing financial landscape and increased uncertainty, can translate into costs for the business. Recognising the need to be proactive in the management of risks, the Group has implemented an Integrated Risk Management ("IRM") framework.

At the apex of the IRM framework, the Board of Directors has the overall responsibility to ensure there is proper oversight of the management of risks in the Banking Group. The Board of Directors set the risk appetite and tolerance level that is consistent with the Banking Group's overall business objectives and desired risk profile. A number of committees and dedicated risk management functions have been established to manage specific areas of risk and implement various risk management policies and procedures.

Giving due prominence to risk management, a Board Risk Management Committee ("BRMC") comprising three members of Board of Directors (where a minimum of two members are the Independent/Non-executive Directors) has been set up to oversee and ensure that risk management at all levels is being managed effectively. They, in turn, report all the risk management activities to the Board of Directors. To assist the BRMC, the Integrated Risk Management and Compliance Department ("IRMC Department") has been established to provide independent oversight on the adequacy, effectiveness and integrity of risk management practices at all levels within the Banking Group. The IRMC Department has adopted a risk-based approach to consolidate principal risk areas across the Banking Group and provide a comprehensive profile of such risks so as to enable the Banking Group to minimise the risk through review and appropriate policies and control.

Credit Risk Management

Credit risk is risk of financial loss due to a borrower or counterparty being unable or unwilling to deliver on its payment obligations to the Banking Group, which leads to a loss of revenue and the principal sum. It arises principally from lending, trade finance and treasury activities. Credit risk management forms a key component of the Banking Group's integrated risk management structure. The Banking Group's integrated risk management structure is founded upon a credit risk framework that is compliant with BNM's guidelines on "Best Practices for the Management of Credit Risk".

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

50 FINANCIAL INSTRUMENTS (continued)

(a) Risk management objectives and policies (continued)

Commercial Banking (continued)

Credit Risk Management (continued)

The Banking Group gives very strong priority to effective credit risk management. Credit evaluation is managed by experienced personnel, with high level review undertaken by the Management Credit Committee, under the supervision of the Board Credit Supervisory Committee. All credit policies are reviewed and approved by the BRMC.

The key to credit risk management is to ensure that structures and processes are in place to maintain and continuously enhance the Banking Group's risk assessment capabilities in key areas of credit. These include sound credit policies and procedures, quality credit approvals, appropriate risk measurement and risk methodology, strong credit controls with independent reviews and effective recovery strategies. The Banking Group's credit risk management process is documented in the Credit Manual. The Credit Manual sets out the Banking Group's policies on lending guidelines, lending authorities, credit risk rating, credit reviews, collateral, credit administration and security documentation, and timely rehabilitation and restructuring of problematic and delinquent accounts.

The management of credit risk commences at the application stage whereby there is a stringent evaluation process, based on prudent lending policies. To enhance credit risk management, the Banking Group will be redeveloping a new credit risk rating system for commercial borrowers. As for the retail segment, the Banking Group has implemented a credit scoring system in credit cards to improve the Banking Group's ability to control credit losses within predictive ranges and achieve a well-balanced portfolio. The Banking Group is currently working on developing a behavioural scorecard for credit card. The Banking Group also conducts stress tests to ensure its asset quality is within acceptable levels even under stress scenarios.

Internal Audit also conducts independent post approval reviews on sampling basis to ensure that quality of credit appraisals and approval standards are in accordance with the credit standards and the lending policies and directives established and approved by the Banking Group's management.

Market Risk Management

Market risk is the risk of financial loss arising from exposure to adverse changes in values of financial instruments caused by changes in market prices or rates, which include changes to interest rates.

The Banking Group adopts a systematic approach in managing such risks by types of instruments and nature of exposure. Market risk is primarily controlled via a series of cut-loss limits and potential loss limits, i.e. "Value at Risk" ("VaR"), set in accordance with the size of positions and risk tolerance appetites:

- Portfolios held under the Banking Group's trading books are tracked using daily mark-to-market positions, which are compared against preset limits. The daily tracking of positions is supplemented by sensitivity analysis and stress tests, using VaR and other measurements.
- Foreign exchange risks arising from adverse exchange rate movements, is managed by the setting of preset limits, matching of open positions against these preset limits and imposition of cut-loss mechanisms.
- Interest rate risk exposure is also identified, measured and controlled through limits and procedures, which includes regularly reviewing the interest rate outlook and developing strategies to protect total net interest income from changes in market interest rates.

In addition, the Banking Group also conducts periodic and stress testing of its respective portfolios to ascertain market risk under abnormal market conditions.

Liquidity Risk Management

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 arise from the withdrawal of deposits, funding of loans committed and repayment of borrowed funds. It is the Banking Group's policy to ensure there is adequate liquidity across all business units to sustain ongoing operations, as well as sufficient liquidity to fund asset growth and strategic opportunities.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

50 FINANCIAL INSTRUMENTS (continued)

(a) Risk management objectives and policies (continued)

Commercial Banking (continued)

Liquidity Risk Management (continued)

As a safeguard against liquidity risk, the Banking Group takes a multi-pronged approach towards managing this risk, beginning with a liquidity management system, adopting BNM's Liquidity Framework as the backbone. The Liquidity Framework ascertains the liquidity condition based on contractual and behavioural cash-flow of assets, liabilities and off-balance sheet commitments, taking into consideration the realisable cash value of liquefiable assets. The Banking Group has been in compliance with the New Liquidity Framework throughout the financial year.

This is supplemented by the Banking Group's own internal liquidity management policies, which includes cash flow management, maintenance of high quality long-term and short-term marketable debt securities and diversification of funding base. The Banking Group has in place liquidity contingency funding plans to minimise the liquidity risk that may arise due to unforeseen adverse changes in the marketplace.

Investment Banking

Risk management is one of the core activities of the Investment Banking Group to strike a balance between sound practices and risk-return. An effective risk management is therefore vital to ensure that the Investment Banking Group conducts its business in a prudent manner to ensure that the risk of potential losses is reduced.

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 Investment Banking Group monitors all such exposures arising from trading activities of the treasury and stockbroking business activities on a daily basis and management is alerted on the financial impact of these risks. To mitigate market risk, the Investment Banking Group also uses derivative financial instruments.

The Investment Banking Group has in place a set of policies, guidelines, measurement methodologies and control limits which includes Value-at-Risk ("VaR"), Present-Value-Basis-Point ("PVBP"), Management Action Trigger ("MAT"), notional limits and concentration limits to mitigating 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 Investment Banking Group's policy to ensure that there is adequate liquidity across all business units to sustain ongoing operations, as well as sufficient liquidity to fund asset growth and strategic opportunities.

Credit risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, credit limits and monitoring procedures. Credit risk includes settlement risk, default risk and concentration risk. Exposure to credit risk arises mainly from financing, underwriting, securities and derivative exposures of the Investment Banking Group.

The Investment Banking Group has set out Board approved policies and guidelines for the management of credit risk. To oversee all credit related matters of the Investment Banking Group, the Management Credit and Underwriting Committee ("MCUC") was setup in 2011 in addition to an independent Credit Department.

The Board has delegated appropriate Delegation of Authority to the MCUC and senior management for the approval of credit facilities. Credit limit setting for Treasury activities are endorsed by the MCUC and approved by the Board at least annually. Adherence to established credit policies, guidelines and limits is monitored daily by the Credit Control Department, Credit Department and the Risk Management Department.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

50 FINANCIAL INSTRUMENTS (continued)

(a) Risk management objectives and policies (continued)

Insurance

Insurers have to comply with the Malaysian Insurance Act and Regulations, including guidelines on investments. The Board is responsible for formulating policies and overseeing the major risks including those risks associated with the Financial Instruments described below.

The responsibility for the formulation, establishment and approval of the Insurance Group's investment policy rest with the Board as reported in the Corporate Governance Framework in the Directors' Report. The deployment and execution of the investment policies is delegated to the Investment Committee ("IC") in which the members are appointed by the Board. The IC oversees the formulation of investment and risk strategy and asset allocation to determine the optimum risk and return profile.

Risk limits are in place at various levels and monitored by a risk manager to ensure all investment securities are compatible with the Insurance Group's investment principles and philosophy. Sensitivity and stress tests are carried out on a regular basis to assess the resilience of the investment portfolios and the impact on the Insurance Group's solvency. An Asset and Liability Management ("ALM") model is being deployed to address the Insurance Group's assets and liabilities match. The ALM model will enable management to assess the long-term impact of the investment strategy, asset mix and product pricing strategy on the Insurance Group's financial ability to meet its future obligations.

Actuarial and underwriting risk

Actuarial risks relate to the adequacy of insurance premium rate levels to provide for insurance liabilities and solvency margin and takes into consideration the developments in mortality, morbidity, lapses and expenses.

Underwriting risk represents the risk that claims incurred are higher than anticipated. This is attributable to the nature of risk underwritten, random nature of claims frequency and severity of claims.

The Insurance Group manages the risks through strict underwriting guidelines, which include exclusions, cover limits, loadings and reinsurance programmes. New risks are carefully assessed before an insurance policy is underwritten and issued.

Credit risk

Credit risk is the risk of loss due to inability or unwillingness of a counterparty to service its debt obligations. The credit risk and investment activities is monitored regularly with respect to single customer limit, sectorial exposure, credit rating and residual maturity, in accordance with the investment guidelines and limits approved by the Board of Directors and the authorities.

At the date of the statement of financial position, the credit exposure is within the investment guidelines and limits approved by the Board of Directors and the authorities. The maximum exposure to credit risk is the carrying amount as stated in the financial statements.

Interest rate risk

Investment activities and insurance business are inherently exposed to interest rate risk. This risk arises from differences in pricing or tenure of investments and liabilities. Interest rate risk is managed by targeting a desired return, which is reviewed periodically, based on the Insurance Group's long-term view on interest rates. Investment activities are managed by appropriate asset allocation, which is regularly reviewed and changed in relation to the investment climate to meet the Insurance Group's desired return.

Market risk

Adverse changes in the equity market impairs the carrying value of the equity portfolio which could affect the solvency of the Insurance Group. The Board has set internal limits for maximum equity exposure and individual stock exposure, which are consistent with BNM's guidelines and has also imposed daily trading limits. The Insurance Group's investment committee decides on the appropriate asset allocation for equities on a regular basis in line with the investment and economic conditions at time of review.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

50 FINANCIAL INSTRUMENTS (continued)

(a) Risk management objectives and policies (continued)

Insurance (continued)

Liquidity risk

Liquidity risk arises due to inability of the Insurance Group to meet its financial obligations as and when they fall due. The risk is managed via a three-year planning process to ascertain operational cash flow requirements and maintaining a reasonable level of liquid assets to meet any unexpected cash flow.

(b) Market risk

Market risk sensitivity assessment is based on the changes in key variables, such as interest rates, foreign currency rates and equity risk, 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 Company as at 30 June 2012.

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 units and risk management to mitigate the effect of this movement in key variables. In reality, the Group and the Company proactively seeks to ensure that the interest rate risk profile is managed to minimise losses and optimise net revenues.

(i) *Interest/profit rate risk sensitivity analysis*

The interest/profit rate sensitivity results below shows the impact on profit after tax and equity of financial assets or financial liabilities bearing floating interest/profit rates.

	The Group		The Company	
	Impact on profit after tax RM'000	Impact on equity RM'000	Impact on profit after tax RM'000	Impact on equity RM'000
2012				
+ 100 basis points ('bps')	40,979	(177,398)	33,485	-
- 100 bps	(56,868)	177,684	(49,384)	-
2011				
+ 100 bps	257,867	(96,913)	24,832	-
- 100 bps	(257,611)	98,095	(25,345)	-

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

50 FINANCIAL INSTRUMENTS (continued)

(b) Market risk (continued)

(ii) Foreign currency risk sensitivity analysis

The Group and the Company take on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on their financial position and cash flows.

The table below sets out the principal structure of foreign exchange exposures (net of investment hedges) of the Group and the Company:

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
United States Dollar ("USD")	962,753	362,592	-	-
Euro ("EUR")	11,572	59,003	-	-
Great Britain Pound ("GBP")	10,283	(10,049)	-	-
Singapore Dollar ("SGD")	95,320	85,818	-	-
Others	912,140	753,126	247,162	202,959
	1,992,068	1,250,490	247,162	202,959

An analysis of the exposures to assess the impact of a one per cent change in the RM exchange rates to the profit after tax are as follows:

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
+ 1%	22,443	6,464	2,472	2,030
- 1%	(22,443)	(6,464)	(2,472)	(2,030)

(iii) Equity risk

Equity risk refers to the impact of change in equity positions held by the Group for yield purposes.

	The Group	
	Impact on profit after tax RM'000	Impact on equity RM'000
2012		
+ 20% change in equity market price	4,207	114,409
- 20% change in equity market price	(4,207)	(114,409)
2011		
+ 20% change in equity market price	12,549	103,430
- 20% change in equity market price	(12,549)	(103,430)

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

50 FINANCIAL INSTRUMENTS (continued)

(b) Market risk (continued)

(iv) Interest/profit rate risk

The tables below summarise the Group's exposure to interest/profit rate risks. Included in the tables are the Group's assets and liabilities at their full carrying amounts, categorised by the earlier of contractual repricing or maturity dates. As interest/profit rates and yield curves change over time, the Group 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 rate arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liabilities funding.

The Group								
2012	Non-trading book					Non-interest/profit rate sensitive RM'000	Trading book RM'000	Total RM'000
	Up to 1 month RM'000	> 1 to 3 months RM'000	> 3 to 12 months RM'000	> 1 to 5 years RM'000	Over 5 years RM'000			
Assets								
Cash and short-term funds	20,401,356	5,032	-	-	-	1,176,451	-	21,582,839
Securities purchased under resale agreements	-	590,521	-	-	-	-	-	590,521
Deposits and placements with banks and other financial institutions	-	3,851,443	676,393	-	-	6,784	-	4,534,620
Financial assets held-for-trading	-	-	-	-	-	-	23,066,887	23,066,887
Financial investments available-for-sale	1,215,122	401,027	1,163,978	8,462,113	2,372,996	1,538,829	239,690	15,393,755
Financial investments held-to-maturity	57,351	769,986	1,720,099	1,414,075	540,535	85,920	-	4,587,966
Derivative financial assets	-	-	-	-	-	-	980,880	980,880
Loans, advances and financing	65,577,194	128,410	2,195,692	11,175,904	9,360,884	682,622	-	89,120,706
Clients' and brokers' balances	-	-	-	-	-	269,404	-	269,404
Other receivables	-	-	-	-	-	563,669	-	563,669
Total assets	87,251,023	5,746,419	5,756,162	21,052,092	12,274,415	4,323,679	24,287,457	160,691,247

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

50 FINANCIAL INSTRUMENTS (continued)

(b) Market risk (continued)

(iv) Interest/profit rate risk (continued)

The tables below summarise the Group's exposure to interest/profit rate risks. Included in the tables are the Group's assets and liabilities at their full carrying amounts, categorised by the earlier of contractual repricing or maturity dates. As interest/profit rates and yield curves change over time, the Group 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 rate arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liabilities funding. (continued)

