



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

GROWING BEYOND BORDERS

Contents

Corporate

Notice of Annual General Meeting	2
Statement Accompanying Notice of Annual General Meeting	5
Corporate Information	6
Chairman's Statement	8
Group 5-Year Financial Highlights	14
Profile of Directors	17
Group Corporate Structure	22
Analysis of Shareholdings	38
Particulars of Properties	42
Corporate Directory	142
Proxy Form	143

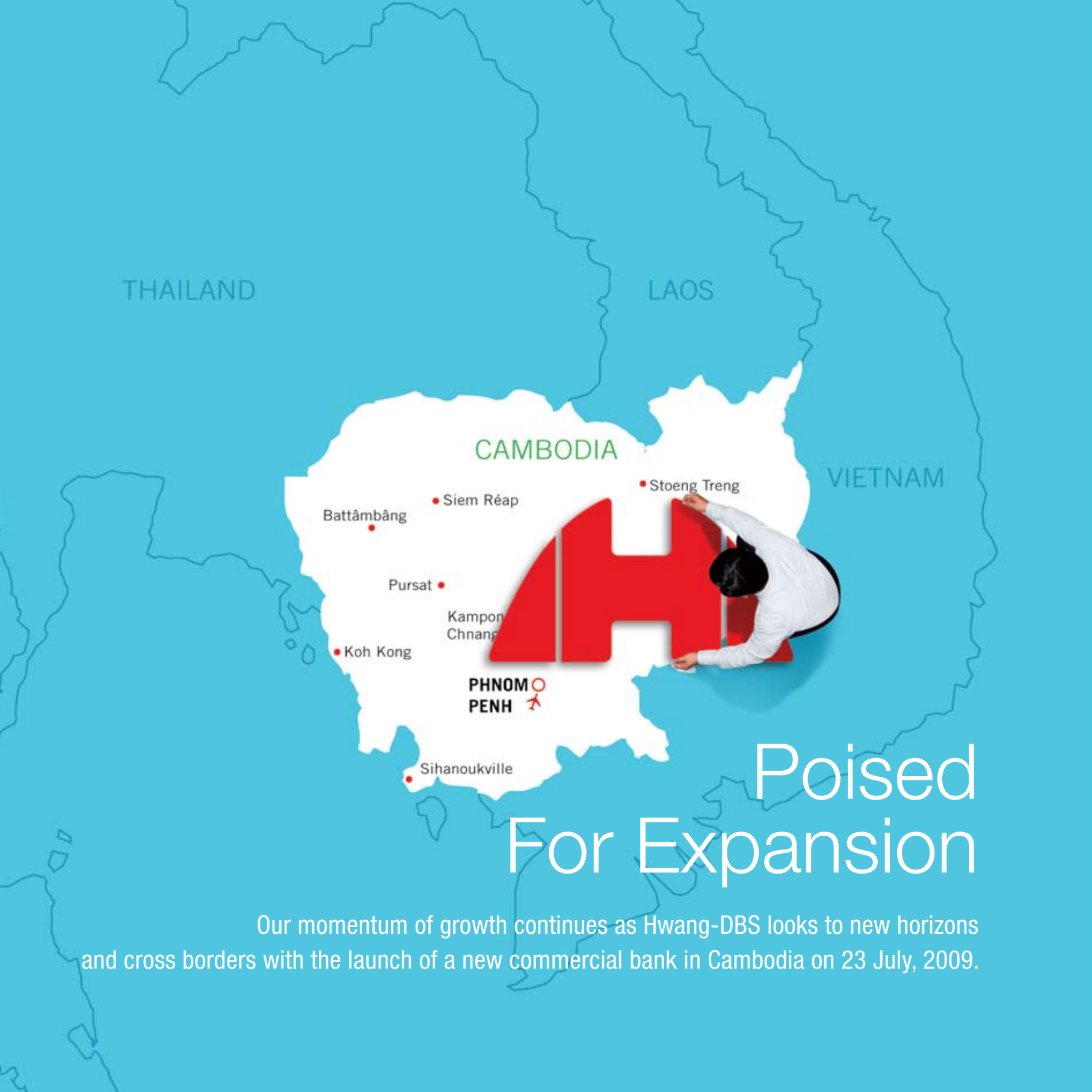
Governance

Corporate Governance Statement	23
Statement of Internal Control	30
Audit Committee Report	32
Additional Disclosure	36
Corporate Responsibility Statement	37

