HWANG-DBS (MALAYSIA) BERHAD
(238969-K)

VIBRANT SYNERGY

# 2011 ANNUAL REPORT

# CONTENTS

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Nineteenth Annual General Meeting of Hwang-DBS (Malaysia) Berhad will be held at the Bayan Room, Hotel Equatorial, No. 1, Jalan Bukit Jambul, 11900 Penang on Thursday, 24 November 2011 at 10.45 a.m. for the following purposes:-

## AGENDA

**As Ordinary Business**

1. To receive the Audited Financial Statements for the year ended 31 July 2011 and the Reports of the Directors and Auditors thereon. **Resolution 1**

2. To approve the payment of a final dividend of 5 sen per ordinary share less 25% income tax in respect of the year ended 31 July 2011. **Resolution 2**

3. To re-elect Ng Wai Hung Andrew as Director retiring under Article 66 of the Articles of Association of the Company and who, being eligible, offers himself for re-election. **Resolution 3**

4. To re-elect Choe Tse Wei as Director retiring under Article 83 of the Articles of Association of the Company and who, being eligible, offers himself for re-election. **Resolution 4**

5. To re-appoint the following Directors pursuant to Section 129(6) of the Companies Act, 1965 to hold office until the next Annual General Meeting of the Company:-
   (a) Dato' Seri Hwang Sing Lue **Resolution 5**
   (b) Ong Eng Kooi **Resolution 6**

6. To approve the payment of Directors' fees of RM306,194 in respect of the year ended 31 July 2011. **Resolution 7**

7. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 8**

8. To transact any other ordinary business of the Company of which due notice shall have been given. **Resolution 9**

**NOTICE OF DIVIDEND ENTITLEMENT**

NOTICE IS HEREBY GIVEN that a final dividend of 5 sen per ordinary share less 25% income tax in respect of the financial year ended 31 July 2011, if approved, will be paid on 20 December 2011 to depositors registered in the Record of Depositors at the close of business on 2 December 2011.

A depositor shall qualify for entitlement to the dividend only in respect of:-

a. shares transferred into the depositor's securities account before 4.00 p.m. on 2 December 2011 in respect of ordinary transfers; and

b. shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

**CHEN MUN PENG**
**TAN LEE PENG**
Company Secretaries

Penang
2 November 2011

Note:-
A member entitled to attend and vote at the meeting is entitled to appoint up to two (2) proxies to attend and vote on his behalf. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(a) and (b) of the Companies Act, 1965 shall not apply to the Company. The Proxy Form must be deposited at the Company's Registered Office at Level 8, Wisma Sri Pinang, 60 Green Hall, 10200 Penang not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.

# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

## Details Of Individuals Who Are Standing For Election As Directors

No individual is seeking election as a Director at the Nineteenth Annual General Meeting of the Company.

# CORPORATE INFORMATION



## BOARD OF DIRECTORS

Dato' Seri Hwang Sing Lue

Hwang Lip Teik

Y.A.M. Tunku Dato' Seri Nadzaruddin
Ibni Almarhum Tuanku Ja'afar

Ang Teik Siew (Ang Teik Lim Eric)

Ng Wai Hung Andrew

Choe Tse Wei

Ong Eng Kooi

Y.A.M. Tengku Syed Badarudin Jamalullail

Mohamed Tarmizi Tun Dr. Ismail

### Audit Committee

Ong Eng Kooi
*Chairman/*
*Independent Non-Executive Director*

Y.A.M. Tengku Syed
Badarudin Jamalullail
*Independent Non-Executive Director*

Mohamed Tarmizi Tun Dr. Ismail
*Independent Non-Executive Director*

Dato' Seri Hwang Sing Lue
*Non-Independent Non-Executive Director*

Hwang Lip Teik
*Non-Independent Non-Executive Director*

### Company Secretaries

Chen Mun Peng
Tan Lee Peng

### Registered Office

Level 8, Wisma Sri Pinang
60 Green Hall, 10200 Penang
Malaysia
Tel : 604-263 6996
Fax : 604-263 9597

### Share Registrar

Agriteum Share Registration
Services Sdn Bhd
2nd Floor, Wisma Penang Garden
42, Jalan Sultan Ahmad Shah
10050 Penang, Malaysia
Tel : 604-228 2321
Fax : 604-227 2391

### Auditors

PricewaterhouseCoopers
Chartered Accountants

### Stock Exchange Listing

Bursa Malaysia Securities Berhad
Main Market

# CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present to you the Annual Report and Audited Financial Statements of the Company and the Group for the financial year ended 31 July 2011.

## MARKET OVERVIEW

The financial year under review began on an optimistic note. The KLCI started from a low of 1,361 points on 2 August 2010 and hit an all time high of 1,597 points on 11 July 2011. This was supported by news of the Prime Minister's transformation programme throughout the year, aimed at attracting more domestic and foreign investments, increasing gross national income and stimulating job creation. Persistently high crude palm oil prices that increased 33% y-o-y as well as the Ringgit's burgeoning strength against the US Dollar further fuelled the index's rise.

Mounting inflation due to increases in food prices and skyrocketing oil prices as a result of unrest in Middle Eastern oil-producing countries slowed the upwards momentum of the KLCI. This was further compounded by the March 2011 earthquake and tsunami that rocked Japan, inciting a nuclear radiation scare and uncertainty on its effects on the Japanese (and subsequently the global) economy. By the close of the financial year, the index had retreated from its high and closed at 1,549 points. The index has since continued to slide downwards.

## INVESTMENT BANKING

In the financial year under review, our principal subsidiary HwangDBS Investment Bank Berhad ("the Bank") performed better than the previous year due to improved market sentiments and strategies adopted by the Bank. It recorded profit before tax of RM74.94 million compared to RM47.75 million in the preceding financial year.

Our treasury & money markets business continued to do well despite spreads narrowing for Malaysian Ringgit bonds due to strong demand and lack of supply as well as the increase in Overnight Policy Rate and Statutory Reserve Requirement during the financial year.

The growth in profits was achieved by prudent liquidity management practices, widening of the depositors' base, reallocation of funds and expansion of our portfolio of investment securities. During the financial year, we launched the Dual Currencies Investment which is tailored for high net worth clients, to expand our share in the retail market.

Fee income also rose significantly compared to the previous financial year, driven by an increase in advisory fee and underwriting income, in line with stronger equity market performance and improved liquidity.

On the stockbroking front, the industry continues to be competitive with the entry of new brokers. Nonetheless, the Bank with its strong remisiers and dealers base maintained its position among the top 3 brokers on Bursa Malaysia in terms of market share.

## UNIT TRUST AND FUND MANAGEMENT

2011 marks HwangDBS Investment Management Berhad's ("HDBSIM") 10th year in business. During the year, we launched four income and growth funds that are internally managed. As a result, our total assets under management ("AUM") as at 31 July 2011 stood at RM11.70 billion, a 37% growth compared to RM8.57 billion in the previous year. This is our highest achievement yet and surpasses our initial target of hitting RM10 billion by December 2011. The majority of the growth was contributed by cash management products, our in-house managed Select series of funds as well as growth in our discretionary and non-discretionary portfolios. In tandem with the growth of our AUM, profit before tax grew to RM13.14 million compared to RM10.69 million in the previous financial year.

Over the past decade, HDBSIM has been winning awards. In 2011, we received a total of seven awards for our performance in 2010, bringing the total to 26 awards. Two of the awards were presented by Malaysia's Employees Provident Fund ("EPF"), three from the internationally recognised The Edge-Lipper Malaysia Unit Trust Fund Awards and one each from the Morningstar Fund Awards 2010 and The Asset Benchmark Research 2011 for our performance in the fixed income space. We are proud to be recognised by EPF as the Best Risk-Return Equity Portfolio Manager as well as the first runner-up of the "Best Overall Equity Portfolio Manager". Additionally, the three Edge-Lipper awards were for the HwangDBS AIIMAN Growth Fund, HwangDBS Select Balanced Fund and HwangDBS Select Income Fund and Morningstar repeated its award for the HwangDBS Select Balanced Fund's performance.

Our associated company, Asian Islamic Investment Management Sdn Bhd ("AIIMAN"), an Islamic fund management company has been in business for three years. In the short period of time, AIIMAN had built its AUM from zero to approximately RM3.37 billion as at 31 July 2011. This comprises Shariah cash funds, discretionary mandates and Islamic unit trust funds.

We are also pleased that the HwangDBS AIIMAN Growth Fund has been recognised by the Edge-Lipper Malaysia Unit Trust Fund Awards 2011 for its performance and achievement in the "3-Year Best Performing Islamic Equity Fund Award" for the Islamic Equity Fund category.

Our success in the fund management industry is attributed to our customer-centric focus, drive to deliver relevant, innovative products, consistent fund performance and market agility. We believe in being passionate about what we do, performing our work with integrity and constantly striving for excellence.

## CONSUMER FINANCING

During the financial year, there were changes to the regulatory requirements in relation to the consumer loan financing activities which resulted in disruption to HDM Capital Sdn Bhd's ("HDMC") lending activities. HDMC however still recorded a profit before tax of RM37.77 million, a slight decline from RM37.98 million recorded in the preceding financial year. HDMC will continue to explore innovative products in order to meet its challenges.

## OTHER ACTIVITIES

As a result of improved market sentiments, market volume for Crude Palm Oil Futures ("FCPO") contracts and FKLI contracts increased. Market volume for FCPO contracts reached a historical high monthly record of 619,326 contracts in March 2011.

Arising from the higher volume traded, HDM Futures Sdn Bhd recorded an improved performance with profit before tax of RM0.85 million in the year under review compared to RM0.32 million in the preceding financial year.

Our wholly-owned commercial banking subsidiary in Cambodia, HwangDBS Commercial Bank Plc ("HDBSCB") which commenced operations just over 2 years ago, had shown resilience and managed to reduce its pre-tax loss from USD0.74 million a year ago to USD0.24 million during the financial year under review. In its infancy stage, HDBSCB's focus is to build our loan offerings and increase deposits. It will also continue to seek opportunities and market niches to provide financial services and assistance to the under-banked and under-served customers.

## GROUP FINANCIAL PERFORMANCE

The Group's operating revenue increased by 15.1% to RM399.33 million for the financial year ended 31 July 2011 compared to RM346.94 million in the previous corresponding year. The higher operating revenue was mainly attributed to increase in other operating income by 30.0% to RM233.30 million (2010: RM179.49 million). The improvement in other operating income of the Group was mainly driven by higher brokerage from its stockbroking activities coupled with higher fee and net interest income, net realised gain from sales of securities and net mark to market gains from the securities and derivatives portfolio of the Bank. The Group also recorded increase in management and incentive fees from increase in sales of unit trusts by the Group's fund and asset management subsidiary, HDBSIM.

The Bank remains the key revenue contributor accounting for 64% (2010: 64%) of the Group's revenue followed by HDBSIM and HDMC contributing 18% (2010: 16%) and 14% (2010: 17%) respectively. Revenue contributions from other subsidiaries accounted for the remaining 4% (2010: 3%).

The Bank continues to be a strong player on Bursa Malaysia, leveraging on the higher value traded and improved market sentiments. Its strong remisiers base, wide branch network and proprietary traders have enabled the Bank to maintain its top 3 position on Bursa Malaysia, with an average market share of 8.19%. The KLCI increased by 13.8% to close the year at 1,549 points with Bursa value traded recording an increase of 38.7% to RM459.59 billion compared to RM331.44 billion in FY2010.

The increase in revenue contribution by the Bank is driven mainly by its active money market activities coupled with higher advisory and underwriting transactions as well as cross border activities. However, the increase in the Overnight Policy Rate during the financial year under review has reduced the gapping income from its money market activities.

Revenue from HDBSIM increased by 25.7% to RM71.45 million compared to RM56.82 million in FY2010 against a backdrop of higher income arising from increased in sales of units trusts as well as increased in management and incentive fees.

The Group's pre-tax profit for the financial year under review recorded a commendable increase of 39.5% to RM119.65 million compared to RM85.74 million in the previous financial year with a corresponding increase in profit after taxation to RM91.46 million compared to RM64.43 million in the previous financial year, giving rise to higher earnings per share of 33.95 sen (2010: 23.86 sen) and return on equity of 10.5% (2010: 8.0%).

As at the end of the financial year, total assets of the Group grew to RM4.26 billion with shareholders' funds of RM870.67 million. Net assets per share of the Group increased from RM3.17 per share to RM3.41 per share. The Group's impaired loans remain stable at 2.6%.

## DIVIDEND

The Company had declared and paid an interim dividend of 5 sen less tax at 25% on 5 May 2011. The Board is pleased to recommend a final dividend of 5 sen less tax at 25% for approval by shareholders at the forthcoming Annual General Meeting, thus bringing the total dividend payable to 10 sen (2010: 7.5 sen).

## PROSPECTS AND OUTLOOK

The Group takes cognizance of the softening of the global economy arising from the contagion effects of the US credit ratings downgrade that could derail the already fragile recovery of the US economy. This coupled with Eurozone debts crisis, geopolitical tensions as well as escalating inflationary pressure, bring uncertainties to the domestic economic outlook with adverse effect on export orientated activities.

However, the Malaysian economy is expected to remain resilient with the Government's implementation of upcoming mega infrastructure projects under the Government's Economic Transformation Program and the 10th Malaysian Plan. These are expected to spur domestic activities whilst the current inflation level and interest rate policy are expected to remain supportive of business expansions and consumer spending, albeit at a more cautious pace.

Local stock market activities are expected to be volatile with higher risk aversion and cautious investors' sentiments. Operating in a highly competitive and liberalised industry, the Bank is vulnerable to external developments and its profitability is highly dependent on market sentiments and volume in the local bourse. On its fee-based activities, the Bank is systematically identifying and pitching corporate finance, fund raising and M & A ideas to companies in Malaysia in a range of industry sectors. Such efforts have yielded tangible results to-date, and to develop further opportunities, the Bank will continue to enhance its capital markets distribution capabilities as well as its human capital. It will focus on increasing its fee-based and money market activities and prudently grow its loans and deposits portfolio to support its business.

The growth of the Group's commercial banking business in Cambodia will be driven by expansion of its loans and deposits portfolios whilst the consumer financing activities will continue to contribute to the Group's profitability amidst a challenging operating environment. The fund and asset management subsidiary, HDBSIM will progressively build on its AUM with expected launching of more unit trust funds.

The Board of Directors is confident that the Group is well-positioned to face the challenges ahead, and barring unforeseen circumstances, expects the Group's performance for the financial year ending 31 July 2012 to be satisfactory.

## A NOTE OF APPRECIATION

On behalf of the Board of Directors, I wish to record my sincere thanks to our valued clients and shareholders for their steadfast support. My thanks also go to all our staff and dealers for their loyalty and commitment to the Group, without whom the achievements of the Group would not have been possible.

Last but not least, I would like to thank all regulatory authorities for their wise counsel and assistance throughout the year.

**Dato' Seri Hwang Sing Lue**
*Chairman*

# GROUP 5-YEAR FINANCIAL HIGHLIGHTS

Financial Year Ended 31 July





## RESULTS

| | Operating Revenue (RM'000) | Profit Before Tax (RM'000) | Profit After Tax (RM'000) |
|---|---|---|---|
| '07 | 358,792 | 111,711 | 80,813 |
| '08 | 348,593 | 55,556 | 40,838 |
| '09 | 295,798 | 45,518 | 34,364 |
| '10 | 346,942 | 85,742 | 64,434 |
| **'11** | **399,333** | **119,651** | **91,464** |

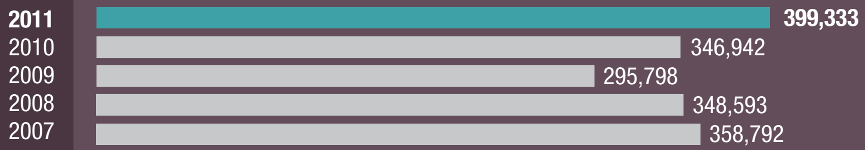
## CAPITAL EMPLOYED

| | Paid-up Capital (RM'000) | Shareholders' Funds (RM'000) | Assets Employed (RM'000) |
|---|---|---|---|
| '07 | 265,559 | 737,976 | 2,036,892 |
| '08 | 265,845 | 746,330 | 3,729,755 |
| '09 | 265,845 | 770,762 | 3,188,514 |
| '10 | 265,845 | 809,848 | 3,917,407 |
| **'11** | **265,845** | **870,674** | **4,258,117** |

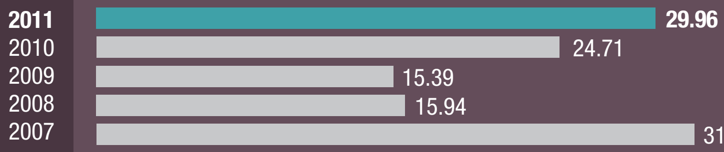
## FINANCIAL RATIOS

| | Earnings Per Share (Sen) | Net Tangible Assets Per Share (RM) | Gross Dividends Per Share (Sen) | Profit Before Tax Margin (%) | Return on Shareholders' Funds (%) |
|---|---|---|---|---|---|
| '07 | 30.54 | 2.26 | 10.0 | 31.14 | 10.95 |
| '08 | 14.23 | 2.29 | 10.0 | 15.94 | 5.47 |
| '09 | 12.26 | 2.38 | 5.0 | 15.39 | 4.46 |
| '10 | 23.86 | 2.54 | 7.5 | 24.71 | 7.96 |
| **'11** | **33.95** | **2.78** | **10.0** | **29.96** | **10.50** |

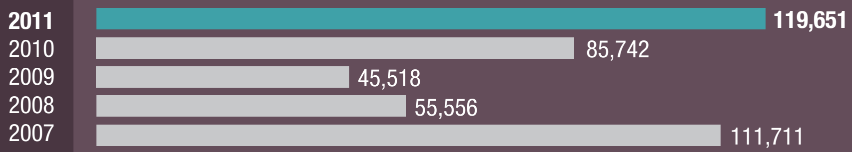
## Operating Revenue
(RM'000)



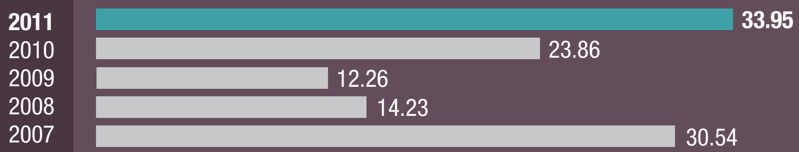

## Profit Before Tax Margin
(%)



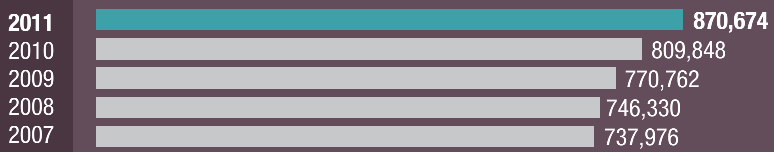

## Profit Before Tax
(RM'000)



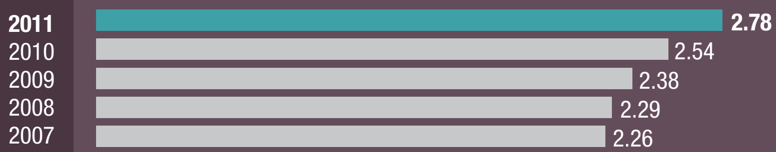

## Earnings Per Share
(Sen)




## Shareholders' Funds
(RM'000)




## Net Tangible Assets Per Share
(RM)



# PROFILE OF DIRECTORS





## Dato' Seri Hwang Sing Lue

Dato' Seri Hwang Sing Lue, aged 82, a Malaysian, is a Non-Independent Non-Executive Chairman of the Company. He was appointed to the Board on 28 April 1992. He is the Chairman of the Executive Committee of the Company and a member of the Audit Committee and Remuneration Committee.

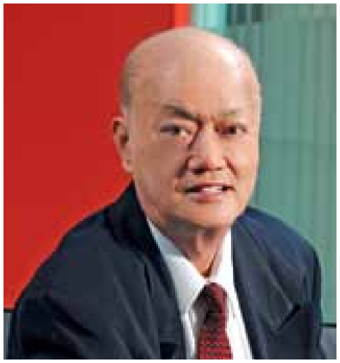
He also serves as a Director of HwangDBS Investment Bank Berhad, HwangDBS Commercial Bank Plc and HwangDBS Securities (Cambodia) Plc.

Dato' Seri Hwang has over 38 years of experience in the securities industry and is a Committee Member of the Association of Stockbroking Companies Malaysia.

Dato' Seri Hwang is also actively involved in the rubber industry, holding the positions of a member of the Management Committee of the Malaysian Rubber Exchange ("MRE"), an Arbitrator of the Panel of MRE of Arbitrators and a member of the Certification Panel of MRE. Dato' Seri Hwang is also the President of the Federation of Rubber Trade Associations of Malaysia.

He is a deemed major shareholder of the Company and the father of Mr. Hwang Lip Teik who is also a Director as well as a deemed major shareholder of the Company. Dato' Seri Hwang is also the father of Mr. Hwang Lip Koon, another deemed major shareholder of the Company. He has no conflict of interest with the Company and has not been convicted of any offences in the past 10 years.

Dato' Seri Hwang attended 6 out of the 7 Board Meetings of the Company held during the financial year.



**Dato' Seri Hwang Sing Lue**

**Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Almarhum Tuanku Ja'afar**

## Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Almarhum Tuanku Ja'afar

Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Almarhum Tuanku Ja'afar, aged 52, a Malaysian, is a Non-Independent Non-Executive Director of the Company. He was appointed to the Board on 1 December 1992. Tunku is a member of the Executive Committee of the Company.

Tunku graduated from Middlesex University, United Kingdom with a Bachelor of Science (Honours) in Mathematics. He started his career as a Management Science Consultant with British Telecom in 1982 before joining Esso Production Malaysia Inc as a System Analyst. Tunku has also previously served as the General Manager of Asia-Pacific Videolab Sdn Bhd and as Executive Director of Antah Holdings Berhad. Tunku currently sits on the Board of Kian Joo Can Factory Berhad, Box-Pak (Malaysia) Berhad, Nova MSC Berhad, Khyra Legacy Berhad, HwangDBS Investment Bank Berhad and HwangDBS Investment Management Berhad.

Tunku does not have any conflict of interest with the Company and has not been convicted of any offences in the past 10 years. He also does not have any family relationship with any other directors or major shareholders of the Company.

Tunku attended all 7 Board Meetings of the Company held during the financial year.

## Ang Teik Siew (Ang Teik Lim Eric)

Ang Teik Siew (Ang Teik Lim Eric), aged 58, a national of Singapore, was appointed to the Board of the Company on 2 April 2001 as a Non-Independent Non-Executive Director. He serves as a member of the Executive Committee, Nomination Committee and Remuneration Committee of the Company. He also sits on the Board of HwangDBS Investment Bank Berhad and HwangDBS Commercial Bank Plc.

Mr. Ang graduated with a Bachelor of Business Administration (Honours) from the University of Singapore in 1976. His career in the banking industry commenced in 1978 when he joined DBS Bank Ltd as a Corporate Banking Officer. Since then, he has held various positions at DBS Bank and is currently the Managing Director & Head of Capital Markets Group of the bank.

Mr. Ang has not been convicted of any offences in the past 10 years and does not have any conflict of interest with the Company. He also does not have any family relationship with any other directors or major shareholders of the Company.

Mr. Ang attended 6 out of the 7 Board Meetings of the Company held during the financial year.

**Ang Teik Siew (Ang Teik Lim Eric)**

**Hwang Lip Teik**

## Hwang Lip Teik

Hwang Lip Teik, aged 54, a Malaysian, was appointed to the Board as an Executive Director on 1 December 1992 and thereafter as Managing Director of the Company in December 2005. He was redesignated to a Non-Independent Non-Executive Director of the Company on 31 January 2007. He is also a member of the Executive Committee, Audit Committee, Remuneration Committee and Nomination Committee of the Company.

Mr. Hwang joined HwangDBS Investment Bank Berhad in 1983 as Senior Manager (Trading) in charge of the trading activities of the company and was promoted to an Executive Director in January 1996 and served as Managing Director/Chief Executive Officer from 2007 to January 2011 when he was redesignated to Non-Executive Director. Mr. Hwang is currently the Managing Director of HDM Capital Sdn Bhd, a subsidiary of the Company, responsible for the overall operations and strategic activities of HDM Capital Sdn Bhd. He is also a director of HwangDBS Investment Management Berhad and Chairman of HwangDBS Commercial Bank Plc.

Mr. Hwang is a deemed major shareholder of the Company. He is also the son of Dato' Seri Hwang Sing Lue and brother of Hwang Lip Koon (both of whom are deemed major shareholders of the Company). He has no conflict of interest with the Company and has not been convicted of any offences in the past 10 years.

Mr. Hwang attended all 7 Board Meetings of the Company held during the financial year.

## Y.A.M. Tengku Syed Badarudin Jamalullail

Y.A.M. Tengku Syed Badarudin Jamalullail, aged 66, a Malaysian, was appointed as an Independent Non-Executive Director of the Company on 28 February 2003. Tengku is the Chairman of the Nomination Committee as well as a member of the Audit Committee and Remuneration Committee of the Company.

Tengku graduated from Cambridge University in 1968 with a Master of Arts degree in Law and History. From 1968-1978, he was employed and held various executive positions in Fraser & Neave (Malaya) Sdn Bhd. Currently, Tengku is involved in his family businesses and is also the Independent Non-Executive Chairman of Fraser & Neave Holdings Berhad and several of its subsidiaries. He is also the Independent Non-Executive Chairman of HwangDBS Investment Bank Berhad and an Independent Director of HwangDBS Investment Management Berhad and HwangDBS Commercial Bank Plc.

Tengku does not have any family relationship with any other directors or major shareholders of the Company, has no conflict of interest with the Company and has also not been convicted of any offences in the past 10 years.

Tengku attended all 7 Board Meetings of the Company held during the financial year.

**Y.A.M. Tengku Syed Badarudin Jamalullail**

**Ong Eng Kooi**

## Ong Eng Kooi

Ong Eng Kooi, aged 76, a Malaysian, was appointed to the Board of the Company on 1 March 1996. He is an Independent Non-Executive Director of the Company. Besides being the Chairman of the Remuneration Committee and Audit Committee of the Company, he is also a member of the Nomination Committee of the Company. Mr. Ong also sits on the Board of HwangDBS Investment Bank Berhad, HwangDBS Investment Management Berhad and HwangDBS Commercial Bank Plc as an Independent Director.

Mr. Ong is a member of the Malaysian Institute of Accountants, the Malaysian Institute of Certified Public Accountants and a Fellow of The Institute of Chartered Accountants in England and Wales. He served the Federal Government as a Treasury Accountant from 1961 to 1966, during which period he acted at various times as Chief Accountant of the Ministry of Education, as Senior Treasury Accountant and as Accountant General of Malaysia. In 1967, he joined Cooper Brothers & Co, Malaysia (now known as PricewaterhouseCoopers, Malaysia) before his retirement as a partner in 1990. After his retirement, he served as a consultant to the firm until 1992.

Mr. Ong does not have any family relationship with any other directors or major shareholders of the Company, has no conflict of interest with the Company and has not been convicted of any offences in the past 10 years.

Mr. Ong attended 6 out of the 7 Board Meetings of the Company held during the financial year.

## Ng Wai Hung Andrew

Ng Wai Hung Andrew, aged 49, a national of Singapore, was appointed to the Board of the Company on 16 July 2008 as a Non-Independent Non-Executive Director. He also sits on the Board of HwangDBS Investment Bank Berhad.

Mr. Ng graduated with a Bachelor of Social Science (Honours) from the University of Hong Kong in 1984. He started his career with Chase Manhattan Bank, Singapore in 1986 as Vice-President and had served as the Head of North Asia as well as Trading and Treasurer of Chase Manhattan Bank, Taipei. From Chase Manhattan Bank, he moved to the Canadian Imperial Bank of Commerce, Singapore in 1995 where he served as Executive Director and Head of Asian swap desk before joining DBS Bank in January 2000. Mr. Ng is currently the Managing Director & Head of Treasury & Markets of DBS Bank.

Mr. Ng has not been convicted of any offences in the past 10 years and does not have any conflict of interest with the Company. He also does not have any family relationship with any other directors or major shareholders of the Company.

Mr. Ng attended 6 out of the 7 Board Meetings of the Company held during the financial year.

**Ng Wai Hung Andrew**

**Mohamed Tarmizi Tun Dr. Ismail**

## Mohamed Tarmizi Tun Dr. Ismail

Mohamed Tarmizi Tun Dr. Ismail, aged 51, a Malaysian, is an Independent Non-Executive Director of the Company. He was appointed to the Board on 13 January 2009. He is a member of the Nomination Committee and Audit Committee of the Company. He also sits on the Board of HwangDBS Investment Bank Berhad as an Independent Director.

Encik Tarmizi graduated from State University of New York, United States with a Bachelor of Arts in Sociology. He started his career with Bank Negara Malaysia in 1984 and held various positions in Bank Negara Malaysia including as Personal Assistant to the Governor and second senior officer at Bank Negara's New York Representative Office before he moved on to RHB Sakura Merchant Bankers Berhad as its Head of Asset Management Department in 1990. In 1995, he joined Land and General Berhad as Group Divisional Chief in charge of the Business Development, Legal and Company Secretarial Division before founding his own company in 2000 which is in the business of sourcing, identifying and recruitment of key management personnel and assisting companies in the development of business strategies.

Encik Tarmizi does not have any family relationship with any other directors or major shareholders of the Company, has no conflict of interest with the Company and has not been convicted of any offences in the past 10 years.

Encik Tarmizi attended all 7 Board Meetings of the Company held during the financial year.

## Choe Tse Wei

Choe Tse Wei, aged 43, a national of Singapore, was appointed to the Board of the Company on 30 March 2011 as a Non-Independent Non-Executive Director. He also sits on the Board of HwangDBS Investment Bank Berhad.

Mr. Choe has worked at DBS Bank since 1993, in corporate finance and equity capital markets (1993-1997), mergers & acquisitions (1997-2006), asset-backed structured products (2007-2008), and strategic advisory (since 2009). The M&A role has entailed the origination and structuring of buy-side and sell-side M&A transactions, competitive bid processes, leveraged buy-outs, privatisations of listed entities, and corporate restructurings. Capital markets experience includes the origination of initial public offerings, secondary fund raisings for REITs and corporates, dual listings and equity carve-outs. Tse Wei currently leads the Strategic Advisory team, which advises key clients of DBS Bank on corporate and capital structure, balance sheet optimisation, M&A and fund-raising.

Mr. Choe is a graduate of the London School of Economics, with Bachelor of Science and Master of Science degrees in Economics.

Mr. Choe has not been convicted of any offences in the past 10 years and does not have any conflict of interest with the Company. He also does not have any family relationship with any other directors or major shareholders of the Company.

Mr. Choe attended both Board Meetings of the Company held during the financial year since his appointment to the Board.

**Choe Tse Wei**

# GROUP CORPORATE STRUCTURE

**HWANG-DBS (MALAYSIA) BERHAD**
(238969-K)

**100%**
**HDM**
**Futures Sdn Bhd** (258146-M)
Licensed futures broker dealing in options and futures

**100%**
**HDM**
**Capital Sdn Bhd** (365940-A)
Moneylending, credit financing and investment in listed and unlisted companies

**100%**
**HDM**
**Research & Publication Sdn Bhd** (331956-X)
Dormant

**53%**
**HwangDBS Investment Management Berhad** (429786-T)
Management of unit trust funds and provision of fund management services

**100%**
**HDM**
**Properties Sdn Bhd** (240350-W)
Letting of properties and investment holding

**100%**
**HDM**
**Management Services Sdn Bhd** (177494-U)
Dormant

**100%**
**HDM**
**Capital Management Sdn Bhd** (686085-P)
Dormant

**100%**
**HwangDBS Investment Bank Berhad** (14389-U)
Investment banking, stockbroking & related financial services

**100%**
**HDM**
**Private Equity Sdn Bhd** (686081-U)
Dormant

**100%**
**HwangDBS Commercial Bank Plc** (5915/09E)
Commercial banking

**100%**
**HwangDBS Securities (Cambodia) Plc** (0347E/2010)
Dormant

**100%**
**HDM Nominees (Tempatan) Sdn Bhd** (41117-T)
Provision of nominee services to local clients

**100%**
**HDM Nominees (Asing) Sdn Bhd** (278474-A)
Provision of nominee services to foreign clients

**100%**
**HwangDBS Custodian Services Sdn Bhd** (372312-H)
Dormant

**51%**
**HwangDBS Vickers Research Sdn Bhd** (128540-U)
Provision of research and stock analysis

**ASSOCIATED COMPANY**

**49%**
**Asian Islamic Investment Management Sdn Bhd** (256674-T)
Islamic fund management

# CORPORATE GOVERNANCE STATEMENT



The Board of Directors ("the Board") is committed to the principles of corporate governance as embodied in the Malaysian Code on Corporate Governance ("the Code"). Towards this end, the Board takes every step to ensure that the principles of corporate governance and best practices are observed and practiced throughout the Group.

The Board is pleased to provide the following statement, which outlines the corporate governance practices that were in place throughout the financial year. Any area of the Code which has not been complied with by the Company is indicated herein.

## 1. THE BOARD

### (a) Composition And Board Balance

The Company is led and managed by an experienced Board comprising members with a wide range of business, banking and audit background. As at the financial year ended 31 July 2011, the Board comprises 9 Non-Executive Directors, 3 of whom are independent. The profiles of the Directors are set out in pages 12 to 16 of this Annual Report.

The composition of the Board reflects the Board's commitment to maintain an appropriate balance to ensure a sufficiently wide and relevant mix of backgrounds, skills and experience to provide strong and effective leadership and control of the Group.

The Company which is an investment holding company, does not have an Executive Director on the Board. However, all principal subsidiaries of the Group have their respective Executive Directors/Chief Executive Officers who are responsible for the smooth and effective day to day conduct of the subsidiaries' business. The Executive Directors/Chief Executive Officers of the subsidiaries are supported by strong management team which operates within established authority limits. Performance of these subsidiaries and their business strategies are monitored by the Board through various management reports which are tabled to the Board and Audit Committee for discussion during Board's and Audit Committee's Meetings to ensure that the direction and control of the Group's businesses are firmly in hand.

The Board which comprises all Non-Executive Directors, provides an effective check and balance to the decision-making process of the respective subsidiaries' Board and to the overall management of the Group.

### (b) Board Responsibilities

The Board oversees the overall corporate governance practices and performance of the Group. The responsibilities of the Board include:-

- overseeing the conduct of the Group's businesses;
- reviewing and adopting strategic business plans for key subsidiaries of the Group;
- identifying principal risks and ensure the implementation of appropriate systems to manage these risks;
- succession planning, including appointing, training and fixing the compensation of directors and key senior management of the Group; and
- reviewing the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

### (c) Directors' Training

The Board acknowledges the importance of continuous education and training to enable effective discharge of its duties and encourages Directors to attend talks, training programmes and seminars to update themselves on new developments in the business environment. All Directors have attended the Mandatory Accreditation Training Programme. The Board has and will continue to evaluate and determine the training needs of its Directors.