2012	The Group								
	Non-trading book						Non-interest/ profit rate sensitive RM'000	Trading book RM'000	Total RM'000
	Up to 1 month RM'000	> 1 to 3 months RM'000	> 3 to 12 months RM'000	> 1 to 5 years RM'000	Over 5 years RM'000				
Liabilities									
Deposits from customers	55,085,771	15,704,921	32,510,761	5,441,191	-	14,474,158	-	123,216,802	
Deposits and placements of banks and other financial institutions	8,193,686	2,476,887	203,191	-	-	5,743	-	10,879,507	
Obligations on securities sold under repurchase agreements	43,276	590,521	-	-	-	-	-	633,797	
Bills and acceptance payable	5,939	17,934	18,724	-	-	443,494	-	486,091	
Derivative financial liabilities	-	-	-	-	-	-	1,137,906	1,137,906	
Clients' and brokers' balances	-	-	-	-	-	590,071	-	590,071	
Payables and other liabilities	-	-	-	-	-	3,541,064	-	3,541,064	
Provision for claims	-	-	-	-	-	96,818	-	96,818	
Borrowings	1,192,644	-	551,694	-	-	-	-	1,744,338	
Senior Bonds	-	-	-	1,907,793	-	-	-	1,907,793	
Subordinated obligations	-	-	-	2,868,303	1,501,082	-	-	4,369,385	
Insurance funds	-	-	-	-	-	6,620,850	-	6,620,850	
Non-innovative Tier 1 stapled securities	-	-	-	1,407,283	-	-	-	1,407,283	
Innovative Tier 1 capital securities	-	-	-	-	574,581	-	-	574,581	
Total liabilities	64,521,316	18,790,263	33,284,370	11,624,570	2,075,663	25,772,198	1,137,906	157,206,286	
Net interest sensitivity gap for items recognised in the statements of financial position	22,729,707	(13,043,844)	(27,528,208)	9,427,522	10,198,752				
Net interest sensitivity gap for items not recognised in the statements of financial position									
Financial guarantees	-	-	-	-	-	992,579			
Credit related commitments and contingencies	-	-	-	-	-	40,027,185			
	-	-	-	-	-	41,019,764			

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

50 FINANCIAL INSTRUMENTS (continued)

(b) Market risk (continued)

(iv) Interest/profit rate risk (continued)

The tables below summarise the Group's exposure to interest/profit rate risks. Included in the tables are the Group's assets and liabilities at their full carrying amounts, categorised by the earlier of contractual repricing or maturity dates. As interest/profit rates and yield curves change over time, the Group 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 rate arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liabilities funding. (continued)

	The Group							
	Non-trading book						Non-interest/profit rate sensitive RM'000	Trading book RM'000
2011	Up to 1 month RM'000	> 1 to 3 months RM'000	> 3 to 12 months RM'000	> 1 to 5 years RM'000	Over 5 years RM'000			
Assets								
Cash and short-term funds	30,654,969	-	-	-	-	1,770,022	-	32,424,991
Securities purchased under resale agreements	86,509	73,261	-	-	-	-	-	159,770
Deposits and placements with banks and other financial institutions	-	4,329,082	856,122	-	25,897	2,294	-	5,213,395
Financial assets held-for-trading	-	-	-	-	-	-	6,974,724	6,974,724
Financial investments available-for-sale	630,107	735,856	825,863	5,784,025	1,305,491	1,517,631	-	10,798,973
Financial investments held-to-maturity	1,407,090	1,846,733	2,056,281	2,597,390	138,027	62,677	-	8,108,198
Derivative financial assets	-	-	-	-	-	-	798,164	798,164
Loans, advances and financing	59,370,554	645,257	1,202,201	8,614,824	11,730,475	676,745	-	82,240,056
Clients' and brokers' balances	-	-	-	-	-	236,393	-	236,393
Other receivables	-	-	-	-	-	1,155,873	-	1,155,873
Total assets	92,149,229	7,630,189	4,940,467	16,996,239	13,199,890	5,421,635	7,772,888	148,110,537

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

50 FINANCIAL INSTRUMENTS (continued)

(b) Market risk (continued)

(iv) Interest/profit rate risk (continued)

The tables below summarise the Group's exposure to interest/profit rate risks. Included in the tables are the Group's assets and liabilities at their full carrying amounts, categorised by the earlier of contractual repricing or maturity dates. As interest/profit rates and yield curves change over time, the Group 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 rate arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liabilities funding. (continued)

	The Group							
	Non-trading book						Non-interest/ profit rate sensitive RM'000	Trading book RM'000
2011	Up to 1 month RM'000	> 1 to 3 months RM'000	> 3 to 12 months RM'000	> 1 to 5 years RM'000	Over 5 years RM'000			
Liabilities								
Deposits from customers	55,949,315	17,137,971	23,492,109	3,732,137	-	14,437,446	-	114,748,978
Deposits and placements of banks and other financial institutions	4,957,555	4,706,293	1,472,897	170,800	126,708	11,407	-	11,445,660
Bills and acceptance payable	113,266	79,081	11,794	-	-	479,855	-	683,996
Derivative financial liabilities	-	-	-	-	-	-	682,098	682,098
Clients' and brokers' balances	-	-	-	-	-	591,595	-	591,595
Payables and other liabilities	-	-	-	-	187,217	3,667,672	-	3,854,889
Provision for claims	-	-	-	-	-	63,763	-	63,763
Borrowings	1,735,805	478,435	-	-	-	-	-	2,214,240
Senior Bonds	-	-	-	910,810	-	-	-	910,810
Subordinated obligations	-	-	-	2,885,028	-	-	-	2,885,028
Insurance funds	-	-	-	-	-	5,834,179	-	5,834,179
Non-innovative Tier 1 stapled securities	-	-	-	1,405,706	-	-	-	1,405,706
Innovative Tier 1 capital securities	-	-	-	595,720	-	-	-	595,720
Total liabilities	62,755,941	22,401,780	24,976,800	9,700,201	313,925	25,085,917	682,098	145,916,662
Net interest sensitivity gap for items recognised in the statements of financial position	29,393,288	(14,771,591)	(20,036,333)	7,296,038	12,885,965			
Net interest sensitivity gap for items not recognised in the statements of financial position								
Financial guarantees	-	-	-	-	-	1,031,473		
Credit related commitments and contingencies	-	-	-	-	-	39,704,814		
	-	-	-	-	-	40,736,287		

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

50 FINANCIAL INSTRUMENTS (continued)

(b) Market risk (continued)

(iv) Interest/profit rate risk (continued)

The tables below summarise the Company's exposure to interest/profit rate risks. Included in the tables are the Company's assets and liabilities at their full carrying amounts, categorised by the earlier of contractual repricing or maturity dates. As interest/profit rates and yield curves change over time, the Company 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 rate arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liabilities funding. (continued)

2012	The Company								
	Non-trading book						Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
	Up to 1 month RM'000	> 1 to 3 months RM'000	> 3 to 12 months RM'000	> 1 to 5 years RM'000	Over 5 years RM'000				
Assets									
Cash and short-term funds	40,600	-	-	-	-	300	-	40,900	
Derivative financial assets	-	-	-	-	-	-	196	196	
Other receivables	-	-	-	-	-	2,390	-	2,390	
Amount due from subsidiaries	59,306	-	-	-	-	1,155	-	60,461	
Total assets	99,906	-	-	-	-	3,845	196	103,947	
Liabilities									
Derivative financial liabilities	-	-	-	-	-	-	17,545	17,545	
Payables and other liabilities	-	-	-	-	-	12,868	-	12,868	
Borrowings									
- Term loans	468,333	-	-	-	-	-	-	468,333	
- Commercial papers	559,262	-	-	-	-	-	-	559,262	
- Medium term notes	-	-	551,693	-	-	-	-	551,693	
Total liabilities	1,027,595	-	551,693	-	-	12,868	17,545	1,609,701	
Net interest sensitivity gap for items recognised in the statements of financial position									
	(927,689)	-	(551,693)	-	-	-	-	-	

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

50 FINANCIAL INSTRUMENTS (continued)

(b) Market risk (continued)

(iv) Interest/profit rate risk (continued)

The tables below summarise the Company's exposure to interest/profit rate risks. Included in the tables are the Company's assets and liabilities at their full carrying amounts, categorised by the earlier of contractual repricing or maturity dates. As interest/profit rates and yield curves change over time, the Company 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 rate arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liabilities funding. (continued)

2011	The Company							Trading book RM'000	Total RM'000
	Non-trading book					Non-interest sensitive RM'000			
	Up to 1 month RM'000	> 1 to 3 months RM'000	> 3 to 12 months RM'000	> 1 to 5 years RM'000	Over 5 years RM'000				
Assets									
Cash and short-term funds	114,050	-	-	-	-	629	-	114,679	
Financial assets held-for-trading	-	-	-	-	-	-	37,814	37,814	
Derivative financial assets	-	-	-	-	-	-	2,342	2,342	
Other receivables	-	-	-	-	-	2,554	-	2,554	
Amount due from subsidiaries	43,290	-	2,314,114	-	-	75	-	2,357,479	
Total assets	157,340	-	2,314,114	-	-	3,258	40,156	2,514,868	
Liabilities									
Derivative financial liabilities	-	-	-	-	-	-	8,454	8,454	
Payables and other liabilities	-	-	-	-	-	5,985	-	5,985	
Borrowings									
- Term loans	1,515,784	-	-	-	-	-	-	1,515,784	
- Commercial papers	199,946	478,435	-	-	-	-	-	678,381	
Total liabilities	1,715,730	478,435	-	-	-	5,985	8,454	2,208,604	
Net interest sensitivity gap for items recognised in the statements of financial position	(1,558,390)	(478,435)	2,314,114	-	-	-	-	-	

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

50 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk

Liquidity risk is defined as the current and prospective risk arising from the inability of the Group and the Company to meet its contractual or regulatory obligations when they become due without incurring substantial losses. The liquidity risk is identified based on concentration, volatility of source of fund and funding maturity structure and it is measured primarily using Bank Negara Malaysia's New Liquidity Framework and depositor's concentration ratios. The Group and the Company seek to 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 30 June 2012 based on the remaining contractual maturity.

2012	The Group							Total RM'000
	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	
Assets								
Cash and short-term funds	13,692,887	7,888,752	-	-	1,200	-	-	21,582,839
Deposits and placements with banks and other financial institutions	-	-	3,858,227	579,850	96,543	-	-	4,534,620
Securities purchased under resale agreements	-	-	590,521	-	-	-	-	590,521
Financial assets held-for-trading	1,337,992	3,987,033	9,219,118	4,482,784	240,016	3,395,884	404,060	23,066,887
Financial investments available-for-sale	1,024,815	190,838	377,350	369,247	823,780	10,908,608	1,699,117	15,393,755
Financial investments held-to-maturity	2,134	70,113	776,467	290,643	1,477,050	1,971,559	-	4,587,966
Derivative financial assets	73,779	54,074	67,301	53,005	39,074	693,647	-	980,880
Loans, advances and financing	7,196,539	7,999,790	5,084,242	1,701,218	3,724,391	63,414,526	-	89,120,706
Clients' and brokers balances	176,018	-	-	-	93,386	-	-	269,404
Other receivables	37,983	27	8	760	62,242	8,352	550,079	659,451
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	3,350,987	3,350,987
Tax recoverable	-	-	-	-	-	-	18,330	18,330
Investment in associated companies	-	-	-	-	-	-	2,209,079	2,209,079
Investment in jointly controlled entity	-	-	-	-	-	-	76,871	76,871
Property and equipment	-	-	-	-	-	-	1,037,885	1,037,885
Investment properties	-	-	-	-	-	-	1,680	1,680
Intangible assets	-	-	-	-	-	-	454,058	454,058
Goodwill	-	-	-	-	-	-	2,410,644	2,410,644
Total assets	23,542,147	20,190,627	19,973,234	7,477,507	6,557,682	80,392,576	12,212,790	170,346,563

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

50 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) as at 30 June 2012 based on the remaining contractual maturity. (continued)

2012	The Group							Total RM'000
	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	
Liabilities								
Deposits from customers	48,840,610	21,584,344	15,797,558	17,194,529	15,461,926	4,337,835	-	123,216,802
Deposits and placements of banks and other financial institutions	5,239,743	2,957,151	2,476,870	203,190	-	-	2,553	10,879,507
Obligations on securities sold under repurchase agreements	-	-	-	-	-	633,797	-	633,797
Bills and acceptances payable	229	4,742	17,934	18,525	199	-	444,462	486,091
Derivative financial liabilities	46,233	66,712	118,502	52,495	40,722	813,242	-	1,137,906
Clients' and brokers' balances	590,071	-	-	-	-	-	-	590,071
Payables and other liabilities	1,715,533	60,023	1,630	-	1,104,743	-	982,251	3,864,180
Provision for claims	-	-	-	-	96,818	-	-	96,818
Provision for taxation	-	-	-	-	1,251	-	163,080	164,331
Borrowings	-	560,015	-	1,694	267,579	915,050	-	1,744,338
Senior bonds	-	-	-	-	-	1,907,793	-	1,907,793
Subordinated obligations	-	-	-	-	-	4,369,385	-	4,369,385
Non-innovative Tier 1 stapled securities	-	-	-	-	-	1,407,283	-	1,407,283
Innovative Tier 1 capital securities	-	-	-	-	-	574,581	-	574,581
Deferred tax liability	-	-	-	-	24,511	-	81,685	106,196
Insurance funds	-	-	-	-	1,575,471	5,045,379	-	6,620,850
Total liabilities	56,432,419	25,232,987	18,412,494	17,470,433	18,573,220	20,004,345	1,674,031	157,799,929
Total equity	-	-	-	-	-	-	12,546,634	12,546,634
Total liabilities and equity	56,432,419	25,232,987	18,412,494	17,470,433	18,573,220	20,004,345	14,220,665	170,346,563
Net liquidity gap	(32,890,272)	(5,042,360)	1,560,740	(9,992,926)	(12,015,538)	60,388,231	10,538,759	12,546,634

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

50 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) as at 30 June 2011 based on the remaining contractual maturity. (continued)

2011	The Group							Total RM'000
	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	
Assets								
Cash and short-term funds	21,741,475	10,682,887	-	-	-	-	629	32,424,991
Securities purchased under resale agreements	86	86,423	73,261	-	-	-	-	159,770
Deposits and placements with banks and other financial institutions	-	-	4,330,613	613,624	243,261	25,897	-	5,213,395
Financial assets held-for-trading	359,520	1,856,735	3,133,910	78,484	148,128	928,724	469,223	6,974,724
Financial investments available-for-sale	70,453	607,528	539,782	197,460	664,279	7,249,497	1,469,974	10,798,973
Financial investments held-to-maturity	350,847	1,061,887	1,842,032	390,801	1,663,021	2,765,544	34,066	8,108,198
Derivative financial assets	80,083	22,120	57,341	16,975	160,376	461,269	-	798,164
Loans, advances and financing	24,430,451	6,156,345	3,168,784	1,190,096	2,117,323	45,177,057	-	82,240,056
Clients' and brokers balances	169,733	-	-	-	66,660	-	-	236,393
Other receivables	413,377	38,015	39,199	-	127,762	-	537,520	1,155,873
Statutory deposits with Bank Negara Malaysia	-	-	-	692	-	-	2,219,674	2,220,366
Tax recoverable	-	-	-	-	-	-	9,752	9,752
Investment in associated companies	-	-	-	-	-	-	1,964,951	1,964,951
Investment in jointly controlled entity	-	-	-	-	-	-	75,252	75,252
Property and equipment	-	-	-	-	-	-	1,010,913	1,010,913
Investment properties	-	-	-	-	-	-	1,680	1,680
Intangible assets	-	-	-	-	1,968	-	381,018	382,986
Goodwill	-	-	-	-	-	-	2,410,644	2,410,644
Deferred tax assets	-	-	-	-	18,110	24,201	30,383	72,694
Total assets	47,616,025	20,511,940	13,184,922	2,488,132	5,210,888	56,632,189	10,615,679	156,259,775

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

50 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) as at 30 June 2011 based on the remaining contractual maturity. (continued)

