



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

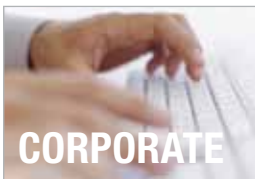
ANNUAL REPORT 2012



The close circle of individually shaped pebbles represents the Group's collective focus. Each offers specific solutions while remaining in touch and in line with the Group's vision. The lines running through the pebbles depict years of resilience in the face of constant changing market conditions.



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Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twentieth 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 Wednesday, 28 November 2012 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 2012 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 2012. **Resolution 2**
3. To re-elect the following Directors retiring under Article 66 of the Articles of Association of the Company and who, being eligible, offer themselves for re-election:-
 - (a) Hwang Lip Teik **Resolution 3**
 - (b) Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Almarhum Tuanku Ja'afar **Resolution 4**
 - (c) Y.A.M. Tengku Syed Badarudin Jamalullail **Resolution 5**
 - (d) Mohamed Tarmizi Tun Dr. Ismail **Resolution 6**
4. 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 7**
 - (b) Ong Eng Kooi **Resolution 8**
5. To approve the payment of Directors' fees of RM324,000 in respect of the year ended 31 July 2012. **Resolution 9**
6. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 10**

As Special Business

7. Special Resolution - Proposed Amendments To The Articles Of Association **Resolution 11**

“THAT the proposed amendments to the Articles of Association of the Company in the form and manner as set out in Appendix I to this Annual Report (“Proposed Amendments to the Articles of Association”), be and are hereby approved and adopted.

AND THAT the Directors and/or Company Secretaries of the Company be and are hereby authorised to do all acts, deeds, things and take all steps as may be considered necessary and/or expedient to give full effect to the Proposed Amendments to the Articles of Association.”
8. To transact any other ordinary business of the Company of which due notice shall have been given. **Resolution 12**

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 2012, if approved, will be paid on 20 December 2012 to depositors registered in the Record of Depositors at the close of business on 3 December 2012.

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 3 December 2012 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
6 November 2012

Notes:-

1. Only members whose names appear in the Record of Depositors as at 22 November 2012 shall be eligible to attend the Meeting or to appoint proxy to attend in his/her stead.
2. A proxy may but need not be a member of the Company. A proxy appointed to attend and vote at the Meeting shall have the same rights as a member to speak at the Meeting.
3. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
4. A member other than an exempt authorised nominee shall be entitled to appoint not more than two (2) proxies to attend and vote at the Meeting.
5. 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.
6. Explanatory Notes on Special Business:-

Resolution 11 – Proposed Amendments To The Articles Of Association

The Proposed Amendments to the Articles of Association of the Company are to align the Company's Articles of Association with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

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 Twentieth 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

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%

**Hwang
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%
HDM

**Private Equity
Sdn Bhd** (686081-U)
Dormant

100%

**HwangDBS Commercial
Bank Plc** (5915 E/2009)
Commercial banking

100%

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

100%

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

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**

48%

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



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 2012.



MARKET OVERVIEW

The financial year under review began with the market being weighed down by mounting concerns over Europe's sovereign debt crisis. Amongst the desolate news flowing in included an ominous forecast by the European Commission that Eurozone economic growth would be "at a standstill", cuts to the International Monetary Fund's world growth forecast and Standard & Poor's lowered debt rating of Italy from A+ to A. These were compounded by reports of sub-par performance in Europe's private sector, contracting for the first time in 2 years, as well as failures to enact material proposals to contain the Eurozone debt problems.

After falling from a high of 1,595 points in July 2011 to 1,332 points in September 2011, the benchmark KLCI rebounded. Investors' sentiment improved as positive newsflow on resolving the European debt crisis emerged, coupled with better US economic data. The KLCI progressively breached new highs on the back of strong buying pressure for defensive blue chip stocks.

Renewed concerns over the Eurozone as a result of failed attempts to elect a coalition government in Greece and rise in borrowing costs in Spain momentarily halted the KLCI's upward trajectory, resulting in a correction in May 2012. This improved as Greece denounced fears of exiting the Eurozone when it elected a pro-austerity party in June. Sentiment continued to improve, supported by Malaysia's resilient Gross Domestic Product growth and continued capital pouring into key index heavyweights – lifting the KLCI to new highs in July and August. The KLCI closed the year under review at 1,632 point.

INVESTMENT BANKING

Our principal subsidiary, HwangDBS Investment Bank Berhad ("the Bank") recorded a lower profit before tax of RM67.44 million for the financial year under review, representing a 10% decrease compared to RM74.94 million achieved in the preceding financial year ("FY2011").

The lower profit before tax was mainly attributed to the decline in brokerage income, lower advisory fees as well as lower net interest income. The reduction in brokerage income was generally attributable to the volatile financial markets and decline in value traded on Bursa Malaysia Securities Berhad ("Bursa") during the financial year under review.

Our Treasury & Markets ("T&M") Department had a stellar year, achieving another record profit in a very challenging environment. All segments of our T&M business (Fixed Income, Money Market operations, Foreign Exchange and Dual Currency Investments) contributed towards this commendable performance. Going forward, with easing inflationary pressure in Malaysia and uncertainties in the global economy, T&M Department will place more emphasis on the Malaysian Government Securities and Foreign Exchange markets to capitalize on potential opportunities.

During the financial year under review, we strengthened our Debt Markets and Corporate Banking ("DM&CB") team by hiring 5 new employees, including a new head of department, joined us. With the enlarged team, we are able to step up marketing efforts to promote the Bank's debt markets and loan syndication origination capabilities and engaged potential clients on business opportunities. Excluding the one-off gain of RM5 million on write back of individual impairment provision in FY2011, our DM&CB's profitability improved in the financial year under review.

Chairman's Statement

(cont'd)

It was a very challenging year for our Corporate Finance Department which saw its total advisory fees (including underwriting fees) for the financial year fell 45% to RM4.12 million on the backdrop of slower corporate advisory activities given the cautious business environment. The Malaysian equity capital market distinguished itself globally, through the successful launch of 2 very large Initial Public Offerings ("IPOs"), namely Felda Global Ventures ("Felda Global") and IHH Healthcare ("IHH") despite the poor equity market conditions in other global financial centres. Notwithstanding that, the overall pace of new equities issues as well as secondary equity fund raising in Malaysia slowed. Nevertheless, we marked our re-entry, after an absence of almost 5 years, into the ACE market IPOs, by being the joint-underwriter of the first successful ACE market listing of this year. This together with our joint underwriting roles in the IPOs of Felda Global and IHH, saw our Bank debuting as a top ten domestic player in the Bloomberg Malaysia Domestic Equity Offerings League Tables.

The stockbroking environment remained challenging with continued consolidation and liberalisation of the industry. Nevertheless, the Bank continued to enhance its trading infrastructure to meet customers' needs. A significant part of the investment was directed at the online platform which can now support trading via smartphones and tablets.

UNIT TRUST AND FUND MANAGEMENT

The financial year under review was a year of many milestones for Hwang Investment Management ("HwangIM"). On 30 September 2011, the Tokyo-headquartered Nikko Asset Management Group ("Nikko AM") acquired DBS Asset Management Ltd and as a result, Nikko AM became our new partner. Nikko AM is the largest Asia-based regional asset manager and this partnership enables us to leverage on their strength in distribution network.

Another good news came in April 2012 when the Securities Commission ("SC") approved HwangIM as one of Malaysia's Private Retirement Scheme ("PRS") providers, making us the only independent (non-insurance and non-bank backed) investment management company to be given such approval by SC. In addition, HwangIM launched a total of 5 funds during the financial period under review, which were income and growth type funds. These funds were the Hwang Fixed Maturity Income Fund III & IV, Hwang Structured Income V & VI, and the Hwang SGD Income Fund.

In terms of asset under management ("AUM") and profitability, HwangIM grew its asset size by 38% year-on-year from RM11.70 billion to RM16.12 billion during the financial period under review. Meanwhile, its profit before tax grew by 75% to RM23.05 million compared to RM13.14 million in the previous year. The improved performance was due to the growth in AUM.

HwangIM received a total of 10 awards during the year, for its strong investment performance and prudent risk management:-

- Amongst the most notable was the regional award by Asia's leading and dedicated asset management publication, AsianInvestor, for being the "Best Malaysia Onshore Fund House"
- Another regional award was received from The Asset Triple A, which awarded us the Titanium category for the "Long-Only Mixed-Asset Fund Manager of the Year" for the performance of the Hwang Select Income Fund
- Malaysia's Employees Provident Fund ("EPF") also conferred us the second runner up ranking as the "Best Overall Domestic Equity Portfolio Manager Year 2011"
- 3 more awards were received from the internationally recognised The Edge-Lipper Malaysia Unit Trust Fund Awards for Hwang Select Balanced Fund as the "Best 3-year Mixed Asset Malaysia Ringgit Fund" and for Hwang Select Income Fund as the "Best 3-year Mixed Asset Malaysia Ringgit Conservative Fund" and the "Best 5-year Mixed Asset Malaysia Ringgit Conservative Fund"
- 2 awards were won from the Morningstar Fund Awards for Hwang Asia Quantum Fund which received the "Best Asia-Pacific Equity Fund" and Hwang Select Balanced Fund for the "Best Malaysian Ringgit Allocation Fund"
- 2 awards were also given by FundSupermart for Hwang ALLMAN Growth Fund ("AGF") for the "Malaysia Islamic Recommended Fund 2012/2013" and Hwang Select Balanced Fund for the "Balanced Malaysia" category.





We attribute these successes to our hallmark strength in 3Ps:-

- People – having a team of people who are humble, driven and grounded to our core values of integrity, teamwork and excellence
- Performance – delivering strong, absolute and positive performance on investments
- Products – offering solutions that remain relevant across market cycles, and focused on providing positive returns without taking excessive risks.

The investment management business is all about size and scale. As such, our strategy is to grow our AUM moving forward with the aim of achieving our aspiration as a leading investment manager in Asia.

Our associated company, Asian Islamic Investment Management Sdn Bhd (“AIIMAN”), has also been performing commendably by doubling its AUM year-on-year since its establishment during the height of the Global Financial Crisis in November 2008. Today, AIIMAN is one of Malaysia’s fastest growing, independent Islamic fund management companies with an asset size of RM5.43 billion. This makes AIIMAN one of the largest Islamic investment management companies in Malaysia.

The financial year under review was a pivotal year for AIIMAN as it turned profitable during the year. In addition to that, AIIMAN welcomed its new shareholder, Nikko AM which now owns 51% stake in AIIMAN. We, Hwang-DBS (Malaysia) Berhad continue to own 49% shareholding in AIIMAN. With Nikko AM onboard, it gives AIIMAN a strategic position to tap into Nikko AM group’s global distribution network and investment expertise.

Once again, we are pleased that AGF, a fund that AIIMAN externally managed for HwangIM continues to win award. AGF was awarded “Malaysia Islamic Recommended Fund 2012/2013” for its strong performance, prudent risk management and relatively low expense ratio during the FundSupermart Recommended Unit Trusts Awards 2012/2013.

CONSUMER FINANCING

Operating conditions for the moneylending segment remain increasingly challenging with more new players entering the market offering consumer financing at highly competitive terms. As a result, our subsidiary HDM Capital Sdn Bhd (“HDMC”) recorded lower profit before tax of RM26.99 million in the year compared to RM37.77 million in FY2011.

OTHER ACTIVITIES

Our futures trading subsidiary, HDM Futures Sdn Bhd (“HDMF”) managed only to breakeven with a profit of RM36,000 in the year under review. Revenue decreased 33% due to intense competition and eroding commission rates in the futures industry, coupled with the departure of a team of dealers during the year. HDMF had successfully recruited another team of dealers and is cautiously optimistic of a better performance in the current financial year.

As a result of increasing loans and advances made to customers, our commercial banking subsidiary in Cambodia, HwangDBS Commercial Bank Plc (“HDBSCB”) recorded an operating income of USD2.28 million with a net profit of USD0.08 million. The net profit is achieved in just over 3 years after HDBSCB commenced operations.

Over the year, investments have been made in technology, systems, risk management and human capital to enhance operational efficiency. HDBSCB will continue its steady growth strategy and towards this end, HDBSCB plans to establish another branch in Phnom Penh before the end of 2012 making a total of 4 branches to reach out to more customers and to provide convenience to our existing customers.

Chairman's Statement

(cont'd)

GROUP FINANCIAL PERFORMANCE

The Group recorded lower total operating revenue of RM397.96 million for the financial year under review compared to RM399.33 million in FY2011 with the Group's profit before tax decreasing by 17.2% to RM99.06 million compared to RM119.65 million achieved in FY2011. The decline in Group's profit before tax was largely due to lower brokerage income from its stockbroking activities which moved in tandem with the volatile financial markets and decline in Bursa value traded in the financial year. Bursa value traded recorded a decrease of 8.8% to RM419.25 billion in the financial year under review against RM459.59 billion in FY2011. In addition, the Group recorded an overall lower net interest income in line with the tighter net interest margin arising from more competitive pricing rates for loans and deposits as well as higher operating costs. The reduction in profit was, however, partially cushioned by increase in the initial service charge and fund management fees generated by HwangIM and higher gains arising from securities trading and money market activities.

The Bank remains the key revenue contributor accounting for 57% (2011: 64%) of the Group's operating revenue, followed by HwangIM and HDMC contributing 28% (2011: 18%) and 11% (2011: 14%) respectively. Revenue contributions from other subsidiaries accounted for the remaining 4% (2011: 4%).

The year saw the Group's earnings per share decreasing to 26.23 sen against 33.95 sen in FY2011 and a lower return on equity of 8.2% against 10.5% in FY2011. However, total assets of the Group increased to RM4.47 billion with shareholders' funds of RM926.11 million. Net assets per share increased from RM3.41 per share to RM3.63 per share.

DIVIDEND

The Company declared and paid an interim dividend of 5 sen less tax at 25% on 8 May 2012. 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 (2011 : 10 sen).



PROSPECTS AND OUTLOOK

The Malaysian economy is expected to remain resilient with the Government-led mega infrastructure projects and consumer spending driving the domestic growth. Inflation rate is expected to be stable and the Government's monetary policy remains accommodating to growth. These factors will play a key role in partially mitigating the external drag on the local economy due to the prolonged uncertainties stemming from the Eurozone financial crisis and slowdown in the major economies in US and China.

The uncertainties in the global financial markets will persist into the current financial year. The stock market and capital markets are expected to remain volatile and this will impact the performance of the Bank which operates in a highly competitive environment. The Bank will continue with its strategic priority to expand its business capabilities and market presence with a view to improving fee income. Towards this end, it continues to seek business opportunities in equity and debt origination and underwriting, and higher value-added advisory and M&A mandates. In addition, it leverages on the Group's strong relationship with DBS Bank. The treasury and money markets business will continue to expand product offerings to tap customers' demand. On the stockbroking front, the Bank will continue to put in place strategies to enhance its infrastructure and distribution channels as well as enhancing its retail team.



The slower global economic growth is expected to affect the growth rate in Cambodia. In addition, we expect to see intensifying competition in the banking sector in Cambodia as a result of increasing number of banks operating in the country. Our commercial bank is, however, well positioned to face the challenges ahead and will continue to strengthen its presence in Cambodia, focusing on loans and deposits growth by targeting the retail and the SME market.

Operating conditions for HDMC will continue to be exigent with increasing number of players offering highly competitive rates to customers. Whilst competition is anticipated to remain intense, HDMC will progressively diversify and explore other lending activities as well as enhance its marketing team and execution capabilities. The performance of HDMC is expected to be under pressure in the current financial year.

HwangIM on the other hand, is projected to grow steadily with the launching of new unit trust funds to fulfill market needs. The focus will be on developing and applying best fit investment strategies to meet the various investment objectives and customers' expectations. In addition, HwangIM being one of the approved PRS Providers, will be able to offer a range of retirement funds from which the wide segment of population can choose to invest to suit their individual retirement needs and risk appetites.

The Group will continue with its prudent risk management approach and cautiously adopt business strategies to meet the challenges ahead, enhance its system infrastructures and distribution capabilities, in addition to developing and retaining its human capital.

Barring any further adverse developments in the financial markets, the Board of Directors is of the view that the Group will turn in a satisfactory performance for the current financial year ending 31 July 2013.

A NOTE OF APPRECIATION

The Group's continued profitability and satisfactory performance during the year under review was made possible with the support and commitment from our valued clients, shareholders, employees and dealers. On behalf of the Board of Directors, I would like to take this opportunity to express my sincere thanks and appreciation to them.

I would also like to thank all regulatory authorities for their wise counsel and assistance throughout the financial year under review.

Dato' Seri Hwang Sing Lue
Chairman

Group 5-Year Financial Highlights

Financial Year Ended 31 July

RESULTS

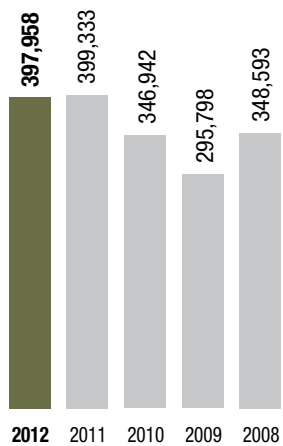
| | Operating Revenue (RM'000) | Profit Before Tax (RM'000) | Profit After Tax (RM'000) |
|-----|----------------------------------|----------------------------------|---------------------------------|
| '08 | 348,593 | 55,556 | 40,838 |
| '09 | 295,798 | 45,518 | 34,364 |
| '10 | 346,942 | 85,742 | 64,434 |
| '11 | 399,333 | 119,651 | 91,464 |
| '12 | 397,958 | 99,061 | 75,631 |

CAPITAL EMPLOYED

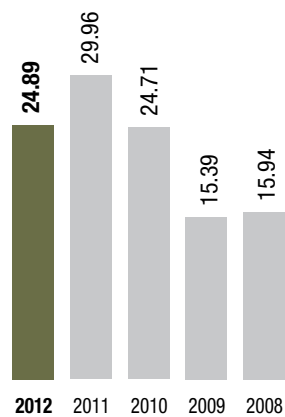
| | Paid-up Capital (RM'000) | Shareholders' Funds (RM'000) | Assets Employed (RM'000) |
|-----|--------------------------------|------------------------------------|--------------------------------|
| '08 | 265,845 | 746,330 | 3,729,755 |
| '09 | 265,845 | 770,762 | 3,188,514 |
| '10 | 265,845 | 809,848 | 3,917,407 |
| '11 | 265,845 | 870,674 | 4,258,117 |
| '12 | 265,845 | 926,109 | 4,468,693 |

FINANCIAL RATIOS

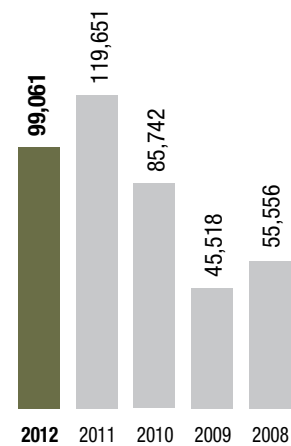
| | Earnings Per Share (Sen) | Net Tangible Assets Per Share (RM) | Gross Dividends Per Share (Sen) | Profit Before Tax Margin (%) | Return on Shareholders' Funds (%) |
|-----|--------------------------------|---|--|------------------------------------|--|
| '08 | 14.23 | 2.29 | 10.0 | 15.94 | 5.47 |
| '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 |
| '12 | 26.23 | 2.99 | 10.0 | 24.89 | 8.17 |



Operating Revenue
(RM'000)

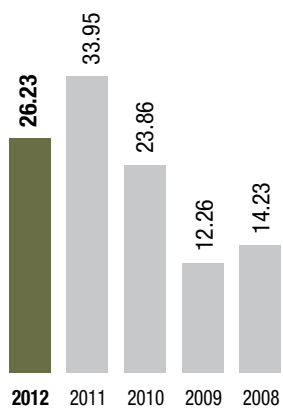


Profit Before Tax Margin
(%)

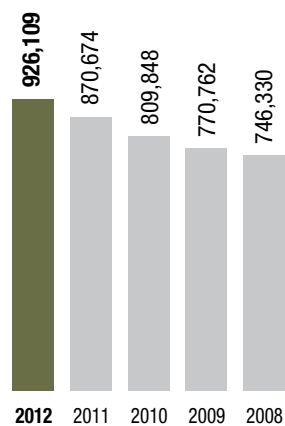


Profit Before Tax
(RM'000)

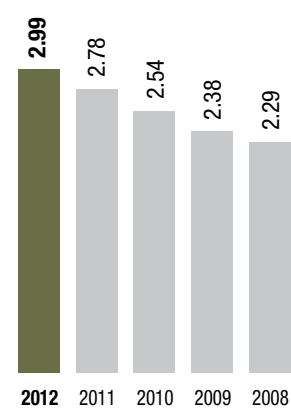
Earnings Per Share
(Sen)



Shareholders' Funds
(RM'000)



Net Tangible Assets Per Share
(RM)



Profile Of Directors



Dato' Seri Hwang Sing Lue

Dato' Seri Hwang Sing Lue, aged 83, 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 and HwangDBS Commercial Bank Plc.

Dato' Seri Hwang has over 39 years of experience in the securities industry. He is also a member of the Management Committee of the Malaysian Rubber Exchange ("MRE") 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. Dato' Seri Hwang 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.

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 53, 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 Hwang 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 59, 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 is also a Director 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, Singapore as a Corporate Banking Officer. Since then, he has held various other positions in DBS Bank and is currently the Managing Director & Head of Capital Markets Group. Mr. Ang also sits on the Board of companies within the DBS Group namely DBS Asia Capital Ltd and The Islamic Bank of Asia.

Mr. Ang has not been convicted of any offences in the past 10 years and has no 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.