Financials

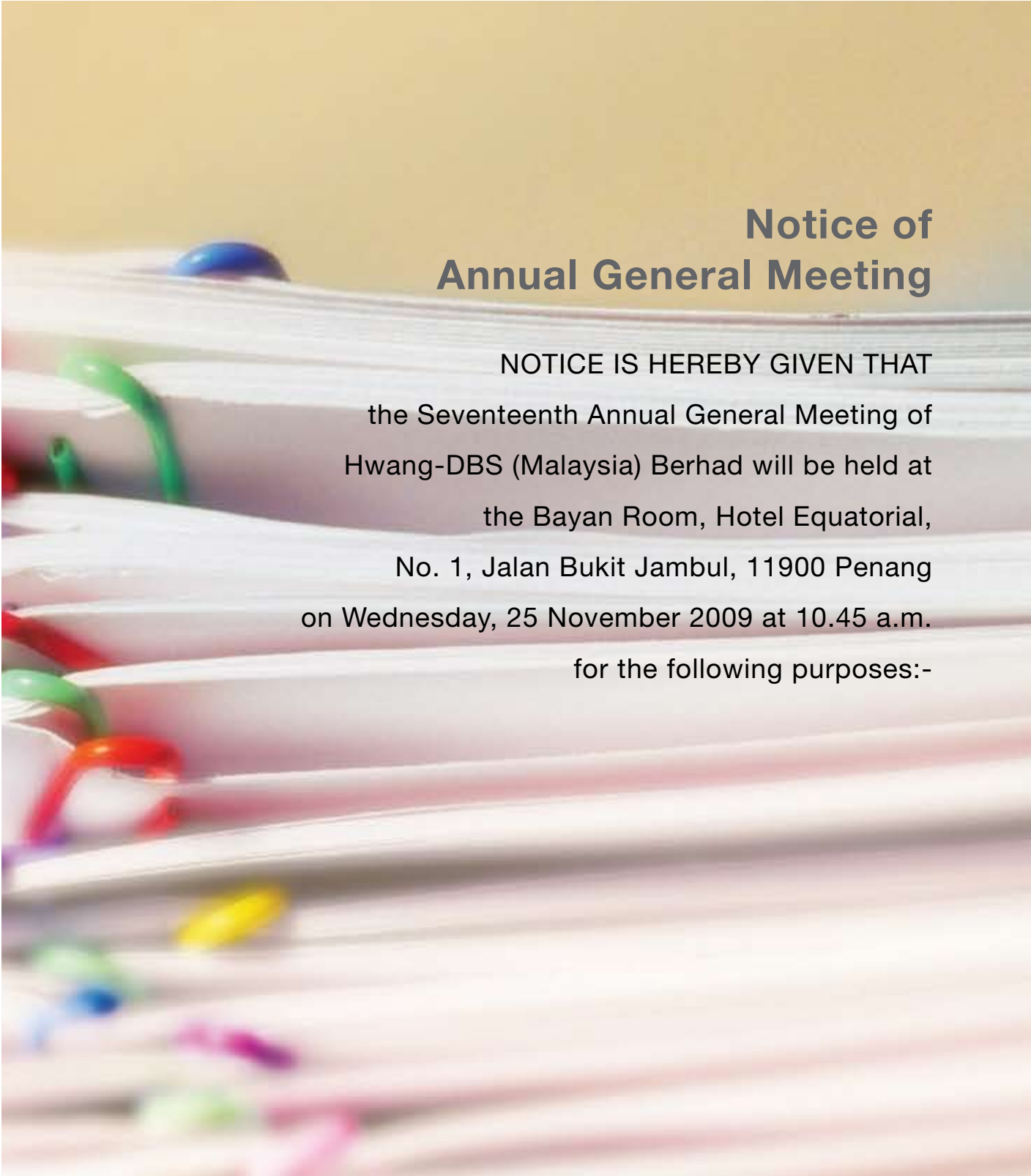
Reports and Financial Statements	43
Directors' Report	44
Independent Auditors' Report	49
Balance Sheets	51
Income Statements	52
Statements of Changes in Equity	53
Cash Flow Statements	57
Notes to the Financial Statements	60
Statement by Directors	140
Statutory Declaration	141