2011	The Group							Total RM'000
	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	
Liabilities								
Deposits from customers	43,508,516	26,376,772	17,339,479	10,660,988	13,121,843	3,741,380	-	114,748,978
Deposits and placements of banks and other financial institutions	2,830,557	2,859,951	4,006,745	75,101	1,404,945	265,740	2,621	11,445,660
Bills and acceptances payable	147,996	111,422	79,082	11,251	543	-	333,702	683,996
Derivative financial liabilities	41,183	32,977	84,390	28,850	140,991	353,707	-	682,098
Clients' and brokers' balances	591,595	-	-	-	-	-	-	591,595
Payables and other liabilities	1,900,267	352	28,436	-	907,803	187,380	830,651	3,854,889
Provision for claims	-	-	-	-	63,763	-	-	63,763
Provision for taxation	-	-	-	-	20,391	-	60,184	80,575
Borrowings	-	218,456	480,000	-	1,403,669	112,115	-	2,214,240
Senior bonds	-	-	-	-	-	910,810	-	910,810
Subordinated obligations	-	-	-	-	-	2,885,028	-	2,885,028
Non-innovative Tier 1 stapled securities	-	-	-	-	-	1,405,706	-	1,405,706
Innovative Tier 1 capital securities	-	-	-	-	-	595,720	-	595,720
Insurance funds	-	-	-	-	1,632,146	4,202,033	-	5,834,179
Total liabilities	49,020,114	29,599,930	22,018,132	10,776,190	18,696,094	14,659,619	1,227,158	145,997,237
Total equity	-	-	-	-	-	-	10,262,538	10,262,538
Total liabilities and equity	49,020,114	29,599,930	22,018,132	10,776,190	18,696,094	14,659,619	11,489,696	156,259,775
Net liquidity gap	(1,404,089)	(9,087,990)	(8,833,210)	(8,288,058)	(13,485,206)	41,972,570	9,388,521	10,262,538

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

50 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) as at 30 June 2012 based on the remaining contractual maturity. (continued)

2012	The Company							Total RM'000
	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	
Assets								
Cash and short-term funds	16,600	23,100	-	-	1,200	-	-	40,900
Derivative financial assets	-	-	-	-	-	196	-	196
Other receivables	-	-	-	-	-	-	2,390	2,390
Amount due from subsidiaries	-	-	-	-	-	-	60,461	60,461
Tax recoverable	-	-	-	-	-	-	16,113	16,113
Investment in subsidiary companies	-	-	-	-	-	-	4,095,940	4,095,940
Property and equipment	-	-	-	-	-	-	1,092	1,092
Intangible assets	-	-	-	-	-	-	15	15
Total assets	16,600	23,100	-	-	1,200	196	4,176,011	4,217,107
Liabilities								
Payables and other liabilities	-	-	-	-	-	-	12,868	12,868
Derivative financial liabilities	-	-	-	-	-	17,545	-	17,545
Borrowings								
- Term loans	-	754	-	-	267,579	200,000	-	468,333
- Commercial papers	-	559,262	-	-	-	-	-	559,262
- Medium term notes	-	-	-	1,693	-	550,000	-	551,693
Total liabilities	-	560,016	-	1,693	267,579	767,545	12,868	1,609,701
Net liquidity gap	16,600	(536,916)	-	(1,693)	(266,379)	(767,349)	4,163,143	2,607,406

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

50 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (include non-financial instruments) as at 30 June 2011 based on the remaining contractual maturity. (continued)

2011	The Company							Total RM'000
	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	
Assets								
Cash and short-term funds	629	114,050	-	-	-	-	-	114,679
Financial assets held-for-trading	-	-	-	-	-	-	37,814	37,814
Derivative financial assets	-	-	-	-	-	2,342	-	2,342
Other receivables	-	-	-	-	-	-	2,554	2,554
Amount due from subsidiaries	-	-	-	-	-	2,314,114	43,365	2,357,479
Tax recoverable	-	-	-	-	-	-	8,475	8,475
Investment in subsidiary companies	-	-	-	-	-	-	2,393,350	2,393,350
Property and equipment	-	-	-	-	-	-	1,577	1,577
Intangible assets	-	-	-	-	-	-	12	12
Total assets	629	114,050	-	-	-	2,316,456	2,487,147	4,918,282
Liabilities								
Payables and other liabilities	-	-	-	-	-	-	5,985	5,985
Derivative financial liabilities	-	-	-	-	-	8,454	-	8,454
Borrowings								
- Term loans	-	-	-	-	1,403,669	112,115	-	1,515,784
- Commercial papers	-	198,381	480,000	-	-	-	-	678,381
Total liabilities	-	198,381	480,000	-	1,403,669	120,569	5,985	2,208,604
Net liquidity gap	629	(84,331)	(480,000)	-	(1,403,669)	2,195,887	2,481,162	2,709,678

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.

All trading derivatives, whether net or gross settled are analysed based on the expected maturity as the contractual maturity is not considered to be essential to the understanding of the timing of the cash flows. The amounts disclosed in respect of such contracts are the fair values. The comparatives were not restated as allowed by the transitional provision arising from the adoption of Amendment to FRS 7 "Financial Instruments Disclosures – Improving Disclosures about Financial Instruments". As such, the prior year disclosure analyses the trading derivatives based on the remaining contractual maturities and whether it was net or gross settled.

Hedging derivatives are disclosed based on remaining contractual maturities as the contractual maturities of such contracts are essential for an understanding of the timing of the cash flows. The amounts disclosed in respect of such contracts are the contractual undiscounted cash flows.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

50 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)

2012	The Group					
	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Liabilities						
Deposits from customers	70,096,760	15,854,423	33,318,089	7,361,382	95,674	126,726,328
Deposits and placements of banks and other financial institutions	9,766,052	2,287,740	89,504	-	-	12,143,296
Obligations on securities sold under repurchase agreements	-	-	-	712,356	-	712,356
Bills and acceptances payable	446,307	318	671	-	-	447,296
Derivative financial liabilities						
- Gross settled derivatives						
- Inflow	(10,421,466)	(6,191,683)	(2,052,710)	(125,081)	(5,115)	(18,796,055)
- Outflow	10,459,404	6,261,572	2,081,406	140,726	5,479	18,948,587
- Net settled derivatives	32,367	21,769	217,345	490,040	96,533	858,054
Clients' and brokers' balances	590,072	-	-	-	-	590,072
Payables and other liabilities	2,430,236	580	1,209,043	-	51	3,639,910
Provision for claims	-	-	96,818	-	-	96,818
Provision for taxation	-	-	258	-	-	258
Borrowings	228,473	5,495	313,902	650,192	852,205	2,050,267
Senior bonds	-	18,009	47,404	2,131,734	-	2,197,147
Subordinated obligations	-	28,683	147,232	3,320,977	1,563,173	5,060,065
Insurance funds	-	-	1,640,576	183,660	14,221,899	16,046,135
Non-innovative Tier 1 stapled securities	-	-	70,700	1,753,694	-	1,824,394
Innovative Tier 1 capital securities	-	20,568	20,568	165,000	603,295	809,431
Total financial liabilities	83,628,205	18,307,474	37,200,806	16,784,680	17,433,194	173,354,359

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

50 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)

2011	The Group					
	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Liabilities						
Deposits from customers	75,951,302	21,814,974	15,218,514	2,446,641	-	115,431,431
Deposits and placements of banks and other financial institutions	7,688,253	3,583,457	226,265	-	-	11,497,975
Bills and acceptances payable	591,703	59,332	9,087	-	-	660,122
Derivative financial liabilities						
- Gross settled derivatives						
- Inflow	(8,093,914)	(5,694,334)	(5,994,982)	(1,506,353)	-	(21,289,583)
- Outflow	8,127,034	5,713,716	6,127,019	1,597,864	-	21,565,633
- Net settled derivatives	28,804	39,036	111,770	319,244	18	498,872
Clients' and brokers' balances	591,595	-	-	-	-	591,595
Payables and other liabilities	2,289,554	-	908,216	-	-	3,197,770
Provision for claims	-	-	63,763	-	-	63,763
Borrowings	26,626	13,023	1,230,679	1,055,236	-	2,325,564
Senior bonds	-	17,181	17,182	1,053,803	-	1,088,166
Subordinated obligations	-	28,278	109,903	3,295,643	-	3,433,824
Insurance funds	-	-	1,631,198	268,395	12,329,472	14,229,065
Non-innovative Tier 1 stapled securities	-	-	35,350	1,718,150	-	1,753,500
Innovative Tier 1 capital securities	-	41,250	20,625	165,000	644,375	871,250
Total financial liabilities	87,200,957	25,615,913	19,714,589	10,413,623	12,973,865	155,918,947

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

50 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 Company					
	Up to 1 month RM'000	1 to 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
2012						
Liabilities						
Payables and other liabilities	638	580	11,598	-	52	12,868
Derivative financial liabilities						
- Gross settled derivatives						
- Inflow	(247,162)	-	-	-	-	(247,162)
- Outflow	247,642	-	-	-	-	247,642
- Net settled derivatives	202	744	1,793	6,506	-	9,245
Borrowings						
- Term loans	2,194	2,180	276,481	200,126	-	480,981
- Commercial papers	1,557	3,114	13,711	73,378	585,376	677,136
- Medium term notes	-	-	23,710	376,688	266,829	667,227
Total financial liabilities	5,071	6,618	327,293	656,698	852,257	1,847,937
2011						
Liabilities						
Payables and other liabilities	5,985	-	-	-	-	5,985
Derivative financial liabilities						
- Gross settled derivatives						
- Inflow	-	(124,397)	(78,562)	-	-	(202,959)
- Outflow	-	125,223	77,747	-	-	202,970
- Net settled derivatives	224	602	5,616	17,350	-	23,792
Borrowings						
- Term loans	4,505	9,050	1,213,120	318,203	-	1,544,878
- Commercial papers	1,987	3,973	17,559	737,033	-	760,552
Total financial liabilities	12,701	14,451	1,235,480	1,072,586	-	2,335,218

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

50 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

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

	The Group		
	Less than 1 year RM'000	Over 1 year RM'000	Total RM'000
2012			
Direct credit substitutes	494,801	-	494,801
Commitments that are unconditionally cancellable at any time without prior notice	304,099	-	304,099
Short-term self liquidating trade related contingencies	548,528	-	548,528
Irrevocable commitments to extend credit	17,750,840	12,720,869	30,471,709
Unutilised credit card lines	9,200,627	-	9,200,627
Total commitments and contingencies	28,298,895	12,720,869	41,019,764
2011			
Direct credit substitutes	559,290	-	559,290
Commitments that are unconditionally cancellable at any time without prior notice	302,249	-	302,249
Short-term self liquidating trade related contingencies	472,183	-	472,183
Irrevocable commitments to extend credit	17,617,166	12,488,631	30,105,797
Unutilised credit card lines	9,296,768	-	9,296,768
Total commitments and contingencies	28,247,656	12,488,631	40,736,287

(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 Company would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

50 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(i) Maximum exposure to credit risk (continued)

The table below shows the maximum exposure to credit risk for the Group and the Company:

	The Group	
	2012 RM'000	2011 RM'000
Credit risk exposure relating to on-balance sheet assets:		
Short-term funds and placements with banks and other financial institutions (exclude cash in hand)	25,127,329	37,059,840
Securities purchased under resale agreement	590,521	159,770
Financial assets and investments portfolios (exclude shares)		
- Financial assets held-for-trading	22,659,776	6,533,192
- Financial investments available-for-sale	12,669,019	9,313,664
- Financial investments held-to-maturity	4,487,947	8,108,198
Loans, advances and financing	89,120,706	82,240,056
Clients' and brokers' balances	176,019	169,733
Other receivables	530,189	701,993
Derivative assets	980,880	798,081
	156,342,386	145,084,527
Credit risk exposure relating to off-balance sheet items:		
Commitments and contingencies	41,019,764	40,736,287
Total maximum credit risk exposure	197,362,150	185,820,814

	The Company	
	2012 RM'000	2011 RM'000
Credit risk exposure relating to on-balance sheet assets:		
Short-term funds and placements with banks and other financial institutions (exclude cash in hand)	40,900	114,679
Financial assets and investments portfolios (exclude shares)		
- Financial assets held-for-trading	-	37,814
Other receivables	2,390	2,554
Derivative assets	196	2,342
Total maximum credit risk exposure	43,486	157,389

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

50 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(ii) Collaterals

The main type of collaterals obtained by the Group are as follows:

- (a) Fixed deposits, mudharabah general investment account, negotiable instrument of deposits, foreign currency deposits and cash deposits/margins
- (b) Land and buildings
- (c) Vessels and automobiles
- (d) Quoted shares, unit trust, Malaysian Governments Bonds and securities and private debt securities
- (e) Endowment life policies with cash surrender value
- (f) Other tangible business assets, such as inventory and equipment

The Group also accept non-tangible securities such as support, guarantees from individuals, corporates and institutions, bank guarantees, debentures, assignment of contract payments, which are subject to internal guidelines on eligibility.

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for loans, advances and financing for the Group is 76.43% (2011: 72.30%) and 75.20% (2011: 66.03%) respectively. The financial effects of collateral held for the remaining on-statement of financial position financial assets are insignificant.

(iii) Credit Quality

The Group assess credit quality of loans and advances using internal rating techniques tailored to the various categories of products and counterparties. These techniques have been developed internally and combine statistical analysis with credit officers judgement.

The credit quality of financial assets other than loans, advances and financing 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

(a) Loans, advances and financing

Loans, advances and financing are summarised as follows:

	The Group	
	2012 RM'000	2011 RM'000
Neither past due nor impaired	79,763,005	73,697,743
Past due but not impaired	10,207,563	9,190,058
Individually impaired	1,533,270	1,924,775
Gross loans, advances and financing	91,503,838	84,812,576
Fair value changes arising from fair value hedges	23,852	-
Unamortised fair value changes arising from terminated fair value hedges	21,570	17,177
- Individual assessment allowance	(543,234)	(797,739)
- Collective assessment allowance	(1,885,320)	(1,791,958)
Net loans, advances and financing	89,120,706	82,240,056

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

50 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(iii) Credit Quality (continued)

(a) Loans, advances and financing (continued)

(i) Loans, advances and financing neither past due nor impaired

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

	2012 RM'000	2011 RM'000
Hong Leong Bank Group		
Consumer loans/financing		
<u>Risk Grade</u>		
Good	52,253,016	29,608,985
Weakest	610,550	391,613
	52,863,566	30,000,598
Corporates loans/financing		
<u>Risk Grade</u>	<u>Credit Quality</u>	
A	Exceptional	460,080
B+	Superior	2,359,916
B	Excellent	2,213,906
B-	Strong	1,718,236
C+	Good	1,191,087
C	Satisfactory	1,443,663
C-	Fair	660,143
D+	Adequate	484,629
D	Marginal	34,315
Un-graded		105,332
		10,671,307
	25,967,923	10,671,307

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

50 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(iii) Credit Quality (continued)

(a) Loans, advances and financing (continued)

(i) Loans, advances and financing neither past due nor impaired (continued)

Analysis of loans, advances and financing that are neither past due nor impaired analysed based on the Group's credit grading system is as follows: (continued)

		2012 RM'000	2011 RM'000
Attributable from Hong Leong Bank Group subsidiaries: EON Bank Berhad Group			
Consumer loans/financing			
<u>Risk Grade</u>	<u>Credit Quality</u>		
1-3	Good	-	6,935,550
4-5	Average	-	805,311
6	Weakest	-	631,560
Un-graded		-	13,895,628
		-	22,268,049
Corporates loans/financing			
<u>Risk Grade</u>	<u>Credit Quality</u>		
1-2	Good	-	1,854,216
3-4	↑ ↓	-	3,100,737
5-6		-	3,812,864
7-8		-	1,185,531
9	Weakest	-	22,772
		-	9,976,120
Total HLB Group neither past due nor impaired		78,831,489	72,916,074
Hong Leong Capital Berhad Group			
<u>Risk Grade</u>			
Good		246,211	104,924
Fair		1,823	-
		248,034	104,924
HLA Holdings Group			
<u>Risk Grade</u>			
Ungraded		683,482	676,745
The Group total neither past due nor impaired		79,763,005	73,697,743

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

50 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(iii) Credit Quality (continued)

(a) Loans, advances and financing (continued)

(ii) Loans, advances and financing 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.

Loans, advances and financing less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. Gross amount of loans, advances and financing by class to customers that were past due but not impaired were as follows:

	The Group	
	2012 RM'000	2011 RM'000
Past due less than 30 days	6,760,995	6,306,805
Past due 30 to less than 60 days	2,493,751	2,110,685
Past due 60 to less than 90 days	952,817	772,568
Past due but not impaired	10,207,563	9,190,058

The fair value of collateral held as security in respect of loans, advances and financing past due but not impaired is not disclosed by the Group as it is not practicable to do so.