During the financial year ended 31 July 2011, all directors have attended training. A half-day training entitled "Enhancing Board Effectiveness" was organised on 23 March 2011 and was attended by all Directors. Another training entitled "Anti-Money Laundering and Counter Financing of Terrorism" was organised for Directors on 29 June 2011 and was attended by all Directors except one. Some other training programmes/seminars/lectures attended by some Directors during the financial year were:-

- Corporate Governance Programme: Building Audit Committees For Tomorrow
- Financial Institutions Directors' Education Programme

- Nothing Ventured, Nothing Gained – Understanding & Managing Investment Risks
- Dual Currency Investment
- The Mind Of The Investor – Behavioral Finance Perspective
- Retailing Trends And Strategies, Commodity Trends And Impact And Malaysia-A New Direction
- Strategic Risk Management
- Corporate Investment Banking In Asia
- DBS Vickers' The Pulse Of Asia Conference
- Role Of A Relationship Manager Workshop
- Cross Training On Treasury & Markets International Sales
- Strategic Advisory: Cross Training On Global Transaction Services
- Investment Banking Group Workshop By McKinsey: Corporate Investing Banking In Asia

Visits by the Directors to the Group's businesses and meetings with senior management are arranged for enhancement of their knowledge particularly in respect of the operations of the Group.

**(d) Retirement And Re-election Of Directors**

In accordance with the Company's Memorandum and Articles of Association, Directors shall retire from office at least once in every 3 years and are eligible to offer themselves for re-election. Directors who are appointed by the Board are subject to election by the shareholders at the next Annual General Meeting following their appointments. Directors over 70 years of age are required to submit themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

**(e) Board Meetings And Supply Of Information**

The Board met for a total of 7 times during the financial year ended 31 July 2011. All Directors fulfilled the requirement of Bursa Malaysia Securities Berhad ("Bursa Securities") in relation to their attendance at Board Meetings. Details of Directors' attendance at Board Meetings are outlined in the Profile of Directors section of this Annual Report.

Directors are provided with Notice of the Board Meetings and board papers for each agenda item in advance of each Board Meeting to ensure that Directors have sufficient time to study them and be prepared for discussion. Any additional information requested by Directors is readily available. The Board also has a formal schedule of matters reserved to it for deliberation and decision. Minutes of Meetings are maintained.

The Group has a policy on information to be brought to the Board's attention. In accordance to the policy, all material information are to be tabled to the Board on a timely basis in order for the Board to be kept abreast with the performance and business activities of the Group.

Directors have access to the advice and services of the Company Secretaries who are responsible for ensuring that Board procedures are followed and all necessary information are obtained from Directors both for the Company's own records and for purposes of meeting statutory obligations. Where necessary, Directors also have access to independent professional advice at the Company's expense in furtherance of their duties.

**(f) Directors' Remuneration**

All Directors are provided with directors' fees. The directors' fees are approved by the shareholders at the Annual General Meeting. The Group also reimburses reasonable expenses incurred by Directors in the course of carrying out their duties as Directors.

The details of the remuneration of the Directors on Group basis for the financial year ended 31 July 2011 are as follows:-

| | Salary (RM) | Fee & Meeting Allowance (RM) | Other Emoluments* (RM) | Total (RM) |
|---|---|---|---|---|
| Non-Executive Directors# | 2,349,548 | 843,388 | 7,640,113 | 10,833,049 |

The number of Directors whose remuneration falls into the following bands is as shown below:-

| | No. Of Directors |
|---|---|
| **Non-Executive Directors®:** | |
| RM1 – RM50,000 | 2 |
| RM50,001 – RM100,000 | 2 |
| RM100,001 – RM150,000 | 1 |
| RM150,001 – RM200,000 | 2 |
| RM250,001 – RM300,000 | 1 |
| RM3,300,001 – RM3,350,000 | 1 |
| RM6,600,001 – RM6,650,000 | 1 |
| **Total** | **10** |

Notes:-

# 3 Non-Executive Directors of the Company also serve as Executive Directors of principal subsidiaries of the Company.

* Other emoluments comprise bonuses, ex-gratia payment, allowances, EPF and SOCSO contributions and monetary value of benefits in kind.

® This include a Non-Executive Director whose resignation took effect on 1 October 2010 and a Non-Executive Director whose appointment took effect on 30 March 2011.

The Code recommends disclosure of details of the remuneration of each Director. However, the Board is of the view that the disclosure of the remuneration of the Directors by bands of RM50,000 is sufficient to meet the objective of the Code.

## 2. THE BOARD'S COMMITTEES

The Board has set up various Committees to assist the Board in the management of the Group's businesses and discharge of its duties. The functions and terms of reference of the Committees as well as authority delegated by the Board to these Committees have been clearly defined by the Board.

The Committees set up by the Board are:-

| Committee | Chaired By |
|---|---|
| Executive Committee | Non-Independent Non-Executive Director |
| Audit Committee | Independent Non-Executive Director |
| Nomination Committee | Independent Non-Executive Director |
| Remuneration Committee | Independent Non-Executive Director |

### (a) Executive Committee

As at 31 July 2011, membership of the Executive Committee comprised 4 Non-Independent Non-Executive Directors, 1 of whom was appointed on 30 May 2011. The Executive Committee meets as and when necessary.

The Executive Committee evaluates the Group's strategic plans and recommends to the Board new business ventures, expansion and diversification opportunities. It generally assists the Board in overseeing the business affairs of the Group.

### (b) Audit Committee

The terms of reference of the Audit Committee, composition of its membership and other pertinent information about the Audit Committee and its activities are highlighted in the Audit Committee Report set out in pages 26 to 28 of this Annual Report.

### (c) Nomination Committee

During the financial year, the Nomination Committee was made up of 3 Independent Non-Executive Directors and 2 Non-Independent Non-Executive Directors. It meets as and when required but the full Committee shall meet at least once a year.

The Nomination Committee provides a formal and transparent procedure for the appointment of Directors, Board committees members, the Chief Executive Officer(s) and key senior management officers as well as assessment of the effectiveness of such individual Directors, the Board as a whole and the performance of the Chief Executive Officer(s) and key senior management officers. The Committee is authorized by the Board to:-

- review the composition and size of the respective Boards of the Group and determine the appropriate Board balance;
- review and recommend to the respective Boards the required mix of skills, experience, qualification and other core competencies required of a Director and Chief Executive Officer(s);
- recommend and assess nominees for directorship, Board committees and Chief Executive Officer(s);
- recommend to the respective Boards the removal of Directors, Chief Executive Officer(s) or key senior management officers if they are ineffective, errant and negligent in discharging their respective responsibilities;
- establish a mechanism for the annual assessment of the effectiveness of the Board as a whole, the contribution of each Director, the contribution of the Board's various committees and the performance of the Chief Executive Officer(s) and key senior management officers;
- ensure that all Directors receive appropriate continuous training;
- oversee the appointment, management succession planning and performance evaluation of the Chief Executive Officer(s) and key senior management officers; and
- ensure that the Directors, Chief Executive Officer(s) and key senior management officers of the Company and of HwangDBS Investment Bank Berhad are not disqualified under section 56 of the Banking and Financial Institutions Act 1989.

The Nomination Committee conducted a review of the composition, size and required mix of skills and experience of the respective Boards of the Group during the financial year and was satisfied with the same. The assessments and evaluations carried out by the Nomination Committee were properly documented.

**(d) Remuneration Committee**

As at 31 July 2011, the Remuneration Committee comprised 2 Independent Non-Executive Directors and 3 Non-Independent Non-Executive Directors, 1 of whom was appointed on 30 May 2011. It meets as and when required but the full Committee shall meet not less than once a year.

The Remuneration Committee's objective is to provide a formal and transparent procedure for developing remuneration policy for Directors, Chief Executive Officer(s) and key senior management officers of the Group and ensure that compensation is competitive and consistent with the Group's culture, objectives and strategy. The Remuneration Committee is authorised by the Board to:-

- recommend a framework for the remuneration of Directors, Chief Executive Officer(s) and key senior management officers of the Group for the Board's approval;
- recommend specific remuneration package for Executive Director(s) and Chief Executive Officer(s) of the Group; and
- recommend remuneration package for Non-Executive Directors.

## 3. ACCOUNTABILITY AND AUDIT

**(a) Financial Reporting**

The Board aims to present a balanced and clear assessment of the Group's financial positions and prospects in the annual financial statements and quarterly announcements to shareholders, investors and regulatory authorities.

The Board is assisted by the Audit Committee to oversee the financial reporting processes and the quality of financial reporting of the Group.

The Statement of Responsibility by Directors in respect of the preparation of the annual audited financial statements is set out in paragraph 5 herein.

**(b) Internal Control**

The Board recognizes that it has overall responsibility for maintaining a system of internal controls for the Group that provides reasonable assurance of effective and efficient operations, and compliance with laws and regulations, as well as with internal procedures and guidelines.

The Statement of Internal Control, which provides an overview of the state of internal control within the Group, is set out in pages 24 to 25 of this Annual Report.

**(c) Relationship With External Auditors**

Through the Audit Committee, the Group has established a formal and transparent relationship with the external auditors.

The external auditors are invited to discuss the annual financial statements, their audit plan, audit findings and other special matters when necessary. In addition, the Audit Committee also meets with the external auditors without the presence of Management twice a year.

The duties of the Audit Committee are outlined in the Audit Committee Report at pages 26 to 28 of this Annual Report.

## 4. RELATIONS WITH SHAREHOLDERS

The Board recognizes the importance of accountability to its shareholders through proper and equal dissemination of information to its shareholders. Towards this end, the Company adheres strictly to the disclosure requirements of Bursa Securities.

The Company reaches out to its shareholders through:-

(a) the distribution of its annual report

(b) quarterly financial results announcements

(c) various disclosures and announcements made to Bursa Securities

(d) the Company's website at www.hdbs.com.my which shareholders can access for information.

The Annual General Meeting is the principal forum for dialogue with shareholders, where shareholders are at liberty to raise questions pertaining to the agenda for discussion at the meeting. Notice of the meeting and related documents are sent to shareholders at least 21 days before the meeting is to be held.

The Board has identified Mr. Ong Eng Kooi as the Senior Independent Non-Executive Director available for communication of any concerns. All communication can be addressed to Mr. Ong Eng Kooi at the registered office of the Company at Level 8, Wisma Sri Pinang, 60 Green Hall, 10200 Penang.

### 5. STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

The following statement, which should be read in conjunction with the Report of the Auditors set out in pages 41 to 42 of this Annual Report, is made with a view of enabling shareholders to distinguish the respective responsibilities of the Directors and the auditors in relation to the financial statements.

The Directors are required by the Companies Act, 1965 to prepare financial statements which give a true and fair view of the state of affairs of the Company and its subsidiaries as at the end of each financial year and of the results for the financial year.

The Directors consider that in preparing the financial statements set out in pages 43 to 146, which have been prepared on a going concern basis, appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates have been used and that accounting standards which they consider applicable have been followed.

The Directors have the responsibility for taking reasonable steps to ensure that the Company and its subsidiaries cause to be kept such accounting and other records, that will sufficiently explain the transactions of the Company and its subsidiaries, that will at any time enable the financial position of the Company and its subsidiaries to be readily and properly audited, and that will enable the Directors to ensure that the financial statements comply with the requirements of the Companies Act, 1965.

The Directors also have a general responsibility to take such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

# OTHER COMPLIANCE INFORMATION

### MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

There were no material contracts (not being contracts entered into in the ordinary course of business) subsisting as at 31 July 2011 or if not then subsisting, entered into since the end of the previous financial year by the Company or its subsidiaries, which involved the interests of the Directors or major shareholders.

### SANCTIONS AND PENALTIES

There were no public sanctions/penalties imposed on the Company, its subsidiaries, Directors or management by the relevant regulatory bodies during the financial year save that HwangDBS Investment Bank Berhad ("the Bank"), a wholly-owned subsidiary of the Company was reprimanded and fined RM250,000 by the Securities Commission ("SC") for breach of Section 356 of the Capital Markets & Services Act 2007 for failure to sufficiently comply with SC's Guidelines. The Bank has since taken remedial action and tightened all processes.

# STATEMENT OF INTERNAL CONTROL





## BOARD RESPONSIBILITY

The Board recognizes the importance of maintaining a sound system of internal controls and risk management practices as well as good corporate governance. The Board affirms its overall responsibility for the Group's system of internal controls, which includes the establishment of appropriate control environment and risk management framework as well as review of its adequacy and integrity.

In view of the inherent limitations in any system of internal controls, the system is designed to manage rather than eliminate risks. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement, fraud or loss. The system of internal controls includes inter alia, financial, operational, management information systems, organisation and compliance controls.

The Group's system of internal controls involves all management and personnel from each business unit. The Board is responsible for determining key strategies and policies for significant risks and control issues, whilst functional managers of subsidiary companies are responsible for the effective implementation of the Board's policies by designing, operating, monitoring and managing risks and control processes.

## RISK MANAGEMENT FRAMEWORK

The Board regards risk management as an integral part of the Group's business operations, and that the management of all forms of business risks continues to play an important role in ensuring that the business creates and protects shareholders' value.

The Group has in place an ongoing process for identifying, evaluating, managing and reporting significant risks that may affect the achievement of its business objectives throughout the financial year under review and up to the date of this report. This process is regularly reviewed by the Board to ensure proper management of risks and appropriate measures are timely taken to mitigate any identified weaknesses in the control environment.

To further strengthen the risk management process, Board Risk Management Committees have been established at the key operating subsidiaries, namely HwangDBS Investment Bank Berhad ("the Bank") and HwangDBS Investment Management Berhad. These committees meet regularly to oversee the development of general risk policies and procedures, monitor and evaluate risks that may arise from their respective companies' business activities. Risk Management Departments are established at these subsidiaries to assist their respective Board Risk Management Committees in discharging their duties.

Amongst the other committees set up at Management level of the Bank to manage specific areas of risks are the Risk Oversight Committee, Credit Approval Committee, Business Continuity Management Committee and Basel II/FRS139 Steering Committee.

## KEY INTERNAL CONTROL PROCESSES

Apart from the above, the other key elements of the Group's internal control system which have been reviewed by the Board are described below:-

- **Organisational Structure**

  There exists a clearly defined organisational structure with defined lines of job responsibilities and delegation of authority. This will assist in ensuring that effective communication of risk control objectives as well as establishment of authority and accountability is in accordance with Management criteria.

- **Internal Policies And Procedures**

  Documented internal policies and procedures manuals of business and support units have been approved by the Board for application across the Group. Policies and procedures serve as a guide to ensure compliance with internal controls and applicable laws and regulations as stated in the operations manuals, guidelines, workflows and directives issued by the Group.

  There are also documented Limits of Approving Authority for key aspects of the businesses, which have been approved by the Board. This provides a sound framework of authority and accountability within the organisation and facilitates proper corporate decision making at the appropriate level in the organisation's hierarchy. The delegation of limits is subject to periodic reviews as to its implementation and continuing suitability in meeting the Group's business objectives and operational needs.

- **Financial Performance Review**

  The Group Finance Department regularly provides comprehensive information to the Board and the Audit Committee on the key subsidiaries' financial reports, key variances and analysis of financial data of the Group. They also ensure maintenance of proper accounting records and the reliability of the financial information is in accordance with the approved accounting standards and in compliance with the regulatory and statutory requirements.

  There is also a detailed budgeting process where key operating units prepare budgets on an annual basis, which are approved by the Board. Comparison of actual performance against the budget is reviewed periodically and regularly updated with explanations for any major variances given to the Board.

- **Compliance**

  Compliance reviews on key subsidiary companies where required, are performed regularly by the Compliance Units of the respective subsidiary companies to assess adherence to existing and new regulatory requirements as well as internal policies and procedures. Any deviation or breaches are reported to the Audit Committee and the respective Boards are kept informed of the causes and the remedial measures taken.

- **Human Resources**

  The professionalism and competence of the Group's human resources are maintained through established recruitment procedures, performance appraisal system and scheduled training. Additional training and development programmes either as in-house or external sessions are conducted when relevant. A Succession Plan and Talent Management Programme is put in place to ensure business continuity.

  Ethical behaviour as set out in the key subsidiary companies' Code of Conduct is constantly communicated to employees. All personnel are required to strictly adhere to the Code of Conduct.

- **Audit**

  Ongoing reviews of the internal control system are carried out by the internal auditors of the Bank where the results of such reviews are reported to the Audit Committee. The work of the internal auditors is focused on areas of priority according to their annual risk assessment and in accordance with the annual strategic audit plans approved by the Audit Committee. The Head of Internal Audit functions reports to the Audit Committee.

  In addition, the Audit Committee holds regular meetings to discuss findings and make recommendations for improvement by both the internal and external auditors on the state of the internal control system. Thereafter, the minutes of the Audit Committee meetings are tabled to the Board for review.

## EFFECTIVENESS OF INTERNAL CONTROL

The Board confirms that there is an ongoing process that has been in place throughout the financial year ended 31 July 2011 for identifying, evaluating and managing significant risks faced by the Group and that it has reviewed the effectiveness of the system of internal controls and risk management within the Group for the financial year and has taken account of any material development up to the date of approval of the annual report and financial statements. The process is regularly reviewed by the Board. No material losses were incurred during the financial year as a result of weaknesses in internal controls.

**This statement is made in accordance with the resolution of the Board of Directors dated 24 August 2011.**

# AUDIT COMMITTEE REPORT





## ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year ended 31 July 2011, 7 meetings were held by the Audit Committee ("Committee") of the Company. The Committee comprises the following members and details of attendance of each member at the Committee's meetings held during the year are as follows:-

| Composition Of The Committee | No. Of Meetings Attended Whilst In Office |
|---|---|
| 1. Ong Eng Kooi (Chairman/Independent Non-Executive Director) | 7 out of 7 meetings |
| 2. Y.A.M Tengku Syed Badarudin Jamalullail (Member/Independent Non-Executive Director) | 7 out of 7 meetings |
| 3. Kankipati Rajan Raju (resigned wef 01.10.2010) (Member/Non-Independent Non-Executive Director) | 1 out of 2 meetings |
| 4. Dato' Seri Hwang Sing Lue (appointed wef 18.10.2010) (Member/Non-Independent Non-Executive Chairman) | 3 out of 5 meetings |
| 5. Mohamed Tarmizi Tun Dr. Ismail (appointed wef 15.03.2011) (Member/Independent Non-Executive Director) | 3 out of 3 meetings |
| 6. Hwang Lip Teik (appointed wef 30.05.2011) (Member/Non-Independent Non-Executive Director) | 1 out of 1 meeting |

The Group has also established an Audit Committee in the investment banking subsidiary. This Audit Committee meets regularly to appraise the effectiveness of the system of internal controls and corporate governance framework, review annual financial statements, audit findings from internal auditors, external auditors, compliance officers and regulatory authorities and recommend appropriate remedial actions to the Board of the investment banking subsidiary.

During the financial year, the Committee performed the duties as set out in its Terms of Reference. The main areas reviewed and discussed by the Committee are set out below and where necessary, the Committee directed actions to be taken by management:-

- The audited financial statements for financial year ended 31 July 2011 and unaudited quarterly financial results announcements of the Group and making recommendations to the Board for consideration and approval.
- The external auditor's scope of work and the audit plan, their audit fees, the results of their examination in external audit reports and management letters, as well as new developments on accounting standards and regulatory requirements.
- The adequacy of the internal audit plans for the financial year 2011, the implementation of the approved audit plans, resource requirements and performance of the Internal Audit Department.
- The adequacy of the annual Compliance Programme of the Futures Broking subsidiary for the financial year 2011.
- Reports of the Internal Audit Department, Compliance Department of key subsidiary companies, as well as inspection and examination of reports issued by the relevant regulatory authorities.
- Reports on related party transactions.
- Risk management reports by the respective Risk Management Committees of the Investment Management and Futures Broking subsidiaries.
- Half yearly Reports on Fraud Prevention and Detection for the Group based on feedback from senior management.
- Disclosure requirements in the Annual Report of the Company in compliance with the provisions of the Listing Requirements of Bursa Malaysia Securities Berhad in relation to the Corporate Governance Statement, Audit Committee Report, Statement of Internal Control and financial results.

The Committee acted as a forum for discussion of internal control, risk management, compliance issues and other related matters that contributed to the Group's overall governance profile and transparency, as well as Board's review of the effectiveness of the Group's system of internal controls.

In line with the Revised Malaysian Code On Corporate Governance, the Independent members of the Committee met with the external auditors twice during the financial year without the presence of management.

## INTERNAL AUDIT FUNCTIONS

The Group uses the services of the Internal Auditors of its wholly-owned subsidiary, HwangDBS Investment Bank Berhad ("the Bank") to assist the Committee in the discharge of its duties and responsibilities. During the year, the in-house Internal Auditors undertook independent reviews of the system of internal controls in key business units of the Group, so as to provide reasonable assurance that:-

- such systems continue to operate satisfactorily and effectively
- assets and resources are safeguarded
- integrity of records and information are protected
- internal policies, procedures and standards are adhered to and
- applicable rules and regulations are complied with.

The scope of the internal audit covered key aspects of business operations of core subsidiary companies with primary focus on the Bank. Audit findings and areas of concern that need improvements were highlighted in the internal audit reports and reviewed by the Committee. During Board meetings, the Board is briefed on audit matters and the minutes of the Committee's meetings. The Internal Auditors also monitored management's corrective action plans in order to obtain assurance that all key risks and control concerns have been duly addressed. The costs incurred in discharging the internal audit function for the financial year ended 31 July 2011 amounted to RM0.94 million.

## TERMS OF REFERENCE OF THE AUDIT COMMITTEE

**1. Constitution**

The Audit Committee was established on 1 March 1996.

**2. Membership**

The Committee shall be appointed by the Board from amongst the Directors of the Company and shall comprise not less than 3 members, all of whom shall be Non-Executive Directors and the majority of whom must be independent. At least 1 member of the Committee:-

- must be a member of the Malaysian Institute of Accountants; or
- if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years of working experience and
    - he must have passed the examination specified in Part I of the 1st Schedule to the Accountants Act, 1967; or
    - he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule to the Accountants Act, 1967.

The members of the Committee shall elect the Chairman from among their number who shall be an Independent Director.

**3. Attendance At Meetings**

The Head of Internal Audit, Head of Compliance and Head of Finance of a subsidiary company will attend all meetings. If necessary, the Committee may request other Directors and senior management to attend any particular meeting. At least twice a year, the Committee shall meet with the external auditors without the presence of any Executive Directors. The Company Secretaries shall be the secretaries of the Committee.

**4. Frequency Of Meetings**

Meetings will be held not less than 4 times a year. The external auditors may request a meeting if they consider that one is necessary. The quorum for any meeting shall be majority members of the Committee, with more than half of the members present being Independent Non-Executive Directors.

**5. Authority**

The Committee is authorized by the Board:-

(a) to investigate any activity within its terms of reference.

(b) to have full and unrestricted access to any information it requires from any employees and all employees are directed to co-operate with any request made by the Committee.

(c) to have access to resources required to perform its duties.

(d) to have direct communication channels with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees whenever deemed necessary.

(e) to direct the Internal Audit Department in its activities and resources.

(f) to obtain external legal or other independent professional advice, if it considers necessary. In the event that any member of the Committee shall need to seek external legal or other independent professional advice in furtherance of his duties, he shall first consult with and obtain prior approval of the Chairman of the Committee.

**6. Duties**

The duties of the Committee are:-

(a) to recommend the appointment of the external auditors, their audit fee and any questions of their resignation or dismissal to the Board.

(b) to review with the external auditors:-
- the audit plan;
- their evaluation of the system of internal controls; and
- their audit reports.

(c) to review the financial statements of the Company and the Group before submission to the Board, focusing particularly on:-
- public announcements of results and dividend payment;
- any changes in accounting policies and practices;
- major judgmental areas;
- significant adjustments resulting from the audit;
- the going-concern assumption;
- compliance with applicable approved accounting standards; and
- compliance with regulatory and statutory requirements.

(d) to discuss problems and reservations arising from the interim and final audits and any matters the external auditors may wish to discuss (in the absence of management where necessary).

(e) to do the following:-
- to review and approve the internal audit strategic plan, consider major findings and management's response to findings in the Internal Audit reports and where necessary, the Committee will direct actions to be taken by management, as well as to review the level of co-ordination between the internal and external auditors;
- to review the adequacy of the scope, functions, competency and resources of the internal audit function and to ensure that it has the necessary authority to carry out its work;
- to review the appraisal or assessment of the performance of the staff of the internal audit function;
- to approve any appointment or termination of senior staff of the internal audit function; and
- to be informed of resignation of any internal audit staff members.

(f) to keep under review the effectiveness and proper monitoring of internal control system.

(g) to review inspection and examination reports issued by the relevant regulatory authorities to ensure that appropriate actions are taken in respect of the findings and where necessary, direct actions to be taken by management.

(h) to review related party transactions that may arise within the Company or Group.

(i) to consider reports prepared by Compliance Officers of key subsidiary companies relating to compliance with statutory and regulatory requirements and issue directives for necessary remedial actions to be taken, if any.

(j) to consider reports prepared by the respective Risk Management Committees of key subsidiary companies relating to risk management issues and findings, including any proposed remedial actions.

(k) to review and assess with the senior management and external auditors the Statement of Internal Control of the Group for inclusion in the Annual Report.

(l) to submit to the Board an Audit Committee report for inclusion in the Annual Report.

(m) to review the Corporate Governance Statement and best practices for inclusion in the Annual Report.

(n) to perform such other functions as may be agreed upon by the Committee and the Board.

**7. Reporting Procedures**

The Company Secretaries shall circulate the minutes of meetings of the Committee to all members of the Board.

# CORPORATE RESPONSIBILITY


*Hwang-DBS Lunch Box Winning Design*

Hwang-DBS Group continues to play its role to ensure that Corporate Responsibility initiatives are organized and remain in line with the Group's objective. Recognizing that a sustainable business needs to operate within a healthy environment, Hwang-DBS launched its 3-year Going Green Campaign in financial year 2009. The focus of Phase I was to create awareness amongst the employees on the significance of Corporate Responsibility. Phase II was designed to encourage employees to create personal and positive experiences in undertaking Corporate Responsibility activities and Phase III to replicate and propagate these efforts in the community.

The 3-year Going Green Campaign has given the employees a sense of empowerment and the satisfaction of achievement in having done their part to reduce their personal carbon foot print and the carbon foot print of the Group, as a whole. Employees have become more responsive to activities that revolve around the basic tenets of the campaign – Reuse, Reduce and Recycle ("3Rs"). Annual Group wide contests i.e. Hwang-DBS Style Your Water Bottle, Organic T-Shirt Design, Eco-Friendly Lunch Box Design and Green Day Photo Contests were organised to encourage 3R awareness. We also adopted the use of festive electronic cards in replacement of printed cards for the employees and organized lunch and learn sessions presented by environmental specialists. We continue to encourage contributions of articles, tips and recipes from employees towards the Group's newsletter, The LOOP.

Employees were given the opportunity to contribute towards the community. In 2011, we launched the Hwang-DBS 3Rs & Rewards Programme which is in-line with the objectives set out for Phase III of the Going Green Campaign. In this programme, employees were challenged to organize projects that involved the community and put into action the 3Rs. Several teams from different subsidiaries and branches were mobilized. The teams focused their activities round raising funds from recycled materials and improving living conditions at selected homes.

The Group continues to support and encourage environmental awareness and community efforts in caring for the environment through our corporate membership with the Malaysian Nature Society and joint corporate sponsorship of community environmental events such as the Braille on the Beach held in February 2011 and Penang Beach Clean Up held in June 2011. We also continue to support sporting events such as the MIBA Annual Games, USM Open Relay and The Edge-Bursa Malaysia Kuala Lumpur Rat Race.

*Community project at PKRP Nur Insan, Setapak organised by HDM Capital 07 May 11.*

*HDM Futures team on the Recycle Day 27 May 11.*

Going forward, we plan to maintain our current initiatives and to extend our corporate responsibility reach.

With regards to the community, we will be launching the Hwang-DBS Charity Programme in 2012. All subsidiaries and key branches will be invited to adopt a charity or cause throughout 2012. They will have a free hand at creating awareness and help raise funds for the local poor and disadvantaged community with the backing of the Group.

Although 2012 may offer new challenges, we will implement sustainable long term CR initiatives at the workplace to create awareness for a healthy lifestyle, implementing policies and procedures to enhance retention of employees and encourage transparency and accountability.

# ANALYSIS OF SHAREHOLDINGS
As At 5 October 2011





| | | |
|---|---|---|
| Authorised Capital | : | RM1,000,000,000.00 |
| Issued and Fully Paid | : | RM255,158,900.00 (excluding 10,686,100 treasury shares) |
| Class of Shares | : | Ordinary Shares of RM1.00 each fully paid |
| No. of Shareholders | : | 5,250 |
| Voting Right | : | One vote per ordinary share |

## Distribution Schedule of Shareholders

| Size of Holdings | No . of Shareholders | % | No. of Shares | % of Issued Share Capital |
|---|---|---|---|---|
| Less than 100 | 11 | 0.21 | 362 | 0.00 |
| 100 – 1,000 | 2,576 | 49.07 | 2,535,237 | 0.99 |
| 1,001 – 10,000 | 2,135 | 40.67 | 8,486,200 | 3.33 |
| 10,001 – 100,000 | 446 | 8.49 | 13,461,401 | 5.28 |
| 100,001 – less than 5% of issued shares | 79 | 1.50 | 115,003,700 | 45.07 |
| 5% and above of issued shares | 3 | 0.06 | 115,672,000 | 45.33 |
| | **5,250** | **100.00** | **255,158,900** | **100.00** |

## Thirty Largest Shareholders

| | Name of Shareholders | No. of Shares | % of Issued Share Capital |
|---|---|---|---|
| 1 | DBS Vickers Securities (Malaysia) Pte Ltd | 60,000,000 | 23.51 |
| 2 | Hwang Enterprises Sdn Bhd | 35,672,000 | 13.98 |
| 3 | HSBC Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account For Hwang Enterprises Sdn Bhd | 20,000,000 | 7.84 |
| 4 | Mayban Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account For Hwang Enterprises Sdn Bhd | 12,000,000 | 4.70 |
| 5 | HDM Nominees (Asing) Sdn Bhd<br>Al Sueban Limited Company W.L.L | 10,894,000 | 4.27 |
| 6 | Mayban Nominees (Asing) Sdn Bhd<br>DBS Bank For DBS Bank Ltd | 10,600,000 | 4.15 |
| 7 | Mayban Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account For Hwang Sing Lue | 10,106,086 | 3.96 |
| 8 | HDM Nominees (Tempatan) Sdn Bhd<br>Lee Hai Sherng | 7,108,464 | 2.79 |
| 9 | HDM Nominees (Asing) Sdn Bhd<br>DBS Vickers Secs (S) Pte Ltd For Asiabelle Investment Pte Ltd | 6,500,000 | 2.55 |

| | Name of Shareholders | No. of Shares | % of Issued Share Capital |
|---|---|---|---|
| 10 | HDM Nominees (Tempatan) Sdn Bhd<br>Tan Lee Sin | 6,463,000 | 2.53 |
| 11 | HDM Nominees (Tempatan) Sdn Bhd<br>Yeo Chwee Kee | 4,545,000 | 1.78 |
| 12 | Chua Holdings Sdn Bhd | 4,171,658 | 1.64 |
| 13 | HDM Nominees (Tempatan) Sdn Bhd<br>Lim Wei Yun | 3,831,600 | 1.50 |
| 14 | Permodalan Nasional Berhad | 3,000,000 | 1.18 |
| 15 | Wang Hui Tzu | 2,983,543 | 1.17 |
| 16 | HDM Nominees (Tempatan) Sdn Bhd<br>Hock Kheng Industries Sdn Bhd | 2,972,903 | 1.17 |
| 17 | HDM Nominees (Tempatan) Sdn Bhd<br>Tan Lee Sim | 2,561,400 | 1.00 |
| 18 | HDM Nominees (Tempatan) Sdn Bhd<br>Tan Koo Ching | 2,000,000 | 0.78 |
| 19 | Southern Consortium Sdn Bhd | 1,772,000 | 0.69 |
| 20 | Ong Guat Li | 1,771,707 | 0.69 |
| 21 | Citigroup Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account For Lew Weng Ho | 1,508,000 | 0.59 |
| 22 | Lee Hai Ying | 1,428,800 | 0.56 |
| 23 | Citigroup Nominees (Asing) Sdn Bhd<br>CBNY For Dimensional Emerging Markets Value Fund | 908,700 | 0.36 |
| 24 | Dato’ Seri Hwang Sing Lue | 858,033 | 0.34 |
| 25 | Tan Lee Sin | 783,000 | 0.31 |
| 26 | Ong Chin Hong | 717,015 | 0.28 |
| 27 | ECML Nominees (Tempatan) Sdn Bhd<br>Libra Invest Berhad For Kumpulan Wang Simpanan Pekerja (KWSP 2) | 675,000 | 0.27 |
| 28 | Y.A.M. Tunku Dato’ Seri Nadzaruddin Ibni Almarhum Tuanku Ja'afar | 660,000 | 0.26 |
| 29 | Looi Siew Lean | 586,000 | 0.23 |
| 30 | Lee Hai Sherng | 525,000 | 0.21 |
| | **Total** | **217,602,909** | **85.29** |

## Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 5 October 2011 were as follows:-

| Name of Shareholders | | Direct Interest | | Deemed Interest | |
|---|---|---|---|---|---|
| | | No. of Shares | % | No. of Shares | % |
| Dato' Seri Hwang Sing Lue | (a) | 10,964,119 | 4.30 | 68,697,000 | 26.92 |
| Hwang Lip Teik | (b) | 5,000 | – | 68,102,000 | 26.69 |
| Hwang Lip Koon | (b) | 25,000 | 0.01 | 68,102,000 | 26.69 |
| Hwang Enterprises Sdn Bhd | | 67,672,000 | 26.52 | – | – |
| DBS Vickers Securities (Malaysia) Pte Ltd (in liquidation) | | 60,000,000 | 23.51 | – | – |
| DBS Securities Holding Pte Ltd (in liquidation) | (c) | – | – | 60,000,000 | 23.51 |
| DBS Vickers Securities Holdings Pte Ltd | (d) | – | – | 60,000,000 | 23.51 |
| DBS Bank Ltd | (e) | 10,600,000 | 4.15 | 60,000,000 | 23.51 |
| DBS Group Holdings Ltd | (f) | – | – | 70,600,000 | 27.67 |
| Maju Holdings Pte Ltd | (g) | – | – | 70,600,000 | 27.67 |
| Temasek Holdings (Private) Limited | (h) | – | – | 70,600,000 | 27.67 |
| Minister for Finance | (i) | – | – | 70,600,000 | 27.67 |