Hwang Lip Teik

Hwang Lip Teik, aged 55, 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 strategy and direction of HDM Capital Sdn Bhd. He is also a Director of Hwang 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.



Profile Of Directors

(cont'd)



Y.A.M. Tengku Syed Badarudin Jamalullail

Y.A.M. Tengku Syed Badarudin Jamalullail, aged 67, 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 Hwang 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.



Ong Eng Kooi

Ong Eng Kooi, aged 77, 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, Hwang 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 all 7 Board Meetings of the Company held during the financial year.

Ng Wai Hung Andrew

Ng Wai Hung Andrew, aged 50, 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. Within the DBS Group, he also serves as a Director of DBS Vickers Securities Holdings Pte Ltd and DBS Bank (China) Ltd.

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

Mohamed Tarmizi Tun Dr. Ismail

Mohamed Tarmizi Tun Dr. Ismail, aged 52, 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.



Profile Of Directors (cont'd)



Choe Tse Wei

Choe Tse Wei, aged 44, 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. He also serves as a Director of DBS Asia Capital Ltd.

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

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 (Revised 2007) (“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 2012, the Board comprises 9 Non-Executive Directors, 3 of whom are independent. The profiles of the Directors are set out in pages 14 to 18 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.

The Board has taken cognizance of the latest Code on Corporate Governance 2012 (“2012 Code”) which would become effective on 31 December 2012 and recognizes that certain recommendations in the 2012 Code, in particular with regard to the Board’s composition and tenure of independent directors would need to be addressed.

(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 ensures 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 (“MAP”). The Board has and will continue to evaluate and determine the training needs of its Directors.

Corporate Governance Statement

(cont'd)

During the financial year ended 31 July 2012, all Directors have attended training. 2 half-day trainings entitled “Investor Relations and Financial Communications” and “Malaysian Code on Corporate Governance 2012” were organised on 29 March 2012 and 27 June 2012 respectively and were attended by most of the Directors. Some other training programmes/seminars/lectures attended by some Directors during the financial year were:-

- Price Is What You Pay, Value Is What You Get
- The Anatomy Of Financial Crisis – Distilling Lessons From The Past For The Future
- Financial Institutions Directors' Education Programme
- The Director's Legal Tool-Kit
- Insights Into The Personal Data Protection Act And Competition Act, Malaysian Financial Reporting Standards, Economic Outlook, Consumer Trends And Responsible Investment
- Corporate Governance Summit
- Private Equity Program
- Anti Money Laundering and Countering the Financing of Terrorism
- Executive Workshop
- Information Security Computer Based Training
- Annual Operations Risk Training/Compliance Refresher Course
- Fundamentals of OTC Derivatives Clearing, Repositories and Data Infrastructure
- Leadership Offsite Training
- Singapore Business Leaders Programme 2012

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 2012. 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 2012 are as follows:-

| | Salary (RM) | Fee & Meeting Allowance (RM) | Other Emoluments* (RM) | Total (RM) |
|--------------------------|----------------|---------------------------------|---------------------------|---------------|
| Non-Executive Directors# | 2,256,000 | 938,365 | 6,031,316 | 9,225,681 |

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

| | No. Of Directors |
|---------------------------------|------------------|
| Non-Executive Directors: | |
| RM50,001 – RM100,000 | 3 |
| RM100,001 – RM150,000 | 1 |
| RM150,001 – RM200,000 | 2 |
| RM250,001 – RM300,000 | 1 |
| RM2,450,001 – RM2,500,000 | 1 |
| RM5,800,001 – RM5,850,000 | 1 |
| Total | 9 |

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.

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.

Corporate Governance Statement

(cont'd)

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 |
|----------------------------|---|
| (a) Executive Committee | Non-Independent Non-Executive Director |
| (b) Audit Committee | Independent Non-Executive Director |
| (c) Nomination Committee | Independent Non-Executive Director |
| (d) Remuneration Committee | Independent Non-Executive Director |

(a) Executive Committee

The Executive Committee comprises of 4 Non-Independent Non-Executive Directors and it 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 27 to 30 of this Annual Report.

(c) Nomination Committee

The Nomination Committee comprises 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

The Remuneration Committee comprises 2 Independent Non-Executive Directors and 3 Non-Independent Non-Executive Directors. 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 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 Internal Control Statement, which provides an overview of the state of internal control within the Group, is set out in pages 25 and 26 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 is outlined in the Audit Committee's Report at pages 27 to 30 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.hdb.com.my which shareholders can access for information.

Corporate Governance Statement

(cont'd)

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 43 and 44 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 45 to 150, 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.

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 to ensure that the value of shareholders' investment and Group's assets are safeguarded.

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 internal, financial, operational, management information systems, organisation and compliance controls.

The Group's system of internal controls involves all management and personnel from each business and support 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"), HwangDBS Commercial Bank Plc and Hwang Investment Management Berhad ("HwangIM"). 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 the Bank and HwangIM 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 organizational 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 respective Boards of the company and principal subsidiaries. Policies and procedures serve as a guidance 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.

Statement Of Internal Control

(cont'd)

- **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 Resource**

The professionalism and competence of the Group's human resource is 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 where relevant. A Succession Plan and Talent Management Programme is 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. Periodic follow up reviews are also conducted to ensure adequate and timely implementation of the Management's action plans. 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 2012 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 29 August 2012.

Audit Committee Report

ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year ended 31 July 2012, 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. Dato’ Seri Hwang Sing Lue (Member/Non-Independent Non-Executive Chairman) | 5 out of 7 meetings |
| 4. Mohamed Tarmizi Tun Dr. Ismail (Member/Independent Non-Executive Director) | 7 out of 7 meetings |
| 5. Hwang Lip Teik (Member/Non-Independent Non-Executive Director) | 7 out of 7 meetings |

The Group has also established Audit Committees at its investment banking subsidiary and commercial banking subsidiary in Cambodia. These Audit Committees meet 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 respective Boards of the said subsidiaries.

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 2012 and unaudited quarterly financial results announcements of the Group and made 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 2012, 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 2012.
- 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 (“Bursa Securities”) 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 Malaysian Code On Corporate Governance (Revised 2007), the independent members of the Committee met with the external auditors twice during the financial year without the presence of management.

Audit Committee Report

(cont'd)

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’s 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 2012 amounted to RM1.01 million.

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1. Constitution

The Audit Committee was established on 1 March 1996.

2. Composition

- 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 Directors.
- At least 1 member of the Committee must
 - be a member of the Malaysian Institute of Accountants; or
 - have at least 3 years of working experience and
 - passed the examination specified in Part I of the 1st Schedule to the Accountants Act, 1967; or
 - be a member of one of the associations of accountants specified in Part II of the 1st Schedule to the Accountants Act, 1967; or
- fulfils such other requirements as prescribed by Bursa Securities.

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

3. Meetings

The Head of Internal Audit, Head of Compliance and Head of Finance of the Bank 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.

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.

4. 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.

5. Duties

The duties of the Committee are:-

- (a) to recommend the appointment and reappointment of the external auditors, their audit fee and any questions of their resignation or dismissal to the Board.
- (b) to assess the objectivity, performance and independence of the external auditors (e.g. by reviewing and assessing the various relationships between the external auditors and the Company or any other entity) and internal auditors.
- (c) to establish policies and procedures for the provision of non-audit services by the external auditors and to ensure that there are proper checks and balances in place so that the provision of non-audit services does not interfere with the exercise of independent judgement of the external auditors.
- (d) to review with the external auditors:-
 - the audit plan;
 - their evaluation of the system of internal controls;
 - their audit reports;
 - their management letter and management's response thereto; and
 - the assistance given by the employees to the external auditors.
- (e) 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.
- (f) 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).
- (g) 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 appoint, set compensation, evaluate performance and decide on the transfer and dismissal of the Group Head or Group Acting Head of Internal Audit; and
 - to be informed of the resignation of any internal audit staff.
- (h) to keep under review the effectiveness and proper monitoring of internal control system.
- (i) 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.
- (j) to review related party transactions that may arise within the Company or Group.
- (k) 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.
- (l) 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.



Audit Committee Report

(cont'd)

- (m) 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.
- (n) to submit to the Board an Audit Committee report for inclusion in the Annual Report.
- (o) to review the Corporate Governance Statement and best practices for inclusion in the Annual Report.
- (p) to perform such other functions as may be agreed upon by the Committee and the Board.

6. Reporting Procedures

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

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 2012 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 ended 31 July 2012.

Corporate Responsibility Statement

Following in the trail of the Group's 3 year Going Green Campaign, a level of awareness has been created and advocacy instilled amongst the employees. Going forward, it is the Group's aspiration to be a contributing member of society. In 2012, Hwang-DBS' employees were called to deploy volunteerism and participate in local projects or charities in order to contribute positively to the communities. Employees were challenged to plan and execute charity programmes that would directly benefit the less fortunate within their locality with the launch of the Hwang-DBS Charity Programme.

5 teams took up the challenge. 4 teams selected orphanages and homes for the aged as the beneficiaries of their charity programmes. These beneficiaries were selected from private non-profit organization which had been established to give shelter and hope but relied very much on private donations.

The teams chose their own method of raising funds, collecting and storing donated items or arranging for minor repairs to be made at the shelters. A team wanting to encourage members of the public to get involved in the efforts even organized a Charity Sale at a park to collect funds and items of necessities. Volunteers worked tirelessly at the effort. However, more importantly, it was not just the material items that made the difference but the team members also spent time at the homes bringing cheer to the residents who are not mobile or to organize and arrange for exciting and enjoyable day out at a local attraction.

Another project was an Orang Asli Outreach Programme which focuses on reducing illiteracy and promoting educational improvement amongst the Orang Asli community. The Orang Asli village that was chosen was Kampung Sungai Dua. This village is located near the town of Karak in Pahang. 2 weeks prior to the launch, a book donation drive was initiated. To ease the financial burden of parents, the team also provided basic school supplies to the children of the community. During the visit, the team held a motivational talk for the parents because it was felt that parents play an essential role in shaping their children's future. The talk specifically highlighted the importance of education in today's world and how the parents' involvements in their children's education could give them hope for a better life and future. The volunteers interacted informally with members of the community, especially with the children, via games and quizzes, during which the volunteers encouraged the children to complete their secondary education.

Over the years, the Group has grown considerably. New locations were set up in geographically distant locations. However, in order to conduct business activities, the community within the different branches and subsidiaries keep in close contact via technology such as emails and teleconferencing. Often a face is not associated with the name, voice or writing style. To foster a more



conducive working environment and strengthen the camaraderie within the Group, a Bowling Tournament which was opened to all staff and their family was hosted in Shah Alam. The event was a wonderful opportunity for interaction not only with colleagues within the same branch or subsidiary but also with colleagues from other localities. 20 teams registered to compete in the spirit of friendly competition.

During the financial year, the Group also participated in several corporate events through corporate sponsorship, namely the 3rd USM Open Relay and the Annual Rat Race organized by Bursa Malaysia Securities Berhad.

Analysis Of Shareholdings

As At 9 October 2012

| | | |
|-----------------------|---|---|
| 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 | : | 4,875 |
| 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 | 13 | 0.27 | 372 | 0.00 |
| 100 – 1,000 | 2,418 | 49.60 | 2,377,627 | 0.93 |
| 1,001 – 10,000 | 1,957 | 40.14 | 7,712,600 | 3.02 |
| 10,001 – 100,000 | 405 | 8.31 | 12,037,801 | 4.72 |
| 100,001 – less than 5% of issued shares | 79 | 1.62 | 117,358,500 | 46.00 |
| 5% and above of issued shares | 3 | 0.06 | 115,672,000 | 45.33 |
| | 4,875 | 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 Pledged Securities Account For Hwang Enterprises Sdn Bhd | 20,000,000 | 7.84 |
| 4 Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Hwang Enterprises Sdn Bhd | 12,000,000 | 4.70 |
| 5 HDM Nominees (Asing) Sdn Bhd Al Sueban Limited Company W.L.L | 10,894,000 | 4.27 |
| 6 Maybank Nominees (Asing) Sdn Bhd DBS Bank For DBS Bank Ltd | 10,600,000 | 4.15 |
| 7 Dato' Seri Hwang Sing Lue | 10,358,033 | 4.06 |
| 8 HDM Nominees (Tempatan) Sdn Bhd Lee Hai Sherng | 7,108,464 | 2.79 |
| 9 HDM Nominees (Asing) Sdn Bhd DBS Vickers Secs (S) Pte Ltd For Asiabelle Investment Pte Ltd | 6,500,000 | 2.55 |
| 10 HDM Nominees (Tempatan) Sdn Bhd Tan Lee Sin | 6,463,000 | 2.53 |

| Name of Shareholders | No. of Shares | % of Issued Share Capital |
|--|--------------------|---------------------------|
| 11 HDM Nominees (Tempatan) Sdn Bhd Yeo Chwee Kee | 4,741,600 | 1.86 |
| 12 Chua Holdings Sdn Bhd | 4,171,658 | 1.64 |
| 13 HDM Nominees (Tempatan) Sdn Bhd Lim Wei Yun | 3,831,600 | 1.50 |
| 14 Lee Hai Ying | 3,232,800 | 1.27 |
| 15 Permodalan Nasional Berhad | 3,000,000 | 1.18 |
| 16 Wang Hui Tzu | 2,983,543 | 1.17 |
| 17 HDM Nominees (Tempatan) Sdn Bhd Hock Kheng Industries Sdn Bhd | 2,972,903 | 1.17 |
| 18 HDM Nominees (Tempatan) Sdn Bhd Tan Lee Sim | 2,561,400 | 1.00 |
| 19 HDM Nominees (Tempatan) Sdn Bhd Tan Koo Ching | 2,000,000 | 0.78 |
| 20 Southern Consortium Sdn Bhd | 1,772,000 | 0.69 |
| 21 Ong Guat Li | 1,751,707 | 0.69 |
| 22 Citigroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lew Weng Ho | 1,508,000 | 0.59 |
| 23 Citigroup Nominees (Asing) Sdn Bhd CBNY For Dimensional Emerging Markets Value Fund | 925,100 | 0.36 |
| 24 Tan Lee Sin | 783,000 | 0.31 |
| 25 Ong Chin Hong | 712,015 | 0.28 |
| 26 ECML Nominees (Tempatan) Sdn Bhd Libra Invest Berhad For Kumpulan Wang Simpanan Pekerja (KWSP 2) | 675,000 | 0.27 |
| 27 Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Almarhum Tuanku Ja'afar | 660,000 | 0.26 |
| 28 Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Hwang Sing Lue | 606,086 | 0.24 |
| 29 Looi Siew Lean | 586,000 | 0.23 |
| 30 Lee Hai Sherng | 525,000 | 0.21 |
| Total | 219,594,909 | 86.08 |

Analysis Of Shareholdings

As At 9 October 2012

(cont'd)

Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 9 October 2012 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 | - | - | - | - |
| Choe Tse Wei | - | - | - | - |
| Ong Eng Kooi | 25,000 | 0.01 | - | - |
| Y.A.M. Tengku Syed Badarudin Jamalullail | - | - | - | - |
| Mohamed Tarmizi Tun Dr. Ismail | - | - | - | - |

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 – Hwang 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 31/07/2012 (RM) | Date of Acquisition |
|---|-------------------------|-------------------------------------|----------------------------|-------------------------|--------------------------------------|---------------------|
| Levels 2, 3 & 4, Wisma Sri Pinang, 60 Green Hall, 10200 Penang | Office | Freehold | 25,399 | 28 | 4,756,728 | 01/03/1993 |
| Level 7, Wisma Sri Pinang, 60 Green Hall, 10200 Penang | Office | Freehold | 9,483 | 28 | 2,111,864 | 10/03/1994 |
| Level 8, Wisma Sri Pinang, 60 Green Hall, 10200 Penang | Office | Freehold | 8,568 | 24 | 1,508,771 | 10/03/1994 |
| A 7-storey building bearing address Wisma Sri Pinang II, 42 Green Hall, 10200 Penang | Office | Freehold | 36,187 | 14 | 9,728,038 | 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 | 15 | 7,600,682 | 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 | 15 | 6,079,758 | 29/08/2000 |
| Grant Nos. 44963, 44964 and 44965, Lot Nos. 288, 289 and 290 all of North East District, Tanjung 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 | 13 | 5,471,939 | 20/06/2001 |
| No. 2 & 4, Jalan Perda Barat, Bandar Perda, 14000 Bukit Mertajam, Penang | Shoplot | Freehold | 3,930 | 13 | 1,527,167 | 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 | 14 | 46,753,714 | 10/06/2010 |

Reports and Financial Statements

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Directors' Report

For The Financial Year Ended 31 July 2012

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 2012.

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 16 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 | 66,925 | 17,353 |
| Non-controlling interests | 8,706 | – |
| | <u>75,631</u> | <u>17,353</u> |

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.

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 2011: | |
| Final dividend of 5.0 sen gross per share, less income tax at 25%, paid on 20 December 2011 – as shown in the Directors' Report for the financial year ended 31 July 2011 | <u>9,569</u> |
| In respect of the financial year ended 31 July 2012: | |
| Interim dividend of 5.0 sen gross per share, less income tax at 25%, paid on 8 May 2012 | <u>9,568</u> |

The directors now recommend the payment of a final dividend in respect of the financial year ended 31 July 2012 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 2012, 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 2013 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

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 | | | 31 July 2012 |
|--|---------------------------------------|----------|----------|-------------------|
| | 1 August 2011 | Addition | Disposal | |
| 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 |
| Hwang Investment Management Berhad (formerly known as 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 33 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 41 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 2012.

RATING BY RATING AGENCIES

The company is not rated by an external agency. In August 2012, RAM Rating Services Berhad ("RAM") has reaffirmed the long term rating of A₂ 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.

OTHER MATTERS

The supplementary information set out on page 151 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 27 September 2012.



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 45 to 150, which comprise the statements of financial position as at 31 July 2012 of the group and of the company, and the statements of income, comprehensive income, changes in equity and cash flows of the group and of the company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out in Notes 1 to 50.

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 2012 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.


Independent Auditors' Report (cont'd)
To The Members Of Hwang-DBS (Malaysia) Berhad

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out on page 151 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

Penang
27 September 2012



ONG CHING CHUAN
(No. 2907/11/13 (J))
Chartered Accountant

Statements of Financial Position

As At 31 July 2012

| | Note | Group | | Company | |
|---|------|------------------|------------------|----------------|----------------|
| | | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| ASSETS | | | | | |
| Cash and short term funds | 5 | 973,933 | 885,629 | 4,244 | 3,082 |
| Deposits and placements with banks and other financial institutions | 6 | 31,380 | 179,812 | 610 | – |
| Securities held-for-trading | 7 | 170,592 | 338,425 | – | – |
| Securities available-for-sale (“AFS”) | 8 | 1,580,107 | 1,193,899 | 490 | 490 |
| Securities held-to-maturity | 9 | 399,921 | 388,335 | – | – |
| Loans, advances and financing | 10 | 684,221 | 679,780 | – | – |
| Clients’ and brokers’ balances | 11 | 179,097 | 168,102 | – | – |
| Derivative assets | 12 | 16,505 | 26,734 | – | – |
| Other assets | 13 | 69,648 | 39,307 | 655 | 1,235 |
| Statutory deposits with Central Banks | 14 | 72,811 | 68,204 | – | – |
| Tax recoverable | | 12,695 | 6,543 | 7,344 | 6,542 |
| Deferred tax assets | 15 | 6,111 | 10,497 | – | 6 |
| Investments in subsidiaries | 16 | – | – | 684,952 | 684,963 |
| Investment in an associate | 17 | 3,708 | 3,624 | 4,904 | 4,904 |
| Property, plant and equipment | 18 | 52,859 | 53,878 | – | 17 |
| Investment properties | 19 | 52,596 | 52,839 | – | – |
| Intangible assets | 20 | 162,509 | 162,509 | – | – |
| TOTAL ASSETS | | 4,468,693 | 4,258,117 | 703,199 | 701,239 |
| LIABILITIES AND EQUITY | | | | | |
| Deposits from customers | 21 | 748,431 | 820,043 | – | – |
| Deposits and placements of banks and other financial institutions | 22 | 1,687,061 | 1,581,036 | – | – |
| Clients’ and brokers’ balances | 23 | 199,724 | 186,725 | – | – |
| Derivative liabilities | 12 | 22,106 | 28,233 | – | – |
| Other liabilities | 24 | 467,097 | 369,463 | 4,523 | 4,881 |
| Taxation | | 1,962 | 5,361 | – | – |
| Deferred tax liabilities | 15 | 370 | 426 | 3 | – |
| Borrowings | 25 | 390,492 | 377,349 | 236,790 | 232,691 |
| TOTAL LIABILITIES | | 3,517,243 | 3,368,636 | 241,316 | 237,572 |
| Share capital | 26 | 265,845 | 265,845 | 265,845 | 265,845 |
| Reserves | 27 | 676,325 | 620,890 | 212,099 | 213,883 |
| Treasury shares, at cost | 26 | (16,061) | (16,061) | (16,061) | (16,061) |
| | | 926,109 | 870,674 | 461,883 | 463,667 |
| Non-controlling interests | | 25,341 | 18,807 | – | – |
| TOTAL EQUITY | | 951,450 | 889,481 | 461,883 | 463,667 |
| TOTAL LIABILITIES AND EQUITY | | 4,468,693 | 4,258,117 | 703,199 | 701,239 |
| COMMITMENTS AND CONTINGENCIES | 43 | 4,612,050 | 6,256,169 | – | – |