(iii) Loans, advances and financing that are determined to be impaired as at 30 June 2012 and 2011 are as follows:

	The Group	
	2012 RM'000	2011 RM'000
Gross amount of impaired loans	1,533,270	1,924,775
Less: Individual assessment impairment allowance	(543,234)	(797,739)
Less: Collective assessment impairment allowance	(538,226)	(265,037)
Total net amount of impaired loans	451,810	861,999

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

50 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(iii) Credit Quality (continued)

- (b) *Short-term funds, deposits and placements with banks and other financial institutions, financial assets and investments portfolios, other receivables and derivative assets.*

Analysis of short-term funds, deposits and placements with banks and other financial institutions, financial assets and investments portfolios, other receivables and derivative assets by rating agency designation as at 30 June 2012, based on Moody's ratings or its equivalent are as follows:

The Group								
	Short-term funds and deposits and placements with banks and other financial institutions	Securities purchased under resale agreements	Financial assets held-for-trading	Financial investments available-for-sale	Financial investments held-to-maturity	Client's and brokers' balances	Other receivables	Derivative assets
2012	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Neither past due nor impaired								
AAA to AA3	1,903,317	-	642,080	6,542,024	950,575	-	18,967	110,630
A1 to A3	7,329,556	-	398,852	2,089,715	154,596	-	-	658,801
Baa1 to Baa3	946,285	-	55,716	1,209,856	212,686	-	-	71,517
P1 to P3	946,444	-	408,267	9,903	-	-	-	-
Non-rated	14,001,727	590,521	21,154,861	2,813,250	3,154,004	176,019	511,222	139,932
	25,127,329	590,521	22,659,776	12,664,748	4,471,861	176,019	530,189	980,880
Individually impaired	-	-	-	4,271	16,086	-	-	-
	25,127,329	590,521	22,659,776	12,669,019	4,487,947	176,019	530,189	980,880

The amount of short-term funds, deposits and placements with banks and other financial institutions, financial assets and investment portfolios, other receivables and derivative assets that are past due but not impaired is not material.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

50 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(iii) Credit Quality (continued)

- (b) *Short-term funds, deposits and placements with banks and other financial institutions, financial assets and investments portfolios, other receivables and derivative assets.* (continued)

Analysis of short-term funds, deposits and placements with banks and other financial institutions, financial assets and investments portfolios, other receivables and derivative assets by rating agency designation as at 30 June 2011, based on Moody's ratings or its equivalent are as follows: (continued)

The Group								
2011	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Client's and brokers' balances RM'000	Other receivables RM'000	Derivative assets RM'000
Neither past due nor impaired								
AAA to AA3	2,243,915	-	531,004	3,522,323	502,637	-	11,213	336,725
A1 to A3	5,198,402	-	167,908	811,737	-	-	30,108	59,183
Baa1 to Baa3	1,542,605	-	68,210	149,557	76,710	-	-	3,832
P1 to P3	733,667	-	20,143	-	-	-	-	3,367
Non-rated	27,341,251	159,770	5,745,927	4,810,643	7,512,764	169,525	661,158	394,974
	37,059,840	159,770	6,533,192	9,294,260	8,092,111	169,525	702,479	798,081
Individually impaired								
	-	-	-	19,404	49,223	208	-	-
	37,059,840	159,770	6,533,192	9,313,664	8,141,334	169,733	702,479	798,081

The amount of short-term funds, deposits and placements with banks and other financial institutions, financial assets and investment portfolios, other receivables and derivative assets that are past due but not impaired is not material.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

50 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(iii) Credit Quality (continued)

(b) *Short-term funds, deposits and placements with banks and other financial institutions, financial assets and investments portfolios, other receivables and derivative assets.* (continued)

Analysis of short-term funds, deposits and placements with banks and other financial institutions, financial assets and investments portfolios, other receivables and derivative assets by rating agency designation as at 30 June 2012, based on Moody's ratings or its equivalent are as follows: (continued)

	The Company			
	Short-term funds and deposits and placements with banks and others financial institutions RM'000	Financial assets held-for-trading RM'000	Other receivables RM'000	Derivative assets RM'000
2012				
Neither past due nor impaired				
AAA to AA3	40,900	-	-	-
A1 to A3	-	-	-	-
Baa1 to Baa3	-	-	-	-
P1 to P3	-	-	-	-
Non-rated	-	-	2,390	196
	40,900	-	2,390	196
Individually impaired	-	-	-	-
	40,900	-	2,390	196
2011				
Neither past due nor impaired				
AAA to AA3	114,679	-	-	-
A1 to A3	-	-	-	-
Baa1 to Baa3	-	-	-	-
P1 to P3	-	-	-	-
Non-rated	-	37,814	2,554	2,342
	114,679	37,814	2,554	2,342
Individually impaired	-	-	-	-
	114,679	37,814	2,554	2,342

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

50 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(iv) Collateral and other credit enhancements obtained

	The Group	
	2012 RM'000	2011 RM'000
Properties	66,177,570	56,875,060

Repossessed properties are made available-for-sale in an orderly fashion, with the proceeds used to reduce or repay the outstanding indebtedness. The Group generally does not occupy the premises repossessed for its business use.

51 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets, financial liabilities and off-balance sheet financial instruments. Fair value is the amount at which a financial asset could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents the estimates of fair values as at the balance sheet date.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the uncertainties and assumptions could materially affect these estimates and the resulting fair value estimates.

(a) Determination of fair value and fair value hierarchy

Amendments to FRS 7 "Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments" (effective from 1 July 2011) requires disclosure of fair value measurements by level of a fair value measurement hierarchy. Comparatives disclosures is not required by the standard.

The Group and the Company measure 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 markets 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 determines 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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

51 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(a) Determination of fair value and fair value hierarchy (continued)

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Such inputs are generally determined based on observable inputs of a similar nature, historical observations on the level of the input or other analytical techniques.

The table below analyses financial instruments carried at fair value analysed by level within the fair value hierarchy:

The Group				
2012	Fair Value			Total RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
Financial assets				
Financial assets held-for-trading				
- Money market instruments	-	21,638,235	-	21,638,235
- Quoted securities	424,312	-	-	424,312
- Unquoted securities	-	1,004,340	-	1,004,340
Financial investments available-for-sale				
- Money market instruments	-	3,003,102	-	3,003,102
- Quoted securities	2,305,190	4,567	-	2,309,757
- Unquoted securities	-	9,765,319	315,577	10,080,896
Derivative financial instruments	142	980,738	-	980,880
	2,729,644	36,396,301	315,577	39,441,522
Financial liabilities				
Derivative financial instruments	1,437	1,136,469	-	1,137,906
	1,437	1,136,469	-	1,137,906

The Company				
2012	Fair Value			Total RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
Financial assets				
Derivative financial instruments	-	196	-	196
	-	196	-	196
Financial liabilities				
Derivative financial instruments	-	17,545	-	17,545
	-	17,545	-	17,545

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

51 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(a) Determination of fair value and fair value hierarchy (continued)

Reconciliation of fair value measurements in Level 3 of the fair value hierarchy, as below:

	The Group
	Financial investments available-for- sale RM'000
At 1 July 2011	232,081
Realised loss arising from disposal recognised in statements of income	(92)
Net fair value changes recognised in other comprehensive income	83,888
Sales	(300)
As at 30 June 2012	315,577
Total gain/losses recognised in other comprehensive income relating to assets held on 30 June 2012	83,796

(b) Financial instruments not measured at fair value

The table below summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's statements of financial position at their fair values:

	The Group	
	Carrying Amount RM'000	Fair Value RM'000
2012		
Financial assets		
Financial investments held-to-maturity		
- Money market instruments	3,374,972	3,382,261
- Unquoted securities	1,212,994	1,245,322
Loans, advances and financing	89,120,706	89,756,112
	93,708,672	94,383,695

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

51 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(b) Financial instruments not measured at fair value (continued)

The table below summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's statements of financial position at their fair values: (continued)

	The Group	
	Carrying Amount RM'000	Fair Value RM'000
2012		
<u>Financial liabilities</u>		
Deposits from customers	123,216,802	123,073,126
Senior bonds	1,907,793	1,943,282
Tier 2 subordinated bonds	4,369,385	4,182,356
Non-innovative Tier 1 stapled securities	1,407,283	1,443,117
Innovative Tier 1 capital securities	574,581	605,013
	131,475,844	131,246,894
2011		
<u>Financial assets</u>		
Loans, advances and financing	82,240,056	82,382,538

* Full disclosure of comparative figures are not required as the impact are not significant to the overall financial statements.

(c) Fair value methodologies & assumptions

Short-term funds and placements with financial institutions

For short-term funds and placements with financial institutions with maturities of less than six months, the carrying value is a reasonable estimate of fair value. For short-term funds 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.

Securities purchased under resale agreements

The fair values of securities purchased under resale agreements with maturities of less than six months approximate the carrying values. For securities purchased under resale agreements with maturities of six months and above, the estimated fair values are based on discounted cash flows using market rates for the remaining term to maturity.

Securities held at fair value through profit or loss, available-for-sale and 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 establish the fair value by using valuation techniques.

Loans, advances and financing

For floating rate loans, the carrying value is generally a reasonable estimate of fair value. For fixed rate loans, 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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

51 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(c) Fair value methodologies & assumptions (continued)

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 deposit with maturities of six months and above, fair values are estimated using discounted cash flows based on prevailing market rates for similar deposits from customers.

Deposits and placements of banks and other financial institutions, bills and acceptances payable

The estimated fair values of deposits and placements of banks and other financial institutions and bills and acceptances payable with maturities of less than six months approximate the carrying values. For the items with maturities six months and above, the fair values are estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturities.

Subordinated obligations, senior bonds, stapled securities and capital securities

The fair value of subordinated obligations, senior bonds, stapled securities and capital securities are based on quoted market prices where available.

Other financial 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 not materially sensitive to the shift in market interest rates.

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.

Foreign exchange and interest rate related contracts

The fair values of foreign exchange and interest rate related contracts are the estimated amounts the Group or the Company would receive or pay to terminate the contracts at the statements of financial position date.

Non-financial assets and liabilities

Fair value information for non-financial assets and liabilities are excluded as they do not fall within the scope of FRS 132 which requires the fair value information to be disclosed.

52 EQUITY COMPENSATION BENEFITS

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 Company which was approved by the shareholders of the Company on 8 November 2005, was established on 23 January 2006 and would be in force for a period of ten (10) years.

On 18 January 2006, the Company announced that Bursa Malaysia Securities Berhad had approved-in-principle the listing of new ordinary shares of the Company to be issued pursuant to the exercise of options under the ESOS at any time during the existence of the ESOS.

The ESOS would provide an opportunity for eligible executives who had contributed to the growth and development of the Group to participate in the equity of the Company.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

52 EQUITY COMPENSATION BENEFITS (continued)

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

The main features of the ESOS are, inter alia, as follows:

1. Eligible executives are those executives of the Group who have been confirmed in service on the date of offer or Directors (executive or non-executive) of the Company and its subsidiaries. The maximum allowable allotments for the full time Executive Directors had been approved by the shareholders of the Company in a general meeting. The Board may from time to time at its discretion select and identify suitable eligible executives to be offered options.
2. The aggregate number of shares to be issued under the ESOS shall not exceed 15% of the issued and paid-up ordinary share capital of the Company for the time being.
3. The Scheme shall be in force for a period of ten (10) years from 23 January 2006.
4. The option price shall not be at a discount of more than ten percent (10%) (or such discount as the relevant authorities shall permit) from the 5-day weighted average market price of the shares of the Company preceding the date of offer and shall in no event be less than the par value of the shares of the Company.
5. The options granted to an option holder under the ESOS is exercisable by the option holder only during his employment with the HLF Group and within the option exercise period subject to any maximum limit as may be determined by the Board under the Bye-Laws of the ESOS.
6. The exercise of the options may, at the absolute discretion of the Board of Directors of the Company, be satisfied by way of issuance of new shares; transfer of existing shares purchased by a trust established for the ESOS; or a combination of both new shares and existing shares.

Pursuant to this, a trust has been set up for the ESOS and it is administered by an appointed trustee. This trustee will be entitled from time to time to accept financial assistance from the Company upon such terms and conditions as the Company and the trustee may agree to purchase the Company's shares from the open market for the purposes of this trust. In accordance with FRS 132, the shares purchased for the benefit of the ESOS holdings are recorded as "Treasury Shares for ESOS Scheme" in equity on the statements of financial position. The cost of operating the ESOS scheme is charged to the statements of comprehensive income.

The trustee will manage the trust in accordance with the trust deed. Upon termination of the trust, the trustee will dispose all remaining trust shares, if any, and deal with any surplus or deficit of the trust in accordance with the instructions of the Company.

The number and market values of the ordinary shares held by the Trustee are as follows:

	The Group			
	2012		2011	
	Number of trust shares held '000	Cost RM'000	Number of trust shares held '000	Cost RM'000
At 1 July	15,790	72,517	17,230	78,171
Purchase of treasury shares	500	6,060	-	-
Exercise of ESOS	(3,282)	(15,872)	(1,440)	(5,654)
At 30 June	13,008	62,705	15,790	72,517

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

52 EQUITY COMPENSATION BENEFITS (continued)

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

	The Company			
	2012		2011	
	Number of trust shares held '000	Cost RM'000	Number of trust shares held '000	Cost RM'000
At 1 July	12,270	55,786	14,461	65,750
Purchase of treasury shares	500	6,060	-	-
Exercise of ESOS	(3,048)	(14,761)	(1,440)	(5,654)
Shares transferred to HLIA	-	-	(751)	(4,310)
At 30 June	9,722	47,085	12,270	55,786

The ordinary shares options of the Company granted under the ESOS scheme are as follows:

(a) 12,500,000 share options at an exercise price of RM5.92:

30 June 2012						
Grant date	Performance measurement period	As at 30-Jun-11	Granted	Cancelled/ceased	Exercised	As at 30-Jun-12
16-Mar-07	July 2006 – June 2009 [#]	360,000	-	-	(360,000)	-
16-Mar-07	July 2006 – June 2011 [*]	3,360,000	-	(672,000)	(2,688,000)	-
16-Mar-07	July 2006 – June 2011 [^]	3,360,000	-	(672,000)	-	2,688,000
16-Mar-07	July 2006 – June 2011 [#]	1,680,000	-	(336,000)	-	1,344,000
		8,760,000	-	(1,680,000)	(3,048,000)	4,032,000

30 June 2011						
Grant date	Performance measurement period	As at 30-Jun-10	Granted	Cancelled/ceased	Exercised	As at 30-Jun-11
16-Mar-07	July 2006 – June 2009 [*]	720,000	-	-	(720,000)	-
16-Mar-07	July 2006 – June 2009 [^]	720,000	-	-	(720,000)	-
16-Mar-07	July 2006 – June 2009 [#]	360,000	-	-	-	360,000
16-Mar-07	July 2006 – June 2011 [*]	3,360,000	200,000	(200,000)	-	3,360,000
16-Mar-07	July 2006 – June 2011 [^]	3,360,000	200,000	(200,000)	-	3,360,000
16-Mar-07	July 2006 – June 2011 [#]	1,680,000	100,000	(100,000)	-	1,680,000
		10,200,000	500,000	(500,000)	(1,440,000)	8,760,000

* The exercise period is up to 6 months from the date of notification of entitlement ("Vesting Date")

[^] The exercise period is from 13th month up to 18th month from the Vesting Date

[#] The exercise period is from 25th month up to 30th month from the Vesting Date

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

52 EQUITY COMPENSATION BENEFITS (continued)

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

(a) 12,500,000 share options at an exercise price of RM5.92: (continued)

Out of the outstanding options, 4,032,000 units (2011: 360,000) of options were exercisable.

The estimated fair value of each share option granted is between RM1.02 to RM1.41 per option. This was calculated using the Black-Scholes model. The model inputs were the share price at grant date of RM5.65, exercise price of RM5.92, expected volatility of 33%, expected yield of 4% and a risk-free interest rate of 3.5%.