Notes:-

*(a) Deemed interested through Hwang Enterprises Sdn Bhd, Ladies' Own Sdn Bhd, Pensin Investments Pte Ltd, his daughter Hwang Yee Tuan and son Hwang Lip Koon*

*(b) Deemed interested through Hwang Enterprises Sdn Bhd and Ladies' Own Sdn Bhd*

*(c) Deemed interested through DBS Vickers Securities (Malaysia) Pte Ltd (in liquidation)*

*(d) Deemed interested through DBS Securities Holding Pte Ltd (in liquidation)*

*(e) Deemed interested through DBS Vickers Securities Holdings Pte Ltd*

*(f) Deemed interested through DBS Bank Ltd*

*(g) Deemed interested through DBS Group Holdings Ltd*

*(h) Deemed interested through DBS Group Holdings Ltd and Maju Holdings Pte Ltd*

*(i) Deemed interested through Temasek Holdings (Private) Limited*

## Directors' Shareholdings

**In the Company**

| Name of Directors | | Direct Interest | | Deemed Interest | |
|---|---|---|---|---|---|
| | | No. of Shares | % | No. of Shares | % |
| Dato' Seri Hwang Sing Lue | (a) | 10,964,119 | 4.30 | 68,697,000 | 26.92 |
| Hwang Lip Teik | (b) | 5,000 | – | 68,102,000 | 26.69 |
| Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Almarhum Tuanku Ja'afar | | 660,000 | 0.26 | – | – |
| Ang Teik Siew (Ang Teik Lim Eric) | | – | – | – | – |
| Ng Wai Hung Andrew | | – | – | – | – |
| Ong Eng Kooi | | 25,000 | 0.01 | – | – |
| Y.A.M. Tengku Syed Badarudin Jamalullail | | – | – | – | – |
| Mohamed Tarmizi Tun Dr. Ismail | | – | – | – | – |
| Choe Tse Wei | | – | – | – | – |

Notes:-

*(a) Deemed interested through Hwang Enterprises Sdn Bhd, Ladies' Own Sdn Bhd, Pensin Investments Pte Ltd, his daughter Hwang Yee Tuan and son Hwang Lip Koon*

*(b) Deemed interested through Hwang Enterprises Sdn Bhd and Ladies' Own Sdn Bhd*

## In Related Company – HwangDBS Investment Management Berhad

| Name of Director | Direct Interest | | Deemed Interest | |
|---|---|---|---|---|
| | No. of Shares | % | No. of Shares | % |
| Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Almarhum Tuanku Ja'afar | 1,700,000 | 17 | – | – |

# PARTICULARS OF PROPERTIES HELD

by Hwang-DBS Group





| Location | Description of Property | Tenure | Approximate Area (Sq. Ft.) | Approximate Age (Years) | Net Book Value As At 31/07/2011 (RM) | Date of Acquisition |
|---|---|---|---|---|---|---|
| Levels 2, 3 & 4, Wisma Sri Pinang, 60 Green Hall, 10200 Penang | Office | Freehold | 25,399 | 27 | 4,905,818 | 01/03/1993 |
| Level 7, Wisma Sri Pinang, 60 Green Hall, 10200 Penang | Office | Freehold | 9,483 | 27 | 2,176,502 | 10/03/1994 |
| Level 8, Wisma Sri Pinang, 60 Green Hall, 10200 Penang | Office | Freehold | 8,568 | 23 | 1,556,672 | 10/03/1994 |
| A 7-storey building bearing address Wisma Sri Pinang II, 42 Green Hall, 10200 Penang | Office | Freehold | 36,187 | 13 | 9,986,207 | 01/08/1996 |
| 18th, 19th and 20th Floor, Plaza Masalam, 2, Jalan Tengku Ampuan Zabedah E/9E, Section 9, 40100 Shah Alam, Selangor | Office | Leasehold 99 years expiring in 2094 | 54,069 | 14 | 7,805,644 | 19/05/1999 |
| 16th & 17th Floor, Plaza Masalam, 2, Jalan Tengku Ampuan Zabedah E/9E, Section 9, 40100 Shah Alam, Selangor | Office | Leasehold 99 years expiring in 2094 | 36,046 | 14 | 6,238,361 | 29/08/2000 |
| Grant Nos. 44963, 44964 and 44965, Lot Nos. 288, 289 and 290 all of North East District, Tanjong Bungah, Penang | Vacant Land | Freehold | 39,460 | – | 1,229,810 | 12/06/2001 |
| Level 7, Johor Bahru City Square (Office Tower), 106-108, Jalan Wong Ah Fook, 80000 Johor Bahru, Johor | Office | Leasehold 99 years expiring in 2091 | 18,648 | 12 | 5,611,352 | 20/06/2001 |
| No. 2 & 4, Jalan Perda Barat, Bandar Perda, 14000 Bukit Mertajam, Penang | Shoplot | Freehold | 3,930 | 12 | 1,561,167 | 11/06/2007 |
| A 3-storey office building with a 2-level basement car park and a 2-storey detached house annexed to a single storey building bearing address No. 227, Jalan Ampang, 50450 Kuala Lumpur | Office | Freehold | 45,126 | 13 | 46,897,354 | 10/06/2010 |

# Reports and Financial Statements

The directors submit their report together with the audited financial statements of the group and of the company for the financial year ended 31 July 2011.

## PRINCIPAL ACTIVITIES

The principal activity of the company during the financial year is that of investment holding. The principal activities of the subsidiaries during the financial year are investment and commercial banking, stockbroking, futures broking, management of unit trust funds and provision of fund management services, moneylending and the provision of related financial services, as set out in note 17 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

## FINANCIAL RESULTS

| | Group RM'000 | Company RM'000 |
|---|---|---|
| Profit for the financial year attributable to: | | |
| Equity holders of the company | 86,614 | 14,982 |
| Non-controlling interests | 4,850 | – |
| | 91,464 | 14,982 |

In the opinion of the directors, the results of the operations of the group and of the company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature except as disclosed in note 50 to the financial statements.

## DIVIDENDS

The dividends paid by the company since the end of the previous financial year are as follows:

| | RM'000 |
|---|---|
| **In respect of the financial year ended 31 July 2010:** | |
| Final dividend of 5.0 sen gross per share, less income tax at 25%, paid on 20 December 2010 – as shown in the Directors' Report for the financial year ended 31 July 2010 | 9,568 |
| **In respect of the financial year ended 31 July 2011:** | |
| Interim dividend of 5.0 sen gross per share, less income tax at 25%, paid on 5 May 2011 | 9,569 |

The directors now recommend the payment of a final dividend in respect of the financial year ended 31 July 2011 of 5.0 sen gross per share, less income tax at 25%, amounting to RM9,568,459 based on the issued and paid-up share capital (less treasury shares) of the company as at 31 July 2011, which is subject to the approval of the shareholders at the forthcoming Annual General Meeting of the company. This proposed dividend will be accounted for in the shareholders' equity as an appropriation of retained profits in the financial year ending 31 July 2012 when approved by the shareholders.

## RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year have been disclosed in the financial statements.

## ISSUE OF SHARES

There were no issue of shares in the company during the financial year.

## DIRECTORS

The directors in office since the date of the last report are:

| | |
|---|---|
| Dato' Seri Hwang Sing Lue | |
| Hwang Lip Teik | |
| Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Almarhum Tuanku Ja'afar | |
| Ang Teik Siew (Ang Teik Lim Eric) | |
| Ong Eng Kooi | |
| Y.A.M. Tengku Syed Badarudin Jamalullail | |
| Ng Wai Hung Andrew | |
| Mohamed Tarmizi Tun Dr. Ismail | |
| Choe Tse Wei | (appointed on 30 March 2011) |
| Kankipati Rajan Raju | (resigned on 1 October 2010) |

Dato' Seri Hwang Sing Lue and Ong Eng Kooi who are above seventy years of age will retire pursuant to Section 129(2) of the Companies Act, 1965 at the forthcoming Annual General Meeting and offer themselves for re-appointment in accordance with Section 129(6) of the Companies Act, 1965 to hold office until the conclusion of the next Annual General Meeting.

## DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the company and its related corporations during the financial year are as follows:

| | Number of ordinary shares of RM1 each | | | |
|---|---|---|---|---|
| | 1 August 2010 | Addition | Disposal | **31 July 2011** |
| **Hwang-DBS (Malaysia) Berhad** | | | | |
| **Direct interest** | | | | |
| Dato' Seri Hwang Sing Lue | 10,964,119 | – | – | **10,964,119** |
| Hwang Lip Teik | 5,000 | – | – | **5,000** |
| Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Almarhum Tuanku Ja'afar | 660,000 | – | – | **660,000** |
| Ong Eng Kooi | 25,000 | – | – | **25,000** |
| **Indirect interest** | | | | |
| Dato' Seri Hwang Sing Lue | 68,697,000 | – | – | **68,697,000** |
| Hwang Lip Teik | 68,102,000 | – | – | **68,102,000** |
| **HwangDBS Investment Management Berhad** | | | | |
| **Direct interest** | | | | |
| Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Almarhum Tuanku Ja'afar | 1,700,000 | – | – | **1,700,000** |

By virtue of their interests in shares in the company, Dato' Seri Hwang Sing Lue and Hwang Lip Teik are also deemed to have interests in the shares in all the subsidiaries and associate to the extent that the company has interests.

Other than the above, none of the other directors in office at the end of the financial year had any interest in the shares in the company and its related corporations.

## DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than the directors' remuneration as shown in note 34 to the financial statements) by reason of a contract made by the company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest other than benefits that may be deemed to have arisen in relation to transactions entered into in the ordinary course of business as disclosed in note 42 to the financial statements.

Neither during nor at the end of the financial year was the company a party to any arrangement whose object was to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the company or any other body corporate.

## STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements of the group and of the company were made out, the directors took reasonable steps:

(a) to ascertain the action taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

At the date of this report, the directors are not aware of any circumstances:

(a) which would render the amounts written off or allowed for bad and doubtful debts of the group and of the company inadequate to any material extent or the values attributed to current assets of the group and of the company misleading; and

(b) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the group and of the company misleading or inappropriate.

In the interval between the end of the financial year and the date of this report:

(a) no item, transaction or event of a material and unusual nature has arisen which, in the opinion of the directors, would substantially affect the results of the operations of the group and of the company for the financial year in which this report is made; and

(b) no charge has arisen on the assets of any company in the group which secures the liability of any other person nor has any contingent liability arisen in any company in the group.

No contingent or other liability of any company in the group has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may affect the ability of the company and its subsidiaries to meet their obligations when they fall due.

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

## ACCOUNTING PERIODS OF COMPANIES WITHIN THE GROUP

Pursuant to Section 168(3) of the Companies Act, 1965, the directors have obtained an approval from the Companies Commission of Malaysia which allows the wholly-owned foreign subsidiaries of the company, HwangDBS Commercial Bank Plc and HwangDBS Securities (Cambodia) Plc to adopt a financial year which does not coincide with the financial year of the company for the financial year ended 31 July 2011.

## RATING BY RATING AGENCIES

The company is not rated by an external agency. In August 2011, RAM Rating Services Berhad ("RAM") has reaffirmed the long term rating of $A_2$ and short term rating of P1 of its wholly-owned subsidiary, HwangDBS Investment Bank Berhad.

Financial institutions rated in 'A' category are adjudged to offer adequate safety for timely payments of financial obligations, and has adequate credit profile but possess one or more problem areas, giving rise to the possibility of future riskiness. Entities rated in this category have generally performed at industry average and are considered to be more vulnerable to changes in economic condition than those rated in the higher categories. The subscript 2 in this category indicates a mid-ranking in the A category.

Financial institutions in the 'P1' rating are defined by RAM as having superior capabilities for timely payments of obligations.

## SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are as disclosed in note 52 to the financial statements.

## OTHER MATTERS

The supplementary information set out on page 147 have been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants.

## AUDITORS

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

In accordance with a resolution of the Board of Directors dated 28 September 2011.

**Y.A.M. TUNKU DATO' SERI NADZARUDDIN IBNI ALMARHUM TUANKU JA'AFAR**
Director

**HWANG LIP TEIK**
Director

# INDEPENDENT AUDITORS' REPORT
To The Members Of Hwang-DBS (Malaysia) Berhad

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Hwang-DBS (Malaysia) Berhad on pages 43 to 146, which comprise the statements of financial position as at 31 July 2011 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 financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out in Notes 1 to 53.

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 Financial Reporting Standards in Malaysia, 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 judgment, 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 controls relevant to the entity's preparation of the 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 controls. 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 Financial Reporting Standards in Malaysia, Bank Negara Malaysia Guidelines and the Companies Act, 1965 so as to give a true and fair view of the financial position of the group and of the company as of 31 July 2011 and of their financial performance and cash flows for the financial 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 have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the accounts 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.

(c) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

## OTHER REPORTING RESPONSIBILITIES

The supplementary information set out on page 147 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 Disclosures 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

SOO HOO KHOON YEAN
(No. 2682/10/11 (J))
Chartered Accountant

Penang
28 September 2011

# STATEMENTS OF FINANCIAL POSITION
## As At 31 July 2011

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | **2011 RM'000** | 2010 RM'000 | **2011 RM'000** | 2010 RM'000 |
| **ASSETS** | | | | | |
| Cash and short term funds | 5 | **885,629** | 1,148,293 | **3,082** | 613 |
| Deposits and placements with banks and other financial institutions | 6 | **179,812** | 140,246 | **–** | – |
| Securities held-for-trading | 7 | **338,425** | 503,808 | **–** | – |
| Securities available-for-sale ("AFS") | 8 | **1,193,899** | 470,181 | **490** | 17,594 |
| Securities held-to-maturity | 9 | **388,335** | 465,323 | **–** | – |
| Loans, advances and financing | 10 | **679,780** | 611,509 | **–** | – |
| Clients' and brokers' balances | 11 | **168,102** | 205,994 | **–** | – |
| Derivative assets | 12 | **26,734** | 14,111 | **–** | – |
| Other assets | 13 | **39,307** | 41,206 | **1,235** | 17,867 |
| Statutory deposits with Central Banks | 15 | **68,204** | 20,741 | **–** | – |
| Tax recoverable | | **6,543** | 14,393 | **6,542** | 5,194 |
| Deferred tax assets | 16 | **10,497** | 7,461 | **6** | – |
| Investments in subsidiaries | 17 | **–** | – | **684,963** | 672,310 |
| Investment in an associate | 18 | **3,624** | 3,284 | **4,904** | 4,904 |
| Property, plant and equipment | 19 | **53,878** | 55,267 | **17** | 221 |
| Investment properties | 20 | **52,839** | 53,081 | **–** | – |
| Intangible assets | 21 | **162,509** | 162,509 | **–** | – |
| **TOTAL ASSETS** | | **4,258,117** | 3,917,407 | **701,239** | 718,703 |
| **LIABILITIES AND EQUITY** | | | | | |
| Deposits from customers | 22 | **820,043** | 589,461 | **–** | – |
| Deposits and placements of banks and other financial institutions | 23 | **1,581,036** | 1,532,003 | **–** | – |
| Clients' and brokers' balances | 24 | **186,725** | 209,865 | **–** | – |
| Derivative liabilities | 12 | **28,233** | 21,989 | **–** | – |
| Other liabilities | 25 | **369,463** | 325,670 | **4,881** | 6,226 |
| Taxation | | **5,361** | 4,485 | **–** | – |
| Deferred tax liabilities | 16 | **426** | 867 | **–** | 1 |
| Borrowings | 26 | **377,349** | 407,500 | **232,691** | 243,500 |
| **TOTAL LIABILITIES** | | **3,368,636** | 3,091,840 | **237,572** | 249,727 |
| Share capital | 27 | **265,845** | 265,845 | **265,845** | 265,845 |
| Reserves | 28 | **620,890** | 560,064 | **213,883** | 219,192 |
| Treasury shares, at cost | 27 | **(16,061)** | (16,061) | **(16,061)** | (16,061) |
| | | **870,674** | 809,848 | **463,667** | 468,976 |
| Non-controlling interests | | **18,807** | 15,719 | **–** | – |
| **TOTAL EQUITY** | | **889,481** | 825,567 | **463,667** | 468,976 |
| **TOTAL LIABILITIES AND EQUITY** | | **4,258,117** | 3,917,407 | **701,239** | 718,703 |
| **COMMITMENTS AND CONTINGENCIES** | 44 | **6,256,169** | 7,219,777 | **–** | – |

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

# INCOME STATEMENTS
For The Financial Year Ended 31 July 2011





| | Note | Group 2011 RM'000 | Group 2010 RM'000 | Company 2011 RM'000 | Company 2010 RM'000 |
|---|---|---|---|---|---|
| **Operating revenue** | 29 | **399,333** | 346,942 | **29,274** | 26,815 |
| Interest income | 30 | **189,450** | 165,658 | **529** | 1,191 |
| Interest expense | 31 | **(92,341)** | (69,287) | **(10,168)** | (8,062) |
| **Net interest income/(expense)** | | **97,109** | 96,371 | **(9,639)** | (6,871) |
| Other operating income | 32 | **233,299** | 179,487 | **33,335** | 27,504 |
| | | **330,408** | 275,858 | **23,696** | 20,633 |
| Other operating expenses | 33 | **(206,466)** | (177,390) | **(5,405)** | (6,127) |
| | | **123,942** | 98,468 | **18,291** | 14,506 |
| (Allowance)/Write back of allowance for losses on: | | | | | |
| – loans, advances and financing | 35 | **(5,499)** | (10,834) | **–** | – |
| – clients' balances and receivables | 36 | **868** | (465) | **–** | – |
| – securities AFS | | **–** | (650) | **–** | – |
| – investment in a subsidiary | 17 | **–** | – | **(12)** | (27) |
| | | **119,311** | 86,519 | **18,279** | 14,479 |
| Share of results of an associate, net of tax | 18 | **340** | (777) | **–** | – |
| **Profit before taxation** | | **119,651** | 85,742 | **18,279** | 14,479 |
| Taxation | 37 | **(28,187)** | (21,308) | **(3,297)** | (1,777) |
| **Profit for the financial year** | | **91,464** | 64,434 | **14,982** | 12,702 |
| **Attributable to:** | | | | | |
| Equity holders of the company | | **86,614** | 60,874 | **14,982** | 12,702 |
| Non-controlling interests | | **4,850** | 3,560 | **–** | – |
| | | **91,464** | 64,434 | **14,982** | 12,702 |
| **Basic earnings per share** (sen) | 38 | **33.95** | 23.86 | | |

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

# STATEMENTS OF COMPREHENSIVE INCOME

For The Financial Year Ended 31 July 2011

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** **RM'000** | 2010 RM'000 | **2011** **RM'000** | 2010 RM'000 |
| **Profit for the financial year** | **91,464** | 64,434 | **14,982** | 12,702 |
| **Other comprehensive income for the financial year** (note 39)**:** | | | | |
| Currency translation differences arising from foreign operations | **(7,958)** | (8,758) | **–** | – |
| Securities AFS: | | | | |
| – net change in fair value | **6,535** | 4,093 | **3,208** | 2,500 |
| – net gain transferred to profit or loss on disposal | **(4,696)** | (2,448) | **(4,362)** | (2,083) |
| Income tax relating to components of other comprehensive income | **(805)** | (307) | **–** | – |
| | **(6,924)** | (7,420) | **(1,154)** | 417 |
| **Total comprehensive income for the financial year** | **84,540** | 57,014 | **13,828** | 13,119 |
| **Attributable to:** | | | | |
| Equity holders of the company | **79,690** | 53,454 | **13,828** | 13,119 |
| Non-controlling interests | **4,850** | 3,560 | **–** | – |
| | **84,540** | 57,014 | **13,828** | 13,119 |

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

# STATEMENTS OF CHANGES IN EQUITY
For The Financial Year Ended 31 July 2011





| | | Attributable to equity holders of the company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Issued and fully paid ordinary shares of RM1 each | | | Non-distributable | | | | Distributable | | | |
| | Note | Number of shares '000 | Nominal value RM'000 | Treasury shares RM'000 | Share premium RM'000 | Statutory reserve RM'000 | AFS reserve RM'000 | Foreign exchange reserve RM'000 | Retained profits RM'000 | Sub-total RM'000 | Non-controlling interests RM'000 | Total equity RM'000 |
| **Group** | | | | | | | | | | | | |
| At 1 August 2010 | | | | | | | | | | | | |
| – as previously reported | | 255,159 | 265,845 | (16,061) | 33,090 | 80,132 | 2,912 | (9,526) | 453,456 | 809,848 | 15,719 | 825,567 |
| – effects of adoption of FRS 139 | 50(e) | – | – | – | – | – | – | – | 273 | 273 | – | 273 |
| – as restated | | 255,159 | 265,845 | (16,061) | 33,090 | 80,132 | 2,912 | (9,526) | 453,729 | 810,121 | 15,719 | 825,840 |
| Profit for the financial year | | – | – | – | – | – | – | – | 86,614 | 86,614 | 4,850 | 91,464 |
| Other comprehensive income for the financial year, net of tax | 39 | – | – | – | – | – | 1,034 | (7,958) | – | (6,924) | – | (6,924) |
| Total comprehensive income for the financial year | | – | – | – | – | – | 1,034 | (7,958) | 86,614 | 79,690 | 4,850 | 84,540 |
| Transfer to statutory reserve | | – | – | – | – | 28,245 | – | – | (28,245) | – | – | – |
| Dividends in respect of the financial year ended: | | | | | | | | | | | | |
| – 31 July 2010 | 40 | – | – | – | – | – | – | – | (9,568) | (9,568) | – | (9,568) |
| – 31 July 2011 | 40 | – | – | – | – | – | – | – | (9,569) | (9,569) | – | (9,569) |
| Dividend paid by a subsidiary to non-controlling interests | | – | – | – | – | – | – | – | – | – | (1,762) | (1,762) |
| At 31 July 2011 | | 255,159 | 265,845 | (16,061) | 33,090 | 108,377 | 3,946 | (17,484) | 492,961 | 870,674 | 18,807 | 889,481 |

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

| | | Attributable to equity holders of the company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Issued and fully paid ordinary shares of RM1 each | | | Non-distributable | | | | Distri-butable | | | |
| | Note | Number of shares '000 | Nominal value RM'000 | Treasury shares RM'000 | Share premium RM'000 | Statutory reserve RM'000 | AFS reserve RM'000 | Foreign exchange reserve RM'000 | Retained profits RM'000 | Sub-total RM'000 | Non-controlling interests RM'000 | Total equity RM'000 |
| **Group** | | | | | | | | | | | | |
| At 1 August 2009 | | 255,168 | 265,845 | (16,046) | 33,090 | 61,321 | 1,574 | (768) | 425,746 | 770,762 | 13,921 | 784,683 |
| Profit for the financial year | | – | – | – | – | – | – | – | 60,874 | 60,874 | 3,560 | 64,434 |
| Other comprehensive income for the financial year, net of tax | 39 | – | – | – | – | – | 1,338 | (8,758) | – | (7,420) | – | (7,420) |
| Total comprehensive income for the financial year | | – | – | – | – | – | 1,338 | (8,758) | 60,874 | 53,454 | 3,560 | 57,014 |
| Transfer to statutory reserve | | – | – | – | – | 18,811 | – | – | (18,811) | – | – | – |
| Shares repurchased held as treasury shares at cost | 27 | (9) | – | (15) | – | – | – | – | – | (15) | – | (15) |
| Dividends in respect of the financial year ended: | | | | | | | | | | | | |
| – 31 July 2009 | | – | – | – | – | – | – | – | (9,569) | (9,569) | – | (9,569) |
| – 31 July 2010 | 40 | – | – | – | – | – | – | – | (4,784) | (4,784) | – | (4,784) |
| Dividend paid by a subsidiary to non-controlling interests | | – | – | – | – | – | – | – | – | – | (1,762) | (1,762) |
| At 31 July 2010 | | 255,159 | 265,845 | (16,061) | 33,090 | 80,132 | 2,912 | (9,526) | 453,456 | 809,848 | 15,719 | 825,567 |

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

| | Note | Issued and fully paid ordinary shares of RM1 each | | | Non-distributable | | Distri-butable | |
|---|---|---|---|---|---|---|---|---|
| | | Number of shares '000 | Nominal value RM'000 | Treasury shares RM'000 | Share premium RM'000 | AFS reserve RM'000 | Retained profits RM'000 | Total equity RM'000 |
| **Company** | | | | | | | | |
| At 1 August 2010 | | **255,159** | **265,845** | **(16,061)** | **33,090** | **1,154** | **184,948** | **468,976** |
| Profit for the financial year | | **–** | **–** | **–** | **–** | **–** | **14,982** | **14,982** |
| Other comprehensive income for the financial year, net of tax | 39 | **–** | **–** | **–** | **–** | **(1,154)** | **–** | **(1,154)** |
| Total comprehensive income for the financial year | | **–** | **–** | **–** | **–** | **(1,154)** | **14,982** | **13,828** |
| Dividends in respect of the financial year ended: | | | | | | | | |
| – 31 July 2010 | 40 | **–** | **–** | **–** | **–** | **–** | **(9,568)** | **(9,568)** |
| – 31 July 2011 | 40 | **–** | **–** | **–** | **–** | **–** | **(9,569)** | **(9,569)** |
| At 31 July 2011 | | **255,159** | **265,845** | **(16,061)** | **33,090** | **–** | **180,793** | **463,667** |
| At 1 August 2009 | | 255,168 | 265,845 | (16,046) | 33,090 | 737 | 186,599 | 470,225 |
| Profit for the financial year | | – | – | – | – | – | 12,702 | 12,702 |
| Other comprehensive income for the financial year, net of tax | 39 | – | – | – | – | 417 | – | 417 |
| Total comprehensive income for the financial year | | – | – | – | – | 417 | 12,702 | 13,119 |
| Shares repurchased held as treasury shares at cost | 27 | (9) | – | (15) | – | – | – | (15) |
| Dividends in respect of the financial year ended: | | | | | | | | |
| – 31 July 2009 | | – | – | – | – | – | (9,569) | (9,569) |
| – 31 July 2010 | 40 | – | – | – | – | – | (4,784) | (4,784) |
| At 31 July 2010 | | 255,159 | 265,845 | (16,061) | 33,090 | 1,154 | 184,948 | 468,976 |

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

# STATEMENTS OF CASH FLOWS

For The Financial Year Ended 31 July 2011

| | Note | Group 2011 RM'000 | Group 2010 RM'000 | Company 2011 RM'000 | Company 2010 RM'000 |
|---|---|---|---|---|---|
| **OPERATING ACTIVITIES** | | | | | |
| Profit for the financial year | | **91,464** | 64,434 | **14,982** | 12,702 |
| Adjustments for: | | | | | |
| Property, plant and equipment: | | | | | |
| – depreciation | | **8,093** | 8,075 | **204** | 203 |
| – net gain on disposals | | **(288)** | (204) | **–** | – |
| – write offs | | **16** | 51 | **–** | – |
| Investment properties: | | | | | |
| – depreciation | | **242** | 122 | **–** | – |
| Net (gain)/loss arising from disposal of: | | | | | |
| – securities held-for-trading | | **(15,996)** | (8,429) | **–** | – |
| – derivatives | | **8,021** | 4,887 | **–** | – |
| – securities AFS | | **(4,955)** | (3,154) | **(4,620)** | (2,099) |
| – securities held-to-maturity | | **–** | (475) | **–** | – |
| – other investments | | **(6)** | (6) | **–** | – |
| Net unrealised (gain)/loss on: | | | | | |
| – securities held-for-trading | | **(4,309)** | (3,601) | **–** | – |
| – derivatives | | **(10,680)** | 651 | **–** | – |
| Net unrealised loss/(gain) on foreign exchange | | **7,353** | 4,538 | **–** | (47) |
| Allowance for losses on: | | | | | |
| – loans, advances and financing | | **7,304** | 10,834 | **–** | – |
| – clients' balances and receivables | | **(18)** | 863 | **–** | – |
| – securities AFS | | **–** | 650 | **–** | – |
| – investment in a subsidiary | | **–** | – | **12** | 27 |
| Interest suspended | | **–** | 598 | **–** | – |
| Interest expense | | **92,341** | 69,287 | **10,168** | 8,062 |
| Interest income on securities AFS and securities held-to-maturity | | **(51,597)** | (37,821) | **(14)** | – |
| Dividends and income distributions | | **(7,385)** | (3,654) | **(28,745)** | (25,624) |
| Rental income | | **(1,281)** | (178) | **–** | – |
| Share of results of an associate, net of tax | | **(340)** | 777 | **–** | – |
| Taxation | | **28,187** | 21,308 | **3,297** | 1,777 |
| | | **54,702** | 65,119 | **(19,698)** | (17,701) |
| | | **146,166** | 129,553 | **(4,716)** | (4,999) |

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

| | Note | Group 2011 RM'000 | Group 2010 RM'000 | Company 2011 RM'000 | Company 2010 RM'000 |
|---|---|---|---|---|---|
| (Increase)/Decrease in operating assets: | | | | | |
| Deposits and placements with banks and other financial institutions | | **(42,065)** | (57,237) | **–** | – |
| Securities held-for-trading | | **186,878** | (67,560) | **–** | – |
| Loans, advances and financing | | **(76,789)** | (134,705) | **–** | – |
| Clients' and brokers' balances | | **37,926** | 194,133 | **–** | – |
| Derivative assets | | **25** | (278) | **–** | – |
| Other assets | | **(8,812)** | (6,854) | **11,627** | 25,979 |
| Statutory deposits with Central Banks | | **(48,583)** | (10,509) | **–** | – |
| | | **48,580** | (83,010) | **11,627** | 25,979 |
| Increase/(Decrease) in operating liabilities: | | | | | |
| Deposits from customers | | **230,959** | 87,152 | **–** | – |
| Deposits and placements of banks and other financial institutions | | **44,961** | 734,398 | **–** | – |
| Clients' and brokers' balances | | **(31,006)** | (145,214) | **–** | – |
| Derivative liabilities | | **(1,469)** | 987 | **–** | – |
| Other liabilities | | **41,706** | (4,516) | **184** | 1,536 |
| | | **285,151** | 672,807 | **184** | 1,536 |
| Cash generated from operations | | **479,897** | 719,350 | **7,095** | 22,516 |
| Interest paid | | **(74,650)** | (53,266) | **(38)** | (32) |
| Taxation (paid)/refunded | | **(23,598)** | (19,746) | **2,459** | 5,287 |
| **Net operating cash flow** | | **381,649** | 646,338 | **9,516** | 27,771 |
| **INVESTING ACTIVITIES** | | | | | |
| Proceeds from disposals: | | | | | |
| – property, plant and equipment | | **344** | 207 | **–** | – |
| – other investments | | **11** | 15 | **–** | – |
| Purchases of: | | | | | |
| – property, plant and equipment | 19 | **(7,404)** | (4,957) | **–** | – |
| – investment properties | | **–** | (47,065) | **–** | – |
| – other investments | | **(53)** | – | **–** | – |
| Net (purchase)/disposal of securities AFS | | **(705,043)** | (380,751) | **20,570** | (938) |
| Net disposal of securities held-to-maturity | | **69,234** | 43,208 | **–** | – |
| Interest received from securities AFS and securities held-to-maturity | | **46,672** | 37,283 | **14** | – |
| Dividends and income distributions received | | **6,772** | 3,304 | **21,639** | 21,113 |
| Rental received | | **1,281** | 178 | **–** | – |
| Additional investments in an existing subsidiary | | **–** | – | **(7,665)** | (57,910) |
| **Net investing cash flow** | | **(588,186)** | (348,578) | **34,558** | (37,735) |

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | **2011** | 2010 | **2011** | 2010 |
| | | **RM'000** | RM'000 | **RM'000** | RM'000 |
| **FINANCING ACTIVITIES** | | | | | |
| Dividends paid to: | | | | | |
| – equity holders of the company | | **(19,137)** | (14,353) | **(19,137)** | (14,353) |
| – non-controlling interests | | **(1,762)** | (1,762) | **–** | – |
| Interest paid on borrowings | | **(17,619)** | (11,590) | **(10,468)** | (6,934) |
| Net (repayment)/drawdown of borrowings | | **(31,700)** | 73,000 | **(12,000)** | 29,000 |
| Shares repurchased | | **–** | (15) | **–** | (15) |
| **Net financing cash flow** | | **(70,218)** | 45,280 | **(41,605)** | 7,698 |
| **Net change in cash and cash equivalents** | | **(276,755)** | 343,040 | **2,469** | (2,266) |
| Foreign exchange differences | | **(4,729)** | (8,196) | **–** | – |
| **Cash and cash equivalents at beginning of the financial year** | | **862,364** | 527,520 | **613** | 2,879 |
| **Cash and cash equivalents at end of the financial year** | 41 | **580,880** | 862,364 | **3,082** | 613 |

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

# NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 July 2011

## 1 General information

The principal activity of the company during the financial year is that of investment holding. The principal activities of the subsidiaries during the financial year are investment and commercial banking, stockbroking, futures broking, management of unit trust funds and provision of fund management services, moneylending and the provision of related financial services, as set out in note 17 to the financial statements. There have been no significant changes in the nature of these activities 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 ("Bursa Securities").

The company's registered office and principal place of business is located at:

Level 8 Wisma Sri Pinang
60 Green Hall
10200 Penang

## 2 Basis of preparation of the financial statements

The financial statements of the group and of the company have been prepared under the historical cost convention except as disclosed in the summary of significant accounting policies in note 3 to the financial statements and are in accordance with the Financial Reporting Standards in Malaysia, Bank Negara Malaysia ("BNM") Guidelines and the provisions of the Companies Act, 1965.

The preparation of financial statements in conformity with the Financial Reporting Standards in Malaysia, BNM Guidelines and the provisions of the Companies Act, 1965 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 financial year. It also requires directors to exercise their judgement in the process of applying the accounting policies of the group and of the company. Although these estimates and assumptions are based on the management and directors' best knowledge of current events and actions, actual results may differ from those estimates.

Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving a higher degree of judgement and complexity are disclosed in note 4 to the financial statements.