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

Income Statements

For The Financial Year Ended 31 July 2012

| | Note | Group | | Company | |
|--|------|------------------|----------------|-----------------|----------------|
| | | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| Operating revenue | 28 | 397,958 | 399,333 | 37,906 | 29,274 |
| Interest income | 29 | 180,423 | 189,450 | 109 | 529 |
| Interest expense | 30 | (98,231) | (92,341) | (10,349) | (10,168) |
| Net interest income/(expense) | | 82,192 | 97,109 | (10,240) | (9,639) |
| Other operating income | 31 | 248,562 | 233,299 | 37,825 | 33,335 |
| | | 330,754 | 330,408 | 27,585 | 23,696 |
| Other operating expenses | 32 | (229,020) | (206,466) | (4,989) | (5,405) |
| | | 101,734 | 123,942 | 22,596 | 18,291 |
| (Allowance)/Write back of allowance for losses on: | | | | | |
| – loans, advances and financing | 34 | (3,256) | (5,499) | – | – |
| – clients' balances and receivables | 35 | 499 | 868 | – | – |
| – investment in a subsidiary | 16 | – | – | (11) | (12) |
| | | 98,977 | 119,311 | 22,585 | 18,279 |
| Share of results of an associate, net of tax | 17 | 84 | 340 | – | – |
| Profit before taxation | | 99,061 | 119,651 | 22,585 | 18,279 |
| Taxation | 36 | (23,430) | (28,187) | (5,232) | (3,297) |
| Profit for the financial year | | 75,631 | 91,464 | 17,353 | 14,982 |
| Attributable to: | | | | | |
| Equity holders of the company | | 66,925 | 86,614 | 17,353 | 14,982 |
| Non-controlling interests | | 8,706 | 4,850 | – | – |
| | | 75,631 | 91,464 | 17,353 | 14,982 |
| Basic earnings per share (sen) | 37 | 26.23 | 33.95 | | |

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

Statements of Comprehensive Income

For The Financial Year Ended 31 July 2012

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| Profit for the financial year | 75,631 | 91,464 | 17,353 | 14,982 |
| Other comprehensive income for the financial year (note 38): | | | | |
| Currency translation differences arising from foreign operations | 5,588 | (7,958) | – | – |
| Securities AFS: | | | | |
| – net change in fair value | 10,119 | 6,535 | – | 3,208 |
| – net gain transferred to profit or loss on disposal | (7,438) | (4,696) | – | (4,362) |
| Income tax relating to components of other comprehensive income | (622) | (805) | – | – |
| | 7,647 | (6,924) | – | (1,154) |
| Total comprehensive income for the financial year | 83,278 | 84,540 | 17,353 | 13,828 |
| Attributable to: | | | | |
| Equity holders of the company | 74,572 | 79,690 | 17,353 | 13,828 |
| Non-controlling interests | 8,706 | 4,850 | – | – |
| | 83,278 | 84,540 | 17,353 | 13,828 |

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

Statements of Changes in Equity

For The Financial Year Ended 31 July 2012

| Attributable to equity holders of the company | | | | | | | | | | | | |
|---|---|----------------------|------------------------|----------------------|--------------------------|--------------------|---------------------------------|-------------------------|------------------|----------------------------------|---------------------|----------------|
| Note | Issued and fully paid ordinary shares of RM1 each | | | Non-distributable | | | | Distributable | Sub-total RM'000 | Non-controlling interests RM'000 | Total equity RM'000 | |
| | 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 | | | | |
| Group | | | | | | | | | | | | |
| At 1 August 2011 | | 255,159 | 265,845 | (16,061) | 33,090 | 108,377 | 3,946 | (17,484) | 492,961 | 870,674 | 18,807 | 889,481 |
| Profit for the financial year | | - | - | - | - | - | - | - | 66,925 | 66,925 | 8,706 | 75,631 |
| Other comprehensive income for the financial year, net of tax | 38 | - | - | - | - | - | 2,059 | 5,588 | - | 7,647 | - | 7,647 |
| Total comprehensive income for the financial year | | - | - | - | - | - | 2,059 | 5,588 | 66,925 | 74,572 | 8,706 | 83,278 |
| Transfer to statutory reserve | | - | - | - | 25,462 | - | - | - | (25,462) | - | - | - |
| Dividends in respect of the financial year ended: | | | | | | | | | | | | |
| – 31 July 2011 | 39 | - | - | - | - | - | - | - | (9,569) | (9,569) | - | (9,569) |
| – 31 July 2012 | 39 | - | - | - | - | - | - | - | (9,568) | (9,568) | - | (9,568) |
| Dividend paid by a subsidiary to non-controlling interests | | - | - | - | - | - | - | - | - | - | (2,172) | (2,172) |
| At 31 July 2012 | | 255,159 | 265,845 | (16,061) | 33,090 | 133,839 | 6,005 | (11,896) | 515,287 | 926,109 | 25,341 | 951,450 |
| At 1 August 2010 | | 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 | 38 | - | - | - | - | - | 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 | | - | - | - | - | - | - | - | (9,568) | (9,568) | - | (9,568) |
| – 31 July 2011 | 39 | - | - | - | - | - | - | - | (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.

| Company | Note | Issued and fully paid ordinary shares of RM1 each | | Treasury shares | Non-distributable | | Distributable | Total equity |
|---|------|---|----------------------|-----------------|----------------------|--------------------|-------------------------|--------------|
| | | Number of shares '000 | Nominal value RM'000 | | Share premium RM'000 | AFS reserve RM'000 | Retained profits RM'000 | |
| At 1 August 2011 | | 255,159 | 265,845 | (16,061) | 33,090 | – | 180,793 | 463,667 |
| Profit for the financial year | | – | – | – | – | – | 17,353 | 17,353 |
| Total comprehensive income for the financial year | | – | – | – | – | – | 17,353 | 17,353 |
| Dividends in respect of the financial year ended: | | | | | | | | |
| – 31 July 2011 | 39 | – | – | – | – | – | (9,569) | (9,569) |
| – 31 July 2012 | 39 | – | – | – | – | – | (9,568) | (9,568) |
| At 31 July 2012 | | 255,159 | 265,845 | (16,061) | 33,090 | – | 179,009 | 461,883 |
| 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 | 38 | – | – | – | – | (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 | | – | – | – | – | – | (9,568) | (9,568) |
| – 31 July 2011 | 39 | – | – | – | – | – | (9,569) | (9,569) |
| At 31 July 2011 | | 255,159 | 265,845 | (16,061) | 33,090 | – | 180,793 | 463,667 |

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

Statements of Cash Flows

For The Financial Year Ended 31 July 2012

OPERATING ACTIVITIES

Profit for the financial year

Adjustments for:

Property, plant and equipment:

– depreciation

– net gain on disposals

– write offs

Investment properties:

– depreciation

Net (gain)/loss arising from disposal of:

– securities held-for-trading

– derivatives

– securities AFS

– other investments

Net unrealised (gain)/loss on:

– securities held-for-trading

– derivatives

Net unrealised (gain)/loss on foreign exchange

Allowance/(Write back of allowance) for losses on:

– loans, advances and financing

– clients' balances and receivables

– investment in a subsidiary

Interest expense

Interest income on securities AFS and securities held-to-maturity

Dividends and income distributions

Rental income

Share of results of an associate, net of tax

Taxation

(Increase)/Decrease in operating assets:

Deposits and placements with banks and other financial institutions

Securities held-for-trading

Loans, advances and financing

Clients' and brokers' balances

Derivative assets

Other assets

Statutory deposits with Central Banks

| Note | Group | | Company | |
|------|-----------------|----------------|-----------------|----------------|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| | 75,631 | 91,464 | 17,353 | 14,982 |
| | 7,208 | 8,093 | 17 | 204 |
| | (95) | (288) | – | – |
| | 21 | 16 | – | – |
| | 243 | 242 | – | – |
| | (28,442) | (15,996) | – | – |
| | 9,017 | 8,021 | – | – |
| | (6,626) | (4,955) | – | (4,620) |
| | (12) | (6) | – | – |
| | 946 | (4,309) | – | – |
| | (9,680) | (10,680) | – | – |
| | (9,649) | 7,353 | – | – |
| | 4,522 | 7,304 | – | – |
| | 193 | (18) | – | – |
| | – | – | 11 | 12 |
| | 98,231 | 92,341 | 10,349 | 10,168 |
| | (71,149) | (51,597) | – | (14) |
| | (7,792) | (7,385) | (37,797) | (28,745) |
| | (1,187) | (1,281) | – | – |
| | (84) | (340) | – | – |
| | 23,430 | 28,187 | 5,232 | 3,297 |
| | 9,095 | 54,702 | (22,188) | (19,698) |
| | 84,726 | 146,166 | (4,835) | (4,716) |
| | 151,044 | (42,065) | (610) | – |
| | 195,330 | 186,878 | – | – |
| | (6,806) | (76,789) | – | – |
| | (10,924) | 37,926 | – | – |
| | 80 | 25 | – | – |
| | (35,116) | (8,812) | 633 | 11,627 |
| | (3,771) | (48,583) | – | – |
| | 289,837 | 48,580 | 23 | 11,627 |

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

| | Note | Group | | Company | |
|---|------|------------------|------------------|-----------------|-----------------|
| | | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| Increase/(Decrease) in operating liabilities: | | | | | |
| Deposits from customers | | (72,518) | 230,959 | – | – |
| Deposits and placements of banks and other financial institutions | | 101,207 | 44,961 | – | – |
| Clients' and brokers' balances | | 1,995 | (31,006) | – | – |
| Derivative liabilities | | 172 | (1,469) | – | – |
| Other liabilities | | 67,288 | 41,706 | (358) | 184 |
| | | 98,144 | 285,151 | (358) | 184 |
| Cash generated from/(used in) operations | | 472,707 | 479,897 | (5,170) | 7,095 |
| Interest paid | | (75,872) | (74,650) | (42) | (38) |
| Taxation (paid)/refunded | | (29,221) | (23,598) | 2,962 | 2,459 |
| Net operating cash flow | | 367,614 | 381,649 | (2,250) | 9,516 |
| INVESTING ACTIVITIES | | | | | |
| Proceeds from disposals: | | | | | |
| – property, plant and equipment | | 97 | 344 | – | – |
| – other investments | | 37 | 11 | – | – |
| Purchases of: | | | | | |
| – property, plant and equipment | 18 | (5,229) | (7,404) | – | – |
| – other investments | | (62) | (53) | (86) | – |
| Net (purchase)/disposal of securities AFS | | (371,310) | (705,043) | – | 20,570 |
| Net disposal of securities held-to-maturity | | – | 69,234 | – | – |
| Interest received from securities AFS and securities held-to-maturity | | 70,358 | 46,672 | – | 14 |
| Dividends and income distributions received | | 7,566 | 6,772 | 28,843 | 21,639 |
| Rental received | | 1,187 | 1,281 | – | – |
| Additional investments in an existing subsidiary | | – | – | – | (7,665) |
| Net investing cash flow | | (297,356) | (588,186) | 28,757 | 34,558 |
| FINANCING ACTIVITIES | | | | | |
| Dividends paid to: | | | | | |
| – equity holders of the company | | (19,137) | (19,137) | (19,137) | (19,137) |
| – non-controlling interests | | (2,172) | (1,762) | – | – |
| Interest paid on borrowings | | (16,682) | (17,619) | (10,308) | (10,468) |
| Net drawdown/(repayment) of borrowings | | 13,150 | (31,700) | 4,100 | (12,000) |
| Net financing cash flow | | (24,841) | (70,218) | (25,345) | (41,605) |
| Net change in cash and cash equivalents | | 45,417 | (276,755) | 1,162 | 2,469 |
| Foreign exchange differences | | 948 | (4,729) | – | – |
| Cash and cash equivalents at beginning of the financial year | | 580,880 | 862,364 | 3,082 | 613 |
| Cash and cash equivalents at end of the financial year | 40 | 627,245 | 580,880 | 4,244 | 3,082 |

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

Notes to the Financial Statements

For The Financial Year Ended 31 July 2012

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 16 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 financial year. It also requires directors to exercise their judgment 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 judgment 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, 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 2011:

| <u>FRS</u> | <u>Description</u> |
|-------------------------|---|
| • Amendments to FRS 3 | Business Combinations |
| • Amendments to FRS 7 | Financial Instruments: Disclosures |
| • Amendment to FRS 101 | Presentation of Financial Statements |
| • Amendments to FRS 128 | Investments in Associates |
| • Amendments to FRS 132 | Financial Instruments: Presentation |
| • Amendments to FRS 134 | Interim Financial Reporting |
| • Amendments to FRS 139 | Financial Instruments: Recognition and Measurement |
| • IC Interpretation 4 | Determining whether an Arrangement contains a Lease |
| • IC Interpretation 19 | Extinguishing Financial Liabilities with Equity Instruments |

Other than the additional disclosures in note 48(o) to the financial statements arising from adoption of the Amendments to FRS 7, the adoption of the FRSs does not have any significant financial impact on the financial statements of the group and of the company.

- (b) Transition to the Malaysian Financial Reporting Standards (MFRS) framework

In November 2011, the Malaysian Accounting Standards Board issued a new IFRS-compliant framework, MFRS framework. The group and the company will adopt the new MFRS framework effective for the accounting period commencing from 1 August 2012, with retrospective application of the relevant new/revised MFRS to 1 August 2011, which is the beginning of the earliest comparative period of the first MFRS-compliant financial statements of the group and of the company, as if the MFRS framework effective for the accounting period commencing from 1 August 2012 have always been applied.

In preparing the first MFRS-compliant financial statements, the group and the company will apply MFRS 1, First-time Adoption of MFRS, which provides for certain optional exemptions and certain mandatory exceptions for first-time MFRS adopters.

The financial reporting standards, amendments to the published standards and interpretations under the MFRS framework (MFRSs) which are relevant to the group and the company and have not been early adopted are as follows:

Effective for accounting period beginning on or after 1 January 2012

- Amendments to MFRS 1, First-time Adoption on Fixed Dates and Hyperinflation
 - (a) Replaces references to a fixed date of 1 January 2004 with 'the date of transition to MFRSs', thus eliminating the need for entities adopting MFRSs for the first time to restate de-recognition transactions that occurred before the date of transition to MFRSs; and
 - (b) Provides guidance on how an entity should resume presenting financial statements in accordance with MFRSs after a period when the entity was unable to comply with MFRSs because its functional currency was subject to severe hyperinflation.

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

(b) Transition to the Malaysian Financial Reporting Standards (MFRS) framework (cont'd)

Effective for accounting period beginning on or after 1 January 2012 (cont'd)

- Amendments to MFRS 7, Financial instruments: Disclosures on Transfers of Financial Assets
Promotes transparency in the reporting of transfer transactions and improves users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets.
- MFRS 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.
- MFRS 139, Financial Instruments: Recognition and Measurement
In line with the transition to the MFRS framework, BNM has removed the transitional collective impairment allowance for banking institutions (which is applicable to the investment banking subsidiary until the financial year ended 31 July 2012) to align with the MFRS 139 requirements. Banking institutions are required to comply with the requirements of MFRS 139 and the revised BNM Guidelines on Classification and Impairment Provisions for Loans/Financing in determining collective impairment allowances.

Effective for accounting period beginning on or after 1 July 2012

- Amendments to MFRS 101, Presentation of Items of Other Comprehensive Income
Requires entities to separate items presented in other comprehensive income in the statement of comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future.

Effective for accounting period beginning on or after 1 January 2013

- Amendments to MFRS 7, Disclosures – Offsetting Financial Assets and Financial Liabilities
Requires more extensive disclosures focusing on quantitative information about recognised financial instruments that are offset in the statement of financial position and those that are subject to master netting or similar arrangements, irrespective of whether the financial statements are set off in accordance with MFRS 132, Financial Instruments: Presentation.
- MFRS 10, Consolidated Financial Statements
Changes the definition of control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. It establishes control as the basis for determining which entities are consolidated in the consolidated financial statements and sets out the accounting requirements for the preparation of consolidated financial statements. It replaces all the guidance on control and consolidation in MFRS 127, Consolidated and Separate Financial Statements and IC Interpretation 112, Consolidation – Special Purpose Entities.

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

(b) Transition to the Malaysian Financial Reporting Standards (MFRS) framework (cont'd)

Effective for accounting period beginning on or after 1 January 2013 (cont'd)

- **MFRS 11, Joint Arrangements**
Requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence, accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence, equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.
- **MFRS 12, Disclosures of Interests in Other Entities**
Sets out the required disclosures for entities reporting under the two new standards, MFRS 10 and MFRS 11, and replaces the disclosure requirements currently prescribed in MFRS 128, Investments in Associates. It requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities.
- **MFRS 13, Fair Value Measurement**
Improves consistency and reduces complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7, Financial Instruments: Disclosures and is applicable to assets and liabilities measured at fair value, including certain non-financial assets and liabilities.
- **MFRS 127 (Revised), Separate Financial Statements**
All the guidance on control and consolidation previously included in the standard has been replaced by MFRS 10. The revised standard contains the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.
- **MFRS 128 (Revised), Investments in Associates and Joint Ventures**
Sets out the requirements for the application of equity method when accounting for investments in associates and joint ventures. Previously, the standard only prescribed the accounting requirements for investments in associates.

Effective for accounting period beginning on or after 1 January 2014

- **Amendments to MFRS 132, Offsetting Financial Assets and Financial Liabilities**
Clarifies that the criterion for offsetting of financial assets and financial liabilities, 'currently has a legally enforceable right of set-off' as stated in MFRS 132 will only be met if the right of set-off is not contingent on any future event and is legally enforceable for all counterparties in the normal course of business and in the event of default. It also clarifies that gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.

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

(b) Transition to the Malaysian Financial Reporting Standards (MFRS) framework (cont'd)

Effective for accounting period beginning on or after 1 January 2015

- **MFRS 9, Financial Instruments - Classification and Measurement of Financial Assets and Financial Liabilities**
Replaces the multiple classification and measurement models in MFRS 139 with a single model that has only two classification categories: amortised cost and fair value. The basis of classification depends on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

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

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

3 Summary of significant accounting policies

All significant accounting policies set out below are consistent with those applied in the previous financial year other than the adoption of FRSs as disclosed in note 2(a) 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.

Subsidiaries are all those entities over which the group has power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

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. The consideration transferred for acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previously held equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. Any gain arising from bargain purchase is recognised in profit or loss.

3 Summary of significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

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 fair value or the non-controlling interests' proportionate share of the subsidiary's net identifiable assets at the acquisition date, on a case by case basis and changes in the subsidiary's equity since that date. All earnings and losses of the subsidiary are attributed to the parent and the non-controlling interests, even if the attribution of losses to the non-controlling interests results in a debit balance in the shareholders' equity.

(b) Investments in subsidiaries

In the separate financial statements of the company, investments in subsidiaries 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.

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.

3 Summary of significant accounting policies (cont'd)

(c) Associates (cont'd)

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 the carrying amount of the associate 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.

(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 interests 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.

3 Summary of significant accounting policies (cont'd)

(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 currently 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 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.

(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 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.

3 Summary of significant accounting policies (cont'd)

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

(i) Classification (cont'd)

Financial assets available-for-sale ("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.

(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 to the investment banking subsidiary until the financial year ended 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)

Impairment assessment (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 judgment 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.

(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.

3 Summary of significant accounting policies (cont'd)

(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.

(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.

3 Summary of significant accounting policies (cont'd)

(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 based on the pre-agreed rates. Fees earned from provision of fund management services are recognised on an accrual basis, at the rates provided for in the investment mandates of funds managed.

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.

(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.

3 Summary of significant accounting policies (cont'd)

(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.

(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 judgment

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. Estimates and judgments 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 judgment is guided by the relevant BNM guidelines and the Rules of Bursa Securities, judgment 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 flows 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 judgment 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 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 judgment in estimating the future cash flows, growth rate 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.

Notes to the Financial Statements (cont'd)
For The Financial Year Ended 31 July 2012

5 Cash and short term funds

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| Cash and balances with banks and other financial institutions | 215,940 | 117,083 | 4,244 | 877 |
| Money at call and deposit placements maturing within one month | 757,993 | 768,546 | – | 2,205 |
| | 973,933 | 885,629 | 4,244 | 3,082 |
| Included in cash and balances with banks and other financial institutions are: | | | | |
| Monies held in trust for clients | 14,957 | 10,483 | – | – |
| Dividends received on behalf of customers by certain subsidiaries | 1,865 | 4,699 | – | – |
| | 16,822 | 15,182 | – | – |
| Included in money at call and deposit placements maturing within one month are: | | | | |
| Monies held in trust for clients and dealer's representatives | 329,866 | 289,567 | – | – |
| | 346,688 | 304,749 | – | – |

Included in cash and short term funds of the company as at the end of the reporting period is RM1,054,000 (2011: RM515,000) maintained by the company with the commercial banking subsidiary, HwangDBS Commercial Bank Plc.