The options outstanding at 30 June 2012 had an exercise price of RM5.92 (2011: RM5.92) and a weighted average remaining contractual life (from grant date to the end of exercise period) of 5 years.

(b) 6,000,000 share options at an exercise price of RM11.77:

30 June 2012		As at		Cancelled/		As at
Grant date	Expiry date	30-Jun-11	Granted	ceased	Exercised	30-Jun-12
02-Apr-12	July 2014*	-	3,000,000	-	-	3,000,000
02-Apr-12	July 2015^	-	3,000,000	-	-	3,000,000
		-	6,000,000	-	-	6,000,000

* The exercise period is up to 15th months from the date of notification of entitlement ("Vesting Date")

^ The exercise period is up to 27th month from the Vesting Date

Out of the outstanding options, 6,000,000 units of options were exercisable.

The estimated fair value of each share option granted is between RM1.90 to RM2.24 per option. This was calculated using the Black-Scholes model. The model inputs were the share price at grant date of RM12.32, exercise price of RM11.77, expected volatility of 22%, expected yield of 2% and a risk-free interest rate of 3.7%.

The options outstanding at 30 June 2012 had an exercise price of RM11.77 and a weighted average remaining contractual life (from grant date to the end of exercise period) of 3 years.

53 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) On 1 July 2011, Hong Leong Bank Berhad ("HLB"), a subsidiary of Hong Leong Financial Group Berhad ("HLFG"), announced that the whole of the business including all assets and liabilities of EON Bank Berhad ("EBB") had been vested to HLB effective 1 July 2011 ("Vesting").

Following the Vesting, EBB has surrendered its banking licence to Bank Negara Malaysia ("BNM") on 1 July 2011 and has ceased operations.

On 1 July 2011, all of the direct subsidiaries of EBB including EONCAP Islamic Bank Berhad ("EIBB") and MIMB Investment Bank Berhad ("MIMB") became direct subsidiaries of HLB.

- (b) Pursuant to an internal reorganisation exercise, HLB had, on 1 July 2011, entered into a share sale agreement ("SSA") with HLB Principal Investments (L) Limited ("HLBPI"), a wholly-owned subsidiary of HLB, for the transfer by HLB of its entire equity interest in EBB to HLBPI.

The SSA was completed on 1 July 2011 immediately following the vesting of business from EBB to HLB and the surrender of EBB's banking licence to BNM.

Upon completion of the internal reorganisation exercise, EBB became a wholly-owned subsidiary of HLBPI, which is in turn a wholly-owned subsidiary of HLB.

On 15 July 2011, EBB changed its name to Promino Berhad and subsequently was converted into a private limited company on 18 July 2011 and is now known as Promino Sdn Bhd.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

53 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (continued)

- (c) On 4 August 2011, HLFG announced that the Securities Commission had, vide its letter dated 29 July 2011 and received by HLFG on 2 August 2011, approved a proposed master debt issuance programme of up to RM1,800 million in nominal value (the "Master Debt Programme").

The Master Debt Programme comprises the following:

- (i) a commercial papers ("CPs") programme of up to RM1,800 million in nominal value (the "CP Programme"); and
- (ii) a medium term notes ("MTNs") programme of up to RM1,800 million in nominal value (the "MTN Programme").

The CP Programme shall have a tenure of seven (7) years from the date of first issuance of the CPs. The MTN Programme shall have a tenure of twenty (20) years from the date of first issuance of the MTNs.

- (d) Pursuant to Section 168(3) of the Companies Act, 1965, the Companies Commission of Malaysia had on 10 August 2011, granted its approval for Hong Leong Bank Vietnam Limited ("HLBVN"), a wholly-owned subsidiary of HLB incorporated in Vietnam, to have a different financial year end from its holding company. The financial year end of HLBVN is 31 December 2011 as required under the Law on Credit Institutions of Vietnam.
- (e) On 5 August 2011, HLG Futures Sdn Bhd ("HLG Futures"), a wholly-owned subsidiary of Hong Leong Capital Berhad ("HLCB"), had reduced its issued and paid-up capital from RM5,000,000 divided into 5,000,000 issued and fully paid-up ordinary shares of RM1.00 each to RM2.00 divided into 5,000,000 issued and fully paid-up ordinary shares of RM0.0000004 each and such reduction was effected by returning to the shareholder the 5,000,000 ordinary shares that have been issued as paid-up capital to the extent of RM0.9999996 per share, such capital being in excess of the needs of HLG Futures and by reducing the nominal amount of each such ordinary share to RM0.0000004.

Upon the aforesaid capital reduction taking effect, the 5,000,000 shares of RM0.0000004 each of HLG Futures are consolidated in such manner that every 2,500,000 of the said shares constitute one (1) RM1.00 share upon which the sum of RM1.00 is credited as fully paid-up.

- (f) On 18 October 2011, CIMB Investment Bank Berhad ("CIMB"), on behalf of HLB, announced that the renounceable rights issue of new ordinary shares of RM1.00 each in HLB ("Rights Shares") had been completed following the listing of and quotation for 299,802,066 Rights Shares on the Main Market of Bursa Malaysia Securities Berhad on 18 October 2011. HLB had also fully repaid the RM2.3 billion Tier 2 Capital Cumulative Subordinated Loan extended by HLFG on the same date.
- (g) On 24 October 2011, HLB had announced that the High Court of Malaya had granted:-
- (i) its approval for the Scheme of Arrangement for the transfer of the entire business of EIBB to Hong Leong Islamic Bank Berhad ("HLISB"), both wholly-owned subsidiaries of HLB; and
 - (ii) a vesting order for the transfer of the entire assets, liabilities, activities, business and undertaking of the Islamic banking business of EIBB to HLISB with effect from 1 November 2011.
- (h) On 6 March 2012, HLB placed the following wholly-owned subsidiaries under member's voluntary winding-up pursuant to Section 254(1)(b) of the Companies Act, 1965:-
- 1) EFB Berhad;
 - 2) OFB Berhad;
 - 3) CFB Nominees (Tempatan) Sdn Bhd;
 - 4) Perkasa Nominees (Tempatan) Sdn Bhd;
 - 5) CFB Asa Berhad;
 - 6) Oriental Nominee (Tempatan) Sdn Bhd; and
 - 7) PFB Asa Berhad

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

53 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (continued)

- (i) On 10 April 2012, HLB entered into the following:
- (i) a conditional sale and purchase agreement with HLCB for the proposed disposal of the entire equity interest in MIMB ("Proposed Disposal of MIMB") ("MIMB SPA") for an indicative cash consideration of RM157.90 million;
 - (ii) a letter of indemnity from HLB to HLCB pursuant to the MIMB SPA; and
 - (iii) a conditional sale and purchase agreement with HLCB for the proposed acquisition of the entire equity interest in Hong Leong Investment Bank Berhad ("HLIB") ("HLIB SPA") for a sum equal to the net tangible assets of HLIB as at the date immediately preceding the completion date of the HLIB SPA.

The Proposed Disposal of MIMB was completed on 1 June 2012. With effect from 1 June 2012, MIMB had ceased to be a wholly-owned subsidiary of HLB and became a wholly-owned subsidiary of HLCB.

Following from the certification by the Auditors of the Completion Net Tangible Assets, the final consideration in respect of the acquisition of MIMB has been determined at RM139.29 million. On 14 August 2012, HLB had paid the sum of RM18.61 million to HLCB, being the differential amount between the final consideration and the indicative consideration of RM157.90 million.

- (j) On 20 April 2012, HLB completed its inaugural US dollar senior unsecured notes issuance of USD300 million (the "Senior Notes") under its Euro Medium Term Note Programme of up to USD1.5 billion (or its equivalent in other currencies) in nominal value (the "Programme") which was established on 9 April 2012.

The Senior Notes are rated A3 by Moody's Investors Service and BBB+ by Fitch Ratings. The Senior Notes will have a tenor of five years, maturing on 19 April 2017. The Senior Notes will pay a coupon of 3.125% per annum which is equivalent to a yield to investors of 3.269% (5-year US Treasury + 238bps).

- (k) On 22 June 2012, HLB successfully completed its issuance of Tier-2 Subordinated Notes ("Sub Notes") of RM1.5 billion.

The Sub Notes are rated AA2 by RAM Rating Services Berhad. The Sub Notes has a maturity date of 12 years from the issue date and are callable on any interest payment date falling on or after the 7th anniversary of the issue date. A semi-annual coupon of 4.50% per annum is payable on the Sub Notes. The exercise of the call option on the Sub Notes shall be subject to the approval of BNM.

- (l) On 26 June 2012, the liquidator of CFB Nominees (Tempatan) Sdn Bhd and Oriental Nominee (Tempatan) Sdn Bhd ("Subsidiaries") had convened final meetings for the respective Subsidiaries to conclude the member's voluntary winding-up of the respective Subsidiaries.

The Return by Liquidator Relating To Final Meeting of the respective Subsidiaries was lodged on 26 June 2012 with the Companies Commission of Malaysia and the Official Receiver, and on the expiration of 3 months after the said lodgement date, the Subsidiaries will be dissolved.

- (m) HLA Holdings Sdn Bhd ("HLAH"), a wholly-owned subsidiary of HLFGB, had on 28 June 2012 entered into a Sale Shares Agreement with HLIB, in relation to transfer and acquisition of 100% equity interest in RC Holdings Sdn Bhd ("RCH") for a cash consideration equivalent to the net assets of RCH (excluding tax recoverable). The unaudited net assets of RCH (excluding tax recoverable) as at 28 June 2012 is approximately RM81,000.

Upon completion, HLAH proposed to subscribe for up to 2,000,000 new RCH Redeemable Convertible Preference Shares at an issue price of RM1,000 at different issuance dates.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

54 SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR

- (a) On 24 July 2012, HLFG announced that the Company had, on 23 July 2012, incorporated a wholly-owned subsidiary known as HLFG Principal Investments (L) Limited ("HLFGPI") in the Federal Territory of Labuan with an issued and paid-up share capital of USD100.00 comprising 100 ordinary shares. The intended activity for HLFGPI is investment holding.

- (b) On 26 July 2012, HLB proposed to establish a new executive share option scheme of up to 10% of the issued and paid-up share capital of HLB (excluding treasury shares) ("Proposed New HLB ESOS").

The Proposed New HLB ESOS is subject to the following:

- (i) approval-in-principle of Bursa Malaysia Securities Berhad ("Bursa Securities") for the listing of and quotation for the new HLB shares to be issued pursuant to the exercise of the Options under the Proposed New HLB ESOS ("Proposed Listing of New HLB Shares"); and
- (ii) approval of the shareholders of HLB.

Bursa Securities had, via its letter dated 18 September 2012, resolved to approve the Proposed Listing of New HLB Shares.

- (c) On 30 July 2012, HLFG proposed to establish a new executive share option scheme of up to 10% of the issued and paid-up share capital of HLFG (excluding treasury shares) ("Proposed New HLFG ESOS").

The Proposed New HLFG ESOS is subject to the following:

- (i) approval-in-principle of Bursa Securities for the listing of and quotation for the new HLFG shares to be issued pursuant to the exercise of the Options under the Proposed New HLFG ESOS ("Proposed Listing of New HLFG Shares"); and
- (ii) approval of the shareholders of HLFG.

Bursa Securities had, via its letter dated 18 September 2012, resolved to approve the Proposed Listing of New HLFG Shares.

- (d) On 13 August 2012, MIMB increased its authorised share capital by 120,000,000 shares of RM1 each from RM500,000,000 comprising 500,000,000 shares of RM1 each to RM620,000,000 comprising 620,000,000 shares of RM1 each.

On the same day, MIMB further increased its authorised share capital by way of 2,000,000,000 Non-Cumulative Redeemable Preference shares of RM0.01 each.

- (e) On 13 August 2012, HLCB announced that HLIB had entered into a Business Transfer Agreement with MIMB for the transfer of the entire assets, liabilities, activities, business and undertakings of HLIB ("HLIB's Business Undertakings") to MIMB for a provisional consideration of RM251.30 million ("Proposed Business Rationalisation"). HLIB's Business Undertakings shall subsequently be vested to MIMB pursuant to a Court Order to be procured. The completion of the Proposed Business Rationalisation shall take place on such date as may be ordered by the High Court of Malaya. Upon completion of the Proposed Business Rationalisation, HLIB shall surrender its merchant banking license to BNM and its Capital Markets Services License to the Securities Commission.

On 16 August 2012, HLCB announced that the High Court of Malaya had on 15 August 2012 granted a Vesting Order for the transfer of HLIB's Business Undertakings to MIMB with effect from 29 September 2012.

- (f) On 1 December 2009, HLAH appointed CIMB to create and issue up to RM2.0 billion in nominal value of medium term notes ("MTN") under a proposed MTN Programme to raise funds for investment purpose.

On 23 April 2010, the Securities Commission has approved the application subject to certain operational terms and conditions being fulfilled.

On 14 August 2012, HLAH completed its RM2.0 billion MTN issuance. The MTN has a maturity of 5 years and has a call option to redeem the MTN at anytime.

- (g) The acquisition of 100% equity interest in RCH by HLAH ("Acquisition of RCH") was completed on 19 July 2012 as per the Sale Shares Agreement.

Subsequent to the Acquisition of RCH, HLAH subscribed 50,000 and 1,950,000 new RCH Redeemable Convertible Preference Shares at an issue price of RM1,000 each on 10 August 2012 and 14 August 2012 respectively.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

55 BUSINESS COMBINATIONS

Acquisition of the assets and liabilities of EON Capital Berhad ("ECB")

As allowed by FRS 3 – Business Combinations, the Group had previously accounted for the acquisition of the assets and liabilities of ECB using the provisional fair values for the financial year ended 30 June 2011.

During the financial year, the Group has completed its allocation of cost of business combination to the assets acquired and liabilities and contingent liabilities assumed. The fair value adjustments and intangible assets identified on acquisition are based on finalised purchase price allocation and fair value exercise.

As required by FRS 3, the fair values of assets and liabilities arising from the acquisition of the assets and liabilities of ECB on 6 May 2011 have been restated and are set out as follows:

Recognised amounts of identifiable assets acquired and liabilities assumed

	Note	Provisional fair value RM'000	Fair value adjustments RM'000	Adjusted fair value RM'000
Cash and short-term funds		9,789,918	-	9,789,918
Deposits and placements with banks and other financial institutions		734,442	-	734,442
Financial assets held-for-trading		522,937	-	522,937
Financial investments available-for-sale		3,659,283	53,496	3,712,779
Financial investments held-to-maturity		149,985	(33,136)	116,849
Loans, advances and financing		37,592,224	(495,421)	37,096,803
Other receivables		423,730	16,441	440,171
Deferred tax assets	14	453,999	(506,665)	(52,666)
Statutory deposits with Bank Negara Malaysia		689,667	-	689,667
Property and equipment	15	273,050	50,806	323,856
Intangible assets	18	43,907	278,810	322,717
Deposits from customers		(41,990,573)	-	(41,990,573)
Deposits and placements of banks and other financial institutions		(5,011,594)	-	(5,011,594)
Bills and acceptances payable		(405,257)	-	(405,257)
Other liabilities		(1,017,987)	70,359	(947,628)
Subordinated bonds		(1,156,879)	(52,577)	(1,209,456)
Innovative Tier 1 capital securities		(495,496)	(96,413)	(591,909)
Dividend payable		(311,944)	-	(311,944)
Total identifiable net assets		3,943,412	(714,300)	3,229,112
Goodwill	17			1,831,312
				5,060,424

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

55 BUSINESS COMBINATIONS (continued)

Recognised amounts of identifiable assets acquired and liabilities assumed (continued)

	RM'000
Consideration	
Cash	5,060,424
Total consideration transferred	5,060,424
Cash inflow on acquisition	4,729,494

56 PRIOR YEAR ADJUSTMENTS

During the financial year, the Group finalised the fair value exercise and purchase price allocation in respect of the acquisition of the assets and liabilities of ECB as allowed by FRS 3.