Poised For Expansion

Our momentum of growth continues as Hwang-DBS looks to new horizons and cross borders with the launch of a new commercial bank in Cambodia on 23 July, 2009.



Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT
the Seventeenth 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, 25 November 2009 at 10.45 a.m.
for the following purposes:-

AGENDA

As Ordinary Business

- | | | |
|----|---|----------------------|
| 1. | To receive and adopt the audited Financial Statements for the year ended 31 July 2009 and the Reports of the Directors and Auditors thereon. | Resolution 1 |
| 2. | To approve the payment of a first and final dividend of 5 sen per ordinary share less 25% income tax in respect of the year ended 31 July 2009. | 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) Kankipati Rajan Raju | Resolution 6 |
| 4. | To re-elect Mohamed Tarmizi Tun Dr. Ismail as Director retiring under Article 83 of the Articles of Association of the Company and who, being eligible, offers himself for re-election. | Resolution 7 |
| 5. | To re-appoint the following Directors pursuant to Section 129(6) of the Companies Act, 1965 to hold office until the next Annual General Meeting of the Company:- | |
| | (a) Dato' Seri Hwang Sing Lue | Resolution 8 |
| | (b) Ong Eng Kooi | Resolution 9 |
| 6. | To approve the payment of Directors' fees of RM312,239 in respect of the year ended 31 July 2009. | Resolution 10 |
| 7. | To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration. | Resolution 11 |

As Special Business

To consider and, if thought fit, to pass the following Ordinary Resolution:-

- | | | |
|----|---|----------------------|
| 8. | Proposed Renewal Of Authority For The Company To Purchase Its Own Shares | Resolution 12 |
| | <p>"THAT subject to the provisions of the Companies Act, 1965, the Memorandum and Articles of Association of the Company and all applicable laws, regulations and guidelines and the approvals of all relevant governmental and/or regulatory authorities, the Company be and is hereby authorised to purchase such number of ordinary shares of RM1.00 each in the Company ("Proposed Renewal Of Purchase Of Own Shares") as may be determined by the Board of Directors of the Company ("Board") from time to time through Bursa Malaysia Securities Berhad ("Bursa Securities") upon such terms and conditions as the Board deems fit and expedient provided that the aggregate number of shares purchased pursuant to this resolution shall not exceed ten per centum (10%) of the Company's issued and paid-up share capital as quoted on Bursa Securities as at the point of purchase and that a total amount not exceeding the latest audited retained profits and share premium reserves of the Company of RM186.60 million and RM33.09 million respectively as at 31 July 2009 be allocated by the Company for the Proposed Renewal Of Purchase Of Own Shares;</p> | |

Notice of Annual General Meeting (cont'd)

AND THAT at the discretion of the Board, the shares so purchased may be cancelled, retained as treasury shares or a combination of both and shares retained as treasury shares may be distributed to shareholders as dividends and/or resold on Bursa Securities;

AND THAT authority be given to the Board to take all such steps as are necessary to implement, finalise and give full effect to the aforesaid purchase and to do all such acts and things thereafter in respect of the purchased shares with full powers to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed by the relevant authorities;

AND THAT such authority shall commence immediately upon the passing of this ordinary resolution until the conclusion of the next Annual General Meeting of the Company or the expiration of the period within which the next Annual General Meeting after that date is required by law to be held, or until revoked or varied by ordinary resolution of shareholders of the Company in general meeting, whichever is earlier, but not so as to prejudice the completion of purchase(s) of own shares by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the guidelines issued by Bursa Securities and any other relevant authorities.”