## 2 Basis of preparation of the financial statements (cont'd)

(a) New financial reporting standards and amendments to the published standards and interpretations (FRSs) adopted

During the financial year, the group and the company adopted the following new FRSs issued by the Malaysian Accounting Standards Board that are relevant and effective for the financial statements of the group and of the company commencing from 1 August 2010:

| | FRS | Description |
|---|---|---|
| • | FRS 3 | Business Combinations |
| • | FRS 7 | Financial Instruments: Disclosures |
| • | FRS 101 | Presentation of Financial Statements |
| • | FRS 123 | Borrowing Costs |
| • | FRS 127 | Consolidated and Separate Financial Statements |
| • | FRS 139 | Financial Instruments: Recognition and Measurement |
| • | Amendments to FRS 5 | Non-current Assets Held for Sale and Discontinued Operations |
| • | Amendments to FRS 7 | Financial Instruments: Disclosures |
| • | Amendment to FRS 8 | Operating Segments |
| • | Amendment to FRS 107 | Statement of Cash Flows |
| • | Amendment to FRS 110 | Events after the Reporting Period |
| • | Amendment to FRS 116 | Property, Plant and Equipment |
| • | Amendment to FRS 117 | Leases |
| • | Amendment to FRS 118 | Revenue |
| • | Amendments to FRS 121 | The Effects of Changes in Foreign Exchange Rates |
| • | Amendment to FRS 123 | Borrowing Costs |
| • | Amendments to FRS 127 | Consolidated and Separate Financial Statements |
| • | Amendments to FRS 128 | Investments in Associates |
| • | Amendments to FRS 132 | Financial Instruments: Presentation |
| • | Amendment to FRS 134 | Interim Financial Reporting |
| • | Amendment to FRS 136 | Impairment of Assets |
| • | Amendments to FRS 138 | Intangible Assets |
| • | Amendments to FRS 139 | Financial Instruments: Recognition and Measurement |
| • | Amendment to FRS 140 | Investment Property |
| • | IC Interpretation 9 | Reassessment of Embedded Derivatives |
| • | IC Interpretation 10 | Interim Financial Reporting and Impairment |
| • | IC Interpretation 11 | Group and Treasury Share Transactions |
| • | IC Interpretation 16 | Hedges of a Net Investment in a Foreign Operation |
| • | IC Interpretation 17 | Distribution of Non-cash Assets to Owners |
| • | Amendments to IC Interpretation 9 | Reassessment of Embedded Derivatives |

The adoption of the FRSs does not have any significant financial impact on the financial statements of the group and of the company other than the effects as disclosed in notes 42(c) and 50 to the financial statements.

## 2 Basis of preparation of the financial statements (cont'd)

(b) New financial reporting standards and amendments to the published standards and interpretations (FRSs) which are relevant to the group and the company and have not been early adopted

<u>Effective for accounting period beginning on or after 1 January 2011</u>

- Amendments to FRS 3, Business Combinations
  Clarifies that:

  (i) the choice of measuring non-controlling interests at fair value or at the proportionate share of the acquiree's net assets applies only to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation. All other components of non-controlling interest are measured at fair value unless another measurement basis is required by FRSs.

  (ii) the amendments to FRS 7, FRS 132 and FRS 139 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of FRS 3 (2010). Those contingent consideration arrangements are to be accounted for in accordance with the guidance in FRS 3 (2005).

- Amendments to FRS 7, Financial Instruments: Disclosures
  Requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy.

- FRS 101, Presentation of Financial Statements
  Clarifies that an entity shall present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

- Amendments to FRS 128, Investments in Associates
  One of the conditions which exempt an entity from applying equity accounting on its investment in an associate, i.e. the ultimate or any intermediate parent of an entity must be incorporated in Malaysia has been removed. The amendments also require that on loss of significant influence in an associate, an entity shall re-measure at fair value any investment to be retained in the former associate. The fair value as at the date when a company ceases to be an associate of the entity shall be regarded as fair value of the investment to be retained on initial recognition.

- Amendments to FRS 132, Financial Instruments: Presentation
  Requires an entity to apply FRS 132 to contingent consideration that arose from a business combination for which the acquisition date is after FRS 3 has come into effect.

- Amendments to FRS 134, Interim Financial Reporting
  Clarifies that the information disclosed in relation to significant events or transactions in the interim financial report shall update the equivalent information presented in the most recent annual financial report. Additional examples of significant events or transactions, of which disclosure is required are provided in the amended standard.

- Amendments to FRS 139, Financial Instruments: Recognition and Measurement
  Requires an entity to apply FRS 139 to contingent consideration that arose from a business combination for which the acquisition date is after FRS 3 has come into effect.

## 2 Basis of preparation of the financial statements (cont'd)

(b) New financial reporting standards and amendments to the published standards and interpretations (FRSs) which are relevant to the group and the company and have not been early adopted (cont'd)

<u>Effective for accounting period beginning on or after 1 January 2011 (cont'd)</u>

- IC Interpretation 4, Determining whether an Arrangement contains a Lease
  Provides guidance for determining whether certain arrangements are, or contain, leases that should be accounted for in accordance with FRS 117, Leases. It clarifies that an arrangement, although does not take the legal form of a lease, is a lease when the fulfilment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset.

<u>Effective for accounting period beginning on or after 1 July 2011</u>

- Amendments to IC Interpretation 14, FRS 119, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
  Permits an entity to recognise the prepayments of contributions as an asset, rather than an expense in circumstances when the entity is subject to a minimum funding requirement and makes an early payment of contributions to meet those requirements.

- IC Interpretation 19, Extinguishing Financial Liabilities with Equity Instruments
  Provides clarification when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. A gain or loss, being the difference between the carrying value of the financial liability and the fair value of the equity instruments issued, shall be recognised in profit or loss. Entities are no longer permitted to reclassify the carrying value of the existing financial liability into equity with no gain or loss recognised in profit or loss.

<u>Effective for accounting period beginning on or after 1 January 2012</u>

- FRS 124, Related Party Disclosures
  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:

  (i) Name of the government and the nature of its relationship with the reporting entity;
  (ii) Nature and amount of each individually significant transaction; and
  (iii) Qualitative or quantitative indication of the extent of transactions which are significant collectively but not individually.

The adoption of the above FRSs is not expected to have any significant impact on the financial performance of the group and of the company.

## 3 Summary of significant accounting policies

All significant accounting policies set out below are consistent with those applied in the previous financial year except for the changes in accounting policies as stated in note 50 to the financial statements.

### (a) Basis of consolidation

The consolidated financial statements of the group include the financial statements of the company and all its subsidiaries made up to the end of the financial year. A subsidiary is a company in which the group has power to exercise control over the financial and operating policies so as to obtain benefits from its activities.

Subsidiaries are consolidated using the acquisition method. Subsidiaries are consolidated from the date the group obtains control over the subsidiaries to the date control ceases.

<u>Business combinations occurring on or after 1 August 2010</u>

The consideration transferred for an acquisition is measured at the aggregate of the acquisition-date fair values of the assets transferred, the liabilities incurred and the equity interests issued by the acquirer. 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. Non-controlling interests are measured at fair value or proportionate share of the acquiree's net identifiable assets at the acquisition date, determined on a case by case basis. 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 net identifiable assets acquired is recognised as goodwill. Any gain arising from bargain purchase is recognised in profit or loss.

<u>Business combinations occurring before 1 August 2010</u>

The cost of an acquisition was measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination were measured initially at their fair values at the acquisition date. Non-controlling interests were measured at the proportionate share of the acquiree's identifiable net assets. The excess of the cost of acquisition over the group's share of the fair value of identifiable net assets acquired at the date of acquisition is recognised as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gain or loss arising from inter-company transactions are eliminated and the consolidated financial statements reflect external transactions only. Losses resulting from intragroup transactions, which indicate an impairment loss, will be recognised in the consolidated income statements. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

When an entity loses control of a subsidiary, the assets and liabilities and related equity components of the former subsidiary will be derecognised. Any investment retained in a former subsidiary is measured at its fair value at the date when control is lost. Any gain or loss arising from loss of control of a subsidiary, which comprises the difference between the fair value of considerations received and the group's share of its net assets as of the date when control is lost (including the cumulative amount of any exchange differences) that relate to the former subsidiary and gain or loss arising from re-measurement of investment retained in the former subsidiary to its fair value is recognised in profit or loss. Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Non-controlling interests represent that portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the group. It is measured at the non-controlling interests' share of the fair value of the subsidiary's identifiable assets and liabilities at the acquisition date and changes in the subsidiary's equity since that date. Total comprehensive income is attributed to the equity holders of the company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

## 3 Summary of significant accounting policies (cont'd)

### (b) Investments in subsidiaries

Investments in subsidiaries, which are eliminated on consolidation, are stated at cost less accumulated impairment losses. When the company loses control of a subsidiary, the difference between the fair value of considerations received and the carrying amount is recognised as the gain or loss on derecognition of a subsidiary in profit or loss of the company.

The accounting policy on the recognition and measurement of impairment loss is disclosed in note 3(m) to the financial statements.

### (c) Associates

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

The group's interest in associate comprise the cost of investments in the equity of associate and any other long term interests which in substance, form part of the group's net investment, less accumulated impairment losses.

In the consolidated financial statements, the group's interest in associate is accounted for using the equity method of accounting. Equity accounting involves recognising the group's share of post acquisition profit or loss of associates in the income statement and other comprehensive income. In the separate financial statements of the company, associates are stated at cost less accumulated impairment losses.

On the loss of significant influence over an associate, the difference between the fair value of any investment retained and any proceeds from disposing of part interest in the associate and the group's share of its net assets as of the date when significant influence is lost (including the cumulative amount of any exchange differences that relate to the former associates) is recognised as the group's gain or loss on derecognition of an associate in profit or loss of the group. In the separate financial statements of the company, on the loss of significant influence over an associate, the difference between the fair value of considerations received and its carrying amount is recognised as the gain or loss on derecognition of an associate in profit or loss of the company. The investment retained in a former associate, if any, shall be recognised at fair value in the financial statements of the group and of the company.

When the group's share of losses in an associate equals or exceeds its interests in the associate, the group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the associate.

The accounting policy on the recognition and measurement of impairment loss is disclosed in note 3(m) to the financial statements.

## 3 Summary of significant accounting policies (cont'd)

### (d) Intangible assets

(i) Goodwill

Goodwill represents the excess of the fair values of considerations transferred for purchase of subsidiaries or businesses, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held equity interest in the acquiree over the fair value of the net identifiable assets acquired at the date of acquisition.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is tested for impairment annually. Goodwill is allocated to cash-generating units ("CGUs") or groups of CGUs that are expected to benefit from the synergies of the business combination in which the goodwill arose for the purpose of impairment testing.

(ii) Other intangible assets

Other intangible assets are initially recognised when they are separable or arise from contractual or other legal rights, when it is probable that future economic benefits attributable to the assets will flow to the group and the cost can be measured reliably.

Intangible assets that have an indefinite useful life, or are not yet ready for use, are stated at cost less accumulated impairment losses and tested for impairment annually. Intangible assets are allocated to CGUs or groups of CGUs that are expected to benefit from synergies of business activities for the purpose of impairment testing.

The accounting policy on the recognition and measurement of impairment loss is disclosed in note 3(m) to the financial statements.

### (e) Financial instruments

Financial instruments are recognised when the group or the company has become a party to the contractual provisions of the instruments. Financial instruments are classified as assets, liabilities or equity in accordance with the substance of the contractual arrangement. Financial instruments are offset and the net amount presented in the statement of financial position when the group or the company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

For financial instruments measured at fair value, the fair value is determined by reference to quoted and observable market prices, where available. 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.

All regular way purchases and sales of equity financial assets are recognised on the trade date and all regular way purchases and sales of fixed income and money market financial assets are recognised on the settlement date.

Interest, dividends, gains and losses relating to financial instruments classified as financial assets and liabilities are reported as income or expense. Distributions to holders of financial instruments classified as equity are debited directly to equity.

Net gains or losses on financial instruments comprise net gains or losses on disposal and net unrealised mark-to-market gains or losses.

## 3 Summary of significant accounting policies (cont'd)

### (f) Non-derivative financial assets

(i) Classification

The group and the company classify the non-derivative financial assets into the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity and available-for-sale ("AFS"). Classification of financial assets is determined at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss held by the group comprise financial assets held-for-trading which are acquired or incurred principally for the purpose of selling or repurchasing in the near term or are part of a portfolio of identified financial assets that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

The group and the company did not designate any financial assets at fair value through profit or loss at initial recognition.

Loans and receivables

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

Financial assets held-to-maturity

Financial assets held-to-maturity are non-derivative financial instruments with fixed or determinable payments and fixed maturities that the group and the company have the positive intent and ability to hold to maturity.

If more than an insignificant amount of the securities held-to-maturity portfolio are sold or reclassified before maturity (other than under certain specified conditions) during the current financial year or the last two preceding financial years, the entire category would be tainted and reclassified as securities AFS at fair value. The difference between the carrying value and fair value of the securities at the date of reclassification is recognised in other comprehensive income.

Financial assets AFS

Financial assets AFS are non-derivative financial assets that are designated as available-for-sale or are not classified to any other categories of financial assets.

## 3 Summary of significant accounting policies (cont'd)

### (f) Non-derivative financial assets (cont'd)

(ii) Recognition and measurement

Financial assets are recognised initially at fair value plus, in the case of financial assets not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets.

Financial assets at fair value through profit or loss and available-for-sale ("AFS") 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. Any gain and loss arising from changes in the fair value of the financial assets at fair value through profit or loss is included in profit or loss in the period which they arise. Any gain or loss arising from the changes in fair value of the financial assets AFS is recognised in other comprehensive income, except for impairment losses and foreign exchange gains or losses which are recognised in profit or loss.

Financial assets held-to-maturity and loans and receivables are subsequently measured at amortised cost using the effective interest method, less allowances for impairment losses.

(iii) Derecognition

Financial assets are derecognised when the contractual rights of the group or of the company to the cash flows from the financial assets expire or when the group or the company transfers the financial assets to another party without retaining control or transfers substantially all the risks and rewards of the assets.

When financial assets AFS are derecognised, the cumulative gains or losses previously recognised in other comprehensive income shall be transferred to profit or loss. Any gain or loss arising from derecognition of financial assets held-for-trading and held-to-maturity is recognised in profit or loss.

(iv) Reclassification

Non-derivative financial assets may be reclassified out of the fair value through profit or loss category only in rare circumstances if the assets are no longer held for the purposes of selling or repurchasing in the near term. In addition, financial assets that would have met the definition of loans and receivables may be reclassified out of the held-for-trading or AFS categories to loans and receivables 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 values of the financial assets at the date of the reclassification. The fair values of the financial assets become the new cost or amortised cost, as applicable, and the fair value gains or losses previously recognised before the reclassification date will not be reversed.

The accounting policy on the recognition and measurement of impairment losses is disclosed in note 3(i) to the financial statements.

## 3 Summary of significant accounting policies (cont'd)

### (g) Non-derivative financial liabilities

(i) Classification

The group and the company classify the non-derivative financial liabilities into the following categories: at fair value through profit or loss, at amortised cost and financial guarantee contracts. Classification of financial liabilities is determined at initial recognition.

The group and the company did not designate any financial liabilities at fair value through profit or loss at initial recognition.

(ii) Recognition and measurement

Financial liabilities are recognised initially at fair value plus, in the case of financial liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial liabilities.

Financial liabilities at fair value through profit or loss are subsequently carried at fair value. Financial liabilities at amortised cost are subsequently measured at amortised cost using the effective interest method. A financial guarantee contract is initially recognised at fair value on the date the guarantee was given. Subsequent to initial recognition, the liability under such guarantee is measured at the higher of amount initially recognised less accumulated amortisation and the best estimate of the amount required to settle any present obligation arising at the end of the reporting period.

(iii) Derecognition

Financial liabilities are derecognised when the obligations of the group or the company as specified in a contract expire or are discharged or cancelled.

### (h) Derivative financial instruments

Derivative financial instruments are initially recognised at fair values on the date on which derivative contracts are entered into and are subsequently remeasured at their fair values. 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. Derivative financial instruments are presented separately in the statements of financial position as assets (positive changes in fair values) and liabilities (negative changes in fair values). Gains or losses arising from changes in the fair value of the derivatives are recognised immediately in profit or loss.

An embedded derivative is a component of a hybrid financial instrument that also contains a non-derivative host contract. An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss.

## 3 Summary of significant accounting policies (cont'd)

### (i) Impairment of financial assets

Classification of loans and receivables as impaired

Classification of receivables arising from stockbroking business as impaired and the treatment on interest charged on the impaired accounts are in accordance with the Rules of Bursa Malaysia Securities Berhad ("Rules of Bursa Securities"), where applicable.

Other loans and receivables are classified as impaired when they fulfill either of the following criteria:

- principal or interest or both are past due for 3 months or more;
- where a loan is in arrears for less than 3 months, the loan exhibits indications of credit weaknesses;
- individual impairment allowance has been made; or
- where an impaired loan and receivable has been rescheduled or restructured, the asset will continue to be classified as impaired until repayments based on the revised and/or restructured terms have been observed continuously for a period of 6 months.

Objective evidence of impairment

The group and the company assess at end of each reporting period whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment loss is incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial assets that can be reliably estimated.

The criteria that the group and the company use to determine that there is objective evidence of impairment loss include indications that the obligor is experiencing significant financial difficulty, high probability that the obligor will enter bankruptcy or other distressed financial reorganisation, default or delinquency in interest or principal payments, breach of loan covenants, a significant downgrade in credit ratings by external rating agencies and events that would adversely affect the repayment capability of the obligor.

In the case of quoted equity instruments classified as financial assets AFS, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether objective evidence of impairment exists.

Impairment assessment

The group and the company first assess whether objective evidence of impairment exists for financial assets which are individually significant, and collectively for financial assets which are not individually significant, taking into account the historical loss experience of such assets. If the group and the company determine that no objective evidence of impairment exists for an individually assessed financial asset, the financial asset is included in a group with similar credit risk characteristics and collectively assessed for impairment.

In accordance with the transitional arrangements under the Amendments to FRS 139, BNM has prescribed an alternative basis for collective impairment assessment in respect of loans/financing for banking institutions during the transitional period (applicable till the financial year ending 31 July 2012), as set out in the BNM Guidelines on Classification and Impairment Provisions for Loans/Financing, whereby banking institutions are required to maintain collective impairment allowance of at least 1.5% of the total outstanding loans/financing, net of individual impairment allowance. Subject to prior written approval by BNM, banking institutions are allowed to maintain a lower collective impairment allowance. Collective impairment allowance of the investment banking subsidiary is arrived at based on the transitional provisions as prescribed by BNM.

## 3 Summary of significant accounting policies (cont'd)

### (i) Impairment of financial assets (cont'd)

Determination of impairment loss in respect of the relevant categories of financial assets is as follows:

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the assets' original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. If the assets have variable interest rates, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

(ii) Financial assets carried at cost

If there is objective evidence that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the current market rate of return of similar assets. The carrying amount of the assets is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. No reversal of impairment loss is allowed when the amount of impairment loss decreases.

(iii) Financial assets carried at fair value

When a decline in fair value of financial assets AFS has been recognised in other comprehensive income and there is objective evidence that the assets are impaired, the cumulative loss that had been recognised in other comprehensive income will be reclassified from equity to profit or loss even though the assets have not been derecognised. The amount of cumulative loss is the difference between the acquisition price (net of principal repayment and amortisation) and current fair value, less any impairment loss on those assets previously recognised in profit or loss.

If, in subsequent periods, the fair value of a debt instrument classified as financial assets AFS increases and the increase can be objectively related to an event occurring after the impairment was recognised in profit or loss, that portion of impairment loss is reversed through profit or loss. For equity instruments, no reversal of impairment loss through profit or loss is allowed when there is an increase in fair value of the equity instrument in subsequent periods.

When a financial asset or portion of a financial asset is uncollectible, the amount will be written off against the related allowance for impairment loss. Financial assets are written off after taking into consideration the realisable value of collateral, if any, when in the judgement of the management, there is no prospect of recovery.

## 3 Summary of significant accounting policies (cont'd)

### (j) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Capital work in progress is not depreciated. Depreciation of assets under capital work in progress commences when the assets are ready for their intended use and transferred to the respective classes of assets. Depreciation of other property, plant and equipment is calculated to write off the cost of each property, plant and equipment over its expected useful life on the straight line basis. The principal annual depreciation rates are as follows:

| | % |
|---|---|
| Apartments, buildings and office units | 2 |
| Furniture, fixtures and fittings | 10 - 20 |
| Office equipment | 20 |
| Computer equipment | 20 - 33 1/3 |
| Motor vehicles | 20 |
| Renovations | 10 - 20 |

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with carrying amounts of assets and are included in profit or loss.

The accounting policy on the recognition and measurement of impairment losses is disclosed in note 3(m) to the financial statements.

### (k) Investment properties

Investment properties are properties which the group holds with the intention to earn rentals or for capital appreciation or both, and are not occupied by the group. These include land held for a currently undetermined future use. Such properties are initially recognised at cost including any directly attributable expenditure. Subsequently, investment properties are stated at cost less accumulated depreciation and impairment losses.

Freehold land is not depreciated. Buildings and office units are depreciated at a principal annual rate of 2% on the straight line basis to write off the cost of each asset over its expected useful life.

Gains or losses on disposals of investment properties are determined by comparing proceeds with carrying amounts of assets and are included in profit or loss.

The accounting policy on the recognition and measurement of impairment loss is disclosed in note 3(m) to the financial statements.

## 3 Summary of significant accounting policies (cont'd)

### (l) Other investments

Other investments, which mainly comprise preference shares of Bursa Malaysia Derivatives Berhad, transferable corporate club memberships, investments in gold coins and commemorative notes, are stated at cost less accumulated impairment losses.

On disposal of an investment, the gain or loss representing the difference between the net disposal proceeds and the carrying amount of investment is credited or charged to profit or loss.

The accounting policy on the recognition and measurement of impairment loss is disclosed in note 3(m) to the financial statements.

### (m) Impairment of non-financial assets

Non-financial assets that have an indefinite useful life are not subject to amortisation/depreciation and are tested annually for impairment. Non-financial assets that are subject to amortisation/depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows (cash-generating units). Any impairment loss is charged to profit or loss in the period in which it arises.

Non-financial assets, other than goodwill, of which an impairment loss is recognised in prior financial years, are reviewed for possible reversal of the impairment at the end of each reporting period. Reversal of impairment loss is recognised in profit or loss to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, had no impairment loss been recognised. No reversal of impairment loss on goodwill is allowed in a subsequent period.

### (n) Income taxes

Current tax expense is determined according to the tax laws of each jurisdiction in which the group operates and is calculated at the current tax rate based on taxable profits.

Deferred tax is provided 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 unless the temporary differences arise from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are determined using tax rates that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

Deferred tax assets and liabilities relating to the fair value re-measurement of financial assets AFS are recognised in other comprehensive income.

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 tax relate to the same tax authority.

## 3 Summary of significant accounting policies (cont'd)

### (o) Provisions

Provisions are recognised when the group or 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 obligation, and when a reliable estimate of the amount can be made.

### (p) Foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

Transactions in foreign currencies are converted into Ringgit Malaysia at rates of exchange ruling on the transaction dates. Monetary assets and liabilities denominated in foreign currencies as at the end of the reporting period are translated into Ringgit Malaysia at the rates of exchange ruling on that date. All gains and losses on foreign exchange are included in profit or loss.

(iii) Foreign operations

The results and financial position of foreign operations which have a functional currency different from the company's presentation currency and which is not a currency of a hyperinflationary economy, are translated into the presentation currency as follows:

- assets and liabilities of foreign operations are translated at the closing rate at the end of the reporting period;
- income and expenses of foreign operations 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 rates on the dates of the transactions);
- non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate prevailing at the date of the initial transaction; and
- 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 are taken to shareholders' equity. When a foreign operation is disposed of, exchange differences that were recorded in other comprehensive income and accumulated in a separate component of equity are reclassified from equity to profit or loss as part of the gain or loss on disposal. On partial disposal of a subsidiary that includes a foreign operation, an entity shall re-attribute the proportionate share of the cumulative amount of the exchange differences recognised in other comprehensive income to the non-controlling interests in that foreign operation. In any other partial disposal of a foreign operation, an entity shall reclassify to profit or loss the proportionate share of the cumulative amount of the exchange differences recognised in other comprehensive income.

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

## 3 Summary of significant accounting policies (cont'd)

### (q) Recognition of interest income and expense

Interest income and expense is recognised on an accrual basis using effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest over the relevant period. The effective interest rate is the rate that 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. When calculating the effective interest rate, significant fees and transaction costs integral to the effective interest rate, as well as premiums or discounts, are considered.

For receivables arising from stockbroking business which are classified as impaired, interest accrued and recognised as income prior to the receivables are classified as impaired shall be reversed out of income by debiting the interest income in profit or loss. Subsequently, interest on impaired accounts is recognised in accordance with the Rules of Bursa Securities.

For other impaired financial assets where the value of the financial asset has been written down as a result of an impairment loss, interest income continues to be recognised on the recoverable amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

### (r) Recognition of fees and other income

Brokerage is recognised when contracts are executed.

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

Initial service charge and fees earned from management of unit trust funds are recognised as income on an accrual basis at the rates provided for in the prospectus of the respective unit trust funds managed by a subsidiary. Fees earned from provision of fund management services are recognised on an accrual basis.

Underwriting commission and placement income are recognised when all conditions precedent are fulfilled.

Rollover fee is recognised upon the rollover of specific contracts under share margin financing or upon rollover of loans.

Loan and debt security arrangement fees and commission are recognised as income when conditions precedent are fulfilled.

Portfolio management, commitment and guarantee fees are recognised as income based on time apportionment.

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

Rental income and all other income are recognised on an accrual basis.

## 3 Summary of significant accounting policies (cont'd)

**(s) Employee benefits**

(i) Short term employee benefits

Short term employee benefits are accrued in the financial year in which the associated services are rendered by employees of the group and of the company.

(ii) Post-employment benefits

The contributions by the group and the company to the defined contribution plan, the Employees Provident Fund, are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the group and the company have no further payment obligations.

**(t) Operating lease**

Leases of assets where substantially all the risks and benefits are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on the straight line basis over the period of the lease.

**(u) Shares repurchased**

Shares repurchased are accounted for using the treasury stock method. The shares repurchased are held as treasury shares at cost and set off against shareholders' equity until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in the equity. No gain or loss is recognised in profit or loss on the sale, re-issuance or cancellation of the treasury shares.

**(v) Dividends**

Dividends on ordinary shares are recognised as liabilities when approved for payment.

**(w) Cash and cash equivalents**

Cash and cash equivalents comprise cash and bank balances and short term deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**(x) Contingent liabilities and contingent assets**

The group and the company do not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the group and the company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

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

## 3 Summary of significant accounting policies (cont'd)

### (y) Segment reporting

Disclosure of information about reportable operating segments is based on the internal reporting provided to the chief operating decision-maker. The group has determined the board of directors of the company as the chief operating decision-maker, which is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The reportable operating segments of the group are distinguishable business units engaged in providing different products or services. These businesses are managed and assessed separately as each requires a differentiated strategy focusing on the specific products or services provided for the economic, competitive and regulatory environment in which it operates.

Revenue from external customers is attributed to countries based on the locations of customers. All material transactions between operating segments are eliminated as part of the consolidation process.

## 4 Critical accounting estimates and judgement

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

### (a) Impairment of financial assets

Loans and receivables

The group makes allowance for impairment loss based on assessment of recoverability. Whilst management's judgement is guided by the relevant BNM guidelines and the Rules of Bursa Securities, judgement is made about the future and other key factors in respect of the amount and timing of cash flows recoverable from impaired loans and receivables. Among the factors considered are the group's aggregate exposure to the borrowers, net realisable value of the underlying collateral and the borrowers' capacity to generate sufficient cash flow to service debt obligations.

Securities AFS and securities held-to-maturity

Assessment of impairment of securities is made in accordance with the guidance in FRS 139 in determining when an investment is impaired. Management judgement is required to evaluate the duration and extent to which the fair value of the investment is below its carrying value and when there is indication of impairment in the carrying value of the financial instruments.

### (b) Impairment of non-financial assets

Intangible assets

The group tests intangible assets that have an indefinite useful life for impairment annually to ensure that the carrying amounts of the CGUs or groups of CGUs to which intangible assets are allocated do not exceed their recoverable amounts. Recoverable amounts are determined based on the present value of the estimated future cash flows expected to arise from continuing operations. In arriving at the recoverable amounts, management exercises judgement in estimating the future cash flows, growth rate and discount rate.

## 4 Critical accounting estimates and judgement (cont'd)

### (b) Impairment of non-financial assets (cont'd)

Other assets

The group reviews assets that are subject to amortisation/depreciation for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Recoverable amounts are determined based on the present value of the estimated future cash flows of the assets. In arriving at the recoverable amounts, management exercises judgement in estimating the future cash flows and discount rate.

### (c) Fair value of financial instruments

Fair value of financial instruments is determined by reference to quoted market price of the instrument or by using a valuation model, which is based on independently sourced observable or implied market data, mainly interest rate yield curves, recent market transactions, foreign exchange rates and market volatility. Changes in the estimates or assumptions in respect of the parameters used could affect the fair value of the financial instruments reported in the financial statements.

### (d) Income taxes

Provision for income taxes is estimated based on the current interpretation of the relevant tax laws in Malaysia and foreign jurisdiction. The estimation process may involve seeking the advice of experts, where appropriate. Where the final liabilities for taxation assessed differ from the amounts that were initially recorded, the differences will affect the income tax expense and deferred tax in the period in which the estimate is revised or when the final tax liability is established.

## 5 Cash and short term funds

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2011 RM'000** | 2010 RM'000 | **2011 RM'000** | 2010 RM'000 |
| Cash and balances with banks and other financial institutions | **117,083** | 121,179 | **877** | 283 |
| Money at call and deposit placements maturing within one month | **768,546** | 1,027,114 | **2,205** | 330 |
| | **885,629** | 1,148,293 | **3,082** | 613 |
| Included in cash and balances with banks and other financial institutions are: | | | | |
| Monies held in trust for clients | **10,483** | 16,294 | **–** | – |
| Dividends received on behalf of customers by certain subsidiaries | **4,699** | 1,927 | **–** | – |
| | **15,182** | 18,221 | **–** | – |
| Included in money at call and deposit placements maturing within one month are: | | | | |
| Monies held in trust for clients and dealer's representatives | **289,567** | 267,708 | **–** | – |
| | **304,749** | 285,929 | **–** | – |

Included in cash and short term funds of the company as at the end of the reporting period is RM515,000 (2010: RM80,000) maintained by the company with the commercial banking subsidiary, HwangDBS Commercial Bank Plc.

Included in cash and short term funds as at the previous financial year end was RM332,000 held under funds under management placed by the company with a subsidiary, HwangDBS Investment Management Berhad, which was given the discretionary powers within certain guidelines to invest the funds (note 14).

## 6 Deposits and placements with banks and other financial institutions

**Group**

| | **2011 RM'000** | 2010 RM'000 |
|---|---|---|
| Licensed banks | **126,431** | 140,246 |
| Licensed investment banks | **50,027** | – |
| Other financial institutions | **3,354** | – |
| | **179,812** | 140,246 |
| Included in deposits with licensed banks are: | | |
| Monies held in trust for clients | **2,241** | 2,191 |

## 7 Securities held-for-trading

**Group**

| | **2011 RM'000** | 2010 RM'000 |
|---|---|---|
| **At fair value:** | | |
| **Quoted in Malaysia** | | |
| Shares, warrants and REITs | **25,898** | 21,068 |
| Unit trusts | **14,032** | 15,465 |
| | **39,930** | 36,533 |
| **Unquoted** | | |
| Negotiable instruments of deposits | **–** | 50,000 |
| Bankers' acceptances | **144,445** | 45,461 |
| Malaysian Government Treasury Bills | **–** | 29,866 |
| BNM Monetary Notes | **51,869** | 99,532 |
| Private and Islamic debt securities | **102,181** | 242,416 |
| | **338,425** | 503,808 |

## 8 Securities available-for-sale ("AFS")

| | Group | | Company | |
|---|---|---|---|---|
| | **2011 RM'000** | 2010 RM'000 | **2011 RM'000** | 2010 RM'000 |
| **At fair value:** | | | | |
| **Quoted in Malaysia** | | | | |
| Shares, warrants and REITs | **5,089** | 17,104 | **–** | 17,104 |
| Unit trusts | **151,806** | 55,874 | **–** | – |
| | **156,895** | 72,978 | **–** | 17,104 |
| **Unquoted** | | | | |
| Malaysian Government Sukuk | **6,291** | 6,632 | **–** | – |
| Malaysian Government Islamic Investment Issues | **212,767** | – | **–** | – |
| BNM Islamic Monetary Notes | **98,894** | – | **–** | – |
| Private and Islamic debt securities | **713,769** | 390,081 | **–** | – |
| Investment fund | **4,793** | – | **–** | – |
| **At cost:** | | | | |
| **Unquoted** | | | | |
| Shares | **1,140** | 1,140 | **490** | 490 |
| | **1,194,549** | 470,831 | **490** | 17,594 |
| Accumulated impairment loss | **(650)** | (650) | **–** | – |
| | **1,193,899** | 470,181 | **490** | 17,594 |

Included in securities AFS of the group are investments in unit trust funds managed by a subsidiary, HwangDBS Investment Management Berhad ("HDBSIM") as at the end of the reporting period at a carrying amount of RM120,395,000 (2010: RM54,449,000).

Included in securities AFS of the group and of the company as at the previous financial year end were quoted shares, warrants and REITs amounting to RM17,104,000 held under funds under management placed by the company with a subsidiary, HDBSIM (note 14).

There is no increase in or write back of impairment loss, which is in respect of unquoted shares in a corporation, during the current financial year.