The impact on the financial statements of the Group is set out below:

	The Group		
	As previously reported RM'000	FRS 3 Adjustment RM'000	As restated RM'000
As at 30 June 2011			
Statement of financial position			
Financial investments available-for-sale	10,745,477	53,496	10,798,973
Financial investments held-to-maturity	8,141,334	(33,136)	8,108,198
Loans, advances and financing	82,735,477	(495,421)	82,240,056
Other receivables	1,139,432	16,441	1,155,873
Deferred tax assets	577,884	(505,190)	72,694
Property and equipment	960,252	50,661	1,010,913
Goodwill arising on consolidation	1,696,344	714,300	2,410,644
Intangible assets	109,929	273,057	382,986
Payable and other liabilities	3,785,776	69,113	3,854,889
Provision for taxation	217,734	(137,159)	80,575
Subordinated obligations	2,837,943	47,085	2,885,028
Innovative Tier 1 capital securities	503,069	92,651	595,720
Total assets	156,185,567	74,208	156,259,775
Total liabilities	145,925,547	71,690	145,997,237
Total equity	10,260,020	2,518	10,262,538
Total equity and liabilities	156,185,567	74,208	156,259,775

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

56 PRIOR YEAR ADJUSTMENTS (continued)

The impact on the financial statements of the Group is set out below: (continued)

	The Group		
	As previously reported RM'000	FRS 3 Adjustment RM'000	As restated RM'000
Statement of changes in equity			
Retained profits	4,909,703	1,665	4,911,368
Non-controlling interest	2,790,686	853	2,791,539
Statement of income			
Interest expense	(1,678,360)	9,254	(1,669,106)
Overhead expenses	(1,336,344)	(5,898)	(1,342,242)
Profit before taxation and zakat	2,419,328	3,356	2,422,684
Taxation and zakat	(349,979)	(838)	(350,817)
Profit after taxation and zakat	2,069,349	2,518	2,071,867
Attributable to:			
Owners of the parent	1,671,914	1,665	1,673,579
Non-controlling interest	397,435	853	398,288
Earnings per share for profit attributable to ordinary equity holders of the Group (sen)			
- basic	161.2	0.2	161.4
- fully diluted	160.7	0.2	160.9

57 INCOME TAX RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME

	The Group		
	Before tax RM'000	Tax benefits RM'000	Net of tax amount RM'000
30 June 2012			
Financial investments available-for-sale			
- net fair value gain/(loss) and amount transfer to statements of income	50,925	(10,185)	40,740
30 June 2011			
Financial investments available-for-sale			
- net fair value gain/(loss) and amount transfer to statements of income	32,159	(6,432)	25,727

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

58 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

(a) Allowance for losses on loans, advances and financing

The Group review their loan portfolios to assess impairment at least on a quarterly basis. It is the policy of the Group to establish, through charges against profit, individual and collective assessment impairment allowances in respect of estimated and inherent credit losses in their portfolio.

In determining individual assessment impairment allowances for loans/financing above the set threshold, management considers objective evidence of impairment and exercises judgement in estimating cash flows and collateral value. Whilst, management's judgement is guided by the relevant BNM guidelines, judgement is made in estimation of the amount and timing of future cash flows in assessing allowance for impairment of financial assets. Among the factors considered are the net realisable value of the underlying collateral value, the viability of the customer's business model and the capacity to generate sufficient cash flow to service debt obligations.

(b) Life policyholders' fund

Material judgement is required in determining the liabilities and in the choice of assumptions.

Assumptions in use are based on the past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information.

Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals.

Based on the actuarial valuation of the fund made up to 30 June 2012, the Actuary was satisfied that the assets available in the Life fund are sufficient to meet its long-term liabilities to policyholders.

(c) Impairment of goodwill

The Group perform an impairment review on an annual basis to ensure that the carrying value of the goodwill does not exceed its recoverable amount from the CGU to which the goodwill is allocated. The recoverable amount represents the present value of the estimated future cash flows expected to arise from continuing operations. Therefore, in arriving at the recoverable amount, management exercise judgement in estimating the future cash flows, growth rate and discount rate.

59 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were authorised for issue by the Board of Directors of the Company in accordance with a resolution of the Directors on 30 July 2012.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

60 REALISED AND UNREALISED PROFIT

On 25 March 2010, Bursa Malaysia issued a directive that requires all listed issuer to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period into realised and unrealised profits or losses.

The breakdown of realised and unrealised profit is derived based on the Guidance on Special Note No.1 *Determination of Realised and Unrealised Profit or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirement*, issued by the Malaysian Institute of Accountants on 20 December 2010.

The unrealised retained profits of the Group and the Company as disclosed below excludes translation gains and losses on monetary items denominated in a currency other than the functional currency and foreign exchange contracts, as these translation gains and losses are incurred in the ordinary course of business of the Group and are deemed realised.

The breakdown of the retained profits of the Group and the Company are as follows:

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Total retained profits of the Group and subsidiaries				
- Realised	5,636,693	4,770,467	1,217,229	1,324,577
- Unrealised	1,053,780	1,051,802	196	2,342
Total share of retained profits from associated companies				
- Realised	721,025	474,627	-	-
- Unrealised	109	-	-	-
Total share of retained profits from jointly controlled entity				
- Realised	160	(1,459)	-	-
- Unrealised	-	-	-	-
	7,411,767	6,295,437	1,217,425	1,326,919
Less : Consolidated adjustment	(1,849,101)	(1,384,069)	-	-
Total Group retained profits as per consolidated financial statements	5,562,666	4,911,368	1,217,425	1,326,919

STATEMENT BY DIRECTORS

pursuant to Section 169(15) of the Companies Act, 1965

We, Choong Yee How and Yvonne Chia, being two of the Directors of Hong Leong Financial Group Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on page 49 to 188 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2012 and of the results and the cash flows of the Group and the Company for the year then ended on that date, in accordance with the provisions of the Companies Act, 1965, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and Bank Negara Malaysia Guidelines.

On behalf of the Board.

CHOONG YEE HOW

Director

DATUK YVONNE CHIA

Director

Kuala Lumpur
18 September 2012

STATUTORY DECLARATION

pursuant to Section 169(16) of the Companies Act, 1965

I, Chew Seong Aun, the Officer primarily responsible for the financial management of Hong Leong Financial Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 49 to 188 are to the best of my knowledge and belief correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the above named Chew Seong Aun)
at Kuala Lumpur in Wilayah Persekutuan on 18 September 2012) **CHEW SEONG AUN**

Before me,

TAN SEOK KETT

*Pesuruhjaya Sumpah
Commissioner for Oaths*

INDEPENDENT AUDITORS' REPORT

to the members of Hong Leong Financial Group Berhad
(Incorporated in Malaysia)(Company no: 8024-W)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Hong Leong Financial Group Berhad on pages 49 to 187, which comprise the statements of financial position as at 30 June 2012 of the Group and of the Company, and the statements of income, comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 59.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities, Bank Negara Malaysia Guidelines and the Companies Act, 1965, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the Companies Act, 1965, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and Bank Negara Malaysia Guidelines so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2012 and of their financial performance and cash flows for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 1965, in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 11 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

INDEPENDENT AUDITORS' REPORT

to the members of Hong Leong Financial Group Berhad
(Incorporated in Malaysia)(Company no: 8024-W)
(continued)

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 60 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 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

ONG CHING CHUAN

(No. 2907/11/13 (J))

Chartered Accountant

Kuala Lumpur

18 September 2012

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Forty-third Annual General Meeting of Hong Leong Financial Group Berhad ("Company") will be held at the Theatre, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Tuesday, 30 October 2012 at 11.30 a.m. in order:

1. To lay before the meeting the audited financial statements together with the reports of the Directors and Auditors thereon for the financial year ended 30 June 2012.
2. To approve the payment of Directors' fees of RM445,410 for the financial year ended 30 June 2012 (2011: RM382,795), to be divided amongst the Directors in such manner as the Directors may determine. *(Resolution 1)*
3. To re-elect the following retiring Directors:-
 - (a) YBhg Datuk Yvonne Chia *(Resolution 2)*
 - (b) Ms Lim Tau Kien *(Resolution 3)*
4. To pass the following motion as an Ordinary Resolution:-

"THAT YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman, a Director who retires in compliance with Section 129 of the Companies Act, 1965, be and is hereby re-appointed a Director of the Company to hold office until the conclusion of the next Annual General Meeting."
(Resolution 4)
5. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and authorise the Directors to fix their remuneration. *(Resolution 5)*

SPECIAL BUSINESS

As special business, to consider and, if thought fit, pass the following motions as Ordinary Resolutions:-

6. **Authority To Directors To Issue Shares**

"THAT pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby empowered to issue shares in the Company, at any time and from time to time, and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."
(Resolution 6)
7. **Proposed Renewal of Shareholders' Mandate on Recurrent Related Party Transactions of a Revenue or Trading Nature with Hong Leong Company (Malaysia) Berhad ("HLCM") and Persons Connected with HLCM**

"THAT approval be and is hereby given for the Company and/or its subsidiaries (excluding Hong Leong Bank Berhad and Hong Leong Capital Berhad and their respective subsidiaries) to enter into any of the transactions falling within the types of recurrent related party transactions of a revenue or trading nature as disclosed in Section 2.3(A) and (C), Part A of the Company's Circular to Shareholders dated 8 October 2012 ("the Circular") with HLCM and persons connected with HLCM, as set out in Appendix II of the Circular provided that such transactions are undertaken in the ordinary course of business, on arm's length basis and on commercial terms which are not more favourable to the related party than those generally available to and/or from the public and are not, in the Company's opinion, detrimental to the minority shareholders; AND THAT the Directors of the Company be and are hereby authorised to complete and to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution.

AND THAT such approval shall continue to be in force until:

 - (a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or

NOTICE OF ANNUAL GENERAL MEETING

(continued)

(b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or

(c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier.”

(Resolution 7)

8. **Proposed Renewal of Shareholders’ Mandate on Recurrent Related Party Transactions of a Revenue or Trading Nature with Tower Real Estate Investment Trust (“Tower REIT”)**

“THAT approval be and is hereby given for the Company and/or its subsidiaries (excluding Hong Leong Bank Berhad and Hong Leong Capital Berhad and their respective subsidiaries) to enter into any of the transactions falling within the types of recurrent related party transactions of a revenue or trading nature as disclosed in Section 2.3(B), Part A of the Company’s Circular to Shareholders dated 8 October 2012 with Tower REIT provided that such transactions are undertaken in the ordinary course of business, on arm’s length basis and on commercial terms which are not more favourable to the related party than those generally available to and/or from the public and are not, in the Company’s opinion, detrimental to the minority shareholders; AND THAT the Directors of the Company be and are hereby authorised to complete and to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution.

AND THAT such approval shall continue to be in force until:

(a) the conclusion of the next Annual General Meeting (“AGM”) of the Company at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or

(b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or

(c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier.”

(Resolution 8)

9. **Proposed Establishment of a New Executive Share Option Scheme of up to 10% of the Issued and Paid-up Ordinary Share Capital (Excluding Treasury Shares) of the Company**

“THAT subject to the requisite approvals being obtained, the Directors of the Company be and are hereby authorised:

(a) to establish and administer an executive share option scheme (“Scheme”) for the benefit of eligible executives and/or Directors of the Company and its subsidiaries (“Eligible Executives”), under which offers of options will be granted to such Eligible Executives to subscribe for/purchase ordinary shares of RM1.00 each (“Shares”) in the Company in accordance with the provisions of the Bye-Laws referred to in Part B of the Circular to Shareholders dated 8 October 2012 (“Bye-Laws”);

(b) from time to time to issue and allot such number of new Shares (unless otherwise adjusted) (“New Shares”) and/or to transfer existing Shares (“Transferred Shares”) to Eligible Executives pursuant to their exercise of the options under the Scheme, provided that the aggregate number of New Shares and/or Transferred Shares does not exceed 10% of the total issued and paid-up ordinary share capital (excluding treasury shares) of the Company at any point in time during the existence of the Scheme and that the New Shares shall, upon issuance and allotment, rank pari passu in all respects with the existing issued and paid-up ordinary share capital of the Company, except that the New Shares will not rank for any dividend, right, entitlement or distribution (“Rights”) in respect of which the record date precedes the allotment date of the New Shares; and for Transferred Shares, such shares shall be transferred together with all Rights in respect of which the record date is on or after the transfer date; and such New Shares and Transferred Shares will be subject to all the provisions of the Articles of Association of the Company relating to transfer, transmission and otherwise;

NOTICE OF ANNUAL GENERAL MEETING

(continued)

- (c) to make the necessary applications to Bursa Malaysia Securities Berhad and to take whatever necessary actions at the appropriate time or times for permission to deal in and for listing of and quotation for the New Shares which may from time to time be issued and allotted pursuant to the Scheme; and
- (d) to modify and/or amend the Scheme from time to time provided that such modification and/or amendment is effected in accordance with the provisions of the Bye-Laws, to assent to any condition, modification, variation and/or amendment that may be required by the relevant authorities, and to do all such acts and enter into all such transactions, arrangements, agreements or undertakings, impose such terms and conditions or delegate such part of their powers as may be necessary or expedient in order to give full effect to the Scheme.”

(Resolution 9)

10. Proposed Grant of Options to Mr Choong Yee How

“**THAT** subject to the passing of Resolution 9 above, authority be and is hereby given to the Directors of the Company, from time to time, to offer and to grant to Mr Choong Yee How, the President & Chief Executive Officer of the Company, options to subscribe for/purchase such number of ordinary shares of RM1.00 each in the Company (unless otherwise adjusted) under the executive share option scheme of the Company (“Scheme”) as they shall deem fit PROVIDED THAT not more than 10% of the Maximum Aggregate, the “Maximum Aggregate” being defined in the Bye-Laws of the Scheme as an amount equivalent to 10% of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company at any one time, are allotted to him if he, either singly or collectively through persons connected with him, holds 20% or more of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company subject always to such terms and conditions and/or any adjustment which may be made in accordance with the provisions of the Bye-Laws of the Scheme.”

(Resolution 10)

11. Proposed Grant of Options to Mr Quek Kon Sean

“**THAT** subject to the passing of Resolution 9 above, authority be and is hereby given to the Directors of the Company, from time to time, to offer and to grant to Mr Quek Kon Sean, the Executive Director of the Company, options to subscribe for/purchase such number of ordinary shares of RM1.00 each in the Company (unless otherwise adjusted) under the executive share option scheme of the Company (“Scheme”) as they shall deem fit PROVIDED THAT not more than 10% of the Maximum Aggregate, the “Maximum Aggregate” being defined in the Bye-Laws of the Scheme as an amount equivalent to 10% of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company at any one time, are allotted to him if he, either singly or collectively through persons connected with him, holds 20% or more of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company subject always to such terms and conditions and/or any adjustment which may be made in accordance with the provisions of the Bye-Laws of the Scheme.”

(Resolution 11)

- 12. To consider any other business of which due notice shall have been given.

By Order of the Board

CHRISTINE MOH SUAT MOI
(MAICSA 7005095)
Group Company Secretary

Kuala Lumpur
8 October 2012

NOTICE OF ANNUAL GENERAL MEETING

(continued)

NOTES:

1. For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 22 October 2012 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.
2. Save for a member who is an exempt authorised nominee, a member entitled to attend and vote at the meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. A member who is an authorised nominee may appoint not more than two proxies in respect of each securities account it holds.
3. A member who is an exempt authorised nominee for multiple beneficial owners in one securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.
4. The Form of Proxy must be deposited at the Registered Office of the Company at Level 8, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than 48 hours before the time and date of the meeting or adjourned meeting.

EXPLANATORY NOTES ON SPECIAL BUSINESS

1. Ordinary Resolution 6 on Authority to Directors to Issue Shares

The proposed Ordinary Resolution, if passed, will give a renewed mandate to the Directors of the Company to issue ordinary shares of the Company from time to time provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being ("Renewed Mandate"). The Renewed Mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting ("AGM") of the Company.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last AGM held on 28 October 2011 and which will lapse at the conclusion of the Forty-third AGM.