6 Deposits and placements with banks and other financial institutions

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| Licensed banks | 28,107 | 126,431 | 610 | – |
| Licensed investment banks | – | 50,027 | – | – |
| Other financial institutions | 3,273 | 3,354 | – | – |
| | 31,380 | 179,812 | 610 | – |
| Included in deposits with licensed banks are: | | | | |
| Monies held in trust for clients | 2,303 | 2,241 | – | – |

7 Securities held-for-trading

Group

| | 2012 RM'000 | 2011 RM'000 |
|--|----------------|----------------|
| At fair value: | | |
| Quoted in Malaysia | | |
| Shares, warrants and REITs | 25,527 | 25,898 |
| Unit trusts | 12,210 | 14,032 |
| | 37,737 | 39,930 |
| Unquoted | | |
| Bankers' acceptances | – | 144,445 |
| Malaysian Government Securities | 20,262 | – |
| Malaysian Government Islamic Investment Issues | 50,736 | – |
| BNM Monetary Notes | – | 51,869 |
| Private debt securities | 61,857 | 102,181 |
| | 170,592 | 338,425 |

8 Securities available-for-sale (“AFS”)

| | Group | | Company | |
|--|------------------|----------------|----------------|----------------|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| At fair value: | | | | |
| Quoted in Malaysia | | | | |
| REITs | 14,807 | 5,089 | – | – |
| Unit trusts | 167,241 | 151,806 | – | – |
| | 182,048 | 156,895 | – | – |
| Unquoted | | | | |
| Malaysian Government Securities | 61,652 | – | – | – |
| Malaysian Government Sukuk | 6,632 | 6,291 | – | – |
| Malaysian Government Islamic Investment Issues | 251,791 | 212,767 | – | – |
| BNM Islamic Negotiable Notes | 298,115 | – | – | – |
| BNM Islamic Monetary Notes | – | 98,894 | – | – |
| Private and Islamic debt securities | 779,379 | 713,769 | – | – |
| Investment fund | – | 4,793 | – | – |
| At cost: | | | | |
| Unquoted | | | | |
| Shares | 1,140 | 1,140 | 490 | 490 |
| | 1,580,757 | 1,194,549 | 490 | 490 |
| Accumulated impairment loss | (650) | (650) | – | – |
| | 1,580,107 | 1,193,899 | 490 | 490 |

Included in securities AFS of the group are investments in unit trust funds managed by a subsidiary, Hwang Investment Management Berhad (formerly known as HwangDBS Investment Management Berhad) as at the end of the reporting period at a carrying amount of RM120,892,000 (2011: RM120,395,000).

Notes to the Financial Statements (cont'd)
For The Financial Year Ended 31 July 2012

9 Securities held-to-maturity

Group

| | 2012 RM'000 | 2011 RM'000 |
|-------------------------------------|----------------|----------------|
| At amortised cost: | | |
| Unquoted | | |
| Private and Islamic debt securities | 399,921 | 388,335 |

10 Loans, advances and financing

Group

| | 2012 RM'000 | 2011 RM'000 |
|-----------------------------------|------------------|----------------|
| (a) By type | | |
| Term loans | | |
| – housing loans | 15,290 | 7,975 |
| – bridging loans | 3,550 | 3,550 |
| – syndicated term loans | 125,131 | 122,742 |
| – other term loans | 514,449 | 450,568 |
| Overdrafts | 2,655 | 1,999 |
| Share margin financing | 201,562 | 253,631 |
| Staff loans | 364 | – |
| Other financing | 575 | 52 |
| | 863,576 | 840,517 |
| Unearned interest | (156,398) | (137,922) |
| | 707,178 | 702,595 |
| Allowance for losses: | | |
| – collective impairment | (11,436) | (12,393) |
| – individual impairment | (11,521) | (10,422) |
| Net loans, advances and financing | 684,221 | 679,780 |

10 Loans, advances and financing (cont'd)

Group

| | 2012 RM'000 | 2011 RM'000 |
|---|----------------|----------------|
| (b) By type of customer | | |
| Domestic business enterprises | | |
| – others | 235,119 | 252,550 |
| Individuals | 274,260 | 243,189 |
| Other domestic entities | 111,627 | 156,734 |
| Foreign business enterprises | 10,379 | 8,782 |
| Foreign individuals | 75,793 | 41,340 |
| | 707,178 | 702,595 |
| (c) By geographical distribution | | |
| Malaysia | 621,458 | 652,844 |
| Cambodia | 76,665 | 41,477 |
| Hong Kong | 7,527 | 7,841 |
| Singapore | 1,017 | 237 |
| Other countries | 511 | 196 |
| | 707,178 | 702,595 |
| (d) By interest rate sensitivity | | |
| Fixed rate | | |
| – other fixed rate loans/financing | 551,488 | 548,289 |
| – housing loans | 15,290 | 7,975 |
| Variable rate | | |
| – base lending rate plus | – | 30,170 |
| – cost-plus | 140,400 | 116,161 |
| | 707,178 | 702,595 |

Notes to the Financial Statements (cont'd)
For The Financial Year Ended 31 July 2012

10 Loans, advances and financing (cont'd)

Group

| | 2012 RM'000 | 2011 RM'000 |
|--|----------------|----------------|
| (e) By purpose | | |
| Purchase of landed properties | | |
| – residential | 14,438 | 6,990 |
| – non-residential | 17,244 | 4,491 |
| Construction | 5,292 | 6,145 |
| Real estate | 2,873 | 1,515 |
| Purchase of securities | 277,707 | 346,506 |
| Working capital | 89,655 | 68,372 |
| Personal use | 204,044 | 189,178 |
| Others | 95,925 | 79,398 |
| | 707,178 | 702,595 |
| (f) By residual contractual maturity | | |
| Within 1 year | 305,846 | 376,166 |
| 1 year to 3 years | 28,774 | 58,188 |
| 3 years to 5 years | 94,300 | 23,631 |
| Over 5 years | 278,258 | 244,610 |
| | 707,178 | 702,595 |
| (g) Impaired loans, advances and financing by purpose | | |
| Purchase of landed properties | | |
| – residential | 14 | 18 |
| Real estate | 587 | 278 |
| Purchase of securities | 1,636 | 1,636 |
| Working capital | 8,344 | 7,280 |
| Personal use | 8,510 | 9,189 |
| Others | 93 | – |
| | 19,184 | 18,401 |
| (h) Impaired loans, advances and financing by geographical distribution | | |
| Malaysia | 16,185 | 17,375 |
| Cambodia | 2,999 | 1,026 |
| | 19,184 | 18,401 |

10 Loans, advances and financing (cont'd)

Group

| | 2012 RM'000 | 2011 RM'000 |
|--|----------------|----------------|
| (i) Movements in impaired loans, advances and financing | | |
| At beginning of the financial year | 18,401 | 15,131 |
| Classified as impaired | 29,892 | 32,405 |
| Reclassified as non-impaired | (22,616) | (18,871) |
| Amount recovered | (2,115) | (7,150) |
| Amount written off | (4,428) | (3,114) |
| Exchange differences | 50 | - |
| At end of the financial year | <u>19,184</u> | <u>18,401</u> |
| Gross impaired loans, advances and financing as a % of gross loans, advances and financing | <u>2.7%</u> | <u>2.6%</u> |
| (j) Movements in allowance for losses | | |
| Collective impairment | | |
| At beginning of the financial year | 12,393 | 9,217 |
| Net allowance made | 2,990 | 5,163 |
| Amount written off | (3,980) | (1,963) |
| Exchange differences | 33 | (24) |
| At end of the financial year | <u>11,436</u> | <u>12,393</u> |
| As a % of gross loans, advances and financing less individual impairment allowance | <u>1.6%</u> | <u>1.8%</u> |
| Individual impairment | | |
| At beginning of the financial year | 10,422 | 9,440 |
| Allowance made | 1,221 | 6,013 |
| Amount written back | (137) | (5,023) |
| Exchange differences | 15 | (8) |
| At end of the financial year | <u>11,521</u> | <u>10,422</u> |

Notes to the Financial Statements (cont'd)
For The Financial Year Ended 31 July 2012

11 Clients' and brokers' balances

Group

| | 2012 RM'000 | 2011 RM'000 |
|--------------------------|----------------|----------------|
| Amounts due from clients | 97,137 | 140,331 |
| Allowance for losses: | | |
| – collective impairment | (29) | (28) |
| – individual impairment | (553) | (712) |
| | <u>96,555</u> | <u>139,591</u> |
| Amounts due from brokers | 82,542 | 28,511 |
| | <u>179,097</u> | <u>168,102</u> |

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.

| | 2012 RM'000 | 2011 RM'000 |
|--|----------------|----------------|
| (a) Impaired accounts | | |
| Amounts due from clients | <u>762</u> | 1,172 |
| (b) Movements in allowance for losses | | |
| Collective impairment | | |
| At beginning of the financial year | 28 | 19 |
| Net allowance made | 1 | 9 |
| At end of the financial year | <u>29</u> | <u>28</u> |
| Individual impairment | | |
| At beginning of the financial year | 712 | 576 |
| Allowance made | 145 | 237 |
| Amount written back | (286) | (101) |
| Amount written off | (18) | – |
| At end of the financial year | <u>553</u> | <u>712</u> |

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

| | 2012 RM'000 | 2011 RM'000 |
|------------------------|----------------|----------------|
| At fair value: | | |
| Derivative assets | 16,505 | 26,734 |
| Derivative liabilities | (22,106) | (28,233) |
| | <u>(5,601)</u> | <u>(1,499)</u> |

| | Fair value | | |
|--|------------------------------|--------------------------------|-------------------------------------|
| | Notional amount RM'000 | Derivative assets RM'000 | Derivative liabilities RM'000 |
| 2012 | | | |
| Foreign exchange related contracts | | | |
| – Currency forwards | 379,915 | 2,186 | (2,150) |
| – Currency swaps | 685,089 | 6,435 | (3,458) |
| – Currency options | 1,775 | 10 | (10) |
| – Cross currency interest rate swaps (“CCIRS”) | <u>324,231</u> | <u>4,188</u> | <u>(10,364)</u> |
| | 1,391,010 | 12,819 | (15,982) |
| Interest rate related contracts | | | |
| – Interest rate swaps | <u>953,000</u> | <u>3,686</u> | <u>(6,124)</u> |
| | 2,344,010 | 16,505 | (22,106) |
| 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”) | <u>407,686</u> | <u>14,912</u> | <u>(13,817)</u> |
| | 1,236,602 | 20,834 | (19,158) |
| Interest rate related contracts | | | |
| – Interest rate swaps | <u>1,168,000</u> | <u>5,900</u> | <u>(9,075)</u> |
| | 2,404,602 | 26,734 | (28,233) |

12 Derivative financial instruments (cont'd)

Group

Included in the foreign exchange related contracts as at the end of reporting period are currency swaps and CCIRS contracts entered into with other related party by the investment banking subsidiary in its ordinary course of business, analysed by remaining maturity as follows:

| | Notional amount RM'000 | Fair value | |
|-------------------|------------------------------|--------------------------------|-------------------------------------|
| | | Derivative assets RM'000 | Derivative liabilities RM'000 |
| 2012 | | | |
| Within 1 year | 121,678 | 479 | (63) |
| 1 year to 5 years | 170,361 | 448 | (7,139) |
| | 292,039 | 927 | (7,202) |
| 2011 | | | |
| 1 year to 5 years | 149,256 | – | (9,288) |

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):

| | Notional amount RM'000 | Fair value | |
|---------------------------------|------------------------------|--------------------------------|-------------------------------------|
| | | Derivative assets RM'000 | Derivative liabilities RM'000 |
| 2012 | | | |
| Interest rate related contracts | | | |
| – Futures | 1,760,000 | 640 | (10,322) |
| 2011 | | | |
| Interest rate related contracts | | | |
| – Futures | 3,380,000 | 219 | (15,487) |

The mark-to-market loss on derivative liabilities for the financial year of RM3,703,000 arose from changes in fair value of derivatives as a result of movements in market interest rates and/or foreign exchange rates affecting the fair value of derivative liabilities compared to the previous financial year ended 31 July 2011.

13 Other assets

| | Note | Group | | Company | |
|--------------------------------|-------|----------------|----------------|----------------|----------------|
| | | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| Financial assets | | | | | |
| Trade receivables | (a) | 44,100 | 8,620 | – | – |
| Amounts due from a subsidiary | 41(c) | – | – | 526 | 1,163 |
| Other receivables and deposits | (b) | 16,415 | 21,782 | 7 | 39 |
| | | 60,515 | 30,402 | 533 | 1,202 |
| Non-financial assets | | | | | |
| Statutory deposit | (c) | 150 | 150 | – | – |
| Clearing Guarantee Fund | (d) | 2,058 | 2,002 | – | – |
| Clearing Fund | (e) | 1,000 | 1,000 | – | – |
| Prepayments | | 2,942 | 2,808 | 36 | 33 |
| Other investments | (f) | 2,983 | 2,945 | 86 | – |
| | | 69,648 | 39,307 | 655 | 1,235 |

- (a) Trade receivables are stated net of impairment allowances of RM376,000 (2011: RM341,000).
- (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 RM2,057,000 (2011: RM4,613,000).
- (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 | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 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 | 522 | 547 | 86 | – |
| Others | 116 | 53 | – | – |
| | 2,983 | 2,945 | 86 | – |

Notes to the Financial Statements (cont'd)
For The Financial Year Ended 31 July 2012

14 Statutory deposits with Central Banks

Group

| | Note | 2012 RM'000 | 2011 RM'000 |
|---------------------------|------|----------------|----------------|
| Statutory deposits with: | | | |
| Bank Negara Malaysia | (a) | 56,620 | 51,135 |
| National Bank of Cambodia | (b) | 16,191 | 17,069 |
| | | 72,811 | 68,204 |

- (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.

15 Deferred tax assets/(liabilities)

| | Group | | Company | |
|-------------------------------|----------------|----------------|----------------|----------------|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| Subject to income tax: | | | | |
| Deferred tax assets | 6,111 | 10,497 | – | 6 |
| Deferred tax liabilities | (370) | (426) | (3) | – |
| | 5,741 | 10,071 | (3) | 6 |

15 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 | Accruals RM'000 | Unrealised gain on securities AFS RM'000 | Foreign exchange translation loss/(gain) RM'000 | Others RM'000 | Total RM'000 |
|------------------------------------|--|--|--------------------|---|--|------------------|-----------------|
| Group | | | | | | | |
| 2012 | | | | | | | |
| At beginning of the financial year | (1,446) | 3,108 | 5,518 | (1,392) | 4,272 | 11 | 10,071 |
| Recognised in: | | | | | | | |
| – profit or loss | (30) | (1,800) | 2,029 | – | (4,657) | 751 | (3,707) |
| – other comprehensive income | – | – | – | (622) | – | – | (622) |
| Exchange differences | 3 | – | (1) | 12 | – | (15) | (1) |
| At end of the financial year | (1,473) | 1,308 | 7,546 | (2,002) | (385) | 747 | 5,741 |
| 2011 | | | | | | | |
| At beginning of the financial year | (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 |
| – other comprehensive income | – | – | – | (805) | – | – | (805) |
| At end of the financial year | (1,446) | 3,108 | 5,518 | (1,392) | 4,272 | 11 | 10,071 |

| | Excess of capital allowances over depreciation RM'000 | Foreign exchange translation loss/(gain) RM'000 | Total RM'000 |
|------------------------------------|--|--|-----------------|
| Company | | | |
| 2012 | | | |
| At beginning of the financial year | 1 | 5 | 6 |
| Recognised in profit or loss | – | (9) | (9) |
| At end of the financial year | 1 | (4) | (3) |
| 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 |

15 Deferred tax assets/(liabilities) (cont'd)

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

| | Group | |
|----------------------------------|----------------|----------------|
| | 2012 RM'000 | 2011 RM'000 |
| Tax losses | 307 | 5,004 |
| Deductible temporary differences | 1,353 | 752 |
| | <u>1,660</u> | <u>5,756</u> |

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 | 2,110 |
| Year 2015 | 1,699 |
| | <u>3,809</u> |

16 Investments in subsidiaries

Company

| | 2012 RM'000 | 2011 RM'000 |
|---|----------------|----------------|
| At cost: | | |
| Unquoted shares | | |
| – in Malaysia | 544,522 | 544,522 |
| – outside Malaysia | 136,795 | 136,795 |
| | <u>681,317</u> | 681,317 |
| Accumulated impairment losses | (1,365) | (1,354) |
| | <u>679,952</u> | 679,963 |
| Subordinated term loan to a subsidiary (note 41(c)) | 5,000 | 5,000 |
| | <u>684,952</u> | <u>684,963</u> |

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 RM11,000 (2011: RM12,000).

16 Investments in subsidiaries (cont'd)

Company

Details of the subsidiaries are as follows:

| Name of subsidiary | Country of incorporation | Equity interest | | Principal activity |
|---|--------------------------|-----------------|-----------|--|
| | | 2012 % | 2011 % | |
| 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 |
| Hwang Investment Management Berhad (formerly known as 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.

On 18 January 2012, a subsidiary of the company, HwangDBS Investment Management Berhad changed its name to Hwang Investment Management Berhad to reflect the change in name of one of its shareholders from DBS Asset Management Ltd. to Nikko Asset Management Asia Ltd.

Notes to the Financial Statements (cont'd)
For The Financial Year Ended 31 July 2012

17 Investment in an associate

Group

Share of net assets in an associate
Goodwill on acquisition

| | 2012 RM'000 | 2011 RM'000 |
|-------------------------------------|----------------|----------------|
| Share of net assets in an associate | 3,653 | 3,569 |
| Goodwill on acquisition | 55 | 55 |
| | 3,708 | 3,624 |

Company

Unquoted shares, at cost

| | | |
|--------------------------|--------------|--------------|
| Unquoted shares, at cost | 4,904 | 4,904 |
|--------------------------|--------------|--------------|

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

| Name of associate | Equity interest | | Principal activity |
|--|-----------------|-----------|-------------------------|
| | 2012 % | 2011 % | |
| 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:

| | 2012 RM'000 | 2011 RM'000 |
|---------------------|----------------|----------------|
| Non-current assets | 194 | 178 |
| Current assets | 3,663 | 3,499 |
| Current liabilities | (204) | (108) |
| | 3,653 | 3,569 |

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

| | 2012 RM'000 | 2011 RM'000 |
|-------------------------------|----------------|----------------|
| Revenue | 1,895 | 1,879 |
| Other income | 245 | 120 |
| Expenses | (2,035) | (1,649) |
| Profit before taxation | 105 | 350 |
| Taxation | (21) | (10) |
| Profit for the financial year | 84 | 340 |

18 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 | | | | | | | |
| 2012 | | | | | | | |
| Cost | | | | | | | |
| At 1 August 2011 | 49,998 | 10,758 | 12,479 | 41,741 | 10,562 | 11,463 | 137,001 |
| Additions | – | 1,154 | 391 | 2,399 | 552 | 1,564 | 6,060 |
| Disposals/Write offs | – | (172) | (508) | (1,554) | (183) | (268) | (2,685) |
| Exchange differences | – | 44 | 58 | 91 | 9 | 34 | 236 |
| At 31 July 2012 | 49,998 | 11,784 | 12,420 | 42,677 | 10,940 | 12,793 | 140,612 |
| Accumulated depreciation | | | | | | | |
| At 1 August 2011 | 12,450 | 7,989 | 10,617 | 35,405 | 7,155 | 9,507 | 83,123 |
| Charge for the financial year | 1,000 | 698 | 717 | 2,904 | 1,173 | 716 | 7,208 |
| Disposals/Write offs | – | (169) | (492) | (1,551) | (183) | (267) | (2,662) |
| Exchange differences | – | 12 | 18 | 39 | 3 | 12 | 84 |
| At 31 July 2012 | 13,450 | 8,530 | 10,860 | 36,797 | 8,148 | 9,968 | 87,753 |
| Net book value | | | | | | | |
| 31 July 2012 | 36,548 | 3,254 | 1,560 | 5,880 | 2,792 | 2,825 | 52,859 |
| 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 |

Notes to the Financial Statements (cont'd)
For The Financial Year Ended 31 July 2012

18 Property, plant and equipment (cont'd)

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

| | Motor vehicles | |
|--|-----------------------|--------|
| | 2012 | 2011 |
| Company | RM'000 | RM'000 |
| Cost | | |
| At beginning/end of the financial year | 696 | 696 |
| Accumulated depreciation | | |
| At beginning of the financial year | 679 | 475 |
| Charge for the financial year | 17 | 204 |
| At end of the financial year | 696 | 679 |
| Net book value | | |
| At end of the financial year | – | 17 |

Included in computer equipment are capital work-in-progress costing RM155,000 (2011: RM689,000) 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 RM16,083,000 (2011: RM16,505,000) as at the end of the reporting period.

During the financial year, the group acquired property, plant and equipment with an aggregate cost of RM6,060,000 (2011: RM7,014,000) of which RM831,000 (2011: RM Nil) was accrued for. Cash payments made by the group for purchase of assets amounted to RM5,229,000 (2011: RM7,404,000).

19 Investment properties

Group

| | Freehold land RM'000 | Buildings and office units RM'000 | Total RM'000 |
|---------------------------------|----------------------------|--|-----------------|
| 2012 | | | |
| Cost | | | |
| At 1 August 2011/31 July 2012 | 41,952 | 12,114 | 54,066 |
| Accumulated depreciation | | | |
| At 1 August 2011 | – | 1,227 | 1,227 |
| Charge for the financial year | – | 243 | 243 |
| At 31 July 2012 | – | 1,470 | 1,470 |
| Net book value | | | |
| 31 July 2012 | 41,952 | 10,644 | 52,596 |
| 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 |

- (a) As at the end of the reporting period, the fair value of the investment properties is estimated at RM71,097,000 (2011: RM76,854,000) on the basis of directors' valuations, based on current prices in an active market for similar properties in the same location and condition. There is no valuation by an independent valuer during the financial year.
- (b) Included in the net book value of buildings and office units are 99-year leasehold office units amounting to RM3,645,000 (2011: RM3,740,000) 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 net book value of RM128,000 (2011: RM132,000) 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 during the financial year amounted to RM219,000 (2011: RM149,000) for the financial year. The expenses incurred by the group on other investment properties amounted to RM4,000 (2011: RM4,000) for the financial year.

20 Intangible assets

Group

| | Goodwill on consolidation RM'000 | Purchased goodwill RM'000 | Merchant bank licence RM'000 | Total RM'000 |
|------------------------------------|---|---------------------------------|---------------------------------------|-----------------|
| 2012 | | | | |
| Cost | | | | |
| At 1 August 2011/31 July 2012 | 7 | 130,202 | 52,500 | 182,709 |
| Accumulated impairment loss | | | | |
| At 1 August 2011/31 July 2012 | – | (20,200) | – | (20,200) |
| Net carrying amount | | | | |
| 31 July 2012 | 7 | 110,002 | 52,500 | 162,509 |
| 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 |

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 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.