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

Resolution 13

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN that a first and final dividend of 5 sen per ordinary share less 25% income tax in respect of the financial year ended 31 July 2009, if approved, will be paid on 21 December 2009 to depositors registered in the Record of Depositors at the close of business on 4 December 2009.

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 4 December 2009 in respect of ordinary transfers; and
- b. shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

CHEN MUN PENG
TAN LEE PENG
Company Secretaries

Penang
2 November 2009

Notes:-

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

2. Explanatory Notes on Special Business:-

Resolution 12 - Proposed Renewal Of Authority For The Company To Purchase Its Own Shares

This ordinary resolution, if passed, will empower the Company to purchase up to an aggregate of 10% of the issued and paid-up share capital of the Company at the point of purchase. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

For further information, please refer to the Statement to Shareholders dated 2 November 2009.

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 Seventeenth 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)

Kankipati Rajan Raju

Ng Wai Hung, Andrew

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

Kankipati Rajan Raju
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



Poised For Connections

Our constant drive to attract more local as well as foreign clients through strong branding will put us on the map as a growing force in our field.



Chairman's Statement

MARKET OVERVIEW

The financial year under review captured a period of extreme sentiment shifts. The benchmark Kuala Lumpur Composite Index (“KLCI”) fell 28% to a low of 838 points in March 2009 from the start of the financial year, as a global recession took its course. Business and consumer sentiments plunged. Bombarded with a slew of bad economic data, global equities headed south. Commodities were not spared either as crude oil price plummeted to a decade-low of USD31 per barrel while crude palm oil fell to a 2-year low of RM1,390 per metric tonne.

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 2009.

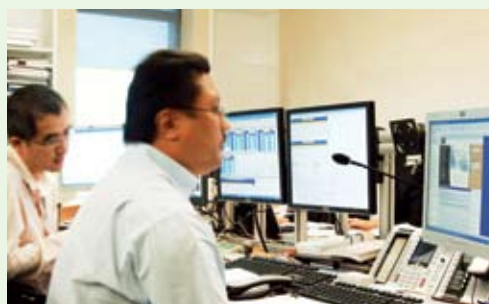
On the back of this gloomy environment, the Government unveiled two hefty stimulus packages worth RM67 billion. They included positive measures to stimulate domestic demand (acceleration of Ninth Malaysia Plan projects) and cushion effects of economic slowdown (reducing unemployment). Bank Negara Malaysia ("BNM") slashed the Overnight Policy Rate ("OPR") three times to 2%. To inject more liquidity into the banking system, BNM also cut the statutory reserve requirement ("SRR") for banking institutions. The benchmark KLCI, which was rebranded to constitute only 30 members, bottomed in March.

As investors began their bargain hunting in April, liquidity soon came back in full swing to lift the equity market higher. We also saw a smooth transition in leadership. Datuk Seri Najib Tun Razak was sworn in as Malaysia's sixth Prime Minister on 3 April. Within the new PM's first 100 days, there were a

series of major changes - a cabinet reshuffle, liberalization of 27 services sub-sectors and the financial sector, the announcement of the unified board and deregulation of the Foreign Investment Committee ("FIC") guidelines. From the low in March, the benchmark index surged 337 points (40%) to 1,175 points in July. At the close of the period under review, the KLCI has regained all its losses and was near where it started at 1,175 points.