## 9 Securities held-to-maturity

**Group**

| | **2011 RM'000** | 2010 RM'000 |
|---|---|---|
| **At amortised cost:** | | |
| **Unquoted** | | |
| Malaysian Government Securities | **–** | 70,643 |
| Private and Islamic debt securities | **388,335** | 394,680 |
| | **388,335** | 465,323 |

## 10 Loans, advances and financing

**Group**

| | 2011 RM'000 | 2010 RM'000 |
|---|---|---|
| **(a) By type** | | |
| Term loans | | |
| – housing loans | **7,975** | 2,338 |
| – bridging loans | **3,550** | 8,550 |
| – syndicated term loans | **122,742** | 85,834 |
| – other term loans | **450,568** | 460,555 |
| Overdrafts | **1,999** | 171 |
| Share margin financing | **253,631** | 259,300 |
| Other financing | **52** | – |
| | **840,517** | 816,748 |
| Unearned interest | **(137,922)** | (182,827) |
| | **702,595** | 633,921 |
| Allowance for losses: | | |
| – collective impairment | **(12,393)** | – |
| – individual impairment | **(10,422)** | – |
| – general allowance | **–** | (9,251) |
| – specific allowance | **–** | (13,161) |
| Net loans, advances and financing | **679,780** | 611,509 |

| | 2011 RM'000 | 2010 RM'000 |
|---|---|---|
| **(b) By type of customer** | | |
| Domestic business enterprises | | |
| – others | **252,550** | 159,021 |
| Individuals | **243,189** | 247,571 |
| Other domestic entities | **156,734** | 206,745 |
| Foreign business enterprises | **8,782** | 3,499 |
| Foreign individuals | **41,340** | 17,085 |
| | **702,595** | 633,921 |

## 10 Loans, advances and financing (cont'd)

**Group**

| | 2011 RM'000 | 2010 RM'000 |
|---|---|---|
| **(c) By geographical distribution** | | |
| Malaysia | **652,844** | 613,997 |
| Cambodia | **41,477** | 12,274 |
| Hong Kong | **7,841** | 3,475 |
| Singapore | **237** | 3,779 |
| Other countries | **196** | 396 |
| | **702,595** | 633,921 |
| **(d) By interest rate sensitivity** | | |
| Fixed rate | | |
| – other fixed rate loans/financing | **548,289** | 537,198 |
| – housing loans | **7,975** | 2,338 |
| Variable rate | | |
| – base lending rate plus | **30,170** | 10,054 |
| – cost-plus | **116,161** | 84,331 |
| | **702,595** | 633,921 |
| **(e) By purpose** | | |
| Purchase of landed properties: | | |
| – residential | **6,990** | 2,338 |
| – non-residential | **4,491** | 544 |
| Construction | **6,145** | 2,579 |
| Real estate | **1,515** | 1,213 |
| Purchase of securities | **346,506** | 308,195 |
| Working capital | **68,372** | 42,104 |
| Personal use | **189,178** | 229,327 |
| Others | **79,398** | 47,621 |
| | **702,595** | 633,921 |

## 10 Loans, advances and financing (cont'd)

**Group**

| | | 2011 RM'000 | 2010 RM'000 |
|---|---|---|---|
| **(f)** | **By residual contractual maturity** | | |
| | Within 1 year | **376,166** | 346,540 |
| | 1 year to 3 years | **58,188** | 25,487 |
| | 3 years to 5 years | **23,631** | 14,027 |
| | Over 5 years | **244,610** | 247,867 |
| | | **702,595** | 633,921 |
| **(g)** | **Impaired/Non-performing loans, advances and financing by purpose** | | |
| | Purchase of landed properties | | |
| | – residential | **18** | – |
| | Real estate | **278** | – |
| | Purchase of securities | **1,636** | 1,678 |
| | Working capital | **7,280** | 8,550 |
| | Personal use | **9,189** | 3,899 |
| | | **18,401** | 14,127 |
| **(h)** | **Impaired/Non-performing loans, advances and financing by geographical distribution** | | |
| | Malaysia | **17,375** | 14,127 |
| | Cambodia | **1,026** | – |
| | | **18,401** | 14,127 |
| **(i)** | **Movements in impaired/non–performing loans, advances and financing** | | |
| | At beginning of the financial year | | |
| | – as previously reported | **14,127** | 13,143 |
| | – effects of adoption of FRS 139 | **1,004** | – |
| | – as restated | **15,131** | 13,143 |
| | Classified as impaired/non-performing | **32,405** | 7,429 |
| | Reclassified as non-impaired/performing | **(18,871)** | (154) |
| | Amount recovered | **(7,150)** | (2,174) |
| | Amount written off | **(3,114)** | (4,117) |
| | At end of the financial year | **18,401** | 14,127 |
| | Gross impaired/non-performing loans, advances and financing as a % of gross loans, advances and financing | **2.6%** | 2.2% |

## 10 Loans, advances and financing (cont'd)

**Group**

| | 2011 RM'000 | 2010 RM'000 |
|---|---|---|
| **(j) Movements in allowance for losses** | | |
| **Collective impairment** | | |
| At beginning of the financial year | | |
| – as previously reported | **–** | – |
| – effects of adoption of FRS 139 | **9,217** | – |
| – as restated | **9,217** | – |
| Net allowance made | **5,163** | – |
| Amount written off | **(1,963)** | – |
| Exchange differences | **(24)** | – |
| At end of the financial year | **12,393** | – |
| As a % of gross loans, advances and financing less individual impairment allowance | **1.8%** | – |
| **Individual impairment** | | |
| At beginning of the financial year | | |
| – as previously reported | **–** | – |
| – effects of adoption of FRS 139 | **9,440** | – |
| – as restated | **9,440** | – |
| Allowance made | **6,013** | – |
| Amount written back | **(5,023)** | – |
| Exchange differences | **(8)** | – |
| At end of the financial year | **10,422** | – |
| **General allowance** | | |
| At beginning of the financial year | | |
| – as previously reported | **9,251** | 6,914 |
| – effects of adoption of FRS 139 | **(9,251)** | – |
| – as restated | **–** | 6,914 |
| Net allowance made | **–** | 2,343 |
| Exchange differences | **–** | (6) |
| At end of the financial year | **–** | 9,251 |
| As a % of gross loans, advances and financing less specific allowance | **–** | 1.5% |

## 10 Loans, advances and financing (cont'd)

**Group**

| | **2011 RM'000** | 2010 RM'000 |
|---|---|---|
| **(j) Movements in allowance for losses (cont'd)** | | |
| **Specific allowance** | | |
| At beginning of the financial year | | |
| – as previously reported | **13,161** | 8,787 |
| – effects of adoption of FRS 139 | **(13,161)** | – |
| – as restated | **–** | 8,787 |
| Allowance made | **–** | 9,276 |
| Amount written back | **–** | (785) |
| Amount written off | **–** | (4,117) |
| At end of the financial year | **–** | 13,161 |

## 11 Clients' and brokers' balances

**Group**

| | **2011 RM'000** | 2010 RM'000 |
|---|---|---|
| Amounts due from clients | **140,331** | 129,200 |
| Allowance for losses: | | |
| – collective impairment | **(28)** | – |
| – individual impairment | **(712)** | – |
| – specific allowance | **–** | (563) |
| | **139,591** | 128,637 |
| Amounts due from brokers | **28,511** | 77,357 |
| | **168,102** | 205,994 |

Clients' and brokers' balances represent the amounts receivable in respect of outstanding contracts and contra losses.

The credit terms in respect of clients' and brokers' balances are based on the agreements entered into between the investment banking subsidiary and its clients and are in accordance with the Rules of Bursa Securities.

| | **2011 RM'000** | 2010 RM'000 |
|---|---|---|
| **(a) Impaired/Non-performing accounts** | | |
| Amounts due from clients | **1,172** | 576 |

The non-performing accounts as at the previous financial year end comprised accounts classified as doubtful and bad amounted to RM26,000 and RM550,000 respectively.

## 11 Clients' and brokers' balances (cont'd)

**Group**

| | 2011 RM'000 | 2010 RM'000 |
|---|---|---|
| **(b) Movements in allowance for losses** | | |
| **Collective impairment** | | |
| At beginning of the financial year | | |
| – as previously reported | – | – |
| – effects of adoption of FRS 139 | 19 | – |
| – as restated | 19 | – |
| Net allowance made | 9 | – |
| At end of the financial year | 28 | – |
| **Individual impairment** | | |
| At beginning of the financial year | | |
| – as previously reported | – | – |
| – effects of adoption of FRS 139 | 576 | – |
| – as restated | 576 | – |
| Allowance made | 237 | – |
| Amount written back | (101) | – |
| At end of the financial year | 712 | – |
| **General allowance** | | |
| At beginning of the financial year | | |
| – as previously reported | – | 60 |
| – effects of adoption of FRS 139 | – | – |
| – as restated | – | 60 |
| Net allowance written back | – | (60) |
| At end of the financial year | – | – |
| **Specific allowance** | | |
| At beginning of the financial year | | |
| – as previously reported | 563 | 831 |
| – effects of adoption of FRS 139 | (563) | – |
| – as restated | – | 831 |
| Allowance made | – | 1,028 |
| Amount written back | – | (250) |
| Amount written off | – | (1,046) |
| At end of the financial year | – | 563 |

The disclosure requirements under Rule 1104.3(1) of the Rules of Bursa Securities have been complied with, where relevant.

## 12 Derivative financial instruments

**Group**

| | 2011 RM'000 | 2010 RM'000 |
|---|---|---|
| **At fair value:** | | |
| Derivative assets | **26,734** | 14,111 |
| Derivative liabilities | **(28,233)** | (21,989) |
| | **(1,499)** | (7,878) |

| | Notional amount RM'000 | Fair value Derivative assets RM'000 | Fair value Derivative liabilities RM'000 |
|---|---|---|---|
| **2011** | | | |
| Foreign exchange related contracts | | | |
| – Currency forwards | **366,915** | **940** | **(4,598)** |
| – Currency swaps | **460,319** | **4,981** | **(742)** |
| – Currency options | **1,682** | **1** | **(1)** |
| – Cross currency interest rate swaps ("CCIRS") | **407,686** | **14,912** | **(13,817)** |
| Interest rate related contracts | | | |
| – Interest rate swaps | **1,168,000** | **5,900** | **(9,075)** |
| | **2,404,602** | **26,734** | **(28,233)** |
| **2010** | | | |
| Foreign exchange related contracts | | | |
| – Currency forwards | 113,546 | 584 | (733) |
| – Currency swaps | 102,096 | 346 | (27) |
| – Cross currency interest rate swaps | 280,697 | 278 | (5,239) |
| Interest rate related contracts | | | |
| – Interest rate swaps | 1,378,000 | 12,903 | (15,990) |
| | 1,874,339 | 14,111 | (21,989) |

Included in foreign exchange related contracts as at the end of reporting period are CCIRS contracts entered into with other related party by the investment banking subsidiary in its ordinary course of business, at a notional amount of RM149,256,000 (2010: RM22,267,000) and with a remaining maturity of 1 to 5 years. The fair value of the derivative liability amounted to RM9,288,000 (2010: RM1,004,000).

## 12 Derivative financial instruments (cont'd)

**Group**

As at the end of reporting period, the fair values of the following outstanding futures contracts are included in other receivables and deposits (note 13):

| | | Fair value | |
|---|---|---|---|
| | **Notional amount RM'000** | **Derivative assets RM'000** | **Derivative liabilities RM'000** |
| **2011** | | | |
| Interest rate related contracts | | | |
| – Futures | **3,380,000** | **219** | **(15,487)** |
| **2010** | | | |
| Interest rate related contracts | | | |
| – Futures | 4,885,000 | 186 | (23,237) |

The net unrealised gain arising from fair value changes in financial liabilities of the group for the current financial year of RM1,506,000 represents reversal of unrealised loss upon maturity of futures contracts, offset by changes in fair value of derivatives as a result of unfavourable movements in market interest rates and/or foreign exchange rates relative to the terms of the respective derivative contracts.

## 13 Other assets

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | **2011 RM'000** | 2010 RM'000 | **2011 RM'000** | 2010 RM'000 |
| **Financial assets** | | | | | |
| Trade receivables | (a) | **8,620** | 6,084 | **–** | – |
| Interest receivable | | **–** | 17,195 | **–** | – |
| Amount due from a subsidiary | 42(c) | **–** | – | **1,163** | 12,773 |
| Subordinated term loan to a subsidiary | 42(c) | **–** | – | **–** | 5,000 |
| Other receivables and deposits | (b) | **21,782** | 8,721 | **39** | 54 |
| | | **30,402** | 32,000 | **1,202** | 17,827 |
| **Non-financial assets** | | | | | |
| Statutory deposit | (c) | **150** | 150 | **–** | – |
| Clearing Guarantee Fund | (d) | **2,002** | 1,956 | **–** | – |
| Clearing Fund | (e) | **1,000** | 1,000 | **–** | – |
| Prepayments | | **2,808** | 3,203 | **33** | 40 |
| Other investments | (f) | **2,945** | 2,897 | **–** | – |
| | | **39,307** | 41,206 | **1,235** | 17,867 |

## 13 Other assets (cont'd)

(a) Trade receivables are stated net of allowances for impairment/doubtful debts of RM341,000 (2010: RM488,000).

(b) Included in other receivables and deposits of the group as at the end of the reporting period are clients' margin deposits held in trust by foreign brokers amounting to RM4,613,000 (2010: RM Nil).

(c) The statutory deposit is placed by a subsidiary with the Securities Commission in compliance with a requirement for a fund manager's licence.

(d) The contributions to Clearing Guarantee Fund represent interest-bearing contributions made by the investment banking subsidiary as a trading clearing participant in accordance with the Rules of Bursa Malaysia Securities Clearing Sdn. Bhd. ("Bursa Clearing") to a fund maintained by Bursa Clearing.

(e) The contributions to Clearing Fund represent interest-bearing contributions made by a subsidiary in accordance with the Business Rules of Bursa Malaysia Derivatives Clearing Berhad.

(f) Other investments of the group comprise the following:

| | Group | |
|---|---|---|
| | **2011** | 2010 |
| | **RM'000** | RM'000 |
| **At cost** | | |
| Unquoted preference shares in Bursa Malaysia Derivatives Berhad: | | |
| – "A" class (Equity Financial Participant) | **1,500** | 1,500 |
| – "B" class (Non-Equity Financial Participant) | **500** | 500 |
| – "C" class (Commodity Participant) | **100** | 100 |
| Transferable corporate club memberships | **245** | 245 |
| Investments in gold coins and Hong Kong 1997 commemorative notes | **547** | 552 |
| Others | **53** | – |
| | **2,945** | 2,897 |

## 14 Funds under management (2010 only)

**Group and Company**

The company placed funds with a subsidiary, HwangDBS Investment Management Berhad, which was given discretionary powers within certain guidelines to invest the funds. Funds under management as at the previous financial year end were represented by:

| | 2010 RM'000 |
|---|---|
| Cash and short term funds | 332 |
| Securities AFS (note 8) | 17,104 |
| Other assets | 38 |
| Other liabilities | (331) |
| | 17,143 |

## 15 Statutory deposits with Central Banks

**Group**

| | Note | **2011 RM'000** | 2010 RM'000 |
|---|---|---|---|
| Statutory deposits with: | | | |
| Bank Negara Malaysia | (a) | **51,135** | 5,945 |
| National Bank of Cambodia | (b) | **17,069** | 14,796 |
| | | **68,204** | 20,741 |

(a) The non-interest bearing statutory deposits maintained by the investment banking subsidiary with Bank Negara Malaysia are in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009, the amounts of which are determined as set percentages of total eligible liabilities.

(b) The statutory deposits maintained by the commercial banking subsidiary with the National Bank of Cambodia ("NBC") are in compliance with capital guarantee and reserve requirements of the NBC, the amounts of which are determined as set percentages of the paid-up share capital and customers' deposits of the commercial banking subsidiary.

## 16 Deferred tax assets/(liabilities)

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2011 RM'000** | 2010 RM'000 | **2011 RM'000** | 2010 RM'000 |
| **Subject to income tax:** | | | | |
| Deferred tax assets | **10,497** | 7,461 | **6** | – |
| Deferred tax liabilities | **(426)** | (867) | **–** | (1) |
| | **10,071** | 6,594 | **6** | (1) |

## 16 Deferred tax assets/(liabilities) (cont'd)

Movements in deferred tax are as follows:

| | Excess of capital allowances over depreciation RM'000 | Allowances for losses on loans and receivables RM'000 | Accrued expenses RM'000 | Unrealised gain on securities AFS RM'000 | Foreign exchange translation loss RM'000 | Others RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | |
| **2011** | | | | | | | |
| At beginning of the financial year | | | | | | | |
| – as previously reported | **(2,014)** | **2,440** | **5,385** | **(587)** | **1,402** | **(32)** | **6,594** |
| – effects of adoption of FRS 139 | **–** | **(15)** | **–** | **–** | **–** | **–** | **(15)** |
| – as restated | **(2,014)** | **2,425** | **5,385** | **(587)** | **1,402** | **(32)** | **6,579** |
| Recognised in profit or loss | **568** | **683** | **133** | **–** | **2,870** | **43** | **4,297** |
| Recognised in other comprehensive income | **–** | **–** | **–** | **(805)** | **–** | **–** | **(805)** |
| At end of the financial year | **(1,446)** | **3,108** | **5,518** | **(1,392)** | **4,272** | **11** | **10,071** |
| **2010** | | | | | | | |
| At beginning of the financial year | (2,136) | 1,911 | 4,012 | (280) | 19 | (8) | 3,518 |
| Recognised in profit or loss | 122 | 529 | 1,373 | – | 1,383 | (24) | 3,383 |
| Recognised in other comprehensive income | – | – | – | (307) | – | – | (307) |
| At end of the financial year | (2,014) | 2,440 | 5,385 | (587) | 1,402 | (32) | 6,594 |

## 16 Deferred tax assets/(liabilities) (cont'd)

Movements in deferred tax are as follows (cont'd):

| | Excess of capital allowances over depreciation RM'000 | Foreign exchange translation loss RM'000 | Total RM'000 |
|---|---|---|---|
| **Company** | | | |
| **2011** | | | |
| At beginning of the financial year | **(2)** | **1** | **(1)** |
| Recognised in profit or loss | **3** | **4** | **7** |
| At end of the financial year | **1** | **5** | **6** |
| **2010** | | | |
| At beginning of the financial year | (2) | 14 | 12 |
| Recognised in profit or loss | – | (13) | (13) |
| At end of the financial year | (2) | 1 | (1) |

The deductible temporary differences, unutilised tax losses and capital allowances for which no deferred tax assets are recognised in the financial statements are as follows:

| | Group | |
|---|---|---|
| | **2011 RM'000** | 2010 RM'000 |
| Tax losses | **5,004** | 5,041 |
| Capital allowances | **–** | 2 |
| Other deductible temporary differences | **752** | 531 |
| | **5,756** | 5,574 |

The unutilised tax losses as at the end of the reporting period have no expiry date other than tax losses arising from a foreign subsidiary, which are available for offset against future taxable profits of the subsidiary until the following years:

| | RM'000 |
|---|---|
| Year 2014 | 2,713 |
| Year 2015 | 1,619 |
| | 4,332 |

## 17 Investments in subsidiaries

**Company**

| | 2011 RM'000 | 2010 RM'000 |
|---|---|---|
| **At cost:** | | |
| Unquoted shares | | |
| – in Malaysia | **544,522** | 544,522 |
| – outside Malaysia | **136,795** | 104,972 |
| | **681,317** | 649,494 |
| Share application monies | **–** | 24,158 |
| Accumulated impairment losses | **(1,354)** | (1,342) |
| | **679,963** | 672,310 |
| Subordinated term loan to a subsidiary (note 42(c)) | **5,000** | – |
| | **684,963** | 672,310 |

Impairment losses recognised are in respect of certain subsidiaries, which are dormant, based on the fair value less cost to sell estimated using the net assets of the subsidiaries as at the end of the reporting period. Additional impairment loss made during the financial year amounted to RM12,000 (2010: RM27,000).

The share application monies represented the amount paid by the company to subscribe for an additional 7.5 million ordinary shares of USD1 in the commercial banking subsidiary whereby the issue of shares by the commercial banking subsidiary was subject to approval by the National Bank of Cambodia and the Ministry of Commerce, Cambodia as at the previous financial year end.

## 17 Investments in subsidiaries (cont'd)

**Company**

Details of the subsidiaries are as follows:

| Name of subsidiary | Country of incorporation | Equity interest 2011 % | Equity interest 2010 % | Principal activity |
|---|---|---|---|---|
| **Direct subsidiaries:** | | | | |
| HwangDBS Investment Bank Berhad | Malaysia | **100** | 100 | Investment banking, stockbroking and related financial services |
| HDM Futures Sdn. Bhd. | Malaysia | **100** | 100 | Licensed futures broker dealing in options and futures |
| HDM Properties Sdn. Bhd. | Malaysia | **100** | 100 | Letting of properties and investment holding |
| HDM Management Services Sdn. Bhd. | Malaysia | **100** | 100 | Dormant |
| HDM Research & Publication Sdn. Bhd. | Malaysia | **100** | 100 | Dormant |
| HDM Capital Sdn. Bhd. | Malaysia | **100** | 100 | Moneylending, credit financing and investment in listed and unlisted companies |
| HwangDBS Investment Management Berhad | Malaysia | **53** | 53 | Management of unit trust funds and provision of fund management services |
| HwangDBS Commercial Bank Plc * | Cambodia | **100** | 100 | Commercial banking |
| HDM Private Equity Sdn. Bhd. # | Malaysia | **100** | 100 | Dormant |
| HDM Capital Management Sdn. Bhd. | Malaysia | **100** | 100 | Dormant |
| **Held under HwangDBS Investment Bank Berhad:** | | | | |
| HwangDBS Custodian Services Sdn. Bhd. | Malaysia | **100** | 100 | Dormant |
| HDM Nominees (Asing) Sdn. Bhd. | Malaysia | **100** | 100 | Provision of nominee services to foreign clients |
| HDM Nominees (Tempatan) Sdn. Bhd. | Malaysia | **100** | 100 | Provision of nominee services to local clients |
| HwangDBS Vickers Research Sdn. Bhd. | Malaysia | **51** | 51 | Provision of research and stock analysis |
| **Held under HwangDBS Commercial Bank Plc:** | | | | |
| HwangDBS Securities (Cambodia) Plc * | Cambodia | **100** | 100 | Dormant |

* Audited by an affiliate of PricewaterhouseCoopers, Malaysia.

# The call for the unpaid premium of RM0.90 per ordinary share and RM99.99 per Redeemable Convertible Preference Shares ("RCPS") on the balance of 474,920 RCPS respectively in HDM Private Equity Sdn. Bhd. ("HPE") will be determined by the board of directors of HPE at a later date.

## 18 Investment in an associate

| | 2011 RM'000 | 2010 RM'000 |
|---|---|---|
| **Group** | | |
| Share of net assets in an associate | **3,569** | 3,229 |
| Goodwill on acquisition | **55** | 55 |
| | **3,624** | 3,284 |
| **Company** | | |
| Unquoted shares, at cost | **4,904** | 4,904 |

Details of the associate, which is incorporated in Malaysia, are as follows:

| | Equity interest | | |
|---|---|---|---|
| **Name of associate** | **2011 %** | 2010 % | **Principal activity** |
| **Held by the company:** | | | |
| Asian Islamic Investment Management Sdn. Bhd. | **49** | 49 | Islamic fund management |

The group's share of the assets and liabilities of the associate is as follows:

| | 2011 RM'000 | 2010 RM'000 |
|---|---|---|
| Non-current assets | **178** | 289 |
| Current assets | **3,499** | 3,018 |
| Current liabilities | **(108)** | (78) |
| | **3,569** | 3,229 |

The group's share of income and expenses of the associate is as follows:

| | 2011 RM'000 | 2010 RM'000 |
|---|---|---|
| Revenue | **1,879** | 811 |
| Other income | **120** | 100 |
| Expenses | **(1,649)** | (1,693) |
| Profit/(Loss) before taxation | **350** | (782) |
| Taxation | **(10)** | 5 |
| Profit/(Loss) for the financial year | **340** | (777) |

## 19 Property, plant and equipment

Details of property, plant and equipment are as follows:

| | Apartments, buildings and office units RM'000 | Furniture, fixtures and fittings RM'000 | Office equipment RM'000 | Computer equipment RM'000 | Motor vehicles RM'000 | Renovations RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | |
| **2011** | | | | | | | |
| **Cost** | | | | | | | |
| At 1 August 2010 | 49,998 | 10,117 | 11,838 | 41,155 | 9,215 | 11,142 | 133,465 |
| Additions | – | 878 | 976 | 1,751 | 2,538 | 871 | 7,014 |
| Disposals/Write offs | – | (178) | (261) | (1,033) | (1,179) | (506) | (3,157) |
| Reclassifications | – | – | 3 | (3) | – | – | – |
| Exchange differences | – | (59) | (77) | (129) | (12) | (44) | (321) |
| At 31 July 2011 | 49,998 | 10,758 | 12,479 | 41,741 | 10,562 | 11,463 | 137,001 |
| **Accumulated depreciation** | | | | | | | |
| At 1 August 2010 | 11,450 | 7,486 | 10,065 | 33,146 | 7,010 | 9,041 | 78,198 |
| Charge for the financial year | 1,000 | 694 | 826 | 3,325 | 1,273 | 975 | 8,093 |
| Disposals/Write offs | – | (178) | (257) | (1,026) | (1,125) | (499) | (3,085) |
| Exchange differences | – | (13) | (17) | (40) | (3) | (10) | (83) |
| At 31 July 2011 | 12,450 | 7,989 | 10,617 | 35,405 | 7,155 | 9,507 | 83,123 |
| **Net book value** | | | | | | | |
| 31 July 2011 | 37,548 | 2,769 | 1,862 | 6,336 | 3,407 | 1,956 | 53,878 |

## 19 Property, plant and equipment (cont'd)

Details of property, plant and equipment are as follows (cont'd):

| | Apartments, buildings and office units RM'000 | Furniture, fixtures and fittings RM'000 | Office equipment RM'000 | Computer equipment RM'000 | Motor vehicles RM'000 | Renovations RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | |
| **2010** | | | | | | | |
| **Cost** | | | | | | | |
| At 1 August 2009 | 49,998 | 10,406 | 11,461 | 45,196 | 9,274 | 11,277 | 137,612 |
| Additions | – | 243 | 354 | 1,762 | 847 | 306 | 3,512 |
| Disposals/Write offs | – | (739) | (139) | (5,083) | (891) | (394) | (7,246) |
| Reclassifications | – | 280 | 245 | (525) | – | – | – |
| Exchange differences | – | (73) | (83) | (195) | (15) | (47) | (413) |
| At 31 July 2010 | 49,998 | 10,117 | 11,838 | 41,155 | 9,215 | 11,142 | 133,465 |
| **Accumulated depreciation** | | | | | | | |
| At 1 August 2009 | 10,450 | 7,269 | 9,138 | 35,126 | 6,952 | 8,429 | 77,364 |
| Charge for the financial year | 1,000 | 670 | 835 | 3,615 | 949 | 1,006 | 8,075 |
| Disposals/Write offs | – | (732) | (130) | (5,053) | (889) | (388) | (7,192) |
| Reclassifications | – | 286 | 232 | (518) | – | – | – |
| Exchange differences | – | (7) | (10) | (24) | (2) | (6) | (49) |
| At 31 July 2010 | 11,450 | 7,486 | 10,065 | 33,146 | 7,010 | 9,041 | 78,198 |
| **Net book value** | | | | | | | |
| 31 July 2010 | 38,548 | 2,631 | 1,773 | 8,009 | 2,205 | 2,101 | 55,267 |

## 19 Property, plant and equipment (cont'd)

Details of property, plant and equipment are as follows (cont'd):

| | Motor vehicles | |
|---|---|---|
| | **2011** | 2010 |
| | **RM'000** | RM'000 |
| **Company** | | |
| **Cost** | | |
| At 31 July 2011/31 July 2010 | **696** | 696 |
| **Accumulated depreciation** | | |
| At 1 August 2010/1 August 2009 | **475** | 272 |
| Charge for the financial year | **204** | 203 |
| At 31 July 2011/31 July 2010 | **679** | 475 |
| **Net book value** | | |
| 31 July 2011/31 July 2010 | **17** | 221 |

Included in computer equipment are capital work-in-progress costing RM689,000 (2010: RM355,000) which are not depreciated during the financial year. Included in the net book value of apartments, buildings and office units of the group are 99-year leasehold office units amounting to RM16,505,000 (2010: RM16,927,000) as at the end of the reporting period.

During the financial year, the group acquired property, plant and equipment with an aggregate cost of RM7,014,000 (2010: RM3,512,000) of which RM Nil (2010: RM237,000) was accrued for. Cash payments made by the group for purchase of assets amounted to RM7,404,000 (2010: RM4,957,000).

## 20 Investment properties

**Group**

| | **Freehold land RM'000** | **Buildings and office units RM'000** | **Total RM'000** |
|---|---|---|---|
| **2011** | | | |
| **Cost** | | | |
| At 1 August 2010/31 July 2011 | **41,952** | **12,114** | **54,066** |
| **Accumulated depreciation** | | | |
| At 1 August 2010 | **–** | **985** | **985** |
| Charge for the financial year | **–** | **242** | **242** |
| At 31 July 2011 | **–** | **1,227** | **1,227** |
| **Net book value** | | | |
| 31 July 2011 | **41,952** | **10,887** | **52,839** |

## 20 Investment properties (cont'd)

**Group**

| | Freehold land RM'000 | Buildings and office units RM'000 | Total RM'000 |
|---|---|---|---|
| **2010** | | | |
| **Cost** | | | |
| At 1 August 2009 | 2,069 | 4,932 | 7,001 |
| Acquisition | 39,883 | 7,182 | 47,065 |
| At 31 July 2010 | 41,952 | 12,114 | 54,066 |
| **Accumulated depreciation** | | | |
| At 1 August 2009 | – | 863 | 863 |
| Charge for the financial year | – | 122 | 122 |
| At 31 July 2010 | – | 985 | 985 |
| **Net book value** | | | |
| 31 July 2010 | 41,952 | 11,129 | 53,081 |

(a) As at the end of the reporting period, the fair value of the investment properties is estimated at RM76,854,000 (2010: RM56,919,000) on the basis of directors' valuations, based on current prices in an active market for similar properties in the same location and condition.

(b) Included in the net book value of buildings and office units are 99-year leasehold office units amounting to RM3,740,000 (2010: RM3,835,000) as at the end of the reporting period.

(c) As at the end of the reporting period, the title deeds in respect of buildings of the group belonging to a subsidiary at an aggregate carrying amount of RM132,000 (2010: RM135,000) have yet to be issued.

(d) The direct operating expenses incurred on the investment properties held by the group which are rented to third parties amounted to RM149,000 (2010: RM109,000) for the financial year. The expenses incurred by the group on other investment properties amounted to RM4,000 (2010: RM2,000) for the financial year.

## 21 Intangible assets

**Group**

| | Goodwill on consolidation RM'000 | Purchased goodwill RM'000 | Merchant bank licence RM'000 | Total RM'000 |
|---|---|---|---|---|
| **2011** | | | | |
| **Cost** | | | | |
| At 1 August 2010/31 July 2011 | **7** | **130,202** | **52,500** | **182,709** |
| **Accumulated impairment loss** | | | | |
| At 1 August 2010/31 July 2011 | **–** | **(20,200)** | **–** | **(20,200)** |
| **Net carrying amount** | | | | |
| 31 July 2011 | **7** | **110,002** | **52,500** | **162,509** |
| **2010** | | | | |
| **Cost** | | | | |
| At 1 August 2009/31 July 2010 | 7 | 130,202 | 52,500 | 182,709 |
| **Accumulated impairment loss** | | | | |
| At 1 August 2009/31 July 2010 | – | (20,200) | – | (20,200) |
| **Net carrying amount** | | | | |
| 31 July 2010 | 7 | 110,002 | 52,500 | 162,509 |

The merchant bank licence represents contribution by the investment banking subsidiary, HwangDBS Investment Bank Berhad ("HDBSIB") to the Government of Malaysia for a licence to carry on merchant banking business and is considered to have an indefinite useful life, which is not amortised and is assessed for impairment annually.

For impairment test purposes, the carrying amount of purchased goodwill of RM110 million is allocated to the HDBSIB's stockbroking operating unit, being regarded as a separate cash-generating unit ("CGU") and the carrying amount of merchant bank licence of RM52.5 million is allocated to the operating unit of the investment banking division respectively.

The recoverable amounts of CGUs are determined based on the value in use calculations. These calculations use pre-tax cash flow projections based on the financial budgets and forecasts approved by the management covering a five-year period. Cash flows beyond the five-year period are projected using the estimated growth rate to perpetuity. The cash flow projections are derived based on a number of key factors, including past performance as well as management's expectations of market developments and assessment of future trends, taking into consideration the prevailing stock market conditions as at the date of assessment.

## 21 Intangible assets (cont'd)

**Group**

The key assumptions for the computation of value in use include growth rate and pre-tax discount rate, which are applied to the cash flow projections and reflect the risks relating to the CGUs. The discount rates applied are 8.03% (2010: 8.25%) and 8.77% (2010: 8.19%) for the stockbroking and investment banking operating units respectively. The growth rate of 5.7% (2010: 5.7%) does not exceed the long-term average growth rate for the industry in which the investment banking subsidiary operates.

No impairment charge is required for the financial year in respect of the intangible assets accruing to the CGUs. Management believes that any reasonably possible change to the key assumptions applied is not likely to cause the recoverable amounts to be lower than their carrying amounts.

## 22 Deposits from customers

**Group**

| | | **2011 RM'000** | 2010 RM'000 |
|---|---|---|---|
| **(a)** | **By type of deposit** | | |
| | Demand deposits | **6,913** | 6,061 |
| | Savings deposits | **2,120** | 448 |
| | Fixed deposits | **805,521** | 582,427 |
| | Negotiable instruments of deposits | **3,873** | 525 |
| | Other deposits | **1,616** | – |
| | | **820,043** | 589,461 |
| **(b)** | **By type of customer** | | |
| | Government and statutory bodies | **140,389** | – |
| | Business enterprises | **628,402** | 549,652 |
| | Individuals | **47,296** | 36,919 |
| | Others | **3,956** | 2,890 |
| | | **820,043** | 589,461 |
| **(c)** | **By maturity structure of term deposits** | | |
| | Within 6 months | **804,721** | 579,591 |
| | 6 months to 1 year | **6,289** | 3,243 |
| | 1 year to 3 years | **–** | 118 |
| | | **811,010** | 582,952 |

## 23 Deposits and placements of banks and other financial institutions

**Group**

| | 2011<br>RM'000 | 2010<br>RM'000 |
|---|---|---|
| Licensed banks | **88,604** | 184,945 |
| Licensed investment banks | **16,276** | 183,391 |
| Other financial institutions | **1,476,156** | 1,163,667 |
| | **1,581,036** | 1,532,003 |

## 24 Clients' and brokers' balances

**Group**

| | 2011<br>RM'000 | 2010<br>RM'000 |
|---|---|---|
| Amounts due to: | | |
| – Clients | **138,809** | 187,402 |
| – Brokers | **47,916** | 22,463 |
| | **186,725** | 209,865 |

Clients' and brokers' balances represent amounts payable to clients of the investment banking and derivatives trading subsidiaries and outstanding contracts entered into on behalf of these clients where settlements have yet to be made.

Included in amounts due to clients are amounts held in trust amounting to RM56,934,000 (2010: RM49,135,000).