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 7.33% (2011: 8.03%) and 7.33% (2011: 8.77%) for the stockbroking and investment banking operating units respectively. The growth rate of 5.50% (2011: 5.70%) 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.

21 Deposits from customers

| Group | 2012 RM'000 | 2011 RM'000 |
|---|----------------|----------------|
| (a) By type of deposit | | |
| Demand deposits | 1,863 | 6,913 |
| Savings deposits | 2,954 | 2,120 |
| Fixed deposits | 735,474 | 805,521 |
| Negotiable instruments of deposits | 2,943 | 3,873 |
| Other deposits | 5,197 | 1,616 |
| | 748,431 | 820,043 |
| (b) By type of customer | | |
| Government and statutory bodies | 37,103 | 140,389 |
| Business enterprises | 641,599 | 628,402 |
| Individuals | 56,028 | 47,296 |
| Others | 13,701 | 3,956 |
| | 748,431 | 820,043 |
| (c) By maturity structure of term deposits | | |
| Within 6 months | 721,722 | 804,721 |
| 6 months to 1 year | 21,892 | 6,289 |
| | 743,614 | 811,010 |

22 Deposits and placements of banks and other financial institutions

| Group | 2012 RM'000 | 2011 RM'000 |
|------------------------------|------------------|------------------|
| Licensed banks | 255,183 | 88,604 |
| Licensed investment banks | 45,844 | 16,276 |
| Other financial institutions | 1,386,034 | 1,476,156 |
| | 1,687,061 | 1,581,036 |

Notes to the Financial Statements (cont'd)
For The Financial Year Ended 31 July 2012

23 Clients' and brokers' balances

Group

| | 2012 RM'000 | 2011 RM'000 |
|-----------------|----------------|----------------|
| Amounts due to: | | |
| – Clients | 185,313 | 138,809 |
| – Brokers | 14,411 | 47,916 |
| | 199,724 | 186,725 |

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 RM68,043,000 (2011: RM56,934,000).

24 Other liabilities

| | Note | Group | | Company | |
|--|-------|----------------|----------------|----------------|----------------|
| | | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| Trade payables | (a) | 108,931 | 45,175 | – | – |
| Clients' trust accounts | (b) | 242,642 | 206,124 | – | – |
| Dealer's representatives' trust accounts | (b) | 38,493 | 43,645 | – | – |
| Amounts payable to dealer's representatives | (c) | 7,858 | 9,663 | – | – |
| Contributions payable to a defined contribution plan | | 1,755 | 1,824 | – | – |
| Amounts due to subsidiaries | 41(c) | – | – | 928 | 898 |
| Other payables and accruals | (d) | 67,418 | 63,032 | 3,595 | 3,983 |
| | | 467,097 | 369,463 | 4,523 | 4,881 |

(a) Included in trade payables of the group are:

| | Group | |
|---------------------|----------------|----------------|
| | 2012 RM'000 | 2011 RM'000 |
| Amounts payable to: | | |
| – unit trust funds | 59,929 | 12,619 |
| – unit holders | 48,704 | 32,556 |
| | 108,633 | 45,175 |

24 Other liabilities (cont'd)

- (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 RM1,865,000 (2011: RM4,699,000).

25 Borrowings

| | Group | | Company | |
|-------------------|----------------|----------------|----------------|----------------|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| Unsecured | | | | |
| Revolving credits | 390,492 | 377,349 | 236,790 | 232,691 |

Borrowings of the group amounting to RM154 million (2011: RM145 million) are covered by corporate guarantees issued by the company for a subsidiary.

26 Share capital

Group and Company

| | 2012 RM'000 | 2011 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 |

Notes to the Financial Statements (cont'd)
For The Financial Year Ended 31 July 2012

26 Share capital (cont'd)

Group and Company

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 | Average price * RM |
|--|--------------------------|----------------|--------------------------|
| 2012 | | | |
| At beginning/end of the financial year | <u>10,686</u> | <u>16,061</u> | 1.50 |
| 2011 | | | |
| At beginning/end of the financial year | <u>10,686</u> | <u>16,061</u> | 1.50 |

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

27 Reserves

| | Note | Group | | Company | |
|--------------------------|------|----------------|----------------|----------------|----------------|
| | | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| Non-distributable | | | | | |
| Share premium | | 33,090 | 33,090 | 33,090 | 33,090 |
| Statutory reserve | (a) | 133,839 | 108,377 | - | - |
| AFS reserve | (b) | 6,005 | 3,946 | - | - |
| Foreign exchange reserve | (c) | (11,896) | (17,484) | - | - |
| | | <u>161,038</u> | 127,929 | <u>33,090</u> | 33,090 |
| Distributable | | | | | |
| Retained profits | (d) | 515,287 | 492,961 | 179,009 | 180,793 |
| | | <u>676,325</u> | 620,890 | <u>212,099</u> | 213,883 |

27 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 2012.

28 Operating revenue

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| Interest income | 177,106 | 186,646 | 109 | 529 |
| Brokerage and commission | 65,519 | 101,241 | – | – |
| Fund management and incentive fees | 58,612 | 49,246 | – | – |
| Advisory and arranger fees | 3,722 | 6,621 | – | – |
| Initial service charge | 51,825 | 20,323 | – | – |
| Underwriting commission and placement income | 2,553 | 3,696 | – | – |
| Rollover fees | 2,338 | 2,239 | – | – |
| Gains arising from disposals of securities and derivatives | 28,570 | 13,732 | – | – |
| Dividends and income distributions | 147 | 1,095 | 37,797 | 28,745 |
| Rental income | 778 | 769 | – | – |
| Other revenue | 6,788 | 13,725 | – | – |
| | 397,958 | 399,333 | 37,906 | 29,274 |

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

Notes to the Financial Statements (cont'd)
For The Financial Year Ended 31 July 2012

29 Interest income

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| Loans, advances and financing | 73,031 | 82,985 | – | – |
| Money at call and deposit placements with financial institutions | 19,122 | 25,680 | 76 | 168 |
| Securities: | | | | |
| – AFS | 44,975 | 24,428 | – | 14 |
| – held-to-maturity | 26,174 | 27,169 | – | – |
| Advances to a subsidiary | – | – | 33 | 347 |
| Others | 468 | 570 | – | – |
| | 163,770 | 160,832 | 109 | 529 |
| Securities held-for-trading | 7,843 | 17,344 | – | – |
| Derivative financial instruments | 8,810 | 11,274 | – | – |
| | 180,423 | 189,450 | 109 | 529 |

During the financial year, there is no interest income earned on impaired loans and receivables of the group of which impairment allowance has been made (2011: RM Nil).

30 Interest expense

| | Group | | Company | |
|---|-----------------|----------------|-----------------|----------------|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| Deposits and placements of banks and other financial institutions | (49,766) | (47,307) | – | – |
| Deposits from customers | (24,671) | (18,595) | – | – |
| Borrowings | (16,675) | (16,927) | (10,307) | (10,130) |
| Advances from subsidiaries | – | – | (42) | (38) |
| Others | (595) | (861) | – | – |
| | (91,707) | (83,690) | (10,349) | (10,168) |
| Derivative financial instruments | (6,524) | (8,651) | – | – |
| | (98,231) | (92,341) | (10,349) | (10,168) |

31 Other operating income

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| Fee and commission income: | | | | |
| Brokerage | 63,794 | 97,845 | – | – |
| Fund management and incentive fees | 58,612 | 49,246 | – | – |
| Advisory and arranger fees | 3,722 | 6,621 | – | – |
| Underwriting commission and placement income | 2,553 | 3,696 | – | – |
| Rollover fees | 2,338 | 2,239 | – | – |
| Other fees and commission | 7,217 | 7,431 | – | – |
| | 138,236 | 167,078 | – | – |
| Net gain/(loss) on securities held-for-trading: | | | | |
| – net gain on disposal | 28,442 | 15,996 | – | – |
| – net unrealised (loss)/gain | (946) | 4,309 | – | – |
| | 27,496 | 20,305 | – | – |
| Net gain/(loss) on derivatives: | | | | |
| – net loss on disposal | (9,017) | (8,021) | – | – |
| – net unrealised gain | 9,680 | 10,680 | – | – |
| | 663 | 2,659 | – | – |
| Net gain on securities AFS: | | | | |
| – net gain on disposal | 6,626 | 4,955 | – | 4,620 |
| Gross dividends/income distributions | | | | |
| – securities held-for-trading | 2,373 | 2,891 | – | – |
| – securities AFS (quoted in Malaysia) | 5,272 | 4,004 | – | 605 |
| – securities AFS (unquoted) | 147 | 490 | 147 | 490 |
| – subsidiaries | – | – | 37,650 | 27,650 |
| | 7,792 | 7,385 | 37,797 | 28,745 |
| Other income: | | | | |
| Initial service charge | 51,825 | 20,323 | – | – |
| Net foreign exchange gain/(loss) | 8,684 | 5,110 | 28 | (30) |
| Rental income | | | | |
| – investment properties | 1,965 | 2,095 | – | – |
| Insurance claim | 2,395 | – | – | – |
| Others | 2,880 | 3,389 | – | – |
| | 67,749 | 30,917 | 28 | (30) |
| | 248,562 | 233,299 | 37,825 | 33,335 |

32 Other operating expenses

| | Group | | Company | |
|---|------------------|------------------|----------------|----------------|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| Personnel costs: | | | | |
| Salaries, allowances and bonus | (85,591) | (71,882) | (3,911) | (4,145) |
| Contributions to a defined contribution plan | (11,381) | (9,117) | – | (1) |
| Others | (19,414) | (21,735) | – | – |
| | (116,386) | (102,734) | (3,911) | (4,146) |
| Establishment related costs: | | | | |
| Depreciation: | | | | |
| – property, plant and equipment | (7,208) | (8,093) | (17) | (204) |
| – investment properties | (243) | (242) | – | – |
| Rental of: | | | | |
| – premises | (4,828) | (4,806) | – | – |
| – equipment | (2,679) | (2,726) | – | – |
| Repairs and maintenance of premises and equipment | (1,683) | (1,520) | – | – |
| Information technology expenses | (3,144) | (3,205) | (21) | – |
| Others | (4,892) | (4,430) | – | – |
| | (24,677) | (25,022) | (38) | (204) |
| Promotion and marketing related expenses: | | | | |
| Promotion and business development | (4,265) | (16,119) | (309) | (309) |
| Travelling and accommodation | (713) | (743) | – | – |
| Others | (7,211) | (7,483) | – | – |
| | (12,189) | (24,345) | (309) | (309) |
| Administrative and general expenses: | | | | |
| Auditors' remuneration: | | | | |
| – statutory audit | (436) | (375) | (52) | (50) |
| – others | (9) | (90) | (5) | (5) |
| Other professional and consultancy fees | (2,842) | (2,997) | (92) | (91) |
| Communication expenses | (6,944) | (5,450) | (6) | (7) |
| Incentives and commission | (51,179) | (29,203) | – | – |
| Regulatory charges | (6,098) | (7,859) | (29) | (29) |
| Net gain on disposals of: | | | | |
| – property, plant and equipment | 95 | 288 | – | – |
| – other investments | 12 | 6 | – | – |
| Property, plant and equipment written off | (21) | (16) | – | – |
| Others | (8,346) | (8,669) | (547) | (564) |
| | (75,768) | (54,365) | (731) | (746) |
| | (229,020) | (206,466) | (4,989) | (5,405) |

33 Directors' remuneration

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| Non-Executive Directors*: | | | | |
| Salary, bonus and other remuneration | 8,142 | 9,663 | 3,777 | 4,012 |
| Fees | 745 | 672 | 324 | 306 |
| Contributions to a defined contribution plan | 298 | 446 | – | – |
| Estimated monetary value of benefits-in-kind | 41 | 52 | 14 | – |
| | 9,226 | 10,833 | 4,115 | 4,318 |

* Certain non-executive directors served as executive directors of principal subsidiaries of the company. The company does not have any executive director during the financial year.

The directors' remuneration which is included in personnel costs of the group and of the company amounted to RM8,440,000 (2011: RM10,109,000) and RM3,777,000 (2011: RM4,012,000) respectively.

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

| Group | 2012 RM'000 | 2011 RM'000 |
|-----------------------|----------------|----------------|
| Individual impairment | | |
| – made | (1,221) | (6,013) |
| – written back | 137 | 5,023 |
| | (1,084) | (990) |
| Collective impairment | | |
| – made | (2,990) | (5,163) |
| Bad debts: | | |
| – recovered | 1,266 | 1,805 |
| – written off | (448) | (1,151) |
| | (3,256) | (5,499) |

Notes to the Financial Statements (cont'd)
For The Financial Year Ended 31 July 2012

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

Group

| | 2012 RM'000 | 2011 RM'000 |
|-----------------------|----------------|----------------|
| Individual impairment | | |
| – made | (508) | (269) |
| – written back | 298 | 311 |
| | <u>(210)</u> | 42 |
| Collective impairment | | |
| – written back/(made) | 17 | (24) |
| Bad debts: | | |
| – recovered | 692 | 850 |
| | <u>499</u> | <u>868</u> |

36 Taxation

| | Group | | Company | |
|---|-----------------|----------------|----------------|----------------|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| In respect of the current financial year: | | | | |
| Malaysian income tax | (21,105) | (32,776) | (5,234) | (3,531) |
| Foreign income tax | (83) | (45) | – | – |
| Deferred tax | (2,205) | 4,265 | (9) | 7 |
| | <u>(23,393)</u> | (28,556) | <u>(5,243)</u> | (3,524) |
| In respect of prior financial years: | | | | |
| Malaysian income tax | 1,465 | 338 | 11 | 227 |
| Foreign income tax | – | (1) | – | – |
| Deferred tax | (1,502) | 32 | – | – |
| | <u>(37)</u> | 369 | 11 | 227 |
| | <u>(23,430)</u> | (28,187) | <u>(5,232)</u> | (3,297) |

36 Taxation (cont'd)

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

| | Group | | Company | |
|---|--------------|-----------|--------------|-----------|
| | 2012 % | 2011 % | 2012 % | 2011 % |
| Applicable statutory income tax rate | 25.0 | 25.0 | 25.0 | 25.0 |
| Tax effects in respect of: | | | | |
| Expenses not deductible for tax purposes | 1.8 | 1.6 | 0.3 | 0.9 |
| Income not subject to tax | (2.9) | (2.6) | (2.0) | (6.7) |
| Temporary differences and tax losses not recognised | 0.4 | 0.2 | – | – |
| Utilisation of previously unrecognised tax losses | (0.2) | – | – | – |
| Recognition of previously unrecognised tax losses and temporary differences | (0.6) | – | – | – |
| Under/(Over) accrual for taxation in respect of prior financial years | 0.1 | (0.3) | (0.1) | (1.2) |
| Others | 0.1 | (0.3) | – | – |
| Effective tax rate | 23.7 | 23.6 | 23.2 | 18.0 |

Tax savings of the group arising from utilisation of previously unrecognised tax losses amounted to RM237,000 for the financial year.

37 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.

| | 2012 | 2011 |
|--|----------------|---------|
| Profit for the financial year attributable to equity holders of the company (RM'000) | 66,925 | 86,614 |
| Weighted average number of ordinary shares in issue ('000) | 255,159 | 255,159 |
| Basic earnings per share (sen) | 26.23 | 33.95 |

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

Notes to the Financial Statements (cont'd)
For The Financial Year Ended 31 July 2012

38 Other comprehensive income

| | Gross RM'000 | Tax RM'000 | Net RM'000 |
|--|-----------------|---------------|----------------|
| Group | | | |
| 2012 | | | |
| Currency translation differences arising from foreign operations | 5,588 | – | 5,588 |
| Securities AFS: | | | |
| – net change in fair value | 10,119 | (2,523) | 7,596 |
| – net gain transferred to profit or loss on disposal | (7,438) | 1,901 | (5,537) |
| | <u>8,269</u> | <u>(622)</u> | <u>7,647</u> |
| 2011 | | | |
| Currency translation differences arising from foreign operations | (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) |
| | <u>(6,119)</u> | <u>(805)</u> | <u>(6,924)</u> |
| 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) |
| | <u>(1,154)</u> | <u>–</u> | <u>(1,154)</u> |

39 Dividends per share

Group and Company

| | 2012 | | 2011 | |
|--------------------|---------------------------------------|--|---------------------------------------|--|
| | 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 | 9,568 | 5.0 | 9,569 |
| Proposed: | | | | |
| – Final dividend | 5.0 | 9,569 | 5.0 | 9,569 |
| | <u>10.0</u> | <u>19,137</u> | <u>10.0</u> | <u>19,138</u> |

At the forthcoming Annual General Meeting of the company, a final dividend in respect of the financial year ended 31 July 2012 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 2012, 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 2013 when approved by the shareholders.

40 Cash and cash equivalents

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| Cash and short term funds | 973,933 | 885,629 | 4,244 | 3,082 |
| Less: Monies held in trust and dividends received on behalf of customers | (346,688) | (304,749) | – | – |
| | 627,245 | 580,880 | 4,244 | 3,082 |

41 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 16 to the financial statements |
| Associate | Associate of the company as disclosed in note 17 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. (b) DBS Asset Management Ltd. (2011 only) |

Notes to the Financial Statements (cont'd)
For The Financial Year Ended 31 July 2012

41 Significant related party balances and transactions (cont'd)

(b) Significant related party transactions

Group

| | Associate | | Other related parties | |
|------------------------------------|----------------|----------------|-----------------------|----------------|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| <u>Income</u> | | | | |
| Reimbursement of research expenses | - | - | 2,095 | 2,228 |
| Fee income | - | - | 389 | 489 |
| Brokerage | - | - | 554 | 893 |
| Interest income on derivatives | - | - | 919 | 344 |
| | - | - | 3,957 | 3,954 |
| <u>Expenses</u> | | | | |
| Consultancy fee | - | - | (298) | (675) |
| Referral fee | - | - | - | (425) |
| Management and incentive fees | (1,843) | (2,679) | - | - |
| | (1,843) | (2,679) | 3,659 | 2,854 |

Key management personnel compensation

| | Group | | Company | |
|--------------------------|----------------|----------------|----------------|----------------|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| Short term benefits | 9,441 | 11,064 | 3,791 | 4,012 |
| Post-employment benefits | 467 | 627 | - | - |
| Directors' fees | 745 | 672 | 324 | 306 |
| | 10,653 | 12,363 | 4,115 | 4,318 |

41 Significant related party balances and transactions (cont'd)

(c) Significant related party balances

| | Other related parties | |
|---|-----------------------|----------------|
| | 2012 RM'000 | 2011 RM'000 |
| Group | | |
| <u>Due from</u> | | |
| Cash and short term funds | 1,187 | 1,619 |
| Amounts due from brokers | 1,368 | 443 |
| Collateral/Margin deposits (included in other receivables and deposits) | 3,830 | 12,769 |
| | 6,385 | 14,831 |
| | | |
| | Subsidiaries | |
| | 2012 RM'000 | 2011 RM'000 |
| <u>Due from</u> | | |
| Amount due from a subsidiary (note 13) | 526 | 1,163 |
| Subordinated term loan to a subsidiary (note 16) | 5,000 | 5,000 |
| | 5,526 | 6,163 |
| | | |
| <u>Due to</u> | | |
| Amounts due to subsidiaries (note 24) | (928) | (898) |
| | 4,598 | 5,265 |

Amount due from a subsidiary is unsecured, repayable on demand and carries an effective interest rate of 4.60% (2011: 4.60%) 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% (2011: 4.60%) 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 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.

42 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 (2011: 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 investment management subsidiary, Hwang Investment Management Berhad (formerly known as HwangDBS Investment Management Berhad) is required to maintain a minimum shareholders' funds as imposed by the Securities Commission.

There have been no changes in the capital management approaches of the group and of the company during the financial year.

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.

42 Capital management (cont'd)

Group

(a) HwangDBS Investment Bank Berhad ("HDBSIB") (cont'd)

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

| | 2012 RM'000 | 2011 RM'000 |
|--|----------------|----------------|
| Tier I capital: | | |
| Issued and fully paid share capital | 500,000 | 500,000 |
| Retained profits | 217,792 | 213,905 |
| Statutory reserve | 133,839 | 108,377 |
| Total Tier I capital | 851,631 | 822,282 |
| Less: Goodwill | (110,002) | (110,002) |
| Eligible Tier I capital | <u>741,629</u> | <u>712,280</u> |
| Tier II capital: | | |
| Collective impairment allowances | 5,681 | 6,605 |
| Total Tier II capital | <u>5,681</u> | <u>6,605</u> |
| Total capital | 747,310 | 718,885 |
| Less: Investments in subsidiaries | (3,081) | (3,081) |
| Other deductions | (248) | (418) |
| Capital base | <u>743,981</u> | <u>715,386</u> |
| Before deducting proposed dividend: | | |
| Core capital ratio | 33.9% | 34.7% |
| Risk-weighted capital ratio | <u>34.0%</u> | <u>34.9%</u> |
| After deducting proposed dividend: | | |
| Core capital ratio | 32.9% | 33.5% |
| Risk-weighted capital ratio | <u>33.0%</u> | <u>33.6%</u> |

42 Capital management (cont'd)

Group

(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:

| | 2012 | 2011 |
|--------------------|--------------|---------|
| Net worth (RM'000) | 119,917 | 114,317 |
| Solvency ratio (%) | 82.9% | 94.1% |

(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) Hwang Investment Management Berhad (formerly known as HwangDBS Investment Management Berhad) (“HwangIM”)

The investment management subsidiary, HwangIM is required to maintain a minimum shareholders’ funds of RM10 million at all times as imposed by the Securities Commission.