INVESTMENT BANKING

The year under review was a challenging year for the principal subsidiary of the Group, HwangDBS Investment Bank Berhad ("HDBSIB") following the unprecedented global financial crisis. The collapse of some of the largest names in the international financial markets sent shockwaves throughout the world. The stockmarket was not spared and market sentiments were



Chairman's Statement (cont'd)

HDBSIB adopted a cautious and prudent approach in its activities in FY2009 amidst the financial meltdown whilst continuing to enhance its products and distribution capabilities, strengthening system infrastructures and risk management practices and tapping into opportunities.

bearish for the first eight months of the financial year under review. Debt capital markets came to an almost standstill as potential issuers reassess their funding requirement. Traditional fixed income investors also withdrew from the market as a result of the volatile interest rate environment.

HDBSIB adopted a cautious and prudent approach in its activities in FY2009 amidst the financial meltdown whilst continuing to enhance its products and distribution capabilities, strengthening system infrastructures and risk management practices and tapping into opportunities.

The stockmarket rebounded in the last 4 months of the financial year under review as investors' sentiments and risks appetite improved against a backdrop of improvements in economic indicators as well as measures taken by the local Government to support the domestic economy. The improved market sentiments lifted the stockbroking division's performance in the last quarter of the financial year.

In line with the depressed global market sentiments during the first 8 months of FY2009, HDBSIB recorded profit before tax of RM22.08 million compared to RM40.35 million achieved in the previous financial year. Year-on-year, Bursa Malaysia Securities Berhad ("Bursa Securities") value traded lost 38% to RM263.36 billion in FY2009 compared to RM422.93 billion in FY2008.

UNIT TRUST AND FUND MANAGEMENT

I am pleased to report that notwithstanding the global financial crisis, HwangDBS Investment Management Berhad ("HDBSIM") posted results that underlined its resilience in economic downturns. This is due to its outstanding product expertise, understanding of clients' needs and strength of the management team.



From left to right

H.E. Chea Chanto, the Governor of the National Bank of Cambodia presenting the Banking Licence to Dato Seri' Hwang Sing Lue at the launch of HwangDBS Commercial Bank.

Office of HwangDBS Commercial Bank in Phnom Penh, Cambodia.

HDBSIM's assets under management stood at RM6.9 billion as at 31 July 2009, giving a healthy growth of 17% compared to the previous year. Pre-tax profit however declined to RM8.12 million from the previous year of RM13.43 million. The decline is mainly due to lower fee income.

During the financial year under review, HDBSIM continued to bring new funds to complement the existing line-up of funds, bringing it to a total of 38 funds. This represents an increase of 11 funds over the course of 12 months. The retail unit trust sector continued to remain the primary source of income for HDBSIM with one of its most successful funds for the year being the global fixed income fund; the Fixed Maturity Income Fund I launched in June 2009, which brought in RM150 million. HDBSIM had also launched 3 series of the Structured Income Fund, which collectively raised RM210 million.

DERIVATIVES

Another subsidiary HDM Futures Sdn Bhd ("HDMF") also performed satisfactorily during the financial year under review. Its profit before tax marginally increased 2% from RM2.22 million in FY2008 to RM2.26 million in FY2009. The increase in pre-tax profit was mainly attributable to increase in revenue for CPO futures ("FCPO") contracts. This increase was offset by decrease in revenue from KLCI futures ("FKLI") contracts which resulted in a flattish performance compared to last year.

FINANCING ACTIVITIES

HDM Capital Sdn Bhd ("HDMC") performed well during the financial year, with profit before tax increasing from RM3.41 million in FY2008 to RM30.13 million in FY2009. The main contributor was from the consumer lending activity. HDMC will remain focused on improving its lending activity through prudent lending policies and continue to seek new funding sources to reduce its financing costs.