## 25 Other liabilities

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2011<br>RM'000 | 2010<br>RM'000 | 2011<br>RM'000 | 2010<br>RM'000 |
| Trade payables | (a) | **45,175** | 11,627 | **–** | – |
| Clients' trust accounts | (b) | **206,124** | 193,207 | **–** | – |
| Dealer's representatives' trust accounts | (b) | **43,645** | 41,398 | **–** | – |
| Amounts payable to dealer's representatives | (c) | **9,663** | 7,863 | **–** | – |
| Contributions payable to a defined contribution plan | | **1,824** | 2,194 | **–** | – |
| Interest payable | | **–** | 8,559 | **–** | 1,529 |
| Amounts due to subsidiaries | 42(c) | **–** | – | **898** | 877 |
| Other payables and accruals | (d) | **63,032** | 60,822 | **3,983** | 3,820 |
| | | **369,463** | 325,670 | **4,881** | 6,226 |

## 25 Other liabilities (cont'd)

(a) Trade payables of the group comprised:

| | Group | |
|---|---|---|
| | **2011** | 2010 |
| | **RM'000** | RM'000 |
| Amounts payable to: | | |
| – unit trust funds | **12,619** | 433 |
| – unit holders | **32,556** | 11,194 |
| | **45,175** | 11,627 |

(b) The clients' trust accounts and dealer's representatives' trust accounts represent trust monies held on behalf of retail and margin clients and dealer's representatives respectively.

(c) Amounts payable to dealer's representatives mainly comprise net commission payable.

(d) Other payables and accruals of the group and of the company represent amounts payable arising from the daily operations of the group and of the company. Included in other payables and accruals of the group as at the end of the reporting period are dividends received on behalf of customers by certain subsidiaries amounting to RM4,699,000 (2010: RM1,927,000).

## 26 Borrowings

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| **Unsecured** | | | | |
| Revolving credits | **377,349** | 407,500 | **232,691** | 243,500 |

Borrowings of the group amounting to RM145 million (2010: RM164 million) are covered by corporate guarantees issued by the company for a subsidiary.

## 27 Share capital

**Group and Company**

| | **2011** | 2010 |
|---|---|---|
| | **RM'000** | RM'000 |
| **Authorised:** | | |
| Ordinary shares of RM1 each | **1,000,000** | 1,000,000 |
| **Issued and fully paid:** | | |
| Ordinary shares of RM1 each | **265,845** | 265,845 |

## 27 Share capital (cont'd)

Treasury shares

Details of shares repurchased by the company from the open market and held as treasury shares in accordance with Section 67A of the Companies Act, 1965 are as follows:

| | No. of shares '000 | Cost RM'000 | Highest price RM | Lowest price RM | Average price * RM |
|---|---|---|---|---|---|
| **2011** | | | | | |
| At beginning/end of the financial year | **10,686** | **16,061** | | | **1.50** |
| **2010** | | | | | |
| At beginning of the financial year | 10,677 | 16,046 | | | 1.50 |
| Shares repurchased in: | | | | | |
| December 2009 | 5 | 8 | 1.65 | 1.60 | 1.65 |
| June 2010 | 4 | 7 | 1.62 | 1.62 | 1.63 |
| | 9 | 15 | | | |
| At end of the financial year | 10,686 | 16,061 | | | 1.50 |

* Average price includes stamp duty, brokerage and clearing fees.

## 28 Reserves

| | Note | Group 2011 RM'000 | Group 2010 RM'000 | Company 2011 RM'000 | Company 2010 RM'000 |
|---|---|---|---|---|---|
| **Non-distributable** | | | | | |
| Share premium | | **33,090** | 33,090 | **33,090** | 33,090 |
| Statutory reserve | (a) | **108,377** | 80,132 | **–** | – |
| AFS reserve | (b) | **3,946** | 2,912 | **–** | 1,154 |
| Foreign exchange reserve | (c) | **(17,484)** | (9,526) | **–** | – |
| | | **127,929** | 106,608 | **33,090** | 34,244 |
| **Distributable** | | | | | |
| Retained profits | (d) | **492,961** | 453,456 | **180,793** | 184,948 |
| | | **620,890** | 560,064 | **213,883** | 219,192 |

## 28 Reserves (cont'd)

(a) The statutory reserve is maintained by the investment banking subsidiary in compliance with Section 36 of the Banking and Financial Institutions Act, 1989 and is not distributable as cash dividends.

(b) AFS reserve represents unrealised gains or losses arising from changes in fair values of securities classified as available-for-sale, net of tax.

(c) Foreign exchange reserve represents exchange differences arising from translation of financial statements of foreign operations into the presentation currency of the group.

(d) Under the single-tier tax system, which came into effect from the year of assessment 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 tax exempt in the hands of shareholders. However, companies with Section 108 tax credits as at 31 December 2007 may continue to pay franked dividends until the Section 108 tax credits are exhausted or up to 31 December 2013, whichever is earlier unless the companies opt to disregard the Section 108 tax credits to pay single-tier dividends under the special transitional provisions of the Finance Act 2007.

As at the end of the reporting period, the company did not opt to disregard the Section 108 tax credits and the company may utilise the Section 108 tax credit balance which has been frozen as at 31 December 2007 to frank dividend payments during the 6-year transitional period. The company has, subject to confirmation by the Inland Revenue Board, sufficient tax credits under Section 108 of the Income Tax Act, 1967 and tax exempt income to frank the payment of net dividends out of all its retained profits as at 31 July 2011.

## 29 Operating revenue

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| Interest income | **186,646** | 163,854 | **529** | 1,191 |
| Brokerage and commission | **101,241** | 90,856 | **–** | – |
| Unit trust management and incentive fees | **49,246** | 39,980 | **–** | – |
| Advisory and arranger fees | **6,621** | 4,548 | **–** | – |
| Initial service charge | **20,323** | 15,801 | **–** | – |
| Underwriting commission and placement income | **3,696** | 712 | **–** | – |
| Rollover fees | **2,239** | 2,822 | **–** | – |
| Gains arising from disposals of securities and derivatives | **13,732** | 14,603 | **–** | – |
| Dividends and income distributions | **1,095** | 644 | **28,745** | 25,624 |
| Rental income | **769** | 571 | **–** | – |
| Other revenue | **13,725** | 12,551 | **–** | – |
| | **399,333** | 346,942 | **29,274** | 26,815 |

Interest income of the group mainly comprised interest income arising from loans, advances and financing, investment holding, securities portfolio and deposit placements of the investment banking and commercial banking subsidiaries with other financial institutions. Interest income of the company comprised interest income from deposit placements and advances to a subsidiary.

## 30 Interest income

| | Group | | Company | |
|---|---|---|---|---|
| | **2011 RM'000** | 2010 RM'000 | **2011 RM'000** | 2010 RM'000 |
| Loans, advances and financing | **82,985** | 67,539 | **–** | – |
| Money at call and deposit placements with financial institutions | **25,680** | 21,757 | **168** | 55 |
| Securities: | | | | |
| – AFS | **24,428** | 7,152 | **14** | – |
| – held-to-maturity | **27,169** | 30,669 | **–** | – |
| Advances to a subsidiary | **–** | – | **347** | 1,136 |
| Others | **570** | 513 | **–** | – |
| | **160,832** | 127,630 | **529** | 1,191 |
| Securities held-for-trading | **17,344** | 22,298 | **–** | – |
| Derivative financial instruments | **11,274** | 15,730 | **–** | – |
| | **189,450** | 165,658 | **529** | 1,191 |

Interest income earned on impaired loans, advances and financing of the group of which impairment allowance has been made amounted to RM Nil for the current financial year.

## 31 Interest expense

| | Group | | Company | |
|---|---|---|---|---|
| | **2011 RM'000** | 2010 RM'000 | **2011 RM'000** | 2010 RM'000 |
| Deposits and placements of banks and other financial institutions | **(47,307)** | (30,005) | **–** | – |
| Deposits from customers | **(18,595)** | (12,850) | **–** | – |
| Borrowings | **(16,927)** | (13,274) | **(10,130)** | (8,030) |
| Advances from subsidiaries | **–** | – | **(38)** | (32) |
| Others | **(861)** | (327) | **–** | – |
| | **(83,690)** | (56,456) | **(10,168)** | (8,062) |
| Derivative financial instruments | **(8,651)** | (12,831) | **–** | – |
| | **(92,341)** | (69,287) | **(10,168)** | (8,062) |

## 32 Other operating income

| | Group 2011 RM'000 | Group 2010 RM'000 | Company 2011 RM'000 | Company 2010 RM'000 |
|---|---|---|---|---|
| **Fee and commission income:** | | | | |
| Brokerage | **97,845** | 86,924 | **–** | – |
| Unit trust management and incentive fees | **49,246** | 39,980 | **–** | – |
| Advisory and arranger fees | **6,621** | 4,548 | **–** | – |
| Underwriting commission and placement income | **3,696** | 712 | **–** | – |
| Rollover fees | **2,239** | 2,822 | **–** | – |
| Service charges and fees | **936** | 850 | **–** | – |
| Fees on loans, advances and financing | **522** | 1,261 | **–** | – |
| Other fees and commission | **5,973** | 7,580 | **–** | – |
| | **167,078** | 144,677 | **–** | – |
| **Net gain on securities held-fo-trading:** | | | | |
| – net gain on disposal | **15,996** | 8,429 | **–** | – |
| – net unrealised gain | **4,309** | 3,601 | **–** | – |
| | **20,305** | 12,030 | **–** | – |
| **Net gain/(loss) on derivatives:** | | | | |
| – net loss on disposal | **(8,021)** | (4,887) | **–** | – |
| – net unrealised gain/(loss) | **10,680** | (651) | **–** | – |
| | **2,659** | (5,538) | **–** | – |
| **Net gain on securities AFS:** | | | | |
| – net gain on disposal | **4,955** | 3,154 | **4,620** | 2,099 |
| | **4,955** | 3,154 | **4,620** | 2,099 |
| **Net gain on securities held-to-maturity:** | | | | |
| – net gain on disposal | **–** | 475 | **–** | – |
| | **–** | 475 | **–** | – |
| **Gross dividends/income distributions** | | | | |
| – securities held-for-trading | **2,891** | 2,497 | **–** | – |
| – securities AFS | **4,494** | 1,157 | **1,095** | 644 |
| – subsidiaries | **–** | – | **27,650** | 24,980 |
| | **7,385** | 3,654 | **28,745** | 25,624 |
| **Other income:** | | | | |
| Initial service charge | **20,323** | 15,801 | **–** | – |
| Net foreign exchange gain/(loss) | **5,110** | 1,466 | **(30)** | (219) |
| Rental income | | | | |
| – investment properties | **2,095** | 758 | **–** | – |
| Others | **3,389** | 3,010 | **–** | – |
| | **30,917** | 21,035 | **(30)** | (219) |
| | **233,299** | 179,487 | **33,335** | 27,504 |

## 33 Other operating expenses

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| **Personnel costs:** | | | | |
| Salaries, allowances and bonus | **(71,882)** | (63,618) | **(4,145)** | (4,870) |
| Contributions to a defined contribution plan | **(9,117)** | (8,540) | **(1)** | (6) |
| Others | **(21,735)** | (14,573) | **–** | (1) |
| | **(102,734)** | (86,731) | **(4,146)** | (4,877) |
| **Establishment related costs:** | | | | |
| Depreciation: | | | | |
| – property, plant and equipment | **(8,093)** | (8,075) | **(204)** | (203) |
| – investment properties | **(242)** | (122) | **–** | – |
| Rental of: | | | | |
| – premises | **(4,806)** | (4,276) | **–** | – |
| – equipment | **(2,726)** | (2,672) | **–** | – |
| Repairs and maintenance of premises and equipment | **(1,520)** | (1,642) | **–** | – |
| Information technology expenses | **(3,205)** | (2,913) | **–** | – |
| Others | **(4,430)** | (4,225) | **–** | – |
| | **(25,022)** | (23,925) | **(204)** | (203) |
| **Promotion and marketing related expenses:** | | | | |
| Promotion and business development | **(16,119)** | (14,645) | **(309)** | (310) |
| Travelling and accommodation | **(743)** | (654) | **–** | – |
| Others | **(7,483)** | (5,275) | **–** | – |
| | **(24,345)** | (20,574) | **(309)** | (310) |
| **Administrative and general expenses:** | | | | |
| Auditors' remuneration: | | | | |
| – statutory audit | **(375)** | (281) | **(50)** | (35) |
| – others | **(90)** | (25) | **(5)** | (4) |
| Other professional and consultancy fees | **(2,997)** | (3,399) | **(91)** | (35) |
| Communication expenses | **(5,450)** | (4,729) | **(7)** | (11) |
| Incentives and commission | **(29,203)** | (23,049) | **–** | – |
| Regulatory charges | **(7,859)** | (6,361) | **(29)** | (29) |
| Net gain on disposals of: | | | | |
| – property, plant and equipment | **288** | 204 | **–** | – |
| – other investments | **6** | 6 | **–** | – |
| Property, plant and equipment written off | **(16)** | (51) | **–** | – |
| Others | **(8,669)** | (8,475) | **(564)** | (623) |
| | **(54,365)** | (46,160) | **(746)** | (737) |
| | **(206,466)** | (177,390) | **(5,405)** | (6,127) |

## 34 Directors' remuneration

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| **Executive Director:** | | | | |
| Salary, bonus and other remuneration | **–** | 4,634 | **–** | 4,634 |
| Fees | **–** | 72 | **–** | 36 |
| Estimated monetary value of benefits-in-kind | **–** | 32 | **–** | 32 |
| **Non-Executive Directors *:** | | | | |
| Salary, bonus and other remuneration | **9,663** | 3,152 | **4,012** | 54 |
| Fees | **672** | 636 | **306** | 288 |
| Contributions to a defined contribution plan | **446** | 484 | **–** | – |
| Estimated monetary value of benefits-in-kind | **52** | 22 | **–** | – |
| | **10,833** | 9,032 | **4,318** | 5,044 |

* Certain non-executive directors served as executive directors of principal subsidiaries of the company.

The directors' remuneration which is included in personnel costs of the group and of the company amounted to RM10,109,000 (2010: RM8,270,000) and RM4,012,000 (2010: RM4,688,000) respectively.

## 35 (Allowance)/Write back of allowance for losses on loans, advances and financing

**Group**

| | **2011** | 2010 |
|---|---|---|
| | **RM'000** | RM'000 |
| Individual impairment | | |
| – made | **(6,013)** | – |
| – written back | **5,023** | – |
| Specific allowance | | |
| – made | **–** | (9,276) |
| – written back | **–** | 785 |
| | **(990)** | (8,491) |
| Collective impairment | | |
| – made | **(5,163)** | – |
| General allowance | | |
| – made | **–** | (2,343) |
| Bad debts | | |
| – recovered | **1,805** | – |
| – written off | **(1,151)** | – |
| | **(5,499)** | (10,834) |

## 36 (Allowance)/Write back of allowance for losses on clients' balances and receivables

**Group**

| | **2011 RM'000** | 2010 RM'000 |
|---|---|---|
| Individual impairment | | |
| – made | **(269)** | – |
| – written back | **311** | – |
| Specific allowance | | |
| – made | **–** | (1,154) |
| – written back | **–** | 250 |
| | **42** | (904) |
| Collective impairment | | |
| – made | **(24)** | – |
| General allowance | | |
| – written back | **–** | 60 |
| Bad debts | | |
| – recovered | **850** | 398 |
| – written off | **–** | (19) |
| | **868** | (465) |

## 37 Taxation

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2011 RM'000** | 2010 RM'000 | **2011 RM'000** | 2010 RM'000 |
| In respect of the current financial year: | | | | |
| Malaysian income tax | **(32,776)** | (31,332) | **(3,531)** | (1,765) |
| Foreign income tax | **(45)** | (35) | **–** | – |
| Deferred tax | **4,265** | 7,998 | **7** | (13) |
| | **(28,556)** | (23,369) | **(3,524)** | (1,778) |
| In respect of prior financial years: | | | | |
| Malaysian income tax | **338** | 4,765 | **227** | 1 |
| Foreign income tax | **(1)** | – | **–** | – |
| Tax credit | **–** | 1,911 | **–** | – |
| Deferred tax | **32** | (4,615) | **–** | – |
| | **369** | 2,061 | **227** | 1 |
| | **(28,187)** | (21,308) | **(3,297)** | (1,777) |

## 37 Taxation (cont'd)

The numerical reconciliations between the applicable statutory income tax rate and the effective tax rate are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **%** | % | **%** | % |
| Applicable statutory income tax rate | **25.0** | 25.0 | **25.0** | 25.0 |
| Tax effects in respect of: | | | | |
| Expenses not deductible for tax purposes | **1.6** | 2.1 | **0.9** | 4.1 |
| Income not subject to tax | **(2.6)** | (1.1) | **(6.7)** | (16.8) |
| Effects of different tax rate in foreign jurisdiction | **–** | 0.1 | **–** | – |
| Temporary differences and tax losses not recognised | **0.2** | 0.6 | **–** | – |
| Tax credit | **–** | (2.2) | **–** | – |
| (Over)/Under accrual for taxation in respect of prior financial years | **(0.3)** | 0.1 | **(1.2)** | – |
| Others | **(0.3)** | 0.3 | **–** | – |
| Effective tax rate | **23.6** | 24.9 | **18.0** | 12.3 |

Tax savings of the group arising from the recognition of previously unrecognised tax losses amounted to RM11,000 for the financial year.

The tax credit in the previous financial year represented the amount of approved tax credit accruing to the investment banking subsidiary, HDBSIB in accordance with the Business Merger Agreement dated 10 August 2000 between Taiping Recovery Sdn. Bhd. (In Liquidation) ("TRSB") and HDBSIB in connection with the acquisition of TRSB's stockbroking business by HDBSIB under the Securities Commission's Policy Framework for Consolidation of the Stockbroking Industry.

## 38 Basic earnings per share

**Group**

Basic earnings per share is calculated by dividing the profit for the financial year attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the financial year, excluding weighted average number of ordinary shares repurchased by the company and held as treasury shares.

| | **2011** | 2010 |
|---|---|---|
| Profit for the financial year attributable to equity holders of the company (RM'000) | **86,614** | 60,874 |
| Weighted average number of ordinary shares in issue ('000) | **255,159** | 255,164 |
| Basic earnings per share (sen) | **33.95** | 23.86 |

As at the end of the current and previous financial year, the company does not have any dilutive potential ordinary shares in issue.

## 39 Other comprehensive income

| | Gross RM'000 | Tax RM'000 | Net RM'000 |
|---|---|---|---|
| **Group** | | | |
| **2011** | | | |
| Currency translation differences | **(7,958)** | **–** | **(7,958)** |
| Securities AFS: | | | |
| – net change in fair value | **6,535** | **(888)** | **5,647** |
| – net gain transferred to profit or loss on disposal | **(4,696)** | **83** | **(4,613)** |
| | **(6,119)** | **(805)** | **(6,924)** |
| **2010** | | | |
| Currency translation differences | (8,758) | – | (8,758) |
| Securities AFS: | | | |
| – net change in fair value | 4,093 | (398) | 3,695 |
| – net gain transferred to profit or loss on disposal | (2,448) | 91 | (2,357) |
| | (7,113) | (307) | (7,420) |
| **Company** | | | |
| **2011** | | | |
| Securities AFS: | | | |
| – net change in fair value | **3,208** | **–** | **3,208** |
| – net gain transferred to profit or loss on disposal | **(4,362)** | **–** | **(4,362)** |
| | **(1,154)** | **–** | **(1,154)** |
| **2010** | | | |
| Securities AFS: | | | |
| – net change in fair value | 2,500 | – | 2,500 |
| – net gain transferred to profit or loss on disposal | (2,083) | – | (2,083) |
| | 417 | – | 417 |

## 40 Dividends per share

**Company**

| | **2011** | | 2010 | |
|---|---|---|---|---|
| | **Gross dividend per share sen** | **Amount of net dividend RM'000** | Gross dividend per share sen | Amount of net dividend RM'000 |
| **Paid:** | | | | |
| – Interim dividend | **5.0** | **9,569** | 2.5 | 4,784 |
| **Proposed:** | | | | |
| – Final dividend | **5.0** | **9,569** | 5.0 | 9,568 |
| | **10.0** | **19,138** | 7.5 | 14,352 |

At the forthcoming Annual General Meeting of the company, a final dividend in respect of the financial year ended 31 July 2011 of 5.0 sen gross per share, less income tax at 25%, amounting to RM9,568,459 based on the issued and paid-up share capital (less treasury shares) of the company as at 31 July 2011, will be proposed for the shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend, which will be accounted for in the shareholders' equity as an appropriation of retained profits in the financial year ending 31 July 2012 when approved by the shareholders.

## 41 Cash and cash equivalents

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2011 RM'000** | 2010 RM'000 | **2011 RM'000** | 2010 RM'000 |
| Cash and short term funds | **885,629** | 1,148,293 | **3,082** | 613 |
| Less: | | | | |
| Monies held in trust and dividends received on behalf of customers | **(304,749)** | (285,929) | **–** | – |
| | **580,880** | 862,364 | **3,082** | 613 |

## 42 Significant related party balances and transactions

In addition to the related party disclosures mentioned elsewhere in the financial statements, the other significant related party transactions and balances are as disclosed below.

### (a) Related parties and relationship

The related parties of, and their relationship with the group and the company are as follows:

| Relationship | Related parties |
|---|---|
| Subsidiaries | Subsidiaries of the company as disclosed in note 17 to the financial statements |
| Associate | Associate of the company as disclosed in note 18 to the financial statements |
| Key management personnel | All directors of the company and certain senior management personnel who make critical decisions in relation to the strategic direction of the group and of the company (including their close family members) |
| <u>Other related parties</u> | |
| Deemed substantial shareholder of the company | DBS Bank Ltd. |
| Subsidiaries of a deemed substantial shareholder of the company | (a) DBS Vickers Securities (Singapore) Pte Ltd.<br>(b) DBS Asset Management Ltd. |

### (b) Significant related party transactions

| | Associate | | Other related parties | |
|---|---|---|---|---|
| | **2011 RM'000** | 2010 RM'000 | **2011 RM'000** | 2010 RM'000 |
| **Group** | | | | |
| <u>Income</u> | | | | |
| Reimbursement of research expenses | **–** | – | **2,228** | 1,955 |
| Fee income | **–** | – | **489** | 1,404 |
| Brokerage | **–** | – | **893** | 569 |
| Interest income on derivatives | **–** | – | **344** | – |
| | **–** | – | **3,954** | 3,928 |
| <u>Expenses</u> | | | | |
| Consultancy fee | **–** | – | **(675)** | (395) |
| Referral fee | **–** | – | **(425)** | – |
| Management and incentive fees | **(2,679)** | (1,689) | **–** | – |
| | **(2,679)** | (1,689) | **2,854** | 3,533 |

## 42 Significant related party balances and transactions (cont'd)

### (b) Significant related party transactions (cont'd)

Key management personnel compensation

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| Short term benefits | **11,064** | 9,092 | **4,012** | 4,720 |
| Post-employment benefits | **627** | 646 | **-** | - |
| Directors' fees | **672** | 708 | **306** | 324 |
| | **12,363** | 10,446 | **4,318** | 5,044 |

### (c) Significant related party balances

| | Other related parties | |
|---|---|---|
| | **2011** | 2010 |
| | **RM'000** | RM'000 |
| **Group** | | |
| Due from | | |
| Cash and short term funds | **1,619** | 963 |
| Collateral/Margin deposits (included in other receivables and deposits) | **12,769** | 1,655 |
| | **14,388** | 2,618 |

| | Subsidiaries | |
|---|---|---|
| | **2011** | 2010 |
| | **RM'000** | RM'000 |
| **Company** | | |
| Due from | | |
| Amount due from a subsidiary (note 13) | **1,163** | 12,773 |
| Subordinated term loan to a subsidiary (note 17) | **5,000** | 5,000 |
| | **6,163** | 17,773 |
| Due to | | |
| Amounts due to subsidiaries (note 25) | **(898)** | (877) |
| | **5,265** | 16,896 |

## 42 Significant related party balances and transactions (cont'd)

### (c) Significant related party balances (cont'd)

Amount due from a subsidiary is unsecured, repayable on demand and carries an effective interest rate of 4.60% (2010: 4.30%) per annum as at the end of the reporting period. Amounts due to subsidiaries are unsecured, repayable on demand and carry an effective interest rate of 4.60% (2010: 4.30%) per annum as at the end of the reporting period.

The subordinated term loan to a subsidiary, HDM Futures Sdn. Bhd. ("HDMF"), which is approved by Bursa Malaysia Derivatives Berhad, is unsecured and interest free. The company has reclassified the subordinated term loan from Other assets (note 13) to Investments in subsidiaries (note 17) upon adoption of FRS 139. The subordinated term loan, which has a scheduled maturity date of 25 June 2014, is expected to be extended upon maturity, subject to prior approval from Bursa Malaysia Derivatives Berhad to a date to be mutually agreed by the company and HDMF, as the subordinated term loan is a form of long term capital contributions by the company to the subsidiary.

## 43 Capital management

**Group**

The objectives of the group when managing capital are:

- To comply with regulatory capital adequacy requirements imposed by the relevant authorities;
- To safeguard the ability of the group to continue in operations as a going concern; and
- To ensure availability of funds for future business operations.

The objectives of the company when managing capital are to safeguard the ability of the company to continue as a going concern and to ensure availability of funds for future business operations.

The group and the company monitor capital based on regulatory capital requirements and using gearing ratio, where applicable.

The gearing ratio of the company as at the end of the reporting period, which is calculated based on borrowings, net of cash and cash equivalents divided by total equity, is 0.5 times (2010: 0.5 times).

The banking subsidiaries are subject to the capital adequacy requirements as prescribed by the Central Banks of the jurisdictions in which the banking subsidiaries operate. The derivatives trading subsidiary, HDM Futures Sdn. Bhd. is required to maintain a minimum financial resource requirement as imposed by Bursa Malaysia Derivatives Berhad. The fund management subsidiary, HwangDBS Investment Management Berhad is required to maintain a minimum shareholders' funds as imposed by the Securities Commission.

## 43 Capital management (cont'd)

**Group**

The regulatory capital requirements applicable to the subsidiaries of the company are as follows:

(a) HwangDBS Investment Bank Berhad ("HDBSIB")

Capital adequacy of the investment banking subsidiary, HDBSIB is monitored by management and the capital adequacy ratios of HDBSIB are computed in accordance with the Risk-Weighted Capital Adequacy Framework (Basel II – Risk Weighted Assets Computation) issued by BNM. HDBSIB adopts the Standardised Approach for credit and market risks, and the Basic Indicator Approach for operational risk.

HDBSIB is subject to the capital requirements as imposed by BNM as follows:

- To maintain a minimum risk-weighted capital ratio ("RWCR") of 8%; and
- To maintain, at all times, capital funds unimpaired by losses of RM500 million.

HDBSIB carries out stress testing, from time to time, to estimate the potential impacts of planned allocation of capital resources on its capital base and RWCR.

The components of capital and capital adequacy ratios of the investment banking subsidiary are as follows:

| | **2011 RM'000** | 2010 RM'000 |
|---|---|---|
| **Tier I capital:** | | |
| Issued and fully paid share capital | **500,000** | 500,000 |
| Retained profits | **213,905** | 207,984 |
| Statutory reserve | **108,377** | 80,132 |
| Total Tier I capital | **822,282** | 788,116 |
| Less: Goodwill | **(110,002)** | (110,002) |
| Eligible Tier I capital | **712,280** | 678,114 |
| **Tier II capital:** | | |
| Collective impairment allowances | **6,605** | – |
| General allowance for losses on loans, advances and financing | **–** | 5,807 |
| Total Tier II capital | **6,605** | 5,807 |
| Total capital | **718,885** | 683,921 |
| Less: Investments in subsidiaries | **(3,081)** | (3,081) |
| Other deductions | **(418)** | (794) |
| **Capital base** | **715,386** | 680,046 |
| **Before deducting proposed dividend:** | | |
| Core capital ratio | **34.7%** | 31.6% |
| Risk-weighted capital ratio | **34.9%** | 31.7% |
| **After deducting proposed dividend:** | | |
| Core capital ratio | **33.5%** | 30.7% |
| Risk-weighted capital ratio | **33.6%** | 30.8% |

## 43 Capital management (cont'd)

**Group**

The regulatory capital requirements applicable to the subsidiaries of the company are as follows (cont'd):

(b) HwangDBS Commercial Bank Plc ("HDCB")

The solvency ratio of the commercial banking subsidiary, HDCB, which is the regulatory capital adequacy ratio prescribed by the National Bank of Cambodia ("NBC"), is computed based on the net worth of HDCB divided by its risk-weighted assets and items not recognised in the statement of financial position.

The NBC requires all commercial banks in Cambodia to i) hold a minimum capital , ii) maintain a net worth of at least equals to the minimum capital and iii) comply with minimum regulatory solvency ratio requirement of 15%.

The net worth and solvency ratio of HDCB are as follows:

| | **2011** | 2010 |
|---|---|---|
| Net worth (RM'000) | **114,317** | 59,051 |
| Solvency ratio (%) | **94.1%** | 57.7% |

(c) HDM Futures Sdn. Bhd.

The derivatives trading subsidiary, HDM Futures Sdn. Bhd. is required to maintain at all times, a minimum Adjusted Net Capital ("ANC") as imposed by Bursa Malaysia Derivatives Berhad. The ANC is determined based on permitted assets less adjusted liabilities of the derivatives trading subsidiary. The minimum ANC required is either RM500,000 or 10% of the aggregate margin required, whichever is higher.

(d) HwangDBS Investment Management Berhad

The fund management subsidiary, HwangDBS Investment Management Berhad is required to maintain a minimum shareholders' funds of RM10 million at all times as imposed by the Securities Commission.

(e) During the current financial year, the banking subsidiaries, derivatives trading subsidiary and fund management subsidiary within the group complied with the regulatory capital requirements to which they are subject to.

## 44 Commitments and contingencies

The commitments and contingencies and the related risk-weighted exposures of the group are as follows:

| | Principal amount RM'000 | Credit equivalent amount * RM'000 | Risk-weighted amount RM'000 |
|---|---|---|---|
| **2011** | | | |
| **Contingencies** | | | |
| Direct credit substitutes | 12,500 | 12,500 | 2,500 |
| **Commitments** | | | |
| Forward asset purchases | 5,246 | 5,246 | 1,049 |
| Commitments to extend credits with maturity of #: | | | |
| – up to 1 year | 426,042 | 5,000 | 5,000 |
| – over 1 year | 27,779 | 17,321 | 5,889 |
| | 459,067 | 27,567 | 11,938 |
| **Derivative financial instruments** | | | |
| Foreign exchange related contracts: | | | |
| – up to 1 year | 956,356 | 28,375 | 15,533 |
| – over 1 year to 5 years | 280,246 | 30,232 | 7,180 |
| Interest rate related contracts: | | | |
| – up to 1 year | 1,835,000 | 985 | 212 |
| – over 1 year to 5 years | 2,713,000 | 15,661 | 5,992 |
| | 5,784,602 | 75,253 | 28,917 |
| **Total** | 6,256,169 | 115,320 | 43,355 |

## 44 Commitments and contingencies (cont'd)

The commitments and contingencies and the related risk-weighted exposures of the group are as follows (cont'd):

| | Principal amount RM'000 | Credit equivalent amount * RM'000 | Risk-weighted amount RM'000 |
|---|---|---|---|
| **2010** | | | |
| **Contingencies** | | | |
| Direct credit substitutes | 20,000 | 20,000 | 4,000 |
| **Commitments** | | | |
| Forward asset purchases | 25,021 | 25,021 | 11,011 |
| Commitments to extend credits with maturity of #: | | | |
| – up to 1 year | 396,455 | 2,172 | 434 |
| – over 1 year | 18,962 | 10,696 | 2,868 |
| | 440,438 | 37,889 | 14,313 |
| **Derivative financial instruments** | | | |
| Foreign exchange related contracts: | | | |
| – up to 1 year | 215,642 | 1,747 | 1,148 |
| – over 1 year to 5 years | 280,697 | 21,858 | 9,404 |
| Interest rate related contracts: | | | |
| – up to 1 year | 1,715,000 | 1,169 | 538 |
| – over 1 year to 5 years | 4,548,000 | 34,832 | 12,301 |
| | 6,759,339 | 59,606 | 23,391 |
| **Total** | 7,219,777 | 117,495 | 41,704 |

* The credit equivalent amount in respect of contingencies and commitments of the investment banking subsidiary is arrived at using the credit conversion factors as specified by BNM.

# Included in the commitments to extend credits are loan commitments of the commercial banking subsidiary, of which the credit equivalent amount and risk-weighted amount are computed in accordance with the relevant guidelines issued by the National Bank of Cambodia.

## 45 Capital expenditure commitments

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| In respect of property, plant and equipment: | | | | |
| Contracted but not provided for | **769** | 1,299 | **–** | – |
| Approved but not contracted for | **19,797** | 12,052 | **–** | – |
| | **20,566** | 13,351 | **–** | – |
| Committed capital in HDM Private Equity Sdn. Bhd. ("HPE") in accordance with the Subscription Agreements between the company and HPE | **–** | – | **47,532** | 47,532 |
| | **20,566** | 13,351 | **47,532** | 47,532 |

## 46 Non-cancellable operating lease commitments

**Group**

| | **2011** | 2010 |
|---|---|---|
| | **RM'000** | RM'000 |
| Future minimum lease payable: | | |
| – not later than 1 year | **4,923** | 4,627 |
| – later than 1 year but not later than 5 years | **3,172** | 4,808 |
| | **8,095** | 9,435 |
| Future minimum lease receivable: | | |
| – not later than 1 year | **1,103** | 1,281 |
| – later than 1 year but not later than 5 years | **–** | 1,103 |
| | **1,103** | 2,384 |

The lease commitments are in respect of rental of equipment and premises.

## 47 Segmental information

The group determines reportable segments and presents measure of segment profit or loss in respect of the reportable segments based on information that are internally provided to the board of directors of the company.

The group is organised into the following operating segments:

| | | |
|---|---|---|
| Stockbroking | – | stockbroking, share margin financing and dealing in securities |
| Investment banking | – | debt capital markets, corporate banking, corporate finance advisory, equity capital market services and treasury and market activities |
| Commercial banking | – | commercial banking activities |
| Investment management | – | management of unit trust funds and provision of fund management services |
| Moneylending | – | moneylending activities |
| Others | – | include investment holding and other non-core operations of the group |

No operating segments have been aggregated to form the reportable segments of the group.

The revenue of all other segments of the group is mainly derived from dealings in options and futures, nominees services, research activities, investment holding and property letting, none of which constitutes a separate reportable segment.

Basis of measurement

The segment performance reported to the board of directors of the company is measured in a manner consistent with the amounts reported in the consolidated financial statements. Transactions between the reportable segments are carried out on an arm's length basis.

Major customers

During the financial year, revenue amounting to RM45,420,000 (2010: RM47,613,000) is derived from transactions with a single external customer reported in the moneylending segment.