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

43 Commitments and contingencies

Group

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 |
|---|-------------------------------|--|---------------------------------------|
| 2012 | | | |
| Contingencies | | | |
| Direct credit substitutes | 5,000 | 5,000 | 1,000 |
| Commitments | | | |
| Forward asset purchases | 10,328 | 10,328 | 5,164 |
| Obligations under underwriting agreement | 10,000 | 5,000 | 5,000 |
| Commitments to extend credits with maturity of #: | | | |
| – up to 1 year | 468,107 | 24,000 | 24,000 |
| – over 1 year | 14,605 | 11,772 | 7,303 |
| | 503,040 | 51,100 | 41,467 |
| Derivative financial instruments | | | |
| Foreign exchange related contracts: | | | |
| – up to 1 year | 1,220,649 | 32,444 | 13,734 |
| – over 1 year to 5 years | 170,361 | 16,149 | 3,230 |
| Interest rate related contracts: | | | |
| – up to 1 year | 2,460,000 | 4,249 | 970 |
| – over 1 year to 5 years | 253,000 | 2,069 | 1,909 |
| | 4,104,010 | 54,911 | 19,843 |
| Total | 4,612,050 | 111,011 | 62,310 |

* The credit equivalent amounts in respect of contingencies and commitments of the investment banking subsidiary and moneylending subsidiary are 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.

43 Commitments and contingencies (cont'd)

Group

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 |
|---|-------------------------------|--|---------------------------------------|
| 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 |
| | <u>459,067</u> | <u>27,567</u> | <u>11,938</u> |
| 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 |
| | <u>5,784,602</u> | <u>75,253</u> | <u>28,917</u> |
| Total | <u>6,256,169</u> | <u>115,320</u> | <u>43,355</u> |

* The credit equivalent amounts in respect of contingencies and commitments of the investment banking subsidiary and moneylending subsidiary are 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.

44 Capital expenditure commitments

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| In respect of property, plant and equipment: | | | | |
| Contracted but not provided for | 2,041 | 769 | – | – |
| Approved but not contracted for | 17,901 | 19,797 | – | – |
| | 19,942 | 20,566 | – | – |
| Committed capital in a subsidiary, HDM Private Equity Sdn. Bhd. (“HPE”) in accordance with the Subscription Agreements between the company and HPE | – | – | 47,532 | 47,532 |
| | 19,942 | 20,566 | 47,532 | 47,532 |

45 Non-cancellable operating lease commitments

Group

| | 2012 RM'000 | 2011 RM'000 |
|--|----------------|----------------|
| Future minimum lease payable: | | |
| – not later than 1 year | 5,455 | 4,923 |
| – later than 1 year but not later than 5 years | 2,700 | 3,172 |
| | 8,155 | 8,095 |
| Future minimum lease receivable: | | |
| – not later than 1 year | 72 | 1,103 |
| – later than 1 year but not later than 5 years | 63 | – |
| | 135 | 1,103 |

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

46 Segmental information

Group

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 and equity capital market services, corporate banking, corporate finance advisory and treasury and market activities
- Commercial banking – commercial banking activities
- Moneylending – moneylending activities
- Investment management – management of unit trust funds and provision of fund management services
- 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 RM28,095,000 (2011: RM45,420,000) is derived from transactions with a single external customer reported in the moneylending segment.

46 Segmental information (cont'd)

Group

Segment performance

| | Stockbroking RM'000 | Investment banking RM'000 | Commercial banking RM'000 | Moneylending RM'000 | Investment management RM'000 | Others RM'000 | Eliminations RM'000 | Group RM'000 |
|---|------------------------|---------------------------------|---------------------------------|------------------------|------------------------------------|------------------|------------------------|-----------------|
| 2012 | | | | | | | | |
| External revenue | 109,428 | 115,093 | 8,322 | 45,353 | 112,126 | 7,636 | – | 397,958 |
| Inter-segment revenue | – | 1,789 | – | – | (222) | 45,683 | (47,250) | – |
| Total revenue | 109,428 | 116,882 | 8,322 | 45,353 | 111,904 | 53,319 | (47,250) | 397,958 |
| Net interest income/(expense) | 24,082 | 25,793 | 7,316 | 33,418 | 1,493 | (9,910) | – | 82,192 |
| Other operating income | 94,914 | 33,804 | (256) | 5,738 | 113,511 | 53,275 | (52,424) | 248,562 |
| | 118,996 | 59,597 | 7,060 | 39,156 | 115,004 | 43,365 | (52,424) | 330,754 |
| Other operating expenses | (91,726) | (20,837) | (6,028) | (9,603) | (91,959) | (17,399) | 8,532 | (229,020) |
| | 27,270 | 38,760 | 1,032 | 29,553 | 23,045 | 25,966 | (43,892) | 101,734 |
| (Allowance)/Write back of allowance for losses on: | | | | | | | | |
| – loans, advances and financing | 781 | 126 | (1,562) | (2,564) | – | – | (37) | (3,256) |
| – clients' balances and receivables | 832 | (333) | – | – | – | (6) | 6 | 499 |
| Segment profit/(loss) | 28,883 | 38,553 | (530) | 26,989 | 23,045 | 25,960 | (43,923) | 98,977 |
| Share of results of an associate, net of tax | | | | | | | | 84 |
| Profit before taxation | | | | | | | | 99,061 |
| Depreciation | 2,467 | 821 | 1,029 | 195 | 1,640 | 1,302 | (3) | 7,451 |
| Additions to non-current assets | 1,654 | 52 | 479 | 110 | 3,826 | 105 | (104) | 6,122 |

Notes to the Financial Statements (cont'd)
For The Financial Year Ended 31 July 2012

46 Segmental information (cont'd)

Group

Segment performance (cont'd)

| | Stockbroking RM'000 | Investment banking RM'000 | Commercial banking RM'000 | Moneylending RM'000 | Investment management RM'000 | Others RM'000 | Eliminations RM'000 | Group RM'000 |
|---|------------------------|---------------------------------|---------------------------------|------------------------|------------------------------------|------------------|------------------------|-----------------|
| 2011 | | | | | | | | |
| External revenue | 140,109 | 114,615 | 4,513 | 57,597 | 71,408 | 11,091 | – | 399,333 |
| Inter-segment revenue | – | 1,793 | – | – | 44 | 35,568 | (37,405) | – |
| Total revenue | 140,109 | 116,408 | 4,513 | 57,597 | 71,452 | 46,659 | (37,405) | 399,333 |
| Net interest income/(expense) | 26,474 | 30,381 | 3,864 | 44,927 | 803 | (9,340) | – | 97,109 |
| Other operating income | 114,253 | 24,509 | 396 | 6,742 | 72,431 | 50,698 | (35,730) | 233,299 |
| | 140,727 | 54,890 | 4,260 | 51,669 | 73,234 | 41,358 | (35,730) | 330,408 |
| Other operating expenses | (104,250) | (21,559) | (4,472) | (4,873) | (60,165) | (19,231) | 8,084 | (206,466) |
| | 36,477 | 33,331 | (212) | 46,796 | 13,069 | 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) | 37,769 | 13,069 | 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) | (206) | (1,260) | (1,552) | 5 | (8,335) |
| Additions to non-current assets | 2,388 | 844 | 1,231 | 329 | 2,061 | 267 | (53) | 7,067 |

Geographical information

| | Revenue | | Non-current assets * | |
|-------------------|----------------|----------------|----------------------|----------------|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| Malaysia | 364,827 | 370,966 | 268,172 | 268,999 |
| Foreign countries | 33,131 | 28,367 | 2,775 | 3,172 |
| | 397,958 | 399,333 | 270,947 | 272,171 |

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

47 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. Credit concentration risks are regularly monitored 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 ratings, group relationship, industry concentration, business group/geographic market and country exposures. Portfolio stress testing for credit risk is conducted at least bi-annually as part of the risk measurement activities.

47 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 USD one million four hundred thousand), 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. During the financial year, Credit Committee has been established at the commercial banking subsidiary to approve/reject or deliberate on credit transactions as mandated by board of directors.

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 managed with robust control measures before new products and services are launched.

47 Financial risk management (cont'd)

(b) Market risk (cont'd)

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.

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 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 to 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. Management Asset and Liability Committee established at the commercial banking subsidiary assists the board in maintaining an effective oversight over the effectiveness of its risk management infrastructure.

48 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 | | | | | |
| 2012 | | | | | |
| Financial assets | | | | | |
| Cash and short term funds | – | – | 973,933 | – | 973,933 |
| Deposits and placements with banks and other financial institutions | – | – | 31,380 | – | 31,380 |
| Securities held-for-trading | 170,592 | – | – | – | 170,592 |
| Securities AFS | – | 1,580,107 | – | – | 1,580,107 |
| Securities held-to-maturity | – | – | – | 399,921 | 399,921 |
| Loans, advances and financing | – | – | 684,221 | – | 684,221 |
| Clients' and brokers' balances | – | – | 179,097 | – | 179,097 |
| Derivative assets | 16,505 | – | – | – | 16,505 |
| Other financial assets (note 13) | – | – | 60,515 | – | 60,515 |
| Total | 187,097 | 1,580,107 | 1,929,146 | 399,921 | 4,096,271 |
| Financial liabilities | | | | | |
| Deposits from customers | – | – | (748,431) | – | (748,431) |
| Deposits and placements of banks and other financial institutions | – | – | (1,687,061) | – | (1,687,061) |
| Clients' and brokers' balances | – | – | (199,724) | – | (199,724) |
| Derivative liabilities | (22,106) | – | – | – | (22,106) |
| Other financial liabilities | – | – | (467,097) | – | (467,097) |
| Borrowings | – | – | (390,492) | – | (390,492) |
| Total | (22,106) | – | (3,492,805) | – | (3,514,911) |

* Financial liabilities at amortised cost

48 Financial instruments (cont'd)

(a) Classification of financial instruments (cont'd)

| Group | Held-for-trading RM'000 | AFS RM'000 | Loans and receivables/ at amortised cost * RM'000 | Held-to- maturity RM'000 | Total RM'000 |
|--|----------------------------|------------------|---|--------------------------------|--------------------|
| 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) |

* Financial liabilities at amortised cost

48 Financial instruments (cont'd)

(a) Classification of financial instruments (cont'd)

| | Held-for- trading RM'000 | AFS RM'000 | Loans and receivables/ at amortised cost * RM'000 | Held-to- maturity RM'000 | Total RM'000 |
|--|--------------------------------|---------------|---|--------------------------------|------------------|
| Company | | | | | |
| 2012 | | | | | |
| Financial assets | | | | | |
| Cash and short term funds | – | – | 4,244 | – | 4,244 |
| Deposits and placements with banks and other financial institutions | – | – | 610 | – | 610 |
| Securities AFS | – | 490 | – | – | 490 |
| Other financial assets (note 13) | – | – | 533 | – | 533 |
| Total | – | 490 | 5,387 | – | 5,877 |
| Financial liabilities | | | | | |
| Other financial liabilities | – | – | (4,523) | – | (4,523) |
| Borrowings | – | – | (236,790) | – | (236,790) |
| Total | – | – | (241,313) | – | (241,313) |
| 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) |

* Financial liabilities at amortised cost

48 Financial instruments (cont'd)

(b) Maximum exposure to credit risk

The financial assets of the group and of the company are subject to credit risk except for actively traded quoted securities held-for-trading, which are subject to price risk and cash in hand.

For financial assets recognised in the statements of financial position which are subject to credit risk, the maximum exposure to credit risk equals their carrying amounts. For credit related commitments or contingencies not recognised in the statements of financial position, 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.

The table below presents the maximum exposure to credit risk of the group as at the end of the reporting period (without taking into account of any collateral held or other credit enhancements) in respect of items not recognised in the statements of financial position:

| | Group | |
|---------------|----------------|----------------|
| | 2012 RM'000 | 2011 RM'000 |
| Commitments | 124,933 | 59,024 |
| Contingencies | 5,000 | 12,500 |
| | 129,933 | 71,524 |

(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 (b) Cash deposits |
| Corporate loans/financing | (a) Properties and other assets (b) Securities quoted on Bursa Securities (c) Unquoted securities (d) Cash deposits (e) Debentures and guarantees |
| Retail loans/financing | (a) Properties (b) Securities quoted on Bursa Securities (c) Cash deposits (d) Guarantees |
| Clients' and brokers' balances | (a) Securities quoted on Bursa Securities (b) Cash deposits |

48 Financial instruments (cont'd)

(c) Collateral and other credit enhancements obtained (cont'd)

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

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 is 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.

(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 | | | |
| 2012 | | | |
| Short term funds and deposit placements with financial institutions (exclude cash in hand) | 1,002,152 | – | – |
| Securities held-for-trading (exclude quoted securities) | 132,855 | – | – |
| Securities AFS | 1,580,107 | – | 650 |
| Securities held-to-maturity | 399,921 | – | – |
| Loans, advances and financing | 667,976 | 20,018 | 19,184 |
| Clients' and brokers' balances | 176,864 | 2,053 | 762 |
| Derivative assets | 16,505 | – | – |
| Other financial assets | 60,028 | 438 | 425 |
| | 4,036,408 | 22,509 | 21,021 |
| 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 |

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

The financial effect of collateral (quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held for loans, advances and financing of the group is 59% (2011: 60%). The financial effect of collateral held for other financial assets is not significant.

48 Financial instruments (cont'd)

(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 | | Company | |
|--|------------------|----------------|----------------|----------------|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| Bank balances and deposit placements with: | | | | |
| Central Banks | 14,075 | 402,504 | – | – |
| Licensed banks in Malaysia | 642,314 | 457,566 | 3,768 | 332 |
| Licensed investment banks in Malaysia | 288,405 | 140,312 | – | 2,204 |
| Other financial institutions in Malaysia | 4,051 | 1,569 | – | – |
| Foreign financial institutions | 53,307 | 60,159 | 1,086 | 546 |
| | 1,002,152 | 1,062,110 | 4,854 | 3,082 |

48 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 * | | | Unrated - sovereign RM'000 | Unrated - others RM'000 | Total RM'000 |
|-----------------------------|--------------------------|-----------------------|---------------------------|----------------------------------|-------------------------------|------------------|
| | AAA to AA- RM'000 | A+ to A- RM'000 | BBB+ to BBB- RM'000 | | | |
| Group | | | | | | |
| 2012 | | | | | | |
| Securities held-for-trading | | | | | | |
| Unquoted debt securities | 56,774 | – | 5,083 | 70,998 | – | 132,855 |
| Securities AFS | | | | | | |
| Quoted securities | – | – | – | – | 182,048 | 182,048 |
| Unquoted debt securities | 536,996 | 68,908 | 69,164 | 611,559 | 110,942 | 1,397,569 |
| Unquoted equity instruments | – | – | – | – | 1,140 | 1,140 |
| Securities held-to-maturity | | | | | | |
| Unquoted debt securities | 132,406 | 72,236 | 195,279 | – | – | 399,921 |
| | 726,176 | 141,144 | 269,526 | 682,557 | 294,130 | 2,113,533 |
| 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.

48 Financial instruments (cont'd)

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

Loans, advances and financing

The credit quality of the loans, advances and financing of the group that are neither past due nor impaired (without taking into account of allowances for impairment losses) is analysed as follows:

(i) Share margin financing

| | Group | |
|--------------------------|----------------|---------|
| | 2012 | 2011 |
| | RM'000 | RM'000 |
| Equity margin | | |
| – 150% or more | 201,562 | 253,624 |
| – 130% to less than 150% | – | 7 |
| | 201,562 | 253,631 |

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

| | Group | |
|---|----------------|---------|
| | 2012 | 2011 |
| | RM'000 | RM'000 |
| Loans, advances and financing which were: | | |
| – neither past due nor impaired in the preceding 6 months | 414,761 | 371,850 |
| – past due or impaired in the preceding 6 months | 51,653 | 33,033 |
| | 466,414 | 404,883 |

⁽¹⁾ Include corporate loans/financing, consumer loans/financing and retail loans/financing

Clients' and brokers' balances

As at the end of the reporting period, approximately 98% (2011: 98%) of the amounts due from clients and brokers 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.

48 Financial instruments (cont'd)

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

Derivative assets

Analysis of derivative assets held by the group by counterparty is as follows:

| | Group | |
|--------------------------------|---------------|---------------|
| | 2012 | 2011 |
| | RM'000 | RM'000 |
| In Malaysia | | |
| Licensed banks | 12,757 | 25,708 |
| Other financial institutions | 2,065 | 192 |
| Business enterprises | 749 | 820 |
| Individuals | 7 | 1 |
| | 15,578 | 26,721 |
| Outside Malaysia | | |
| Foreign financial institutions | 927 | 13 |
| | 16,505 | 26,734 |

Other financial assets

Analysis of other financial assets of the group and of the company that are neither past due nor impaired by classes of assets is as follows:

| | Group | | Company | |
|--|---------------|---------------|------------|--------------|
| | 2012 | 2011 | 2012 | 2011 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Trade receivables: | | | | |
| – investment management | 43,057 | 5,510 | – | – |
| – others | 556 | 1,143 | – | – |
| | 43,613 | 6,653 | – | – |
| Collateral/Margin deposits for derivative transactions | 5,339 | 12,350 | – | – |
| Clients' margin deposits | 2,057 | 4,613 | – | – |
| Others | 9,019 | 4,819 | 533 | 1,202 |
| | 60,028 | 28,435 | 533 | 1,202 |

Credit risk of the investment management subsidiary which is mainly in respect of receivables arising from sales and cancellation of unit trusts is minimal as the settlement periods are based on market convention and regulated by the Securities Commission respectively. Other trade receivables of the group that are neither past due nor impaired are mainly due from companies listed on Bursa Securities.

Collateral/Margin deposits for derivative transactions are placed by the investment banking subsidiary in the ordinary course of its business. Clients' margin deposits are clients' monies held in trust by foreign brokers. Other financial assets of the group as at the end of the reporting period mainly comprise securities application monies and deposits placed by the group with service providers.

48 Financial instruments (cont'd)

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

The aging analysis of loans and receivables that are past due but not impaired 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 | | | Total RM'000 |
|---|--------------------------------|------------------------------------|-------------------------------------|-----------------|
| | Less than 1 month RM'000 | 1 month to < 2 months RM'000 | 2 months to < 3 months RM'000 | |
| Group | | | | |
| 2012 | | | | |
| Loans, advances and financing | | | | |
| Corporate loans/financing | 1,517 | – | – | 1,517 |
| Consumer loans/financing | 1,349 | 2,573 | 1,441 | 5,363 |
| Retail loans/financing | 8,717 | 1,038 | 3,383 | 13,138 |
| Clients' and brokers' balances | 2,053 | – | – | 2,053 |
| Other financial assets | | | | |
| Trade receivables - others | 267 | 65 | 106 | 438 |
| | 13,903 | 3,676 | 4,930 | 22,509 |
| 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 - investment 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.

Notes to the Financial Statements (cont'd)
For The Financial Year Ended 31 July 2012

48 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 |
|--------------------------------|---|--|---|
| Group | | | |
| 2012 | | | |
| Securities AFS | | | |
| Unquoted equity instruments | 650 | 650 | 650 |
| Loans, advances and financing | | | |
| Corporate loans/financing | 9,051 | 9,051 | 8,305 |
| Consumer loans/financing | 4,906 | – | – |
| Retail loans/financing | 5,227 | 5,227 | 3,216 |
| Clients' and brokers' balances | 762 | 762 | 553 |
| Other financial assets | | | |
| Trade receivables - others | 425 | 425 | 363 |
| | 21,021 | 16,115 | 13,087 |
| 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 |
| Clients' and brokers' balances | 1,172 | 1,172 | 712 |
| Other financial assets | | | |
| Trade receivables - others | 1,078 | 1,078 | 310 |
| | 21,301 | 15,694 | 12,094 |

48 Financial instruments (cont'd)

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

Collective impairment allowance

| | Loans, advances and financing | | | | Clients' and brokers' balances RM'000 | Trade receivables - others * RM'000 |
|------------------------------------|----------------------------------|--------------------------------------|-------------------------------------|-----------------------------------|--|--|
| | Share margin financing RM'000 | Corporate loans/ financing RM'000 | Consumer loans/ financing RM'000 | Retail loans/ financing RM'000 | | |
| Group | | | | | | |
| 2012 | | | | | | |
| At beginning of the financial year | 3,804 | 2,196 | 5,828 | 565 | 28 | 31 |
| Net allowance made/(written back) | (781) | (65) | 3,382 | 454 | 1 | (18) |
| Amount written off | - | - | (3,980) | - | - | - |
| Exchange differences | - | 3 | - | 30 | - | - |
| At end of the financial year | 3,023 | 2,134 | 5,230 | 1,049 | 29 | 13 |
| 2011 | | | | | | |
| At beginning of the financial year | 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 |

* Included in other assets (note 13).

Notes to the Financial Statements (cont'd)
For The Financial Year Ended 31 July 2012

48 Financial instruments (cont'd)

(h) Movements in impairment allowances by classes of financial assets (cont'd)

Individual impairment allowance

| | <u>Loans, advances and financing</u> | | Clients' and brokers' balances RM'000 | Trade receivables - others * RM'000 | Securities AFS RM'000 |
|------------------------------------|--------------------------------------|-----------------------------------|--|--|--------------------------|
| | Corporate loans/ financing RM'000 | Retail loans/ financing RM'000 | | | |
| Group | | | | | |
| 2012 | | | | | |
| At beginning of the financial year | 8,186 | 2,236 | 712 | 310 | 650 |
| Allowance made | 121 | 1,100 | 145 | 363 | - |
| Amount written back | - | (137) | (286) | (12) | - |
| Amount written off | - | - | (18) | (298) | - |
| Exchange differences | (2) | 17 | - | - | - |
| At end of the financial year | 8,305 | 3,216 | 553 | 363 | 650 |
| 2011 | | | | | |
| At beginning of the financial year | 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).