The Renewed Mandate will enable the Directors to take swift action in case of, inter alia, a need for corporate exercises or in the event business opportunities or other circumstances arise which involve the issue of new shares and to avoid delay and cost in convening general meetings to approve such issue of shares.

2. Ordinary Resolutions 7 and 8 on Recurrent Related Party Transactions of A Revenue or Trading Nature

The proposed Ordinary Resolutions, if passed, will empower the Company and its subsidiaries (excluding Hong Leong Bank Berhad and Hong Leong Capital Berhad and their respective subsidiaries) ("HLFG Group") to enter into recurrent related party transactions of a revenue or trading nature which are necessary for HLF Group's day-to-day operations, subject to the transactions being in the ordinary course of business and on terms which are not more favourable to the related parties than those generally available to the public and are not, in the Company's opinion, detrimental to the minority shareholders of the Company.

3. Ordinary Resolution 9 on Proposed Establishment of a New Executive Share Option Scheme ("ESOS")

The proposed Ordinary Resolution, if passed, will allow the Company to establish a new ESOS ("Proposed New ESOS") for eligible executives and/or Directors of the Company and its subsidiaries ("Eligible Executives") to participate in the equity of the Company. The Proposed New ESOS will run concurrently with the existing ESOS which will expire in 2016, and empower the Company to issue and allot from time to time such number of new ordinary shares of RM1.00 each in the Company ("Shares") (unless otherwise adjusted) and/or transfer existing Shares to Eligible Executives pursuant to the exercise of their options under the Proposed New ESOS.

4. Ordinary Resolutions 10 and 11 on Proposed Grant of Options to Mr Choong Yee How and Mr Quek Kon Sean

The proposed Ordinary Resolutions, if passed, will allow the Directors of the Company to offer and to grant to Mr Choong Yee How and Mr Quek Kon Sean, options to subscribe for/purchase such number of ordinary shares of RM1.00 each in the Company (unless otherwise adjusted) under the Proposed New ESOS.

Detailed information on the Proposed Renewal of Shareholders' Mandate, Proposed New ESOS and proposed grant of options to Mr Choong Yee How and Mr Quek Kon Sean are set out in the Circular to Shareholders dated 8 October 2012 which is dispatched together with the Company's 2012 Annual Report.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

• Details of individuals who are standing for election as Directors

No individual is seeking election as a Director at the forthcoming Forty-third Annual General Meeting of the Company.

OTHER INFORMATION

1. MATERIAL CONTRACTS

There are no material contracts (not being contracts entered into in the ordinary course of business) which had been entered into by the Company and its subsidiaries involving the interest of Directors and major shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year pursuant to Item 21, Part A, Appendix 9C of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad.

2. ANALYSIS OF SHAREHOLDINGS AS AT 3 SEPTEMBER 2012

Authorised share capital	:	RM2,000,000,000
Issued & paid-up capital	:	RM1,052,767,789
Class of shares	:	Ordinary shares of RM1.00 each
Voting rights		
• on show of hands	:	1 vote
• on a poll	:	1 vote for each share held

Distribution Schedule Of Shareholders As At 3 September 2012

Size of Holdings	No. of Shareholders	%	No. of Shares	%
Less than 100	162	4.48	5,397	0.00
100 – 1,000	703	19.46	566,172	0.05
1,001 – 10,000	1,765	48.85	7,649,933	0.73
10,001 – 100,000	778	21.53	25,524,731	2.42
100,001 – less than 5% of issued shares	203	5.62	205,168,256	19.49
5% and above of issued shares	2	0.06	813,853,300	77.31
	3,613	100.00	1,052,767,789	100.00

List Of Thirty Largest Shareholders As At 3 September 2012

Name of Shareholders	No. of Shares	%
1. Assets Nominees (Tempatan) Sdn Bhd - <i>Hong Leong Company (Malaysia) Berhad</i>	546,773,354	51.94
2. Assets Nominees (Asing) Sdn Bhd - <i>Guoco Assets Sdn Bhd</i>	267,079,946	25.37
3. HSBC Nominees (Asing) Sdn Bhd - <i>Exempt AN for The Bank Of Nova Scotia Asia Limited</i>	27,195,500	2.58
4. Citigroup Nominees (Tempatan) Sdn Bhd - <i>Employees Provident Fund Board</i>	21,517,799	2.04
5. AmTrustee Berhad - <i>Exempt AN for Hong Leong Financial Group Berhad (HLFG-ESOS)</i>	9,722,408	0.92
6. AIBB Nominees (Tempatan) Sdn Bhd - <i>Chua Ma Yu</i>	8,970,000	0.85
7. Assets Nominees (Tempatan) Sdn Bhd - <i>Soft Portfolio Sdn Bhd</i>	6,057,000	0.58
8. HSBC Nominees (Asing) Sdn Bhd - <i>The Bank Of Nova Scotia</i>	6,020,200	0.57

OTHER INFORMATION

(continued)

2. ANALYSIS OF SHAREHOLDINGS AS AT 3 SEPTEMBER 2012 (continued)

List Of Thirty Largest Shareholders As At 3 September 2012 (continued)

Name of Shareholders	No. of Shares	%
9. Citigroup Nominees (Asing) Sdn Bhd - Exempt AN for UBS AG Singapore (Foreign)	5,926,582	0.56
10. Tan Sri Dato' Seri Khalid Ahmad Bin Sulaiman	5,544,000	0.53
11. Tan Sri Quek Leng Chan	4,989,600	0.48
12. Chua Holdings Sdn Bhd	4,824,549	0.46
13. Cartaban Nominees (Asing) Sdn Bhd - Exempt AN for State Street Bank & Trust Company	4,738,433	0.45
14. Hong Bee Hardware Company, Sdn. Berhad	4,523,400	0.43
15. Valuecap Sdn Bhd	4,090,000	0.39
16. HSBC Nominees (Asing) Sdn Bhd - Vanguard Emerging Markets Stock Index Fund	3,917,800	0.37
17. Amsec Nominees (Tempatan) Sdn Bhd - Ambank (M) Berhad	3,478,400	0.33
18. HSBC Nominees (Asing) Sdn Bhd - Exempt AN for The Bank Of New York Mellon	3,443,788	0.33
19. RHB Capital Nominees (Tempatan) Sdn Bhd - Poh Soon Sim	3,170,000	0.30
20. RHB Capital Nominees (Tempatan) Sdn Bhd - Poh Yang Hong	3,095,000	0.30
21. Citigroup Nominees (Tempatan) Sdn Bhd - Kumpulan Wang Persaraan (Diperbadankan)	2,654,100	0.25
22. AmTrustee Berhad - Exempt AN for Hong Leong Financial Group Berhad (HLA-ESOS)	2,593,992	0.25
23. Kheng Lim Holdings Sdn Bhd	2,326,130	0.22
24. Citigroup Nominees (Asing) Sdn Bhd - Dimensional Emerging Markets Value Fund	2,114,751	0.20
25. HSBC Nominees (Asing) Sdn Bhd - Exempt AN for JPMorgan Chase Bank, National Association (U.A.E.)	2,108,795	0.20
26. RHB Capital Nominees (Tempatan) Sdn Bhd - Choong Yee How	2,032,000	0.19
27. Cimsec Nominees (Tempatan) Sdn Bhd - Exempt AN for CIMB Securities (Singapore) Pte Ltd (Retail Clients)	2,020,700	0.19
28. Pertubuhan Keselamatan Sosial	1,620,309	0.15
29. Low Poh Weng	1,494,000	0.14
30. HSBC Nominees (Asing) Sdn Bhd - City Of New York Group Trust	1,484,300	0.14
	965,526,836	91.71

OTHER INFORMATION

(continued)

2. ANALYSIS OF SHAREHOLDINGS AS AT 3 SEPTEMBER 2012 (continued)

Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 3 September 2012 are as follows:-

Shareholders	Direct		Indirect	
	No. of shares	%	No. of shares	%
Hong Leong Company (Malaysia) Berhad	546,773,354	51.94	267,083,546	25.37 ^A
Tan Sri Quek Leng Chan	4,989,600	0.47	824,437,300	78.31 ^B
HL Holdings Sdn Bhd	-	-	813,856,900	77.31 ^C
Kwek Holdings Pte Ltd	-	-	818,380,300	77.74 ^B
Kwek Leng Beng	1,241,321	0.12	818,380,300	77.74 ^B
Hong Realty (Private) Limited	-	-	818,380,300	77.74 ^B
Hong Leong Investment Holdings Pte Ltd	-	-	818,380,300	77.74 ^B
Davos Investment Holdings Private Limited	-	-	818,380,300	77.74 ^B
Kwek Leng Kee	-	-	818,380,300	77.74 ^B
Quek Leng Chye	1,925,100	0.18	818,380,300	77.74 ^B
Guoco Assets Sdn Bhd	267,079,946	25.37	-	-
GuoLine Overseas Limited	-	-	267,079,946	25.37 ^D
Guoco Group Limited	-	-	267,079,946	25.37 ^D
GuoLine Capital Assets Limited	-	-	267,079,946	25.37 ^D

Notes:

^A Held through subsidiary(ies)

^B Held through Hong Leong Company (Malaysia) Berhad ("HLCM") and company(ies) in which the substantial shareholder has interest

^C Held through HLCM

^D Held through Guoco Assets Sdn Bhd

3. DIRECTORS' INTERESTS AS AT 3 SEPTEMBER 2012

Subsequent to the financial year end, there is no change, as at 3 September 2012, to the Directors' interests in the ordinary shares and/or preference shares and/or convertible bonds and/or options over ordinary shares of the Company and/or its related corporations (other than wholly-owned subsidiaries), appearing in the Directors' Report on pages 42 to 45 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965.

OTHER INFORMATION

(continued)

4. LIST OF PROPERTIES HELD AS AT 30 JUNE 2012

Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM'000)	Date of acquisition
1 1, Light Street Georgetown 10200 Pulau Pinang	Freehold	Branch premises	20,594	78	7,476	30/12/1986
2 15-G-1, 15-1-1 & 15-2-1 Medan Kampung Relau Bayan Point 11900 Pulau Pinang	Freehold	Branch premises	9,968	13	2,527	26/06/1997
3 42, Jalan Pending 93450 Kuching Sarawak	Leasehold - 999 years (31/12/2779)	Branch premises	4,425	30	1,942	27/12/1983
4 133, 135 & 137 Jalan Kampong Nyabor 96000 Sibu Sarawak	Freehold	Branch premises	4,871	20	3,042	28/12/1992
5 Jungle land at Sungai Lisut Rejang Sarawak Occupation Ticket 612 of 1931	Leasehold - 99 years (31/12/2026)	Jungle land	1,217,938	n/a	1	31/12/1938
6 25 & 27, Jalan Tun Ismail 25000 Kuantan Pahang Darul Makmur	Freehold	Branch premises	1,600	21	1,487	29/06/1996
7 69, 70 & 71 Jalan Dato' Bandar Tunggal 70000 Seremban Negeri Sembilan Darul Khusus	Freehold	Branch premises	6,000	Pre-war	1,306	27/12/1994
8 26, Lorong Rahim Kajai 14 Taman Tun Dr Ismail 60000 Kuala Lumpur	Freehold	Branch premises	3,750	26	534	30/12/1986
9 120-122, Jalan Mersing 86000 Kluang Johor Darul Takzim	Leasehold - 99 years (22/8/2063)	Branch premises	3,355	46	647	31/05/1990
10 100, Jalan Gurney 72100 Bahau Negeri Sembilan Darul Khusus	Freehold	Branch premises	5,107	26	2,373	25/06/1992

OTHER INFORMATION

(continued)

4. LIST OF PROPERTIES HELD AS AT 30 JUNE 2012 (continued)

Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM'000)	Date of acquisition
11 12, 14 & 16 Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Takzim	Freehold	Branch premises	4,174	21	3,713	25/06/1992
12 6, Jalan Merdeka 96100 Sarikei Sarawak	Leasehold - 60 years (31/12/2029)	Branch premises	2,240	43	87	18/10/1969
13 63 & 65, Jalan SS 23/15 47400 Petaling Jaya Selangor Darul Ehsan	Freehold	Branch premises	4,760	17	3,824	28/04/1997
14 24, Medan Taming 2 Taman Taming Jaya 43300 Balakong Selangor Darul Ehsan	Freehold	Branch premises	3,037	16	1,314	28/04/1997
15 1, Jalan Takal 15/21 Seksyen 15 40000 Shah Alam Selangor Darul Ehsan	Leasehold - 99 years (29/6/2086)	Branch premises	2,625	25	1,141	26/06/1997
16 Lots 3594 & 3595 Jalan Baru Pak Sabah 23000 Dungun Terengganu Darul Iman	Leasehold - 84 years (2/2/2079)	Branch premises	3,199	18	205	26/06/1997
17 Lot 3073 & 3074 Jalan Abang Galau 97000 Bintulu Sarawak	Leasehold - 60 years (12/2/2056)	Branch premises	2,582	15	1,164	26/06/1997
18 Lot 34, Putra Industrial Park 47000 Sungai Buloh Selangor Darul Ehsan	Freehold	Warehouse	96,219	16	2,566	26/01/1995
19 1540, Jalan Sultan Badlishah 05000 Alor Setar Kedah Darul Aman	Leasehold - 55 years (28/2/2028)	Vacant	10,619	37	43	30/06/1977
20 9A & 9B, Jalan Kampong Baru 08000 Sungai Petani Kedah Darul Aman	Freehold	Branch premises	9,320	19	870	01/01/1994

OTHER INFORMATION

(continued)

4. LIST OF PROPERTIES HELD AS AT 30 JUNE 2012 (continued)

Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM'000)	Date of acquisition
21 45, Jalan Burma 10500 Pulau Pinang	Freehold	Branch premises	14,277	34	2,078	24/11/1978
22 33A-C, Lintang Angsana Bandar Baru Air Hitam 11500 Pulau Pinang	Leasehold - 83 years (8/4/2082)	Branch premises	4,394	17	498	26/12/1995
23 55-57, Jalan Yang Kalsom 30250 Ipoh Perak Darul Ridzuan	Freehold	Branch premises	11,720	33	1,094	01/10/1984
24 27, Jalan Dewangsa 31000 Batu Gajah Perak Darul Ridzuan	Leasehold - 79 years (26/2/2078)	Branch premises	4,694	17	272	24/11/1995
25 75, Jalan Sultan Idris Shah 30000 Ipoh Perak Darul Ridzuan	Freehold	Branch premises	1,900	15	602	15/06/1998
26 80 & 82, Jalan Othman 1/14 46000 Petaling Jaya Selangor Darul Ehsan	Leasehold - 90 years (15/6/2089)	Branch premises	9,062	22	1,212	01/06/1994
27 36, Jalan Midah 1 Taman Midah, Cheras 56000 Kuala Lumpur	Freehold	Branch premises	2,700	25	204	30/11/1984
28 19, Jalan 54, Desa Jaya 52100 Kepong Selangor Darul Ehsan	Leasehold - 99 years (8/3/2081)	Branch premises	5,859	30	351	29/11/1985
29 55, Jalan Pasar 55100 Kuala Lumpur	Freehold	Branch premises	4,313	32	318	01/04/1980
30 Lot 111, Jalan Mega Mendung Kompleks Bandar Off Jalan Klang Lama 58200 Kuala Lumpur	Leasehold - 99 years (11/10/2076)	Branch premises	4,978	32	470	31/07/1988
31 161, Jalan Imbi 55100 Kuala Lumpur	Freehold	Vacant	2,454	16	2,518	14/02/1996
32 8A-C, Jalan Station 80000 Johor Bahru Johor Darul Takzim	Freehold	Branch premises	12,854	19	433	22/10/1977

OTHER INFORMATION

(continued)

