

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

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2016**

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**UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016**

	Note	31.12.2016 RM'000	30.6.2016 RM'000
Non-current assets			
Property, plant and equipment		382	286
Investment in subsidiaries		578,846	557,812
Investment in associated company		618,646	618,646
Available-for-sale financial assets	3	1,879	19,904
		1,199,753	1,196,648
Current assets			
Amount due from associated company		-	29,983
Tax recoverable		25,993	25,998
Cash and cash equivalents		7	7
		26,000	55,988
Current liabilities			
Other payables and accruals		36	359
Amount due to related companies		-	925
Total current liabilities		36	1,284
Net assets		1,225,717	1,251,352
Shareholders' equity			
Share capital		312,500	312,500
Retained earnings		911,718	937,348
Other reserves		1,499	1,504
		1,225,717	1,251,352

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

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**UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2016**

	6 months ended 31.12.2016 RM'000	6 months ended 31.12.2015 RM'000
Revenue	61,376	119
Realised gains	1	13
Other income	28	11
Other operating expenses	(27)	(20)
Profit before taxation	61,378	123
Taxation	(8)	(3)
Net profit for the financial period	61,370	120
Other comprehensive income:		
Item that may be subsequently reclassified to profit and loss:		
Fair value changes on available-for-sale financial assets, net of deferred tax:		
Gross fair value (losses)/gains arising during the financial period	(4)	13
Gross fair value gains transferred to Statement of Income	(1)	(13)
Net fair value losses	(5)	-
Total comprehensive income for the financial period	61,365	120

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

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**UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2016**

	Issued and fully paid ordinary shares of RM1 each		Non-distributable		Distributable	Total RM'000
	No. of shares '000	Share capital RM'000	Capital redemption reserves RM'000	Available- for-sale reserve RM'000	Retained earnings/ accumulated (loss) RM'000	
At 1 July 2015	312,500	312,500	1,500	-	903,224	1,217,224
Total comprehensive income for the financial period		-	-	-	120	120
At 31 December 2015	312,500	312,500	1,500	-	903,344	1,217,344
At 1 July 2016	312,500	312,500	1,500	4	937,348	1,251,352
Total comprehensive income for the financial period		-	-	(5)	61,370	61,365
Dividend paid during the financial period		-	-	-	(87,000)	(87,000)
At 31 December 2016	312,500	312,500	1,500	(1)	911,718	1,225,717

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

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**UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2016**

	6 months ended 31.12.2016 RM'000	6 months ended 31.12.2015 RM'000
Operating activities		
Net profit for the financial period	61,370	120
Adjustments for:		
Dividend income	(61,369)	(117)
Interest income	(7)	(2)
Realised gains on available-for-sale financial assets	(1)	(13)
Tax expense	8	3
Operating gains/(losses) before working capital changes	<u>1</u>	<u>(9)</u>
Change in working capital:		
Decrease in other payables and accruals	(323)	(39)
Decrease in amount due to related companies	(925)	(848)
Tax paid	(2)	(3)
Net cash outflow from operating activities	<u>(1,249)</u>	<u>(899)</u>
Investing activities		
Capital injection to subsidiary companies	(21,034)	(20,387)
Purchase of property, plant and equipment	(96)	-
Dividend income received	90,883	-
Interest income received	7	2
Purchase of available-for-sale financial assets	(30,247)	(22,451)
Proceeds from disposal of available-for-sale financial assets	48,736	21,507
Net cash inflow/(outflow) from investing activities	<u>88,249</u>	<u>(21,329)</u>

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UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2016 (CONT'D)

	6 months ended 31.12.2016 RM'000	6 months ended 31.12.2015 RM'000
Financing activities		
Dividends paid	(87,000)	-
Net cash outflow from financing activities	<u>(87,000)</u>	<u>-</u>
Net decrease in cash and cash equivalents	-	(22,228)
Cash and cash equivalents at beginning of the financial period	<u>7</u>	<u>22,232</u>
Cash and cash equivalents at end of the financial period	<u><u>7</u></u>	<u><u>4</u></u>
Cash and cash equivalents comprise:		
Cash and bank balances	1	1
Fixed and call deposits with maturity of less than 3 months		
- Licensed financial institutions	<u>6</u>	<u>3</u>
	<u><u>7</u></u>	<u><u>4</u></u>

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

1 . BASIS OF PREPARATION

The condensed interim financial statements for the six months ended 31 December 2016 of HLA Holdings Sdn Bhd ("the Company") are unaudited and have been prepared in accordance with MFRS 134/IAS 34: Interim Financial Reporting and should be read in conjunction with the Company's audited financial statements for the financial year ended 30 June 2016, which were prepared in accordance with the Malaysian Financial Reporting Standards.

2 . SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and presentation adopted by the Company for the condensed interim financial statements are consistent with those adopted in the Company's audited financial statements for the financial year ended 30 June 2016, except for the adoption of the following:

MFRS/Interpretations

- Amendments to MFRS 116 'Property, plant and equipment' (effective from 1 January 2016)
- Amendments to MFRS 138 'Intangible Assets' (effective from 1 January 2016)

The adoption of the above amendments to MFRSs are not expected to have significant financial impact to the financial statements of the Company.

3 . AFS FINANCIAL ASSETS

	31.12.2016	30.6.2016
	RM'000	RM'000
At fair value:		
Unit trusts		
- Unquoted in Malaysia	<u>1,879</u>	<u>19,904</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONT'D)

4 . FAIR VALUE HIERARCHY

Recurring fair value measurements

The table below analyses those financial instruments carried at fair value by their valuation method.

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

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.

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.

Level 2 valuation are mainly based on indicative fair market prices/index by reference to the quotations provided by financial institutions and brokers. If the market for a financial asset is not active, the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models.

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.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONT'D)

4 . FAIR VALUE HIERARCHY (CONT'D)

	<u>AFS financial assets</u>	
	<u>31.12.2016</u>	<u>30.6.2016</u>
	<u>RM'000</u>	<u>RM'000</u>
<u>Recurring fair value measurements</u>		
Level 2	<u>1,879</u>	<u>19,904</u>

There is no significant transfer between Level 1 and Level 2 of the fair value hierarchy during the current financial period. There is also no movement in Level 3 of the fair value hierarchy during the current financial period.

5 . ITEMS OF AN UNUSUAL NATURE

The results of the Company for the financial period under review were not substantially affected by any item, transaction or event of a material and unusual nature.

6 . CHANGES IN ESTIMATE

There were no material changes in the basis used for accounting estimates for the financial period under review.

7 . SEASONAL OR CYCLICAL FACTORS

The operations of the Company for the financial period under review were not significantly affected by seasonality or cyclical factors.

8 . CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS

There were no material contingent liabilities or assets as at the date of this report.

9 . DEBTS AND EQUITY SECURITIES

There were no issuances, cancellation, repurchases, resale and repayment of debt and equity securities during the financial period under review.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONT'D)

10 . DIVIDEND PAID

During the half-year ended 31 December 2016, a final single-tier dividend of 27.84% on 312,500,000 ordinary shares in respect of financial year ended 30 June 2016, amounting to RM87 million was paid on 28 October 2016.

11 . CHANGES IN THE COMPOSITON OF THE COMPANY

There were no changes in the composition of the Company during the financial period under review.

12 . RELATED PARTY TRANSACTIONS

All related party transactions are entered into in the normal course of business and were carried out on normal commercial terms.

13 . SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD

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

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

14 . SUBSEQUENT EVENTS

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