48 Financial instruments (cont'd)

(i) Credit risk concentration

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

| Group | 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 2012 | | | | | | | | | |
| Agriculture and forestry | – | – | 25,176 | – | 3,792 | – | 53 | 29,021 | 218 |
| Mining and quarrying | – | 5,083 | 106,025 | 87,587 | 27,852 | – | 15 | 226,562 | – |
| Manufacturing | – | – | – | – | 10,891 | – | 228 | 11,119 | 1,214 |
| Electricity, gas and water | – | – | 10,319 | 132,407 | 40,429 | – | 571 | 183,726 | – |
| Construction | – | – | 82,287 | – | 1,167 | – | 61 | 83,515 | 11 |
| Real estate | – | – | 65,153 | – | 21,377 | – | 5,880 | 92,410 | 10,623 |
| Finance and insurance | 984,027 | – | 418,462 | 42,515 | 2,682 | – | 67,533 | 1,515,219 | 10,328 |
| Government and government agencies | 18,125 | 70,998 | 695,684 | – | – | – | 253 | 785,060 | – |
| Wholesale & retail trade and restaurants & hotels | – | 56,774 | 112,371 | 107,691 | 87,757 | – | 7 | 364,600 | 74,037 |
| Transport, storage and communication | – | – | 48,910 | 29,721 | 1,163 | – | 428 | 80,222 | – |
| Purchase of securities | – | – | – | – | 244,771 | 179,097 | – | 423,868 | 20,000 |
| Personal use | – | – | – | – | 196,017 | – | – | 196,017 | 8 |
| Education and health | – | – | – | – | 8,394 | – | 224 | 8,618 | 584 |
| Others | – | – | 15,720 | – | 37,929 | – | 1,767 | 55,416 | 12,910 |
| | 1,002,152 | 132,855 | 1,580,107 | 399,921 | 684,221 | 179,097 | 77,020 | 4,055,373 | 129,933 |

⁽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.

Notes to the Financial Statements (cont'd)
For The Financial Year Ended 31 July 2012

48 Financial instruments (cont'd)

(i) Credit risk concentration (cont'd)

| | 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.

48 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 RM'000 |
|-----------------------|---|-----------------------------|--|-----------------|
| Company | | | | |
| 2012 | | | | |
| Finance and insurance | 4,854 | – | 528 | 5,382 |
| Others | – | 490 | 5 | 495 |
| | 4,854 | 490 | 533 | 5,877 |
| 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 28% (2011: 35%) of the loans, advances and financing of the group.

48 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 | | | | | Non-interest sensitive RM'000 | Trading book RM'000 | Total RM'000 | Effective interest rate % |
|---|----------------------------|----------------------------|-----------------------------|---------------------------|---------------------------|----------------------------------|------------------------|------------------|------------------------------|
| | 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 | | | | |
| Group | | | | | | | | | |
| 2012 | | | | | | | | | |
| Financial assets | | | | | | | | | |
| Cash and short term funds | 848,920 | - | - | - | - | 125,013 | - | 973,933 | 2.90 |
| Deposits and placements with banks and other financial institutions | - | 8,966 | 22,414 | - | - | - | - | 31,380 | 2.87 |
| Securities held-for-trading | - | - | - | - | - | - | 170,592 | 170,592 | 4.65 |
| Securities AFS | 80,480 | 169,647 | 266,149 | 707,357 | 173,936 | 182,538 | - | 1,580,107 | 3.70 |
| Securities held-to-maturity | 5,173 | - | 34,813 | 348,959 | 10,976 | - | - | 399,921 | 6.73 |
| Loans, advances and financing: | | | | | | | | | |
| – non-impaired | 410,115 | 28,304 | 671 | 40,902 | 208,002 | (11,436)* | - | 676,558 | 8.94 |
| – impaired | - | - | - | - | - | 7,663 | - | 7,663 | - |
| Clients' and brokers' balances | 1,809 | - | - | - | - | 177,288 | - | 179,097 | 8.00 |
| Other financial assets (note 13) | 5,339 | - | - | - | - | 55,176 | - | 60,515 | 0.52 |
| | 1,351,836 | 206,917 | 324,047 | 1,097,218 | 392,914 | 536,242 | 170,592 | 4,079,766 | |

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

48 Financial instruments (cont'd)

(j) Interest rate risk (cont'd)

| | Non-trading book | | | | | | Trading book RM'000 | Total RM'000 | Effective interest rate % |
|---|----------------------------|----------------------------|-----------------------------|---------------------------|---------------------------|-------------------------------------|------------------------|--------------------|------------------------------------|
| | 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 | | | |
| Group | | | | | | | | | |
| 2012 | | | | | | | | | |
| Financial liabilities | | | | | | | | | |
| Deposits from customers | (662,500) | (52,150) | (32,142) | – | – | (1,639) | – | (748,431) | 3.28 |
| Deposits and placements of banks and other financial institutions | (835,771) | (384,809) | (466,334) | – | – | (147) | – | (1,687,061) | 3.05 |
| Clients' and brokers' balances | (65,789) | – | – | – | – | (133,935) | – | (199,724) | 2.76 |
| Other financial liabilities | (267,370) | (2,302) | – | – | – | (197,425) | – | (467,097) | 2.97 |
| Borrowings | (340,298) | (50,194) | – | – | – | – | – | (390,492) | 4.65 |
| | (2,171,728) | (489,455) | (498,476) | – | – | (333,146) | – | (3,492,805) | |
| Interest sensitivity gap | | | | | | | | | |
| – financial assets and liabilities | (819,892) | (282,538) | (174,429) | 1,097,218 | 392,914 | 203,096 | 170,592 | 586,961 | |
| – derivative financial instruments | (35,000) | (625,000) | (815,000) | 85,000 | – | – | – | (1,390,000) | |
| | (854,892) | (907,538) | (989,429) | 1,182,218 | 392,914 | 203,096 | 170,592 | (803,039) | |

Notes to the Financial Statements (cont'd)
For The Financial Year Ended 31 July 2012

48 Financial instruments (cont'd)

(j) Interest rate risk (cont'd)

| | Non-trading book | | | | | | Trading book RM'000 | Total RM'000 | Effective interest rate % |
|---|----------------------------|----------------------------|-----------------------------|---------------------------|---------------------------|-------------------------------------|------------------------|------------------|------------------------------------|
| | 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 | | | |
| 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 |
| | <u>1,261,252</u> | <u>265,042</u> | <u>373,058</u> | <u>765,410</u> | <u>401,936</u> | <u>459,261</u> | <u>338,425</u> | <u>3,864,384</u> | |

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

48 Financial instruments (cont'd)

(j) Interest rate risk (cont'd)

| | Non-trading book | | | | | | Trading book RM'000 | Total RM'000 | Effective interest rate % |
|---|----------------------------|----------------------------|-----------------------------|---------------------------|---------------------------|-------------------------------------|------------------------|--------------------|------------------------------------|
| | 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 | | | |
| 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) | |

Notes to the Financial Statements (cont'd)
For The Financial Year Ended 31 July 2012

48 Financial instruments (cont'd)

(j) Interest rate risk (cont'd)

| | Non-trading book | | | Total RM'000 | Effective interest rate % |
|--|----------------------------|-----------------------------|-------------------------------------|------------------|------------------------------------|
| | Up to 1 month RM'000 | >3 – 12 months RM'000 | Non-interest sensitive RM'000 | | |
| Company | | | | | |
| 2012 | | | | | |
| Financial assets | | | | | |
| Cash and short term funds | – | – | 4,244 | 4,244 | – |
| Deposits and placements with banks and other financial institutions | – | 610 | – | 610 | 3.20 |
| Securities AFS | – | – | 490 | 490 | – |
| Other financial assets (note 13) | 526 | – | 7 | 533 | 4.60 |
| | 526 | 610 | 4,741 | 5,877 | |
| Financial liabilities | | | | | |
| Other financial liabilities | (928) | – | (3,595) | (4,523) | 4.60 |
| Borrowings | (186,596) | (50,194) | – | (236,790) | 4.71 |
| | (187,524) | (50,194) | (3,595) | (241,313) | |
| Interest sensitivity gap | (186,998) | (49,584) | 1,146 | (235,436) | |
| 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) | |

48 Financial instruments (cont'd)

(k) Exposure to foreign exchange risk

The table below sets out the RM equivalent amounts of 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. Derivative financial instruments are stated at net notional amounts of derivative contracts.

| | 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 | | | | | | |
| 2012 | | | | | | |
| Financial assets | | | | | | |
| Cash and short term funds | 6,118 | 11,246 | 1,419 | 2,572 | 1,407 | 22,762 |
| Securities held-for-trading | 6 | 13 | 4 | – | – | 23 |
| Securities AFS | 55,542 | 200,894 | – | – | – | 256,436 |
| Securities held-to-maturity | 224,999 | – | – | – | – | 224,999 |
| Clients' and brokers' balances | 186 | 1,084 | 25 | 6,354 | 297 | 7,946 |
| Other financial assets | 6,069 | – | 5,997 | 147 | 4 | 12,217 |
| | 292,920 | 213,237 | 7,445 | 9,073 | 1,708 | 524,383 |
| Financial liabilities | | | | | | |
| Deposits from customers | (674) | – | – | – | (403) | (1,077) |
| Deposits and placements of banks and other financial institutions | (155,191) | – | – | – | – | (155,191) |
| Clients' and brokers' balances | (8,147) | (2,694) | (2) | (143) | (86) | (11,072) |
| Other financial liabilities | (4,304) | (5,498) | (6,505) | (1,865) | (419) | (18,591) |
| | (168,316) | (8,192) | (6,507) | (2,008) | (908) | (185,931) |
| Net open position | 124,604 | 205,045 | 938 | 7,065 | 800 | 338,452 |
| Derivative financial instruments | (102,803) | (200,439) | 4 | – | (4) | (303,242) |
| Net open position and derivative financial instruments | 21,801 | 4,606 | 942 | 7,065 | 796 | 35,210 |

Notes to the Financial Statements (cont'd)
For The Financial Year Ended 31 July 2012

48 Financial instruments (cont'd)

(k) Exposure to foreign exchange risk (cont'd)

| | 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 | | | | | | |
| 2012 | | | | | | |
| Financial assets | | | | | | |
| Cash and short term funds | 1,086 | – | – | – | – | 1,086 |
| Net open position | 1,086 | – | – | – | – | 1,086 |
| 2011 | | | | | | |
| Financial assets | | | | | | |
| Cash and short term funds | 546 | – | – | – | – | 546 |
| Net open position | 546 | – | – | – | – | 546 |

48 Financial instruments (cont'd)

(I) Market risk sensitivity analysis

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 |
| 2012 | | | | |
| Impact on profit before taxation | (7,850) | 8,282 | (2,356) | 2,356 |
| Impact on other comprehensive income | (28,119) | 29,204 | - | - |
| 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 | Company RM'000 |
| 2012 | | | |
| US Dollar | +/- 5% | +/- 1,106 | +/- 54 |
| Singapore Dollar | +/- 5% | +/- 138 | - |
| Australian Dollar | +/- 5% | +/- 47 | - |
| Hong Kong Dollar | +/- 5% | +/- 63 | - |
| | | +/- 1,354 | +/- 54 |
| 2011 | | | |
| US Dollar | +/- 5% | +/- 1,225 | +/- 27 |
| Singapore Dollar | +/- 5% | +/- 295 | - |
| Australian Dollar | +/- 5% | +/- 41 | - |
| Hong Kong Dollar | +/- 5% | +/- 77 | - |
| | | +/- 1,638 | +/- 27 |

48 Financial instruments (cont'd)

(I) 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.

| | Changes in equity prices | Group Increase/(Decrease) in Profit before taxation RM'000 | Other comprehensive income RM'000 |
|-----------------------------------|--------------------------------|---|--|
| 2012 | | | |
| Quoted shares, warrants and REITs | +/- 5% | +/- 1,276 | +/- 740 |
| Quoted unit trust funds | +/- 1% | +/- 122 | +/- 1,673 |
| | | +/- 1,398 | +/- 2,413 |
| 2011 | | | |
| Quoted shares, warrants and REITs | +/- 5% | +/- 1,295 | +/- 254 |
| Quoted unit trust funds | +/- 1% | +/- 140 | +/- 1,518 |
| | | +/- 1,435 | +/- 1,772 |

48 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 | | | | | | | |
| 2012 | | | | | | | |
| Financial assets | | | | | | | |
| Cash and short term funds | 973,933 | – | – | – | – | – | 973,933 |
| Deposits and placements with banks and other financial institutions | – | 8,966 | 22,414 | – | – | – | 31,380 |
| Securities held-for-trading | – | 5,083 | – | 10,207 | 117,565 | 37,737 | 170,592 |
| Securities AFS | 80,480 | 169,647 | 266,149 | 707,357 | 173,936 | 182,538 | 1,580,107 |
| Securities held-to-maturity | 5,173 | – | 34,813 | 348,959 | 10,976 | – | 399,921 |
| Loans, advances and financing | 209,053 | 65,459 | 17,379 | 120,120 | 272,210 | – | 684,221 |
| Clients' and brokers' balances | 179,097 | – | – | – | – | – | 179,097 |
| Derivative assets | 6,299 | 598 | 8,434 | 1,174 | – | – | 16,505 |
| Other financial assets (note 13) | 49,872 | 1,745 | 1,050 | 3,830 | – | 4,018 | 60,515 |
| | 1,503,907 | 251,498 | 350,239 | 1,191,647 | 574,687 | 224,293 | 4,096,271 |
| Financial liabilities | | | | | | | |
| Deposits from customers | (664,139) | (52,150) | (32,142) | – | – | – | (748,431) |
| Deposits and placements of banks and other financial institutions | (835,919) | (384,808) | (466,334) | – | – | – | (1,687,061) |
| Clients' and brokers' balances | (199,724) | – | – | – | – | – | (199,724) |
| Derivative liabilities | (1,806) | (594) | (10,578) | (9,128) | – | – | (22,106) |
| Other financial liabilities | (401,903) | (4,090) | (11,097) | – | – | (50,007) | (467,097) |
| Borrowings | (340,298) | (50,194) | – | – | – | – | (390,492) |
| | (2,443,789) | (491,836) | (520,151) | (9,128) | – | (50,007) | (3,514,911) |
| Net liquidity gap | (939,882) | (240,338) | (169,912) | 1,182,519 | 574,687 | 174,286 | 581,360 |

48 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 |
|--|----------------------------|----------------------------|-----------------------------|---------------------------|---------------------------|-----------------------------------|--------------------|
| 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 |
| | <u>1,566,247</u> | <u>270,246</u> | <u>440,817</u> | <u>847,330</u> | <u>560,681</u> | <u>205,797</u> | <u>3,891,118</u> |
| 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) |
| | <u>(2,652,221)</u> | <u>(355,081)</u> | <u>(291,968)</u> | <u>(22,533)</u> | <u>–</u> | <u>(41,046)</u> | <u>(3,362,849)</u> |
| Net liquidity gap | <u>(1,085,974)</u> | <u>(84,835)</u> | <u>148,849</u> | <u>824,797</u> | <u>560,681</u> | <u>164,751</u> | <u>528,269</u> |

48 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 | | | | | | | |
| 2012 | | | | | | | |
| Financial assets | | | | | | | |
| Cash and short term funds | 4,244 | – | – | – | – | – | 4,244 |
| Deposits and placements with banks and other financial institutions | – | – | 610 | – | – | – | 610 |
| Securities AFS | – | – | – | – | – | 490 | 490 |
| Other financial assets (note 13) | 526 | – | – | – | – | 7 | 533 |
| | 4,770 | – | 610 | – | – | 497 | 5,877 |
| Financial liabilities | | | | | | | |
| Other financial liabilities | (928) | (36) | (3,374) | – | – | (185) | (4,523) |
| Borrowings | (186,596) | (50,194) | – | – | – | – | (236,790) |
| | (187,524) | (50,230) | (3,374) | – | – | (185) | (241,313) |
| Net liquidity gap | (182,754) | (50,230) | (2,764) | – | – | 312 | (235,436) |
| 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) |

48 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.

Non-derivative financial liabilities

| | 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 | | | | | | | |
| 2012 | | | | | | | |
| Items recognised in the statements of financial position | | | | | | | |
| Deposits from customers | (664,816) | (52,457) | (32,834) | – | – | – | (750,107) |
| Deposits and placements of banks and other financial institutions | (836,677) | (386,737) | (476,230) | – | – | – | (1,699,644) |
| Clients' and brokers' balances | (199,724) | – | – | – | – | – | (199,724) |
| Other financial liabilities | (401,903) | (4,090) | (11,097) | – | – | (50,007) | (467,097) |
| Borrowings | (340,677) | (50,589) | – | – | – | – | (391,266) |
| | (2,443,797) | (493,873) | (520,161) | – | – | (50,007) | (3,507,838) |
| Items not recognised in the statements of financial position | | | | | | | |
| Commitments | (124,933) | – | – | – | – | – | (124,933) |
| Contingencies | (5,000) | – | – | – | – | – | (5,000) |
| | (129,933) | – | – | – | – | – | (129,933) |
| Total | (2,573,730) | (493,873) | (520,161) | – | – | (50,007) | (3,637,771) |

48 Financial instruments (cont'd)

(n) Liquidity risk disclosure based on remaining contractual maturity (cont'd)

Non-derivative financial 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 |
|---|----------------------------|----------------------------|-----------------------------|---------------------------|---------------------------|-----------------------------------|--------------------|
| Group | | | | | | | |
| 2011 | | | | | | | |
| Items recognised in the statements of financial position | | | | | | | |
| 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) |
| | <u>(2,653,334)</u> | <u>(353,013)</u> | <u>(297,565)</u> | <u>–</u> | <u>–</u> | <u>(41,046)</u> | <u>(3,344,958)</u> |
| Items not recognised in the statements of financial position | | | | | | | |
| Commitments | (32,858) | (5,424) | (20,742) | – | – | – | (59,024) |
| Contingencies | (12,500) | – | – | – | – | – | (12,500) |
| | <u>(45,358)</u> | <u>(5,424)</u> | <u>(20,742)</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>(71,524)</u> |
| Total | <u>(2,698,692)</u> | <u>(358,437)</u> | <u>(318,307)</u> | <u>–</u> | <u>–</u> | <u>(41,046)</u> | <u>(3,416,482)</u> |
| Company | | | | | | | |
| 2012 | | | | | | | |
| Other financial liabilities | (928) | (36) | (3,374) | – | – | (185) | (4,523) |
| Borrowings | (186,744) | (50,589) | – | – | – | – | (237,333) |
| Total | <u>(187,672)</u> | <u>(50,625)</u> | <u>(3,374)</u> | <u>–</u> | <u>–</u> | <u>(185)</u> | <u>(241,856)</u> |
| 2011 | | | | | | | |
| Other financial liabilities | (898) | (36) | (3,771) | – | – | (176) | (4,881) |
| Borrowings | (51,698) | – | (186,173) | – | – | – | (237,871) |
| Total | <u>(52,596)</u> | <u>(36)</u> | <u>(189,944)</u> | <u>–</u> | <u>–</u> | <u>(176)</u> | <u>(242,752)</u> |

48 Financial instruments (cont'd)

(n) Liquidity risk disclosure based on remaining contractual maturity (cont'd)

Derivative liabilities

| | 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 | | | | | | | |
| 2012 | | | | | | | |
| Net settled | (240) | (1,585) | (4,072) | (678) | – | – | (6,575) |
| Gross settled | | | | | | | |
| Inflow | 179,247 | 25,126 | 349,104 | 119,862 | – | – | 673,339 |
| Outflow | (181,238) | (25,600) | (353,929) | (127,394) | – | – | (688,161) |
| | (1,991) | (474) | (4,825) | (7,532) | – | – | (14,822) |
| Total | (2,231) | (2,059) | (8,897) | (8,210) | – | – | (21,397) |
| 2011 | | | | | | | |
| Net settled | (231) | (1,586) | (3,193) | (3,684) | – | – | (8,694) |
| 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) |
| Total | (1,080) | (6,790) | (3,955) | (18,022) | – | – | (29,847) |

(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 methods and assumptions used in estimating the fair values of financial instruments are as follows:

(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.

48 Financial instruments (cont'd)

(o) Fair value of financial instruments (cont'd)

The methods and assumptions used in estimating the fair values of financial instruments are as follows (cont'd):

(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.

(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 rate share margin financing approximates the carrying amount as the amount is deemed repayable on demand.

The fair values of impaired loans are represented by their carrying amounts, net of impairment allowances, 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 values.

(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 deposits 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.

48 Financial instruments (cont'd)

(o) Fair value of financial instruments (cont'd)

The methods and assumptions used in estimating the fair values of financial instruments are as follows (cont'd):

(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 impairment allowances 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.

Financial instruments measured at fair value

The group and the company classify financial instruments measured at fair value based on the following fair value hierarchy, which reflects the significance of the inputs used in fair value measurement:

Level 1 – Quoted price (unadjusted) in active markets for identical assets or liabilities

Level 2 – Inputs other than quoted price included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3 – Inputs for the assets and liabilities that are not based on observable market data (unobservable inputs).

48 Financial instruments (cont'd)

(o) Fair value of financial instruments (cont'd)

Financial instruments measured at fair value (cont'd)

The table below presents the financial assets and liabilities of the group, which are measured at fair value, classified by level of the fair value hierarchy.

| | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 |
|------------------------------|-------------------|-------------------|-------------------|------------------|
| Group | | | | |
| 2012 | | | | |
| Financial assets | | | | |
| Securities held-for-trading | | | | |
| Quoted securities | 37,737 | – | – | 37,737 |
| Unquoted debt securities | – | 132,855 | – | 132,855 |
| Securities AFS | | | | |
| Quoted securities | 182,048 | – | – | 182,048 |
| Unquoted debt securities | – | 1,397,569 | – | 1,397,569 |
| Derivative assets | – | 16,505 | – | 16,505 |
| | 219,785 | 1,546,929 | – | 1,766,714 |
| Financial liabilities | | | | |
| Derivative liabilities | – | (22,106) | – | (22,106) |

There was no transfer between Level 1 and 2 during the financial year.