4. LIST OF PROPERTIES HELD AS AT 30 JUNE 2012 (continued)

Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM'000)	Date of acquisition
33 109, Main Road 83700 Yong Peng Johor Darul Takzim	Freehold	Branch premises	2,740	24	209	01/09/1988
34 31 & 32, Jalan Kundang Taman Bukit Pasir 83000 Batu Pahat Johor Darul Takzim	Freehold	Branch premises	8,932	20	496	05/03/1996
35 26 & 28, Jalan Mersing 80050 Johor Bahru Johor Darul Takzim	Freehold	Vacant	7,040	28	1,300	22/05/1995
36 21, Jalan Tun Razak 27600 Raub Pahang Darul Makmur	Freehold	Branch premises	4,480	26	417	26/06/1986
37 1, Bentong Heights 28700 Bentong Pahang Darul Makmur	Freehold	Branch premises	5,432	44	37	30/06/1977
38 36, Main Road Tanah Rata 39000 Cameron Highland Pahang Darul Makmur	Leasehold - 99 years (24/11/2039)	Branch premises	1,728	72	130	30/08/1982
39 W-1-0, W-2-0 & W-1-1 Subang Square Business Centre Jalan SS15/4G 47500 Subang Jaya Selangor Darul Ehsan	Freehold	Branch premises	4,545	13	1,908	18/12/1999
40 2828-G-02 & 2828-1-02 Jalan Bagan Luar 12000 Butterworth Pulau Pinang	Freehold	Branch premises	12,173	13	3,618	18/12/1999
41 Lots 568-G-17 & 568-1-17 Kompleks Mutiara 3 1/2 Mile Jalan Ipoh 51200 Kuala Lumpur	Freehold	Self service terminal (ATM area)	4,945	13	3,330	23/11/1999
42 Plot No 20, Jalan Bidor Raya 35500 Bidor Perak Darul Ridzuan	Freehold	Branch premises	3,243	13	556	23/11/1999

OTHER INFORMATION

(continued)

4. LIST OF PROPERTIES HELD AS AT 30 JUNE 2012 (continued)

Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM'000)	Date of acquisition
43 1, Persiaran Greentown 2 Greentown Business Centre 30450 Ipoh Perak Darul Ridzuan	Leasehold - 99 years (21/11/2094)	Branch premises	7,870	12	1,820	23/11/1999
44 Lots 39 & 40 Kompleks Munshi Abdullah 75100 Melaka	Leasehold - 99 years (24/2/2084)	Branch premises	5,988	13	1,434	31/05/1991
45 No. 1 & 2, Jalan Raya 09800 Serdang Kedah Darul Aman	Freehold	Branch premises	5,840	11	423	20/09/2000
46 133 & 135, Jalan Gopeng 31900 Kampar Perak Darul Ridzuan	Freehold	Branch premises	4,700	11	330	13/12/2000
47 65-67, Jalan Tun HS Lee 50000 Kuala Lumpur	Freehold	Vacant	2,223	16	4,974	14/10/1996
48 34, Jalan Yong Shook Lin 46200 Petaling Jaya Selangor Darul Ehsan	Leasehold - 99 years (09/09/2059)	Branch premises	1,875	19	506	26/11/1993
49 64, Jalan Tun Mustapha 87007 Labuan	Leasehold - 999 years (31/12/2775)	Branch premises	1,370	21	629	30/05/1991
50 159, Jalan Imbi 55100 Kuala Lumpur	Freehold	Vacant	1,688	7	2,590	25/11/2005
51 163, Jalan Imbi 55100 Kuala Lumpur	Freehold	Vacant	1,688	7	2,655	25/10/2005
52 114 & 116, Jalan Cerdas Taman Connaught 56000 Kuala Lumpur	Leasehold - 99 years (16/10/2078)	Branch premises	12,200	6	3,933	07/06/2006
53 Lot A08-A09, Jalan SS 6/5A Dataran Glomac Pusat Bandar Kelana Jaya 47301 Petaling Jaya	Freehold	Branch premises	9,800	6	2,760	06/07/2006

OTHER INFORMATION

(continued)

4. LIST OF PROPERTIES HELD AS AT 30 JUNE 2012 (continued)

Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM'000)	Date of acquisition
54 No. 2, Jalan Puteri 2/4 Bandar Puteri Puchong 47100 Puchong Selangor Darul Ehsan	Freehold	Branch premises	11,850	5	5,277	26/06/2007
55 Tower A, PJ City Development 46100 Petaling Jaya Selangor	Leasehold - 99 years (14/08/2094)	Branch premises	194,489	4	82,888	21/07/2008
56 OUG No.2, Lorong 2/137C Off Jalan Kelang Lama 58200, Kuala Lumpur	Leasehold - 99 years (year 2088)	Branch premises	17,300	2	5,558	01/04/2011
57 KEP Lot No 77C & 77D Lot No.58529, Jalan Kepong 52100 Kuala Lumpur	Leasehold - 99 years (07/01/2101)	Branch premises	30,613	2	9,389	01/05/2011
58 No. 122, Kapit By-Pass 96807 Kapit Sarawak	Leasehold - 60 years (29/04/2045)	4 storey building	1,200	19	180	30/04/1985
59 No. 12A, Block B, Level 2, Fraser's Hill Condominium 49000 Bukit Fraser's Pahang Darul Makmur	Leasehold - 99 years (23/05/2082)	1 unit apartment	1,792	25	154	24/05/1983
60 No. 288, Jalan Raja Laut 50350 Kuala Lumpur Wilayah Persekutuan	Freehold	Ex EBB Head office	839,574	19	176,353	31/01/2005
61 No. 9, Jalan Cheng Lock 50000 Kuala Lumpur Wilayah Persekutuan	Freehold	Branch premises	2,199	39	330	18/09/1972
62 No. 3, Jalan Bandar Satu Pusat Bandar Puchong 47100 Puchong Selangor Darul Ehsan	Freehold	Branch premises	4,687	17	2,033	04/03/1997
63 No. 1, Jalan SS15/4E City Centre 47500 Subang Jaya Petaling Jaya Selangor Darul Ehsan	Freehold	Branch premises	3,261	30	428	12/02/1991

OTHER INFORMATION

(continued)

4. LIST OF PROPERTIES HELD AS AT 30 JUNE 2012 (continued)

Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM'000)	Date of acquisition
64 No. 32 & 34, Jalan 21/19 Sea Park 46300 Petaling Jaya Selangor Darul Ehsan	Freehold	Branch premises	3,080	49	2,238	19/08/1997
65 No. 1, Jalan Goh Hock Huat 41400 Klang Selangor Darul Ehsan	Freehold	Branch premises	2,776	29	1,821	07/09/1998
66 No. 26 & 27, Jalan Kenari 1 Bandar Puchong Jaya 47100 Puchong Selangor Darul Ehsan	Freehold	Branch premises	3,600	16	1,715	22/01/1999
67 No. 2, Jalan PJU 5/8 Dataran Sunway Kota Damansara 47810 Petaling Jaya Selangor Darul Ehsan	Leasehold - 99 years (23/11/2100)	Branch premises	12,892	8	3,581	02/12/2005
68 No. J09-6 and J02-06 Paradise Lagoon Holiday Apartment Batu 3 1/2 Jalan Pantai 70100 Port Dickson Negeri Sembilan Darul Khusus	Leasehold - 99 years (06/07/2087)	2 units apartment	2,088	16	232	21/04/1994
69 No. S-3, Kompleks Negeri Jalan Dr. Krishnan 70000 Seremban Negeri Sembilan Darul Khusus	Leasehold - 99 years (30/01/2078)	Storage for branches	1,680	28	301	29/6/1981
70 Lot 4 & 5, Jalan TMR 1 Taman Melaka Raya 75000 Melaka	Leasehold - 99 years (20/03/2094)	Branch premises	3,132	16	597	17/04/1998
71 No. 67 & 69, Jalan Merdeka 75000 Taman Merdeka Raya Melaka	Leasehold - 99 years (07/07/2093)	Branch premises	3,080	17	734	15/08/1999
72 No. 21 & 23, Jalan Indah 15/1 Bukit Indah 81200 Johor Bahru Johor Darul Takzim	Freehold	Branch premises	5,090	10	1,780	27/05/2002
73 No. 35, 37 & 39, Jalan Johor Satu Taman Desa Cemerlang 81800 Ulu Tiram Johor Darul Takzim	Freehold	Branch premises	13,965	9	2,307	02/12/2003

OTHER INFORMATION

(continued)

4. LIST OF PROPERTIES HELD AS AT 30 JUNE 2012 (continued)

Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM'000)	Date of acquisition
74 No. 21, Jalan Permas 10/1 Bandar Baru Permas Jaya 81750 Masai Johor Darul Takzim	Freehold	Branch premises	2,624	15	1,295	04/05/1999
75 No. C05-07 Genting Permai Park & Resort 6th Mile 69000 Genting Highland Pahang Darul Makmur	Freehold	1 unit apartment	1,029	13	204	02/09/1996
76 No. B-278 & B-280 Jalan Beserah 25300 Kuantan Pahang Darul Makmur	Freehold	Branch premises	3,208	11	1,594	08/04/1999
77 No. 31, 33, 35 & 37 Jalan Usahaniaga 1 Taman Niagajaya 14000 Bukit Mertajam Seberang Perai Tengah, Penang	Freehold	Branch premises	15,844	9	1,167	07/10/2003
78 No. 26 & 27 Jalan Permatang Gedong Taman Sejati Indah 08000 Sungai Petani	Freehold	Branch premises	2,800	15	706	03/09/1999
79 Lot 171, Jalan Council 95000 Bandar Sri Aman Sarawak	Leasehold - 60 years (20/06/2050)	Branch premises	1,740	16	175	21/06/1990
80 Lot No. 2013, Jalan Pisang Barat 93150 Kuching Sarawak	Leasehold - 99 years (31/12/2038)	Branch premises	1,390	19	-	23/09/1992
81 No: 3/G14, 3/G15 & 3/G16 Block 3, Lorong Api-Api 2 Api-Api Centre 88000 Kota Kinabalu Sabah	Leasehold - 99 years (31/12/2086)	Branch premises	4,141	17	2,047	02/04/1997
82 No. 177, Limbok Hill 70000 Seremban Negeri Sembilan	Freehold	Single-storey detached house	6,730	39	13	16/08/1972
83 Lot 942 Jalan Parry 98000 Miri Sarawak	Leasehold - 60 Years (06/04/2057)	Branch premises	5,496	15	948	31/01/1997

OTHER INFORMATION

(continued)

4. LIST OF PROPERTIES HELD AS AT 30 JUNE 2012 (continued)

Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM'000)	Date of acquisition
84 Lot 1, 2 & 3, Block 18 Bandar Indah Mile 4, North Road Bandar Indah Sandakan, Sabah	Freehold	Branch premises	6,760	12	1,680	08/11/2001
85 No 3, Persiaran Greentown 4 Greentown Business Centre 30450 Ipoh	Leasehold - 99 Years (21/11/2094)	Branch premises	8,846	17	529	04/12/1995
86 Bangunan HLA 7, Jalan Yayasan 86000 Kluang	Leasehold - 99 Years (23/03/2084)	Branch premises	6,019	23	442	30/12/1989
87 Wisma Hong Leong 18, Jalan Perak 50450 Kuala Lumpur	Freehold	Office premises	333,594	11	230,000	13/11/2001
88 Unit 2.5.1, 1A Stonor Condominium, Off Jalan Conlay 50450 Kuala Lumpur	Leasehold - 99 Years (17/07/2083)	Condominium	1,904	19	573	30/06/1993
89 Unit 2.1.2, 1A Stonor Condominium, Off Jalan Conlay 50450 Kuala Lumpur	Leasehold - 99 Years (17/07/2083)	Condominium	1,904	19	573	30/06/1993
90 Unit 1.1.5, 1A Stonor Condominium, Off Jalan Conlay 50450 Kuala Lumpur	Leasehold - 99 Years (17/07/2083)	Condominium	1,815	19	541	30/06/1993
91 Unit 1.1.3, 1A Stonor Condominium, Off Jalan Conlay 50450 Kuala Lumpur	Leasehold - 99 Years (17/07/2083)	Condominium	1,288	19	385	30/06/1993
92 14-23 Darul Aman Jalan Tun Ismail 25000 Kuantan Pahang	Freehold	Branch premises	5,610	19	486	21/02/1993
93 No 1 Persiaran Greentown 4 Pusat Perdagangan Greentown 30450 Ipoh Perak	Leasehold - 99 Years (21/11/2094)	Branch premises	5,246	17	561	04/12/1995
94 13-2B, 2nd Floor Jalan Perdana 6/6 Pandan Perdana 55300 Kuala Lumpur	Leasehold - 99 Years (11/12/2088)	Apartment	468	8	55	2004

OTHER INFORMATION

(continued)

4. LIST OF PROPERTIES HELD AS AT 30 JUNE 2012 (continued)

Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM'000)	Date of acquisition
95 Block B, PJ City Jalan 219 Seksyen 51A 46100 Petaling Jaya Selangor	Leasehold - 99 Years (12/12/2107)	Office premises	202,194	4	70,525	29/04/2008
96 51-53, Persiaran Greenhill 30450 Ipoh, Perak	Freehold & leasehold - 999 years	Branch premises	4,793	18	1,937	31/12/1993
97 Unit 1-10, 8th Floor Island Place Tower Island Place No 510 King's Road Hong Kong	Leasehold - 55 years (30/06/2047)	Office	20,000	17	46,576	22/02/2010



I/We _____

NRIC/Passport/Company No. _____

of _____

being a member of HONG LEONG FINANCIAL GROUP BERHAD (the "Company"), hereby appoint _____

NRIC/Passport No. _____

of _____

or failing him/her _____

NRIC/Passport No. _____

of _____

or failing him/her, the Chairman of the meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Forty-third Annual General Meeting of the Company to be held at the Theatre, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Tuesday, 30 October 2012 at 11.30 a.m. and at any adjournment thereof.

My/Our proxy/proxies is/are to vote either on a show of hands or on a poll as indicated below with an "X":

RESOLUTIONS	FOR	AGAINST
1. To approve the payment of Directors' fees		
2. To re-elect YBhg Datuk Yvonne Chia as a Director		
3. To re-elect Ms Lim Tau Kien as a Director		
4. To re-appoint YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman as a Director pursuant to Section 129 of the Companies Act, 1965		
5. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and authorise the Directors to fix their remuneration.		
Special Business		
6. To approve the ordinary resolution on authority to Directors to issue shares		
7. To approve the ordinary resolution on the proposed renewal of shareholders' mandate on recurrent related party transactions of a revenue or trading nature with Hong Leong Company (Malaysia) Berhad ("HLCM") and persons connected with HLCM		
8. To approve the ordinary resolution on the proposed renewal of shareholders' mandate on recurrent related party transactions of a revenue or trading nature with Tower Real Estate Investment Trust		
9. To approve the ordinary resolution on the proposed establishment of a new Executive Share Option Scheme of up to 10% of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company		
10. To approve the ordinary resolution on the proposed grant of options to Mr Choong Yee How		
11. To approve the ordinary resolution on the proposed grant of options to Mr Quek Kon Sean		

Dated this day of 2012

Number of shares held _____

Signature(s) of Member _____

Notes:-

- For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 22 October 2012 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.
- If you wish to appoint other person(s) to be your proxy, insert the name(s) and address(es) of the person(s) desired in the space so provided.
- If there is no indication as to how you wish your vote(s) to be cast, the proxy will vote or abstain from voting at his/her discretion.
- A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
- Save for a member who is an exempt authorised nominee, a member shall not be entitled to appoint more than two proxies to attend and vote at the same meeting. Where two or more proxies are appointed, the proportions of shareholdings to be represented by each proxy must be specified in order for the appointments to be valid (please see note 9 below). Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint not more than two proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- A member who is an exempt authorised nominee for multiple beneficial owners in one securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.
- In the case where a member is a corporation, this Form of Proxy must be executed under its Common Seal or under the hand of its Attorney.
- All Forms of Proxy must be duly executed and deposited at the Registered Office of the Company at Level 8, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than 48 hours before the time and date of the meeting or adjourned meeting.
- In the event two or more proxies are appointed, please fill in the ensuing section:

Name of Proxies	% of shareholdings to be represented

Fold This Flap For Sealing

Then Fold Here

Affix
Stamp

The Group Company Secretary
Hong Leong Financial Group Berhad
(Company No. 8024-W)

Level 8, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur
Malaysia

1st Fold Here