## 47 Segmental information (cont'd)

**Segment performance**

| | Stock-broking RM'000 | Investment banking RM'000 | Commercial banking RM'000 | Investment management RM'000 | Money-lending RM'000 | Others RM'000 | Eliminations RM'000 | Group RM'000 |
|---|---|---|---|---|---|---|---|---|
| **2011** | | | | | | | | |
| External revenue | 140,109 | 114,615 | 4,513 | 71,408 | 57,597 | 11,091 | – | 399,333 |
| Inter-segment revenue | – | 1,793 | – | 44 | – | 35,568 | (37,405) | – |
| **Total revenue** | 140,109 | 116,408 | 4,513 | 71,452 | 57,597 | 46,659 | (37,405) | 399,333 |
| Net interest income/(expense) | 26,474 | 30,381 | 3,864 | 803 | 44,927 | (9,340) | – | 97,109 |
| Other operating income | 114,253 | 24,509 | 396 | 72,431 | 6,742 | 50,698 | (35,730) | 233,299 |
| | 140,727 | 54,890 | 4,260 | 73,234 | 51,669 | 41,358 | (35,730) | 330,408 |
| Other operating expenses | (104,250) | (21,559) | (4,472) | (60,165) | (4,873) | (19,231) | 8,084 | (206,466) |
| | 36,477 | 33,331 | (212) | 13,069 | 46,796 | 22,127 | (27,646) | 123,942 |
| (Allowance)/Write back of allowance for losses on: | | | | | | | | |
| – loans, advances and financing | 85 | 4,176 | (542) | – | (9,027) | – | (191) | (5,499) |
| – clients' balances and receivables | 705 | 163 | – | – | – | (8) | 8 | 868 |
| **Segment profit/(loss)** | 37,267 | 37,670 | (754) | 13,069 | 37,769 | 22,119 | (27,829) | 119,311 |
| Share of results of an associate, net of tax | | | | | | | | 340 |
| **Profit before taxation** | | | | | | | | 119,651 |
| Depreciation | (2,738) | (1,694) | (890) | (1,260) | (206) | (1,552) | 5 | (8,335) |
| Additions to non-current assets | 2,388 | 844 | 1,231 | 2,061 | 329 | 267 | (53) | 7,067 |

## 47 Segmental information (cont'd)

**Segment performance (cont'd)**

| | Stock-broking RM'000 | Investment banking RM'000 | Commercial banking RM'000 | Investment management RM'000 | Money-lending RM'000 | Others RM'000 | Eliminations RM'000 | Group RM'000 |
|---|---|---|---|---|---|---|---|---|
| **2010** | | | | | | | | |
| External revenue | 113,386 | 106,119 | 3,492 | 56,783 | 58,021 | 9,141 | – | 346,942 |
| Inter-segment revenue | – | 1,701 | – | 41 | – | 33,139 | (34,881) | – |
| **Total revenue** | 113,386 | 107,820 | 3,492 | 56,824 | 58,021 | 42,280 | (34,881) | 346,942 |
| Net interest income/(expense) | 17,953 | 37,600 | 1,568 | 461 | 45,933 | (7,144) | – | 96,371 |
| Other operating income | 96,511 | 7,883 | 185 | 57,740 | 6,703 | 43,001 | (32,536) | 179,487 |
| | 114,464 | 45,483 | 1,753 | 58,201 | 52,636 | 35,857 | (32,536) | 275,858 |
| Other operating expenses | (90,158) | (15,835) | (4,092) | (47,404) | (9,074) | (18,340) | 7,513 | (177,390) |
| | 24,306 | 29,648 | (2,339) | 10,797 | 43,562 | 17,517 | (25,023) | 98,468 |
| Allowance for losses on: | | | | | | | | |
| – loans, advances and financing | (2,638) | (3,098) | (129) | – | (4,931) | – | (38) | (10,834) |
| – clients' balances and receivables | (339) | (126) | – | – | – | (23) | 23 | (465) |
| – securities AFS | – | – | – | – | (650) | – | – | (650) |
| **Segment profit/(loss)** | 21,329 | 26,424 | (2,468) | 10,797 | 37,981 | 17,494 | (25,038) | 86,519 |
| Share of results of an associate, net of tax | | | | | | | | (777) |
| **Profit before taxation** | | | | | | | | 85,742 |
| Depreciation | (3,042) | (1,641) | (806) | (1,023) | (179) | (1,509) | 3 | (8,197) |
| Additions to non-current assets | 48,745 | 336 | 104 | 1,211 | 9 | 195 | (23) | 50,577 |

**Geographical information**

| | Revenue | | Non-current assets * | |
|---|---|---|---|---|
| | **2011 RM'000** | 2010 RM'000 | **2011 RM'000** | 2010 RM'000 |
| Malaysia | **370,966** | 317,209 | **268,999** | 270,685 |
| Foreign countries | **28,367** | 29,733 | **3,172** | 3,069 |
| | **399,333** | 346,942 | **272,171** | 273,754 |

* Non-current assets include property, plant and equipment, investment properties, intangible assets and other investments (note 13(f)).

## 48 Financial risk management

The operations of the group are subject to a variety of financial risks, including credit risk, market risk and liquidity risk. The group has formulated financial risk management framework and policies which are guided by the principal objective of minimising exposure to the risks associated with the operating, investing and financing activities of the group. Prudent risk management policies and procedures are in place for the control and management of risks associated with the day-to-day operations of the group and of the company.

The risk governance structure is cascaded throughout all levels of the organisation, which comprises the board of directors, executive management, business units and support units of the respective companies.

The board of directors is ultimately responsible for assuming the risks inherent in the business activities and defining the policies for governing those activities. The Board committees that are responsible to support the Board in the oversight of the group's risk management are the Executive Committee ("EXCO") and the board risk management committees of certain key operating subsidiaries. Internal risk management reports are submitted to the board risk management committees on a periodic basis.

### (a) Credit risk

Credit risk refers to the potential risk of financial loss arising from defaults by counterparties in meeting their obligations and is controlled by management through the application of credit approvals, revision of credit limits and monitoring procedures. The group's exposure to credit risks arises primarily from share trading, share margin financing, lending activities, bonds and foreign exchange trading, investments as well as equity and debt underwriting, fund management and investment activities. The primary objective of credit risk management is to ensure that exposure to credit risk is always kept within the group's capacity to withstand potential financial losses.

The management of credit risk of the subsidiaries are governed by the credit management policies and procedures approved by the respective subsidiaries' board of directors. Daily management and monitoring of credit risk is undertaken by credit control teams working within each business unit to ensure compliance with approved policies and regulatory requirements.

All credit applications are subject to credit evaluation by the originating business units and independently reviewed and approved by authorised personnel and/or committees, within the specified authority limits. The character, integrity, credibility and reputation of the borrowers are reviewed by management to judge the borrower's reliability and capability to fulfill the financial obligations to the group.

In respect of the investment banking subsidiary, lending activities are governed by the Core Credit Risk Policy which ensures that the overall lending objectives achieved are in compliance with the internal and regulatory requirements. Counterparty risk rating system is adopted whereby each corporate borrower is assigned a rating based on the assessment of relevant factors, including the borrower's financial conditions, market position, access to capital and management strength. The internal credit ratings are reviewed at least annually and more frequently when conditions warrant. Credit reviews on corporate borrowers and monitoring of credit risk exposures arising from stockbroking business are performed on regular basis to enable identification of indications of impairment and early warnings detection. Concentration risks are effectively tracked and managed to ensure sufficient diversification of credit exposures. Common approaches to assessing credit risk concentrations involve review of the credit portfolios by borrowers' risk rating, group relationship, industry concentration, business group/geographic market and country exposure. Portfolio stress testing for credit risk is conducted at least bi-annually as part of the risk measurement activities.

## 48 Financial risk management (cont'd)

### (a) Credit risk (cont'd)

In respect of the commercial banking subsidiary, extension of credit is governed by credit programmes, which set out the plan for a particular product or portfolio, including the target market, terms and conditions, documentation and procedures under which a product will be offered. The commercial banking subsidiary also structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and industry segments. Concentration of credit risk is monitored and subject to an annual or a more frequent review, when considered necessary. Limits on level of credit risk by product and industry sector are approved by the board of directors. Policies and practices to mitigate credit risk, including requiring borrowers to pledge collateral against loans and advances granted are also being employed by the commercial banking subsidiary. For larger credit facilities (above Euro one million or its equivalent), the counterparty risk rating system is adopted whereby each borrower is assigned a rating based on the assessment of relevant factors, including the borrower's financial conditions and outlook, industry and economic conditions, market position, access to capital and management strength.

Credit risk arising from fund management activities is mitigated to a certain extent as settlement is regulated by the Securities Commission.

### (b) Market risk

Market risk is the risk of losses arising from changes in market prices or rates, such as interest rates, foreign exchange rates and equity prices.

The risk of unfavourable price changes is managed by cautious review of the investments and collateral held with continuous monitoring of their performance and risk profiles by qualified personnel.

Significant foreign exchange exposures arising from the holding of monetary assets and liabilities of which cash flows are denominated in a currency other than the group's functional currency are generally covered using derivative financial instruments, such as foreign exchange forward contracts.

For the investment banking subsidiary, the market risk framework comprises the Core Market Risk Policy ("CMRP") that establishes the base standards on management of market and liquidity risks and the Supplementary Market Risk Policy ("SMRP") that sets out policies at a more detailed level for specific subject matters.

The CMRP and SMRP comprise the following elements:

- Market risk management principles;
- Market risk measurement techniques;
- Valuation methodology;
- Market risk limit structure and management;
- Guidelines on validation of valuation models and market risk models; and
- New product/service process whereby risk issues are identified and evaluated with control measures before new products and services are launched.

The investment banking subsidiary adopts a Value-at-Risk ("VaR") methodology using a variance-covariance method, which measures the interest rate and foreign exchange exposures arising from trading book portfolio. The VaR model is back-tested against actual results to validate its robustness. To complement the VaR framework, sensitivity measures, such as stop loss, present value basis point ("PVBP") and stress testing are also being used by the investment banking subsidiary to manage market risk.

## 48 Financial risk management (cont'd)

### (b) Market risk (cont'd)

Management of interest rate risk in the banking book by the investment banking subsidiary is governed by the Asset and Liability Management ("ALM") Policy. The investment banking subsidiary adopts both the earnings and economic value approaches in managing the interest rate risk. The earnings approach focuses on the impact of interest rate movements on the near term earnings. The economic value approach provides a more comprehensive view of the impact of interest rate movements on the economic value of the overall position of the investment banking subsidiary.

The investment banking subsidiary is exposed to equity risk arising from investment in equity-based instruments and Collective Investment Schemes held for trading and/or yield purpose, as well as from equity underwriting business. Equity risk is managed and monitored by the said subsidiary through stop loss limits as well as limits set based on the issued share capital/fund size of issuers and its capital base. The commercial banking subsidiary manages the risk of unfavourable changes in net assets value of its investment by monitoring the fluctuations in net asset values as reported in the monthly fund performance reports.

The investment management subsidiary minimises its exposure to market risk arising from holding of manager's stocks by imposing exposure, investment and concentration limits on the funds managed by the subsidiary as well as having in place cut-loss policies to reduce the potential loss in the event of systemic market risk.

### (c) Liquidity risk

Liquidity risk is the risk of loss due to inability of the group to access sufficient funds at a reasonable cost, to meet payment obligations when they fall due.

The group manages the funding needs and allocates funds in such a manner that all business units maintain optimum levels of liquidity sufficient for their operations. Any excess funds from operating cash cycles, which are temporary in nature, are invested in short term deposits with other financial institutions at competitive interest rates.

The group practises prudent liquidity risk management to ensure that there is adequate cash flow to meet all its obligations. Sufficient credit facilities are maintained with other financial institutions for contingent working capital and funding requirements.

The investment banking subsidiary's liquidity risk management is governed by the guidelines as stipulated in the ALM Policy. The primary tool adopted by the investment banking subsidiary in monitoring liquidity risk is via liquidity gap profile, which measures the projected maturity mismatch of its assets, liabilities and other financial commitments by matching the expected cash inflows and outflows into the relevant time bands based on the behavioural patterns of certain financial instruments. In addition, various liquidity and concentration ratios are also being employed to manage funding liquidity risk. Stress testing on liquidity risk is also conducted periodically to assess the potential impact on funding liquidity and a contingency funding plan is also in place. The investment banking subsidiary complies with the BNM Liquidity Framework in assessing its soundness of liquidity standing.

The commercial banking subsidiary practises regular review and monitoring of the funding liquidity as well as manages concentration and movements of main depositors and projection of their withdrawals. During the financial year, management Asset and Liability Committee has been established at the commercial banking subsidiary to assist the board in maintaining an effective oversight over the effectiveness of its risk management infrastructure.

## 49 Financial instruments

### (a) Classification of financial instruments

| | Held-for-trading RM'000 | AFS RM'000 | Loans and receivables/ at amortised cost RM'000 | Held-to-maturity RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **2011** | | | | | |
| **Financial assets** | | | | | |
| Cash and short term funds | – | – | 885,629 | – | 885,629 |
| Deposits and placements with banks and other financial institutions | – | – | 179,812 | – | 179,812 |
| Securities held-for-trading | 338,425 | – | – | – | 338,425 |
| Securities AFS | – | 1,193,899 | – | – | 1,193,899 |
| Securities held-to-maturity | – | – | – | 388,335 | 388,335 |
| Loans, advances and financing | – | – | 679,780 | – | 679,780 |
| Clients' and brokers' balances | – | – | 168,102 | – | 168,102 |
| Derivative assets | 26,734 | – | – | – | 26,734 |
| Other financial assets (note 13) | – | – | 30,402 | – | 30,402 |
| **Total** | 365,159 | 1,193,899 | 1,943,725 | 388,335 | 3,891,118 |
| **Financial liabilities** | | | | | |
| Deposits from customers | – | – | (820,043) | – | (820,043) |
| Deposits and placements of banks and other financial institutions | – | – | (1,581,036) | – | (1,581,036) |
| Clients' and brokers' balances | – | – | (186,725) | – | (186,725) |
| Derivative liabilities | (28,233) | – | – | – | (28,233) |
| Other financial liabilities | – | – | (369,463) | – | (369,463) |
| Borrowings | – | – | (377,349) | – | (377,349) |
| **Total** | (28,233) | – | (3,334,616) | – | (3,362,849) |
| **Company** | | | | | |
| **2011** | | | | | |
| **Financial assets** | | | | | |
| Cash and short term funds | – | – | 3,082 | – | 3,082 |
| Securities AFS | – | 490 | – | – | 490 |
| Other financial assets (note 13) | – | – | 1,202 | – | 1,202 |
| **Total** | – | 490 | 4,284 | – | 4,774 |
| **Financial liabilities** | | | | | |
| Other financial liabilities | – | – | (4,881) | – | (4,881) |
| Borrowings | – | – | (232,691) | – | (232,691) |
| **Total** | – | – | (237,572) | – | (237,572) |

## 49 Financial instruments (cont'd)

### (b) Maximum exposure to credit risk

The following table presents the maximum exposure to credit risk of the group and of the company as at the end of the reporting period (without taking into account of any collateral held or other credit enhancements) less allowances for impairment losses. Quoted securities held-for-trading are excluded as these are actively traded and are subject to price risk.

For financial assets recognised in the statements of financial position, the exposure to credit risk equals their carrying amounts. For credit related commitments or contingencies not recognised in the statements of financial positions, the maximum exposure to credit risk is the full amount of the irrevocable committed facilities or the maximum amount the group would have to pay if the obligations arising from financial instruments issued being called upon.

| | Group RM'000 | Company RM'000 |
|---|---|---|
| **2011** | | |
| **Financial assets** | | |
| Short term funds and deposit placements with financial institutions (exclude cash in hand) | 1,062,110 | 3,082 |
| Securities held-for-trading | | |
| Unquoted debt securities | 298,495 | – |
| Securities AFS | | |
| Quoted securities | 156,895 | – |
| Unquoted debt securities | 1,031,721 | – |
| Unquoted investment fund | 4,793 | – |
| Unquoted equity instruments | 490 | 490 |
| Securities held-to-maturity | | |
| Unquoted debt securities | 388,335 | – |
| Loans, advances and financing | | |
| Share margin financing | 249,827 | – |
| Corporate loans | 193,652 | – |
| Consumer loans/financing | 157,954 | – |
| Retail loans/financing | 78,347 | – |
| Clients' and brokers' balances | 168,102 | – |
| Derivative assets | 26,734 | – |
| Other financial assets (note 13) | | |
| Trade receivables – fund management | 5,388 | – |
| Trade receivables – others | 3,232 | – |
| Others | 21,782 | 1,202 |
| | 3,847,857 | 4,774 |
| **Items not recognised in the statements of financial position** | | |
| Commitments | 59,024 | – |
| Contingencies | 12,500 | – |
| | 3,919,381 | 4,774 |

## 49 Financial instruments (cont'd)

### (c) Collateral and other credit enhancements obtained

The main types of collateral and other credit enhancements obtained by the group in respect of loans and receivables are as follows:

| Classes of loans and receivables | Types of collateral |
|---|---|
| Share margin financing | (a) Securities quoted on Bursa Securities<br>(b) Cash deposits |
| Corporate loans | (a) Properties<br>(b) Securities quoted on Bursa Securities<br>(c) Unquoted securities<br>(d) Cash deposits<br>(e) Debentures and guarantees |
| Retail loans/financing | (a) Properties<br>(b) Securities quoted on Bursa Securities<br>(c) Cash deposits<br>(d) Guarantees |
| Clients' and brokers' balances | (a) Securities quoted on Bursa Securities<br>(b) Cash deposits |

Consumer loans/financing, trade receivables and other receivables are generally unsecured.

To the extent possible, pledges of collateral are negotiated with the counterparties for the purpose of reducing credit risk. The group takes into consideration the marketability and counterparty of the collateral as well as the adequacy of debt coverage in assessing the acceptability of collateral. The collateral obtained by the group are valued periodically depending on the types of collateral. Quoted securities are valued based on quoted and observable market prices. Properties are valued based on valuation by independent professional valuers or recent transacted prices of properties in the adjacent locations.

During the financial year, the group has taken possession and disposed of unquoted shares held as security against a corporate loan for debt recovery purposes.

## 49 Financial instruments (cont'd)

### (d) Credit quality of financial assets

Exposures of the group and of the company to credit risk as at the end of the reporting period (without taking into account of any collateral held or other credit enhancements and allowances for impairment losses) are as follows:

| | Neither past due nor impaired RM'000 | Past due but not impaired RM'000 | Impaired RM'000 |
|---|---|---|---|
| **Group** | | | |
| **2011** | | | |
| Short term funds and deposit placements with financial Institutions (exclude cash in hand) | **1,062,110** | **–** | **–** |
| Securities held-for-trading (exclude quoted securities) | **298,495** | **–** | **–** |
| Securities AFS | **1,193,899** | **–** | **650** |
| Securities held-to-maturity | **388,335** | **–** | **–** |
| Loans, advances and financing | **658,514** | **25,680** | **18,401** |
| Clients' and brokers' balances | **166,434** | **1,236** | **1,172** |
| Derivative assets | **26,734** | **–** | **–** |
| Other financial assets | **28,435** | **1,230** | **1,078** |
| | **3,822,956** | **28,146** | **21,301** |

The group and the company do not hold any financial asset that would otherwise be past due or impaired whose terms have been renegotiated.

All the financial assets held by the company as at the end of the reporting period are neither past due nor individually impaired.

### (e) Credit quality of financial assets that are neither past due nor impaired

Short term funds and deposit placements with financial institutions (exclude cash in hand)

Analysis of short term funds and deposit placements with financial institutions of the group and of the company (exclude cash in hand) by counterparty is as follows:

| | Group RM'000 | Company RM'000 |
|---|---|---|
| **2011** | | |
| Bank balances and deposit placements with: | | |
| Central banks | **402,504** | **–** |
| Licensed banks in Malaysia | **457,566** | **332** |
| Licensed investment banks in Malaysia | **140,312** | **2,204** |
| Other financial institutions in Malaysia | **1,569** | **–** |
| Foreign financial institutions | **60,159** | **546** |
| | **1,062,110** | **3,082** |

## 49 Financial instruments (cont'd)

### (e) Credit quality of financial assets that are neither past due nor impaired (cont'd)

Securities portfolio

Analysis of securities portfolio of the group (without taking into account of allowances for impairment losses) by external credit rating is as follows:

| | External credit rating * | | | | | |
|---|---|---|---|---|---|---|
| | AAA to AA- RM'000 | A+ to A- RM'000 | BBB+ to BBB- RM'000 | Unrated - sovereign RM'000 | Unrated - others RM'000 | Total RM'000 |
| **Group** | | | | | | |
| **2011** | | | | | | |
| Securities held-for-trading | | | | | | |
| Unquoted debt securities | **161,526** | **85,100** | **–** | **51,869** | **–** | **298,495** |
| Securities AFS | | | | | | |
| Quoted securities | **–** | **–** | **–** | **–** | **156,895** | **156,895** |
| Unquoted debt securities | **498,257** | **102,313** | **46,910** | **311,661** | **72,580** | **1,031,721** |
| Unquoted investment fund | **–** | **–** | **–** | **–** | **4,793** | **4,793** |
| Unquoted equity instruments | **–** | **–** | **–** | **–** | **1,140** | **1,140** |
| Securities held-to-maturity | | | | | | |
| Unquoted debt securities | **133,374** | **71,458** | **183,503** | **–** | **–** | **388,335** |
| | **793,157** | **258,871** | **230,413** | **363,530** | **235,408** | **1,881,379** |

* The credit ratings cited represent ratings by the Malaysian Rating Corporation Berhad with equivalent ratings by other rating agencies being classified similarly.

Loans, advances and financing

The credit quality of the loans, advances and financing of the group (without taking into account of allowances for impairment losses) is analysed as follows:

(i) Share margin financing

| | Group RM'000 |
|---|---|
| **2011** | |
| Equity margin | |
| – 150% or more | **253,624** |
| – 130% to less than 150% | **7** |
| | **253,631** |

## 49 Financial instruments (cont'd)

### (e) Credit quality of financial assets that are neither past due nor impaired (cont'd)

Loans, advances and financing (cont'd)

(ii) Other loans, advances and financing [1]

| | Group RM'000 |
|---|---|
| **2011** | |
| Loans, advances and financing which were: | |
| – neither past due nor impaired in the preceding 6 months | **371,850** |
| – past due or impaired in the preceding 6 months | **33,033** |
| | **404,883** |

[1] Include corporate loans, consumer loans/financing and retail loans/financing

Clients' and brokers' balances

As at the end of the reporting period, approximately 98% of the amounts due from clients and brokers balances arise from regular way purchase contracts whereby delivery of assets purchased is subject to time frame established generally by regulations or convention in the market place. Other amounts due from clients are generally covered by collateral held and the deposits of and amounts due to the dealer's representatives.

Derivative assets

The counterparties of the derivative assets held by the group as at the end of the reporting period are as follows:

| | Group RM'000 |
|---|---|
| **2011** | |
| **In Malaysia** | |
| Licensed banks | **25,708** |
| Other financial institutions | **192** |
| Business enterprises | **820** |
| Individuals | **1** |
| | **26,721** |
| **Outside Malaysia** | |
| Foreign financial institutions | **13** |
| | **26,734** |

## 49 Financial instruments (cont'd)

**(e) Credit quality of financial assets that are neither past due nor impaired (cont'd)**

Other financial assets

Credit risk of the investment management subsidiary with respect to fees receivable from funds managed is minimal as the fees are settled on a timely basis in accordance with the credit terms of 30 to 90 days. Other trade receivables of the group which are neither past due nor impaired are mainly due from companies listed on Bursa Securities.

Other financial assets of the group which are neither past due nor impaired mainly comprise collateral/margin deposits for derivative transactions and clients' margin deposits amounting to RM12,350,000 and RM4,613,000 respectively as at the end of the reporting period. Collateral/Margin deposits for derivative transactions are placed by the investment banking subsidiary with a licensed financial institution in Malaysia and a related foreign financial institution in the ordinary course of its business. Clients' margin deposits are clients' monies held in trust by foreign brokers.

**(f) Aging analysis of financial assets that are past due but not impaired**

The aging analysis of loans and receivables as at the end of the reporting period (without taking into account of any collateral held or other credit enhancements and allowances for impairment losses) are as follows:

| | Past due period | | | |
|---|---|---|---|---|
| | **Less than 1 month RM'000** | **1 month to < 2 months RM'000** | **2 months to < 3 months RM'000** | **Total RM'000** |
| **Group** | | | | |
| **2011** | | | | |
| Loans, advances and financing | | | | |
| Consumer loans/financing | **1,553** | **3,294** | **2,185** | **7,032** |
| Retail loans/financing | **–** | **9,160** | **9,488** | **18,648** |
| Clients' and brokers' balances | **1,236** | **–** | **–** | **1,236** |
| Other financial assets | | | | |
| Trade receivables – fund management | **19** | **–** | **–** | **19** |
| Trade receivables – others | **769** | **384** | **58** | **1,211** |
| | **3,577** | **12,838** | **11,731** | **28,146** |

The company does not have any financial assets which are past due but not impaired as at the end of the reporting period.

Loans and receivables, which are past due for less than 3 months are not usually considered impaired unless the loans and receivables exhibit indications of credit weaknesses. Past due loans and receivables are closely monitored by management to secure debt repayment.

The fair values of collateral held as security in respect of loans and receivables of the group that are past due but not impaired as at the end of the reporting period are not disclosed as it is not practicable to do so.

## 49 Financial instruments (cont'd)

### (g) Analysis of individually impaired financial assets

| | Gross impaired accounts RM'000 | Individually assessed impaired accounts RM'000 | Individual impairment allowance RM'000 | Fair value of eligible collateral RM'000 |
|---|---|---|---|---|
| **Group** | | | | |
| **2011** | | | | |
| Securities AFS | | | | |
| Unquoted equity instruments | 650 | 650 | 650 | – |
| Loans, advances and financing | | | | |
| Corporate loans | 8,186 | 8,186 | 8,186 | – |
| Consumer loans/financing | 5,607 | – | – | – |
| Retail loans/financing | 4,608 | 4,608 | 2,236 | 13,435 |
| Clients' and brokers' balances | 1,172 | 1,172 | 712 | 460 |
| Other financial assets | | | | |
| Trade receivables – others | 1,078 | 1,078 | 310 | – |
| | 21,301 | 15,694 | 12,094 | 13,895 |

The collateral held by the group as security and other credit enhancements in respect of the individually assessed impaired financial assets mainly comprise cash deposits, securities quoted on Bursa Securities, unquoted securities, properties, guarantees and the deposits of and amounts due to the dealer's representatives.

## 49 Financial instruments (cont'd)

### (h) Movements in impairment allowances by classes of financial assets

| | Loans, advances and financing | | | | | |
|---|---|---|---|---|---|---|
| | Share margin financing RM'000 | Corporate loans RM'000 | Consumer loans RM'000 | Retail loans/ financing RM'000 | Clients' and brokers' balances RM'000 | Trade receivables - others * RM'000 |
| **Group** | | | | | | |
| **2011** | | | | | | |
| **Collective impairment allowance** | | | | | | |
| At beginning of the financial year | | | | | | |
| – as previously reported | – | – | – | – | – | – |
| – effects of adoption of FRS 139 | 3,889 | 1,288 | 3,856 | 184 | 19 | 16 |
| – as restated | 3,889 | 1,288 | 3,856 | 184 | 19 | 16 |
| Net allowance made/(written back) | (85) | 908 | 3,935 | 405 | 9 | 15 |
| Amount written off | – | – | (1,963) | – | – | – |
| Exchange differences | – | – | – | (24) | – | – |
| At end of the financial year | 3,804 | 2,196 | 5,828 | 565 | 28 | 31 |

| | Loans, advances and financing | | | | |
|---|---|---|---|---|---|
| | Corporate loans RM'000 | Retail loans/ financing RM'000 | Clients' and brokers' balances RM'000 | Trade receivables - others * RM'000 | Securities AFS RM'000 |
| **Group** | | | | | |
| **2011** | | | | | |
| **Individual impairment allowance** | | | | | |
| At beginning of the financial year | | | | | |
| – as previously reported | – | – | – | – | – |
| – effects of adoption of FRS 139 | 9,440 | – | 576 | 488 | 650 |
| – as restated | 9,440 | – | 576 | 488 | 650 |
| Allowance made | 3,769 | 2,244 | 237 | 32 | – |
| Amount written back | (5,023) | – | (101) | (210) | – |
| Exchange differences | – | (8) | – | – | – |
| At end of the financial year | 8,186 | 2,236 | 712 | 310 | 650 |

* Included in other assets (note 13).

## 49 Financial instruments (cont'd)

### (i) Credit risk concentration

The group and the company determine credit risk concentration by industry sector as disclosed below.

| | Short term funds and deposit placements with financial institutions RM'000 | Securities held-for-trading RM'000 | Securities AFS RM'000 | Securities held-to-maturity RM'000 | Loans, advances and financing RM'000 | Clients' and brokers' balances RM'000 | Other financial assets [(1)] RM'000 | Total exposure arising from financial assets RM'000 | Commitments and contingencies RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | | |
| **2011** | | | | | | | | | |
| Agriculture and forestry | – | – | 50,020 | – | 1,165 | – | – | 51,185 | – |
| Mining and quarrying | – | 5,182 | 67,655 | 82,183 | 29,734 | – | 318 | 185,072 | – |
| Manufacturing | – | – | 68,704 | – | 28,131 | – | 1,275 | 98,110 | 297 |
| Electricity, gas and water | – | – | 4,986 | 133,374 | 63,009 | – | 571 | 201,940 | 1,283 |
| Construction | – | 41,954 | 25,969 | – | 375 | – | 395 | 68,693 | 25,000 |
| Real estate | – | – | 30,291 | – | 4,522 | – | 2,240 | 37,053 | 653 |
| Finance and insurance | 658,039 | 144,445 | 429,062 | 42,973 | 1,754 | – | 50,601 | 1,326,874 | 1,297 |
| Government and government agencies | 404,071 | 51,869 | 317,952 | – | – | – | 149 | 774,041 | – |
| Wholesale & retail trade and restaurants & hotels | – | 55,045 | 76,171 | 101,320 | 55,140 | – | 176 | 287,852 | 19,443 |
| Transport, storage and communication | – | – | 46,910 | 28,485 | 848 | – | 284 | 76,527 | 20,000 |
| Purchase of securities | – | – | – | – | 291,018 | 168,102 | – | 459,120 | – |
| Personal use | – | – | – | – | 181,276 | – | – | 181,276 | 139 |
| Education and health | – | – | 75,689 | – | 4,671 | – | – | 80,360 | 1,870 |
| Others | – | – | 490 | – | 18,137 | – | 1,127 | 19,754 | 1,542 |
| | 1,062,110 | 298,495 | 1,193,899 | 388,335 | 679,780 | 168,102 | 57,136 | 3,847,857 | 71,524 |

(1) Other financial assets include derivative assets and other financial assets (note 13).

Risk concentration for commitments and contingencies represents the full amount of the irrevocable committed facilities or the maximum amount the group would have to pay if the obligations arising from financial instruments issued being called upon.

## 49 Financial instruments (cont'd)

### (i) Credit risk concentration (cont'd)

| | Short term funds and deposit placements with financial institutions RM'000 | Securities AFS RM'000 | Other financial assets RM'000 | Total exposure arising from financial assets RM'000 |
|---|---|---|---|---|
| **Company** | | | | |
| **2011** | | | | |
| Finance and insurance | 3,082 | – | 1,195 | 4,277 |
| Others | – | 490 | 7 | 497 |
| | 3,082 | 490 | 1,202 | 4,774 |

As at the end of the reporting period, the group and the company have no significant concentration of credit risk that may arise from exposures to a single counterparty other than the aggregate exposure to two major customers which account for approximately 35% of the loans, advances and financing of the group.

## 49 Financial instruments (cont'd)

### (j) Interest rate risk

The tables below summarise the exposure of the group and of the company to interest rate risk. The non-derivative financial assets and financial liabilities at carrying amount are categorised by the earlier of contractual re-pricing or maturity dates. The interest rate sensitivity gap in respect of derivative financial instruments represents the net notional amounts of interest sensitive derivative financial instruments.

| | Non-trading book | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Up to 1 month RM'000 | >1 - 3 months RM'000 | >3 - 12 months RM'000 | >1 - 5 years RM'000 | Over 5 years RM'000 | Non-interest sensitive RM'000 | Trading book RM'000 | Total RM'000 | Effective interest rate % |
| **Group** | | | | | | | | | |
| **2011** | | | | | | | | | |
| **Financial assets** | | | | | | | | | |
| Cash and short term funds | 768,546 | – | – | – | – | 117,083 | – | 885,629 | 2.97 |
| Deposits and placements with banks and other financial institutions | – | 152,320 | 27,492 | – | – | – | – | 179,812 | 3.25 |
| Securities held-for-trading | – | – | – | – | – | – | 338,425 | 338,425 | 4.28 |
| Securities AFS | 42,326 | 62,636 | 344,905 | 531,478 | 50,376 | 162,178 | – | 1,193,899 | 3.94 |
| Securities held-to-maturity | – | – | – | 202,889 | 185,446 | – | – | 388,335 | 6.69 |
| Loans, advances and financing: | | | | | | | | | |
| – non-impaired | 436,290 | 50,086 | 661 | 31,043 | 166,114 | (12,393)* | – | 671,801 | 9.19 |
| – impaired | – | – | – | – | – | 7,979 | – | 7,979 | – |
| Clients' and brokers' balances | 1,740 | – | – | – | – | 166,362 | – | 168,102 | 8.00 |
| Other financial assets (note 13) | 12,350 | – | – | – | – | 18,052 | – | 30,402 | 0.40 |
| | 1,261,252 | 265,042 | 373,058 | 765,410 | 401,936 | 459,261 | 338,425 | 3,864,384 | |

* The negative balance represents collective impairment allowance on loans, advances and financing.