The company did not hold any financial instrument measured at fair value as at the end of the reporting period.

Financial instruments not measured at fair value

As at the end of the reporting period, the fair values of financial instruments of the group and of the company, which are not measured at fair value, approximate their carrying amounts, except as disclosed below:

| | Note | 2012 | | 2011 | |
|-------------------------------|------|------------------------------|-------------------------|------------------------------|-------------------------|
| | | Carrying amount RM'000 | Fair value RM'000 | Carrying amount RM'000 | Fair value RM'000 |
| Group | | | | | |
| Financial assets | | | | | |
| Securities held-to-maturity | 9 | 399,921 | 438,180 | 388,335 | 428,589 |
| Loans, advances and financing | 10 | 684,221 | 700,488 | 679,780 | 691,957 |

48 Financial instruments (cont'd)

(o) Fair value of financial instruments (cont'd)

Financial instruments not measured at fair value (cont'd)

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 are stated at a carrying amount of RM490,000 (2011: RM490,000), net of accumulated impairment loss of RM650,000 (2011: RM650,000) as at the end of the reporting period. The unimpaired unquoted shares, which are held by the company, are issued by a corporation incorporated in Malaysia. Based on the most recent audited financial statements of the said corporation for year 2011, the equity attributable to the company amounted to approximately RM2,287,000. The company does not intend to dispose of the unquoted shares as at the end of the reporting period.

49 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 HDBSIB's claim against the client. The client's appeal was struck out by the Court of Appeal on 4 May 2012. The client had been adjudicated a bankrupt on 31 October 2011 pursuant to a petition filed by HDBSIB.
- (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.

50 Approval of financial statements

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors dated 27 September 2012.

Supplementary Information

Realised and unrealised profits or losses disclosure

The breakdown of retained profits of the group and of the company 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 | |
|--|-----------------|---------|
| | 2012 | 2011 |
| | RM'000 | RM'000 |
| Retained profits of the company and its subsidiaries | | |
| – realised | 523,718 | 491,858 |
| – unrealised | 8,070 | 10,961 |
| | 531,788 | 502,819 |
| Share of accumulated losses of associate | | |
| – realised | (1,230) | (1,314) |
| | 530,558 | 501,505 |
| Consolidation adjustments | (15,271) | (8,544) |
| Total retained profits | 515,287 | 492,961 |
| | | |
| | Company | |
| | 2012 | 2011 |
| | RM'000 | RM'000 |
| Retained profits | | |
| – realised | 178,998 | 180,809 |
| – unrealised | 11 | (16) |
| Total retained profits | 179,009 | 180,793 |

The unrealised retained profits of the group as disclosed above exclude 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 45 to 150 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 2012 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 27 September 2012.

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

HWANG LIP TEIK
Director

Statutory Declaration

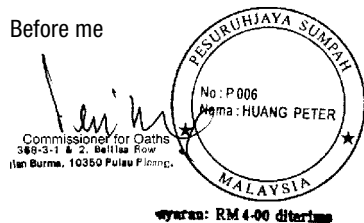
Pursuant to Section 169(16) of the Companies Act, 1965

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 45 to 150 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 27 September 2012.

Before me



Corporate Directory

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

Level 8, Wisma Sri Pinang, 60 Green Hall, 10200 Penang, Malaysia

Tel: 604-263 6996 • Fax: 604-263 9597 • E-mail: hdmmail@hdb.com.my

HWANGDBS INVESTMENT BANK BERHAD (14389-U)

Levels 2, 3, 4, 5, 7A & 8,
Wisma Sri Pinang, 60 Green Hall,
Levels 2, 3, 4, 5, 6, 7 & 8,
Wisma Sri Pinang II, 42 Green Hall,
10200 Penang, Malaysia

Tel: 604-263 6996 Fax: 604-263 9597
E-mail: hdmmail@hdb.com.my

INVESTMENT BANKING DIVISION

22nd & 23rd Floor, Menara Keck Seng,
203, Jalan Bukit Bintang,
55100 Kuala Lumpur, Malaysia
Tel: 603-9195 6888 Fax: 603-9195 6800
E-mail: hdmmail@hdb.com.my

HDM FUTURES SDN BHD (258146-M)

16th Floor, Plaza Masalam,
2, Jalan Tengku Ampuan Zabedah E9/E,
Section 9, 40100 Shah Alam,
Selangor Darul Ehsan, Malaysia
Tel: 603-5519 3398 Fax: 603-5511 5002
E-mail: futures@hdb.com.my

HDM CAPITAL SDN BHD (365940-A)

Level 8, Wisma Sri Pinang, 60 Green Hall,
10200 Penang, Malaysia
Tel: 604-263 6996 Fax: 604-263 9597
E-mail: hdmmail@hdb.com.my

HDM PROPERTIES SDN BHD (240350-W)

Level 8, Wisma Sri Pinang, 60 Green Hall,
10200 Penang, Malaysia
Tel: 604-263 6996 Fax: 604-263 9597
E-mail: hdmmail@hdb.com.my

HWANG INVESTMENT MANAGEMENT BERHAD (429786-T)

Suite 11-01, 11th Floor, Menara Keck Seng,
203, Jalan Bukit Bintang,
55100 Kuala Lumpur, Malaysia
Tel: 603-2142 1881 Fax: 603-2141 1886
E-mail: customercare@hwangim.com

HDM NOMINEES (ASING) SDN BHD (278474-A)

Levels 2, 3, 4, 5, 7A & 8, Wisma Sri Pinang,
60 Green Hall, 10200 Penang, Malaysia
Tel: 604-263 6996 Fax: 604-263 9597
E-mail: hdmmail@hdb.com.my

HDM NOMINEES (TEMPATAN) SDN BHD (41117-T)

Levels 2, 3, 4, 5, 7A & 8, Wisma Sri Pinang,
60 Green Hall, 10200 Penang, Malaysia
Tel: 604-263 6996 Fax: 604-263 9597
E-mail: hdmmail@hdb.com.my

HWANGDBS VICKERS RESEARCH SDN BHD (128540-U)

Suite 26-03, 26th Floor, Menara Keck Seng,
203, Jalan Bukit Bintang,
55100 Kuala Lumpur, Malaysia
Tel: 603-2711 2222 Fax: 603-2711 2333
E-mail: general@hwangdbsvickers.com.my

HWANGDBS COMMERCIAL BANK PLC (5915 E/2009)

Ground Floor Of B-Office Center,
#61-64, Norodom Blvd, Corner Street 306,
Sangkat Boeung Keng Kang I,
Khan Chamkamorn, Phnom Penh, Cambodia
Tel: 855 23 218866 Fax: 855 23 220108
E-mail: info@hwangdb.com.kh

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@aiman.com

BRANCHES OF HWANGDBS INVESTMENT BANK BERHAD

SUNGAI PETANI BRANCH

No. 70 A, B, C, Jalan Mawar 1,
Taman Pekan Baru, 08000 Sungai Petani,
Kedah Darul Aman, Malaysia
Tel: 604-425 6666 Fax: 604-421 2288
E-mail: hdmmail@hdb.com.my

BUKIT MERTAJAM BRANCH

Nos. 2 & 4, Jalan Perda Barat,
Bandar Perda, 14000 Bukit Mertajam,
Penang, Malaysia
Tel: 604-537 2882 Fax: 604-537 5228
E-mail: hdmmail@hdb.com.my

TAIPIING BRANCH

21, Jalan Stesen, 34000 Taiping,
Perak Darul Ridzuan, Malaysia
Tel: 605-806 6688 Fax: 605-808 9229
E-mail: hdmmail@hdb.com.my

IPOH BRANCH

2nd & 3rd Floor,
No. 22, Persiaran Greentown 1,
Greentown Business Centre, 30450 Ipoh,
Perak Darul Ridzuan, Malaysia
Tel: 605-255 9988 Fax: 605-255 0988
E-mail: hdmmail@hdb.com.my

SHAH ALAM BRANCH

16th, 18th - 20th Floor, Plaza Masalam,
2, Jalan Tengku Ampuan Zabedah E9/E,
Section 9, 40100 Shah Alam,
Selangor Darul Ehsan, Malaysia
Tel: 603-5513 3288 Fax: 603-5513 8288
E-mail: hdmmail@hdb.com.my

SUBANG JAYA BRANCH

East Wing & Centre Link,
Floor 3A, Wisma Conspant 2,
No. 7, Jalan SS16/1, 47500 Subang Jaya,
Selangor Darul Ehsan, Malaysia
Tel: 603-5635 6688 Fax: 603-5636 2288
E-mail: hdmmail@hdb.com.my

TAMAN TUN DR. ISMAIL BRANCH, KL

2nd Floor, Bangunan AHP,
No. 2, Jalan Tun Mohd Fuad 3,
Taman Tun Dr. Ismail,
60000 Kuala Lumpur, Malaysia
Tel: 603-7710 6688 Fax: 603-7710 6699
E-mail: hdmmail@hdb.com.my

MID VALLEY BRANCH

57-10, Level 10,
The Boulevard, Mid Valley City,
Lingkar Syed Putra,
59000 Kuala Lumpur, Malaysia
Tel: 603-2287 2273 Fax: 603-2287 6377
E-mail: hdmmail@hdb.com.my

BUKIT BINTANG BRANCH, KL

7th, 22nd & 23rd Floor, Menara Keck Seng,
203, Jalan Bukit Bintang,
55100 Kuala Lumpur, Malaysia
Tel: 603-2711 6888 Fax: 603-2711 3928
E-mail: hdmmail@hdb.com.my

SEREMBAN BRANCH

1st Floor, 105, 107 & 109,
Jalan Yam Tuan, 70000 Seremban,
Negeri Sembilan Darul Khusus, Malaysia
Tel: 606-761 2288 Fax: 606-763 6958
E-mail: hdmmail@hdb.com.my

BAHAU BRANCH

No. 6, Tingkat Atas, Jalan Mahligai,
72100 Bahau,
Negeri Sembilan Darul Khusus, Malaysia
Tel: 606-455 3188 Fax: 606-455 3288
E-mail: hdmmail@hdb.com.my

JOHOR BAHRU BRANCH

Level 7, Johor Bahru City Square (Office Tower),
106-108, Jalan Wong Ah Fook,
80000 Johor Bahru, Johor Darul Takzim, Malaysia
Tel: 607-222 2692 / 276 8787
Fax: 607-276 5201
E-mail: hdmmail@hdb.com.my

KOTA KINABALU BRANCH

Suite 1-9-E1, CPS Tower, Centre Point Sabah,
No. 1, Jalan Centre Point,
88000 Kota Kinabalu, Sabah, Malaysia
Tel: 6088-311 688 Fax: 6088-318 996
E-mail: hdmmail@hdb.com.my

BINTULU BRANCH

No. 282, 1st Floor, Park City Commercial Centre,
Phase 4, Jalan Tun Ahmad Zaidi,
97000 Bintulu, Sarawak, Malaysia
Tel: 6086-330 008 Fax: 6086-336 008
E-mail: hdmmail@hdb.com.my

KUCHING BRANCH

Ground Floor & 1st Floor,
No. 1, Jalan Pending,
1st Floor, No. 3, Jalan Pending,
93450 Kuching, Sarawak, Malaysia
Tel: 6082-341 999 Fax: 6082-485 999
E-mail: hdmmail@hdb.com.my

ELECTRONIC ACCESS FACILITY OUTLETS

HUTAN MELINTANG

No. 5, First Floor, Lorong Kayangan,
Taman Kayangan, 36400 Hutan Melintang,
Perak Darul Ridzuan, Malaysia
Tel: 605-641 5809 Fax: 605-641 5806
E-mail: hdmmail@hdb.com.my

PANTAI REMIS

No. 10, Tingkat Atas, Jalan Pantai Jaya 1,
Medan Pantai Jaya, 34900 Pantai Remis,
Perak Darul Ridzuan, Malaysia
Tel: 605-677 5142 Fax: 605-677 5143
E-mail: hdmmail@hdb.com.my

SUNGAI SIPUT

Ground Floor, No. 231, Taman Jalong Baru,
31100 Sungai Siput (U),
Perak Darul Ridzuan, Malaysia
Tel: 605-595 1682 Fax: 605-595 1680
E-mail: hdmmail@hdb.com.my

SEKINCHAN

No. 15, Tingkat Atas, Jalan Peria,
45400 Sekinchan,
Selangor Darul Ehsan, Malaysia
Tel: 603-3241 5025 Fax: 603-3241 5023
E-mail: hdmmail@hdb.com.my

SALES OFFICES OF HWANG INVESTMENT MANAGEMENT BERHAD

PENANG

No. 10-C-24 Precinct 10,
Jalan Tanjung Tokong,
10470 Penang, Malaysia
Tel: 604-899 8022 Fax: 604-899 1916

PERAK

13A Persiaran Greentown 7,
Greentown Business Centre,
30450 Ipoh, Perak Darul Ridzuan,
Malaysia
Tel: 605-241 0668 Fax: 605-255 9696

JOHOR

1st Floor, No. 93, Jalan Molek 1/29,
Taman Molek,
81100 Johor Bahru, Johor Darul Takzim,
Malaysia
Tel: 607-351 5677 / 351 5977
Fax: 607-351 5377

SABAH

Lot No. B-2-09, 2nd Floor,
Block B, Warisan Square,
Jalan Tun Fuad Stephens,
88000 Kota Kinabalu,
Sabah, Malaysia
Tel: 6088-252 881 Fax: 6088-288 803

SARAWAK

25, 1st Floor, Jalan Pertanak,
Kuching Travillion Commercial Centre,
93100 Kuching,
Sarawak, Malaysia
Tel: 6082-233 320 Fax: 6082-233 663

Appendix I

Proposed Amendments To The Articles Of Association Of The Company

The details of the proposed amendments to the Articles of Association of the Company are as follows:-

| Article No. | Existing Article | Proposed Article |
|-------------|---|---|
| 2 | <p><u>Definitions</u></p> <p>(New Definition)</p> | <p><u>Definitions</u></p> <p>“Exempt Authorised Nominee” means an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of subsection 25A(1) of the Central Depositories Act.”</p> |
| 54(a) | <p><u>Voting Rights Of Members</u></p> <p>Subject to any rights or restrictions for the time being attached to any class or classes of shares, at a meeting of Members or classes of Members, each Member shall be entitled to be present and to vote in person or by proxy or by attorney and on a show of hands every person present who is a Member or a representative of a Member shall have one vote, and on a poll every Member present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each share he holds upon which all calls due to the Company have been paid.</p> | <p><u>Voting Rights Of Members</u></p> <p>Subject to any rights or restrictions for the time being attached to any class or classes of shares, at a meeting of Members or classes of Members, each Member shall be entitled to be present and to vote in person or by proxy or by attorney or <u>by other duly authorised representative</u> and on a show of hands every person present who is a Member or <u>proxy or attorney or other duly authorised</u> a representative of a Member shall have one vote, and on a poll every Member present in person or by proxy or by attorney or <u>by other duly authorised representative</u> shall have one vote for each share he holds upon which all calls due to the Company have been paid.</p> <p><u>A proxy or attorney or other duly authorised representative appointed to attend and vote at a meeting of the Company shall have the same rights as the Member to speak at the meeting.</u></p> |
| 54(b) | <p>Where a Member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.</p> | <p>Where a Member of the Company is an authorised nominee Exempt Authorised Nominee as defined under the Central Depositories Act, it may appoint at least one proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account. <u>which holds ordinary shares in the Company for multiple beneficial owners in one securities account (“omnibus account”), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds. A Member other than an Exempt Authorised Nominee is entitled to appoint not more than two (2) proxies to attend and vote at the meeting.</u></p> |

| Article No. | Existing Article | Proposed Article |
|-------------|---|--|
| 59 | <p><u>Instrument Appointing Proxy To Be In Writing</u></p> <p>The instrument appointing a proxy shall be in writing in any usual or common form including any form approved from time to time by the Exchange or in any other form which the Directors may approve under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised. A proxy may but need not be a Member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll. Where a Member appoints more than one (1) proxy (subject always to a maximum of two (2) proxies at each meeting) the appointment shall be invalid unless the Member specifies the proportions of his holdings to be represented by each proxy.</p> | <p><u>Instrument Appointing Proxy To Be In Writing</u></p> <p>The instrument appointing a proxy shall be in writing in any usual or common form including any form approved from time to time by the Exchange or in any other form which the Directors may approve under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised. A proxy may but need not be a Member of the Company. <u>There shall be no restriction as to the qualification of the proxy</u> and the provisions of Section 149(1)(b) of the Act shall not apply to the Company. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll. Where a Member appoints more than one (1) proxy (subject always to a maximum of two (2) proxies at each meeting) the appointment shall be invalid unless the Member specifies the proportions of his holdings to be represented by each proxy.</p> |
| 66(b) | <p><u>Appointment And Removal Of Directors</u></p> <p>An election of Directors shall take place each year. All directors shall retire from office once at least in each three (3) years, but the Director shall be eligible for re-election. The Directors to retire in each year should be those who have been longest in office since the last election, but as between persons who became a Director on the same day, those to retire shall (unless they otherwise agree amongst themselves) be determined by lot.</p> | <p><u>Appointment And Removal Of Directors</u></p> <p>An election of Directors shall take place each year. All Directors shall retire from office once at least in each three (3) years, but the Director shall be eligible for re-election. The Directors to retire in each year should be those who have been longest in office since the last election, but as between persons who became a Director on the same day, those to retire shall (unless they otherwise agree amongst themselves) be determined by lot.</p> |

Proposed Amendments To The Articles Of Association Of The Company (cont'd)

| Article No. | Existing Article | Proposed Article |
|-------------|--|--|
| 106 | <p><u>Dividend To Be Posted To Members</u></p> <p>Any dividend, interest or other money payable in cash in respect of shares may be paid by cheque or warrant sent through the post directed to the registered address of the Member or paid via electronic transfer or remittance to the bank account provided by the Member who is named in the Record of Depositors or to the order of the person entitled thereto in consequence of the death or bankruptcy of the Member. Every such cheque or warrant or electronic transfer or remittance shall be made payable to the order of the person to whom it is sent or remitted, and the payment of any such cheque or warrant or electronic transfer or remittance shall operate as a good and full discharge to the Company in respect of the dividend, interest or other money payable in cash represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that the endorsement thereon, or the instruction for the electronic transfer or remittance was forged. Every such cheque or warrant or electronic transfer or remittance shall be sent or remitted at the risk of the person entitled to the money thereby represented.</p> | <p><u>Dividend to be posted to Members</u> - <u>Electronic Payment Of Cash Distributions</u></p> <p>Any cash distributions made by the Company which include cash dividends, payments of interest or profit rates on debt securities or sukuk respectively, capital repayment, cash payments in lieu of odd lots arising from distributions in specie or any other type of cash distributions or payments from time to time dividend, interest or other money payable in cash in respect of shares may be paid by cheque or warrant sent through the post directed to the registered address of the Member or paid via electronic transfer or remittance to the bank account provided by the Member who is named in the Record of Depositors or to the order of the person entitled thereto in consequence of the death or bankruptcy of the Member. Every such cheque or warrant or electronic transfer or remittance shall be made payable to the order of the person to whom it is sent or remitted, and the payment of any such cheque or warrant or electronic transfer or remittance shall operate as a good and full discharge to the Company in respect of the dividend, interest or other money payable in cash represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that the endorsement thereon, or the instruction for the electronic transfer or remittance was forged. Every such cheque or warrant or electronic transfer or remittance shall be sent or remitted at the risk of the person entitled to the money thereby represented.</p> |

Proxy Form



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 Twentieth Annual General Meeting of the Company, to be held at the Bayan Room, Hotel Equatorial, No. 1, Jalan Bukit Jambul, 11900 Penang on Wednesday, 28 November 2012 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 the following Directors retiring under Article 66 of the Articles of Association of the Company:- | | | |
| (a) Hwang Lip Teik | (Resolution 3) | | |
| (b) Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Almarhum Tuanku Ja'afar | (Resolution 4) | | |
| (c) Y.A.M. Tengku Syed Badarudin Jamalullail | (Resolution 5) | | |
| (d) Mohamed Tarmizi Tun Dr. Ismail | (Resolution 6) | | |
| To re-appoint the following Directors in accordance with Section 129(6) of the Companies Act, 1965:- | | | |
| (a) Dato' Seri Hwang Sing Lue | (Resolution 7) | | |
| (b) Ong Eng Kooi | (Resolution 8) | | |
| To approve the payment of Directors' fees | (Resolution 9) | | |
| To re-appoint Messrs PricewaterhouseCoopers as Auditors and to authorise the Directors to fix their remuneration | (Resolution 10) | | |
| As special business, to pass the special resolution on Proposed Amendments to the Articles of Association | (Resolution 11) | | |

Dated this _____ day of _____ 2012.

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:-

- Only members whose names appear in the Record of Depositors as at 22 November 2012 shall be eligible to attend the Meeting or to appoint proxy to attend in his/her stead.
- A proxy may but need not be a member of the Company. A proxy appointed to attend and vote at the Meeting shall have the same rights as a member to speak at the Meeting.
- Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- A member other than an exempt authorised nominee shall be entitled to appoint not more than two (2) proxies to attend and vote at the Meeting.
- 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.
- 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.
- If the appointor is a corporation, this form must be executed under the Common Seal or under the hand of its duly authorised attorney.
- 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.

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.