## 49 Financial instruments (cont'd)

### (j) Interest rate risk (cont'd)

| | Non-trading book | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Up to 1 month RM'000 | >1 - 3 months RM'000 | >3 - 12 months RM'000 | >1 - 5 years RM'000 | Over 5 years RM'000 | Non-interest sensitive RM'000 | Trading book RM'000 | Total RM'000 | Effective interest rate % |
| **Group** | | | | | | | | | |
| **2011** | | | | | | | | | |
| **Financial liabilities** | | | | | | | | | |
| Deposits from customers | (753,141) | (30,698) | (30,564) | – | – | (5,640) | – | (820,043) | 3.34 |
| Deposits and placements of banks and other financial institutions | (1,193,341) | (317,235) | (70,319) | – | – | (141) | – | (1,581,036) | 3.13 |
| Clients' and brokers' balances | (51,929) | – | – | – | – | (134,796) | – | (186,725) | 3.03 |
| Other financial liabilities | (237,988) | (2,241) | – | – | – | (129,234) | – | (369,463) | 2.90 |
| Borrowings | (196,330) | – | (181,019) | – | – | – | – | (377,349) | 4.56 |
| | (2,432,729) | (350,174) | (281,902) | – | – | (269,811) | – | (3,334,616) | |
| **Interest sensitivity gap** | | | | | | | | | |
| – financial assets and liabilities | (1,171,477) | (85,132) | 91,156 | 765,410 | 401,936 | 189,450 | 338,425 | 529,768 | |
| – derivative financial instruments | (105,000) | (470,000) | (1,180,000) | (1,255,000) | – | – | – | (3,010,000) | |
| | (1,276,477) | (555,132) | (1,088,844) | (489,590) | 401,936 | 189,450 | 338,425 | (2,480,232) | |

| | Non-trading book | | | | |
|---|---|---|---|---|---|
| | Up to 1 month RM'000 | >3 - 12 months RM'000 | Non-interest sensitive RM'000 | Total RM'000 | Effective interest rate % |
| **Company** | | | | | |
| **2011** | | | | | |
| **Financial assets** | | | | | |
| Cash and short term funds | 2,205 | – | 877 | 3,082 | 2.85 |
| Securities AFS | – | – | 490 | 490 | – |
| Other financial assets (note 13) | 1,163 | – | 39 | 1,202 | 4.60 |
| | 3,368 | – | 1,406 | 4,774 | |
| **Financial liabilities** | | | | | |
| Other financial liabilities | (898) | – | (3,983) | (4,881) | 4.60 |
| Borrowings | (51,672) | (181,019) | – | (232,691) | 4.56 |
| | (52,570) | (181,019) | (3,983) | (237,572) | |
| **Interest sensitivity gap** | (49,202) | (181,019) | (2,577) | (232,798) | |

## 49 Financial instruments (cont'd)

### (k) Exposure to foreign exchange risk

The table below sets out the financial assets, financial liabilities and derivative financial instruments of the group and of the company, which are denominated in foreign currencies as at the end of the reporting period. Non-derivative financial assets and financial liabilities are stated at carrying amounts (in RM equivalent). Derivatives financial instruments are stated at net notional amounts of derivative contracts (in RM equivalent).

| | US Dollar RM'000 | Singapore Dollar RM'000 | Australian Dollar RM'000 | Hong Kong Dollar RM'000 | Other currencies RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| **2011** | | | | | | |
| **Financial assets** | | | | | | |
| Cash and short term funds | 7,848 | 6,476 | 1,596 | 3,599 | 1,042 | 20,561 |
| Securities held-for-trading | 36 | – | 4 | – | – | 40 |
| Securities AFS | 53,201 | 160,719 | – | – | – | 213,920 |
| Securities held-to-maturity | 211,988 | – | – | – | – | 211,988 |
| Clients' and brokers' balances | 1,049 | 3,767 | 83 | 3,752 | 210 | 8,861 |
| Other financial assets | 11,763 | – | – | 2,884 | – | 14,647 |
| | 285,885 | 170,962 | 1,683 | 10,235 | 1,252 | 470,017 |
| **Financial liabilities** | | | | | | |
| Deposits from customers | (2,425) | – | (103) | – | (123) | (2,651) |
| Deposits and placements of banks and other financial institutions | (89,098) | – | – | – | (222) | (89,320) |
| Clients' and brokers' balances | (5,458) | (3,690) | (112) | (2,773) | (28) | (12,061) |
| Other financial liabilities | (6,922) | (3,431) | (891) | (3,212) | – | (14,456) |
| | (103,903) | (7,121) | (1,106) | (5,985) | (373) | (118,488) |
| **Net open position** | 181,982 | 163,841 | 577 | 4,250 | 879 | 351,529 |
| Derivative financial instruments | (163,327) | (159,908) | 176 | (240) | 217 | (323,082) |
| **Net open position and derivative financial instruments** | 18,655 | 3,933 | 753 | 4,010 | 1,096 | 28,447 |
| **Company** | | | | | | |
| **2011** | | | | | | |
| **Financial assets** | | | | | | |
| Cash and short term funds | 546 | – | – | – | – | 546 |
| **Net open position** | 546 | – | – | – | – | 546 |

## 49 Financial instruments (cont'd)

### (l) Market risk sensitivity analysis

**Group**

Interest rate risk

The table below shows the sensitivity of the financial assets and liabilities of the group and of the company as at the end of the reporting period to reasonably possible changes in interest rates, on the basis that all other variables remain constant.

| | Group Increase/(Decrease) | | Company Increase/(Decrease) | |
|---|---|---|---|---|
| | + 100 basis points RM'000 | – 100 basis points RM'000 | + 100 basis points RM'000 | – 100 basis points RM'000 |
| **2011** | | | | |
| Impact on profit before taxation | (6,459) | 7,296 | (2,315) | 2,315 |
| Impact on other comprehensive income | (17,108) | 17,546 | – | – |

Foreign exchange risk

The table below shows the analysis of the impacts arising from reasonable possible changes in the foreign exchange rates to which the group and the company have significant exposure as at the end of the reporting period, on the basis that all other variables remain constant.

| | Changes in foreign exchange rates | Increase/(Decrease) in profit before taxation Group RM'000 | Increase/(Decrease) in profit before taxation Company RM'000 |
|---|---|---|---|
| **2011** | | | |
| US Dollar | +/– 5% | +/– 1,225 | +/– 27 |
| Singapore Dollar | +/– 5% | +/– 295 | – |
| Australian Dollar | +/– 5% | +/– 41 | – |
| Hong Kong Dollar | +/– 5% | +/– 77 | – |
| | | +/– 1,638 | +/– 27 |

## 49 Financial instruments (cont'd)

### (l) Market risk sensitivity analysis (cont'd)

Price risk

The table below shows the analysis of the impacts arising from reasonable possible changes in the prices of the equity instruments (including unit trust funds) which are held by group as at the end of the reporting period.

| | | Group Increase/(Decrease) | |
|---|---|---|---|
| | Changes in equity prices | Profit before taxation RM'000 | Other comprehensive income RM'000 |
| **2011** | | | |
| Quoted shares, warrants and REITs | +/– 5% | +/– 1,295 | +/– 254 |
| Quoted unit trust funds | +/– 1% | +/– 140 | +/– 1,518 |
| | | +/– 1,435 | +/– 1,772 |

## 49 Financial instruments (cont'd)

### (m) Contractual maturity analysis of financial assets and liabilities

The table below analyses the carrying amounts of the financial assets and financial liabilities of the group and of the company based on the remaining contractual maturity.

| | Up to 1 month RM'000 | >1 - 3 months RM'000 | >3 - 12 months RM'000 | >1 - 5 years RM'000 | Over 5 years RM'000 | No specific maturity RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | |
| **2011** | | | | | | | |
| **Financial assets** | | | | | | | |
| Cash and short term funds | 885,629 | – | – | – | – | – | 885,629 |
| Deposits and placements with banks and other financial institutions | – | 152,320 | 27,492 | – | – | – | 179,812 |
| Securities held-for-trading | 196,315 | 5,182 | – | 10,012 | 86,986 | 39,930 | 338,425 |
| Securities AFS | 42,326 | 62,637 | 344,905 | 531,478 | 50,375 | 162,178 | 1,193,899 |
| Securities held-to-maturity | – | – | – | 202,889 | 185,446 | – | 388,335 |
| Loans, advances and financing | 261,026 | 43,606 | 57,435 | 79,839 | 237,874 | – | 679,780 |
| Clients' and brokers' balances | 168,102 | – | – | – | – | – | 168,102 |
| Derivative assets | 393 | 4,376 | 9,998 | 11,967 | – | – | 26,734 |
| Other financial assets (note 13) | 12,456 | 2,125 | 987 | 11,145 | – | 3,689 | 30,402 |
| | 1,566,247 | 270,246 | 440,817 | 847,330 | 560,681 | 205,797 | 3,891,118 |
| **Financial liabilities** | | | | | | | |
| Deposits from customers | (758,781) | (30,698) | (30,564) | – | – | – | (820,043) |
| Deposits and placements of banks and other financial institutions | (1,193,482) | (317,235) | (70,319) | – | – | – | (1,581,036) |
| Clients' and brokers' balances | (186,725) | – | – | – | – | – | (186,725) |
| Derivative liabilities | (771) | (4,072) | (857) | (22,533) | – | – | (28,233) |
| Other financial liabilities | (316,132) | (3,076) | (9,209) | – | – | (41,046) | (369,463) |
| Borrowings | (196,330) | – | (181,019) | – | – | – | (377,349) |
| | (2,652,221) | (355,081) | (291,968) | (22,533) | – | (41,046) | (3,362,849) |
| **Net liquidity gap** | (1,085,974) | (84,835) | 148,849 | 824,797 | 560,681 | 164,751 | 528,269 |

## 49 Financial instruments (cont'd)

### (m) Contractual maturity analysis of financial assets and liabilities (cont'd)

| | Up to 1 month RM'000 | >1 - 3 months RM'000 | >3 - 12 months RM'000 | >1 - 5 years RM'000 | Over 5 years RM'000 | No specific maturity RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **Company** | | | | | | | |
| **2011** | | | | | | | |
| **Financial assets** | | | | | | | |
| Cash and short term funds | 3,082 | – | – | – | – | – | 3,082 |
| Securities AFS | – | – | – | – | – | 490 | 490 |
| Other financial assets (note 13) | 1,163 | – | – | – | – | 39 | 1,202 |
| | 4,245 | – | – | – | – | 529 | 4,774 |
| **Financial liabilities** | | | | | | | |
| Other financial liabilities | (898) | (36) | (3,771) | – | – | (176) | (4,881) |
| Borrowings | (51,672) | – | (181,019) | – | – | – | (232,691) |
| | (52,570) | (36) | (184,790) | – | – | (176) | (237,572) |
| **Net liquidity gap** | (48,325) | (36) | (184,790) | – | – | 353 | (232,798) |

## 49 Financial instruments (cont'd)

### (n) Liquidity risk disclosure based on remaining contractual maturity

The table below analyses the undiscounted cash flows obligations of the financial liabilities of the group and of the company based on the remaining contractual maturity.

| | Up to 1 month RM'000 | >1 - 3 months RM'000 | >3 - 12 months RM'000 | >1 - 5 years RM'000 | Over 5 years RM'000 | No specific maturity RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | |
| **2011** | | | | | | | |
| **Non-derivative financial liabilities** | | | | | | | |
| Deposits from customers | (759,515) | (30,872) | (30,998) | – | – | – | (821,385) |
| Deposits and placements of banks and other financial institutions | (1,194,412) | (319,065) | (71,185) | – | – | – | (1,584,662) |
| Clients' and brokers' balances | (186,725) | – | – | – | – | – | (186,725) |
| Other financial liabilities | (316,132) | (3,076) | (9,209) | – | – | (41,046) | (369,463) |
| Borrowings | (196,550) | – | (186,173) | – | – | – | (382,723) |
| | (2,653,334) | (353,013) | (297,565) | – | – | (41,046) | (3,344,958) |
| **Derivative liabilities** | | | | | | | |
| Net settled | (231) | (1,586) | (3,193) | (3,685) | – | – | (8,695) |
| Gross settled | | | | | | | |
| Inflow | 134,732 | 251,992 | 41,283 | 184,731 | – | – | 612,738 |
| Outflow | (135,581) | (257,196) | (42,045) | (199,069) | – | – | (633,891) |
| | (849) | (5,204) | (762) | (14,338) | – | – | (21,153) |
| | (1,080) | (6,790) | (3,955) | (18,023) | – | – | (29,848) |
| **Items not recognised in the statements of financial position** | | | | | | | |
| Commitments | (32,858) | (5,424) | (20,742) | – | – | – | (59,024) |
| Contingencies | (12,500) | – | – | – | – | – | (12,500) |
| | (45,358) | (5,424) | (20,742) | – | – | – | (71,524) |
| **Total** | (2,699,772) | (365,227) | (322,262) | (18,023) | – | (41,046) | (3,446,330) |
| **Company** | | | | | | | |
| **2011** | | | | | | | |
| **Non-derivative financial liabilities** | | | | | | | |
| Other financial liabilities | (898) | (36) | (3,771) | – | – | (176) | (4,881) |
| Borrowings | (51,698) | – | (186,173) | – | – | – | (237,871) |
| **Total** | (52,596) | (36) | (189,944) | – | – | (176) | (242,752) |

## 49 Financial instruments (cont'd)

### (o) Fair value of financial instruments

The fair value of a financial instrument is the amount at which the instrument could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents estimates of fair values as at the end of the reporting period.

As at the end of the reporting period, the fair values of financial instruments of the group and of the company approximate their carrying amounts, except as disclosed below:

| | | **2011** | | 2010 | |
|---|---|---|---|---|---|
| | Note | **Carrying amount RM'000** | **Fair value RM'000** | Carrying amount RM'000 | Fair value RM'000 |
| **Group** | | | | | |
| **Financial assets** | | | | | |
| Securities held-to-maturity | 9 | **388,335** | **428,589** | 465,323 | 498,406 |
| Loans, advances and financing | 10 | **679,780** | **691,957** | 611,509 | 638,084 |

Fair value information has not been disclosed for investment in unquoted shares, which are classified as securities AFS (note 8) because their fair values cannot be measured reliably in the absence of quoted market price in an active market. The unquoted shares, which are held by the group, are stated at a carrying amount of RM490,000 (2010: RM490,000), net of accumulated impairment loss of RM650,000 (2010: RM650,000) as at the end of the reporting period. The unimpaired unquoted shares are issued by a corporation incorporated in Malaysia. Based on the most recent audited financial statements of the said corporation for year 2010, the equity attributable to the company amounted to approximately RM2,284,000. The company does not intend to dispose of the unquoted shares as at the end of the reporting period.

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

(i) Cash and short term funds

The carrying amount of cash and short term funds is a reasonable estimate of fair value.

(ii) Deposits and placements with banks and other financial institutions

For deposits and placements with banks and financial institutions with maturities of less than one year, the carrying amount is a reasonable estimate of fair value. For deposits and placements with maturities of one year and above, the 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.

(iii) Securities portfolio

The estimated fair values of securities are generally based on quoted and observable market prices. In the absence of such quoted prices, the fair values are based on the expected cash flows of the securities discounted by indicative market yields for similar instruments as at the end of the reporting period.

## 49 Financial instruments (cont'd)

### (o) Fair value of financial instruments (cont'd)

The estimated fair values are based on the following methodologies and assumptions (cont'd):

(iv) Loans, advances and financing

For floating rate loans and fixed rate loans with remaining period to maturity of less than one year, the carrying amounts are generally reasonable estimates of their fair values.

For fixed rate loans with remaining period to maturity of one year and above, fair values are estimated by discounting the estimated future cash flows using the prevailing market rates of loans with similar credit risks and maturities.

The estimated fair value of fixed rated share margin financing approximates the carrying amount as the amount is deemed repayable on demand.

The fair values of impaired or non-performing loans are represented by their carrying amounts, net of allowances for impairment or loan losses, being the expected recoverable amounts of the loans.

(v) Clients' and brokers' balances

The carrying amount of clients' and brokers' balances is a reasonable estimate of fair value due to their short term tenure of less than one year.

(vi) Derivative financial instruments

The carrying amounts of the derivative assets and liabilities being mark-to-market values, are reasonable estimates of their fair value.

(vii) Deposits from customers

For deposits from customers with maturities of less than one year, the carrying amounts are a reasonable estimate of their fair values. For deposit with maturities of one year or more, fair values are estimated based on discounted cash flows using prevailing market interest rates for deposits with similar remaining period to maturity.

(viii) Deposits and placements of banks and other financial institutions

The estimated fair values of deposits and placements of banks and other financial institutions with maturities of less than one year approximate the carrying values. For deposits and placements with maturities of one year or more, the fair values are estimated based on discounted cash flows using prevailing money market interest rates for deposits and placements with similar remaining period to maturity.

(ix) Borrowings

The estimated fair values of borrowings with maturities of less than one year approximate the carrying values.

(x) Other financial assets and liabilities

The estimated fair values of the amounts due from/to subsidiaries, which are repayable on demand, approximate the carrying amounts.

The carrying amounts of other financial assets and liabilities less any allowances for impairment/doubtful debts 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.

## 50 Changes in accounting policies

### (a) FRS 101, Presentation of Financial Statements

The revised FRS 101 requires an entity to present in the statement of changes in equity only the 'owner changes in equity'. All 'non-owner changes in equity' (i.e. comprehensive income) are to be presented in one statement of comprehensive income or in two statements (i.e. a separate income statement and a statement of comprehensive income). The group and the company have adopted the two statements approach. All 'non-owner changes in equity', which were previously presented in the consolidated statement of changes in equity, are now included in the statement of comprehensive income as other comprehensive income. In addition, the revised standard requires an entity to disclose the entity's objectives, policies and processes for managing capital. In the event of a retrospective change in accounting policy, restatement or reclassification of comparatives in the financial statements, an entity is required to present the statement of financial position as at the beginning of the earliest comparative period.

Following the adoption of the revised FRS 101 by the group and the company on a retrospective basis, comparative presentation of the financial statements of the group and of the company have been restated to conform with the presentation for the current financial year.

### (b) FRS 7, Financial Instruments: Disclosures

FRS 7 requires disclosure of quantitative and qualitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, market risk and liquidity risk in the financial statements of an entity. The standard also requires disclosure of income, expenses, gains or losses by categories of financial assets and liabilities.

The group and the company have adopted the standard prospectively and comparative disclosures are not presented in respect of new disclosures required by the standard in accordance with the transitional provisions. However, certain comparative presentation of income, expenses, gains and losses of the group and of the company have been restated to conform with the presentation for the current financial year.

### (c) FRS 139, Financial Instruments: Recognition and Measurement and IC Interpretation 9, Reassessment of Embedded Derivatives

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Prior to the adoption of FRS 139, the accounting policies of the group and of the company had incorporated requirements of BNM Revised Guidelines on Financial Reporting for Licensed Institutions ("BNM/GP8"), which include selected principles of FRS 139 in respect of recognition, derecognition and measurement of securities and derivative instruments. The adoption of FRS 139 has resulted in changes in accounting policies as follows:

(i) Impairment of loans and receivables

Prior to the adoption of FRS 139, the allowances for loan losses of the investment banking subsidiary and commercial banking subsidiary were determined in accordance with the Guidelines on Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts issued by BNM ("Revised BNM/GP3") and the minimum requirements as prescribed by the National Bank of Cambodia respectively. The moneylending subsidiary followed the general guidelines as set out in the Revised BNM/GP3 in so far as it relates to the parameters for periods of default and provisioning rates. The policies on identification of non-performing accounts, specific allowance for bad and doubtful debts and suspension of interest in respect of clients' and brokers' balances of the investment banking subsidiary were in accordance with the Rules of Bursa Securities. Other receivables were stated at anticipated realisable values.

## 50 Changes in accounting policies (cont'd)

**(c) FRS 139, Financial Instruments: Recognition and Measurement and IC Interpretation 9, Reassessment of Embedded Derivatives (cont'd)**

(i) Impairment of loans and receivables (cont'd)

FRS 139 requires an entity to assess at the end of each reporting period, either individually or collectively whether there is objective evidence that financial assets, which are stated at amortised cost or cost (including loans, advances and financing, clients' and brokers' balances and receivables), are impaired. Financial assets are impaired if, and only if, there is objective evidence of impairment as a result of one or more events ('loss event') that has occurred and that the loss event has an impact on future estimated cash flows of the financial assets that can be reliably estimated. Impairment loss is calculated as the difference between the carrying amount and the present value of future expected cash flows discounted at the relevant effective interest rate of the financial assets. The carrying amount of the impaired financial assets is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss.

Individual impairment assessment is performed on financial assets that are individually significant. Financial assets which are homogeneous or not individually significant are grouped as a portfolio according to their credit risk characteristics for the purposes of calculating an estimated collective loss based on collective impairment assessment, taking into account the historical loss experience of such assets.

In accordance with the transitional arrangements under the Amendments to FRS 139, BNM has prescribed an alternative basis for collective impairment assessment in respect of loans/financing for banking institutions during the transitional period (applicable till the financial year ending 31 July 2012), as set out in the BNM Guidelines on Classification and Impairment Provisions for Loans/Financing, whereby banking institutions are required to maintain collective impairment allowance of at least 1.5% of the total outstanding loans/financing, net of individual impairment allowance. Subject to prior written approval by BNM, banking institutions are allowed to maintain a lower collective impairment allowance. Collective impairment allowance of the investment banking subsidiary is arrived at based on the transitional provisions as prescribed by BNM.

For loans/financing which are individually assessed for impairment, the BNM Guidelines on Classification and Impairment Provisions for Loans/Financing also stipulate that objective evidence of impairment is deemed to exist and a loan shall be classified as impaired when principal or interest or both are past due for 3 months or more or when a loan which is in arrears for less than 3 months exhibits indications of credit weaknesses. Impairment classification in respect of clients' and brokers' balances of the investment banking subsidiary is guided by the Rules of Bursa Securities.

The change in accounting policy, which has been accounted for in accordance with the transitional provisions of FRS 139, has resulted in an increase of RM2,777,000 in the opening retained profits of the group as at 1 August 2010.

(ii) Recognition of interest income

Prior to the adoption of FRS 139, interest on loans and receivables was recognised in profit or loss at contractual interest rates. FRS 139 requires interest income to be recognised using effective interest rates ("EIR"), which are the rates that exactly discount the estimated future cash payments or receipts through the expected life of a loan or, when appropriate, a shorter period to the net carrying amount of the loan.

## 50 Changes in accounting policies (cont'd)

**(c) FRS 139, Financial Instruments: Recognition and Measurement and IC Interpretation 9, Reassessment of Embedded Derivatives (cont'd)**

(ii) Recognition of interest income (cont'd)

Prior to the adoption of FRS 139, interest accrued and recognised as income prior to the date of a loan account or clients' balances arising from stockbroking business are classified as non-performing was reversed out of income by debiting the interest income in profit or loss and crediting the accrued interest receivable account or interest-in-suspense in the statements of financial position. Subsequently, interest earned on non-performing accounts is recognised on a cash basis. Upon adoption of FRS 139, once a loan or a client's balance has been written down as a result of an impairment loss, interest income is thereafter recognised using the rate of interest used to discount the future cash flows for the purpose of measuring impairment loss.

Upon adoption of FRS 139, interest receivable which was previously classified under other assets and interest payable which was previously classified under other liabilities respectively are now classified to the respective classes of financial assets and liabilities.

The change in accounting policy, which has been accounted for in accordance with the transitional provisions of FRS 139, has resulted in an decrease of RM2,504,000 in the opening retained profits of the group as at 1 August 2010. Comparative disclosures of interest receivable and interest payable have not been reclassified.

(iii) Recognition of embedded derivatives

In accordance with FRS 139 and IC Interpretation 9, embedded derivatives are to be separated from the host contract and accounted for as a derivative if the economic characteristics and risks of the embedded derivative are not closely related to that of the host contract and the fair value of the embedded derivatives can be reliably measured at inception. Previously, embedded derivatives were not separately recognised and accounted for as derivatives.

As at the beginning of the reporting period, the group and the company do not have any embedded derivatives, which are not closely related to the host contracts and which require bifurcation.

**(d) Amendment to FRS 8, Operating Segments**

Upon adoption of the Amendment to FRS 8 by the group, segment assets no longer form part of the segmental information reported. The comparative segmental information (note 47) has been restated to conform with the presentation for current financial year.

## 50 Changes in accounting policies (cont'd)

### (e) Effects of changes in accounting policies

In accordance with the transitional provisions of FRS 139, the effects of adoption of FRS 139 on the carrying values of financial instruments as at the beginning of the financial year are adjusted to retained profits of the group and of the company as at 1 August 2010, as disclosed below. Comparatives have not been restated.

| | | Effects of adoption of FRS 139 | | | |
|---|---|---|---|---|---|
| | **As previously reported on 31 July 2010 RM'000 Dr./(Cr.)** | **Impairment RM'000 Dr./(Cr.)** | **Recognition of interest income RM'000 Dr./(Cr.)** | **Reclassification RM'000 Dr./(Cr.)** | **As restated on 1 August 2010 RM'000 Dr./(Cr.)** |
| **Group** | | | | | |
| **Statements of financial position** | | | | | |
| Loans, advances and financing | 611,509 | 3,755 | (3,346) | – | 611,918 |
| Clients' and brokers' balances (Dr.) | 205,994 | (32) | – | – | 205,962 |
| Other assets (note 13): | | | | | |
| – Trade receivables | 6,084 | (16) | – | – | 6,068 |
| Tax recoverable | 14,393 | 3 | – | – | 14,396 |
| Deferred tax assets | 7,461 | (15) | – | – | 7,446 |
| Taxation | (4,485) | (918) | 842 | – | (4,561) |
| Reserves | (560,064) | (2,777) | 2,504 | – | (560,337) |
| | 280,892 | – | – | – | 280,892 |
| **Statements of changes in equity** | | | | | |
| Retained profits | (453,456) | (2,777) | 2,504 | – | (453,729) |
| **Company** | | | | | |
| **Statement of financial position** | | | | | |
| Investments in subsidiaries | 672,310 | – | – | 5,000 | 677,310 |
| Other assets (note 13): | | | | | |
| – Subordinated term loan to a subsidiary | 5,000 | – | – | (5,000) | – |
| | 677,310 | – | – | – | 677,310 |

## 51 Material litigations

**Group**

Save as disclosed below, neither the company nor any of its subsidiaries are engaged in any material litigation, either as plaintiff or defendant and the directors do not have any knowledge of any proceedings, pending or threatened, against the group or of any facts likely to give rise to any proceedings which might materially affect the position or business of the group.

The material litigation cases are as follows:

(a) Claim filed by a client of the investment banking subsidiary, HDBSIB in May 2000 against HDBSIB for damages of RM130 million wherein the client alleged collusion to defraud him and mental suffering after HDBSIB commenced legal action against him in May 1998 to recover an outstanding sum of RM8.46 million. HDBSIB's claim against the said client and the client's claim against HDBSIB were consolidated. The High Court dismissed the client's claim against HDBSIB and allowed HDBSIB's claim against the client on 23 March 2010. The client filed an appeal against the High Court's decision in dismissing the client's claim against HDBSIB and in allowing the HDBSIB's claim against the client. The Court has yet to fix a hearing date for the client's appeal.

(b) Claim filed by a client of HDBSIB in July 2002 against HDBSIB for damages of RM10 million. The client alleged that HDBSIB had defamed him by wrongfully reporting him to Bursa Securities as a defaulter. The client filed an appeal on 21 September 2010 after the Court dismissed the client's claim on 14 September 2010. The Court has yet to fix the hearing date for the client's appeal.

Based on legal opinion, the group is confident of successfully defending the claims.

## 52 Significant events during the financial year

**Company**

(a) Capital reduction by a foreign subsidiary

On 30 December 2010, the Ministry of Commerce, Cambodia has approved the application by an indirect wholly-owned subsidiary of the company, HwangDBS Securities (Cambodia) Plc to reduce its registered share capital from Riels 40 billion, equivalent to USD10 million to Riels 20 billion, equivalent to USD5 million comprising 5 million ordinary shares at par value of Riels 4,000, equivalent to USD1 per share.

(b) Increase in issued and paid-up share capital of the commercial banking subsidiary

On 19 October 2010, HwangDBS Commercial Bank Plc ("HDCB"), a wholly-owned subsidiary of the company, increased its issued and paid-up capital from USD30.0 million to USD37.5 million, by way of an issue of 7.5 million ordinary shares of USD 1 each, for purpose of meeting the minimum capital requirement as prescribed by the National Bank of Cambodia ("NBC") following approval from the NBC and the Ministry of Commerce, Cambodia ("MOC"). Subsequently, the NBC and the MOC have approved a further increase of USD2.5 million in the registered capital of HDCB. The issued and fully paid ordinary share capital of HDCB was increased on 27 April 2011 from USD37.5 million to USD40.0 million by way of an issue of 2.5 million ordinary shares of USD1 each.

The newly issued ordinary shares, which rank pari passu in all respects with the existing issued ordinary shares of HDCB, were fully subscribed by the company.

## 53 Approval of financial statements

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors dated 28 September 2011.

# SUPPLEMENTARY INFORMATION

## Realised and unrealised profits or losses disclosure

The breakdown of retained profits of the group and of the company as at 31 July 2011 into realised and unrealised profits or losses, which is prepared in accordance with the directives issued by Bursa Malaysia Securities Berhad ("Bursa Securities") and the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures pursuant to Bursa Securities Listing Requirements, issued by the Malaysian Institute of Accountants, is as follows:

| | Group RM'000 | Company RM'000 |
|---|---|---|
| **2011** | | |
| Retained profits of the company and its subsidiaries | | |
| – realised | **491,858** | **180,809** |
| – unrealised | **10,961** | **(16)** |
| | **502,819** | **180,793** |
| Share of accumulated losses of associate | | |
| – realised | **(1,314)** | **–** |
| | **501,505** | **180,793** |
| Consolidation adjustments | **(8,544)** | **–** |
| Total retained profits | **492,961** | **180,793** |

The unrealised retained profits of the group as disclosed above excludes translation gains and losses on monetary items denominated in a currency other than the functional currency and foreign exchange contracts held by the investment banking subsidiary, as these gains and losses are incurred in its ordinary course of business, and are hence deemed as realised.

# STATEMENT BY DIRECTORS

## Pursuant to Section 169(15) of the Companies Act, 1965

We, Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Almarhum Tuanku Ja'afar and Hwang Lip Teik, being two of the directors of Hwang-DBS (Malaysia) Berhad, state that, in the opinion of the directors, the financial statements set out on pages 43 to 146 are drawn up so as to exhibit a true and fair view of the state of affairs of the group and of the company as at 31 July 2011 and of the financial performance and cash flows of the group and of the company for the financial year ended on that date in accordance with the Financial Reporting Standards in Malaysia, Bank Negara Malaysia Guidelines and the provisions of the Companies Act, 1965.

In accordance with a resolution of the Board of Directors dated 28 September 2011.

**Y.A.M. TUNKU DATO' SERI NADZARUDDIN IBNI ALMARHUM TUANKU JA'AFAR**
Director

**HWANG LIP TEIK**
Director

# STATUTORY DECLARATION

## Pursuant to Section 169(16) of the Companies Act, 1965

I, Teh Poh Lean, being the officer primarily responsible for the financial management of Hwang-DBS (Malaysia) Berhad, do solemnly and sincerely declare that the financial statements set out on pages 43 to 146 are, in my opinion, 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.

**TEH POH LEAN**

Subscribed and solemnly declared at Penang on 28 September 2011.

Before me

PESURUHJAYA SUMPAH
No : P 006
Nama : HUANG PETER
MALAYSIA

Commissioner for Oaths
368-3-1 & 2, Bellisa Row
Jalan Burma, 10350 Pulau Pinang.

bayaran: RM 4-00 diterima

# CORPORATE DIRECTORY

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Tel: 605-677 5142 Fax: 605-677 5143
E-mail: hdmmail@hdbs.com.my

**SUNGAI SIPUT**
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No. 15, Tingkat Atas, Jalan Peria,
45400 Sekinchan,
Selangor Darul Ehsan, Malaysia
Tel: 603-3241 5025 Fax: 603-3241 5023
E-mail: hdmmail@hdbs.com.my

## ASSOCIATED COMPANY

**ASIAN ISLAMIC INVESTMENT MANAGEMENT SDN BHD** (256674-T)
Suite 10-03, 10th Floor, Menara Keck Seng,
203, Jalan Bukit Bintang,
55100 Kuala Lumpur, Malaysia
Tel: 603-2142 1881 Fax: 603-2116 6150
E-mail: general@aiiman.com

# PROXY FORM

**HWANG-DBS (MALAYSIA) BERHAD**
(238969-K)

I / We, ____________________________________________ NRIC No. ______________________
(IN BLOCK LETTERS)

of ______________________________________________________________________________
(FULL ADDRESS)

being a member of the abovenamed Company, hereby appoint ______________________________________
(IN BLOCK LETTERS)

NRIC No. ______________________ of ______________________________________________
(FULL ADDRESS)

or failing him ____________________________________________ NRIC No. ______________________
(IN BLOCK LETTERS)

of ______________________________________________________________________________
(FULL ADDRESS)

as my/our proxy to vote for me/us on my/our behalf at the Nineteenth Annual General Meeting of the Company, to be held at the Bayan Room, Hotel Equatorial, No. 1, Jalan Bukit Jambul, 11900 Penang on Thursday, 24 November 2011 at 10.45 a.m. and at any adjournment thereof.

My/our proxy is to vote as indicated below with an "X":-

| **RESOLUTIONS** | | **FOR** | **AGAINST** |
|---|---|---|---|
| To receive the Audited Financial Statements and Reports | (Resolution 1) | | |
| To approve the payment of a final dividend of 5 sen per ordinary share less 25% income tax | (Resolution 2) | | |
| To re-elect Ng Wai Hung Andrew as Director retiring under Article 66 of the Articles of Association of the Company | (Resolution 3) | | |
| To re-elect Choe Tse Wei as Director retiring under Article 83 of the Articles of Association of the Company | (Resolution 4) | | |
| To re-appoint the following Directors in accordance with Section 129(6) of the Companies Act, 1965:-<br>(a) Dato' Seri Hwang Sing Lue | (Resolution 5) | | |
| (b) Ong Eng Kooi | (Resolution 6) | | |
| To approve the payment of Directors' fees | (Resolution 7) | | |
| To re-appoint Messrs PricewaterhouseCoopers as auditors and to authorise the Directors to fix their remuneration | (Resolution 8) | | |

Dated this ______________ day of ______________________ 2011.

In the event two (2) proxies are appointed, the percentage of shareholdings to be represented by each proxy is as follows:-

| **Name Of Proxies** | **%** |
|---|---|
| | |
| | |

____________________________________
Signature/Common Seal

| No. Of Shares Held: | |
|---|---|

Notes:-

1. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(a) and (b) of the Companies Act, 1965 shall not apply to the Company.
2. To be valid, this form must be deposited at the Registered Office of the Company at Level 8, Wisma Sri Pinang, 60 Green Hall, 10200 Penang not less than forty-eight (48) hours before the time for holding the Meeting.
3. A member shall be entitled to appoint not more than two (2) proxies to attend and vote at the Meeting.
4. A member who wishes to appoint more than one (1) proxy to attend the Meeting must specify the proportion of the shareholdings to be represented by each proxy. If the proportion of shareholdings is not specified, the appointment shall be invalid.
5. Unless voting instructions are indicated with an "X" in the spaces provided above, the proxy may abstain from voting or vote on any resolutions as he/she thinks fit.
6. If the appointor is a corporation, this form must be executed under the Common Seal or under the hand of its duly authorised attorney.

Fold here

affix
stamp
here

**HWANG-DBS (MALAYSIA) BERHAD**
(238969-K)

Level 8, Wisma Sri Pinang
60 Green Hall, 10200 Penang
Malaysia.

Fold here

**HWANG-DBS (MALAYSIA) BERHAD** **(238969-K)**
Level 8
Wisma Sri Pinang
60 Green Hall
10200 Penang
Malaysia.