OTHER DEVELOPMENT

In order to diversify the Group's income base, the Group has been pursuing foreign investment opportunities and I am pleased to report that we have secured a commercial banking licence from the Central Bank of Cambodia. Our wholly-owned subsidiary HwangDBS Commercial Bank Plc ("HDBSCB") successfully commenced operations on 23 July 2009, in Phnom Penh after months of intensive preparation.

HDBSCB represents the first commercial venture outside of Malaysia for the Group. HDBSCB aims to be a "conservative, safe and secure bank" that places high importance on stringent risk management processes and has in this regard put in place, policies and procedures and have invested substantially in technology and infrastructure security for clients' added peace of mind.

Since its launch in July this year, HDBSCB has attracted deposits from over 200 depositors and has also received numerous loan applications. Going forward, HDBSCB will continue to tap on its strong branding to attract more clients, both depositors and loans with focus on providing financing for SMEs and also housing loans. Last but not least, our emphasis on human capital development will help us achieve our vision of being a leading, one-stop integrated bank in Cambodia.



Chairman's Statement (cont'd)

During the financial year under review, HDBSIM continued to bring new funds to complement the existing line-up of funds, bringing it to a total of 38 funds. This represents an increase of 11 funds over the course of 12 months.

FINANCIAL PERFORMANCE

In view of the financial markets volatility and unfavorable capital market conditions during the financial year under review, the operating revenue of the Group for FY2009 decreased by 15% to RM295.80 million against RM348.59 million recorded in the previous financial year. HDBSIB continues to be the key revenue contributor to the Group, accounting for 69% (2008: 75%) of the Group's revenue.

The pretax profit of the Group for FY2009 is 18% lower at RM45.52 million compared to RM55.56 million achieved in the preceding financial year. The lower profitability is mainly attributed to lower brokerage generated by the stockbroking division in line with lower Bursa Securities value traded during the financial year under review. The Group's pre-tax profit is further diluted by lower unit trust management and initial service fees, net losses on derivatives trading and net unrealised losses arising from marked-to-market valuation of derivatives. These were, however, cushioned by higher net interest income from treasury and consumer financing activities, unrealised gain on marked-to-market valuation of private debt securities and lower other operating expenses.

The Group recorded a lower profit after tax of RM34.36 million (2008: RM40.84 million) and lower earnings per share of 12.26 sen per share (2008: 14.23 sen per share) in line with reduction in profitability in the financial year under review. The Group's balance sheet remains healthy with shareholders' funds increasing to RM770.76 million (2008: RM746.33 million) as at 31 July 2009.

DIVIDEND

The Board is pleased to recommend a first and final dividend of 5 sen less tax at 25% for approval by the shareholders at the forthcoming Annual General Meeting of the Company (2008 : 10 sen).



Teng Chee Wai (Chief Executive Officer and Executive Director of HwangDBS Investment Management) and Esther Thye (Chief Sales Officer of HwangDBS Investment Management) during the launch of the HwangDBS US Access 80 Fund.

PROSPECTS AND OUTLOOK

Although there are increasing signs of gradual global economic recovery, the Group remains vigilant and cautious in its business strategies for the current financial year. The global economies are expected to take time to recover with mixed economic indicators and recessions across the globe.

The local economy is expected to remain resilient boosted by the various measures undertaken by the Government. Notwithstanding this, the operating environment is anticipated to remain challenging with increased competition in the capital and equity markets.

Fixed income and debt capital markets are showing signs of gradual improvements and the investment banking subsidiary will continue to focus on developing and strengthening its distribution capabilities and invest in human capital to ensure that the Group is well positioned to exploit opportunities in the financial markets.

Going forward, the Group is confident of remaining as one of the leading brokerages in terms of market share. Stockbroking income is however expected to fluctuate in tandem with the market sentiments and volume traded on Bursa Securities. The Group will also continue to grow its consumer financing business and fund and asset management activities as well as its overseas commercial banking operations which are expected to contribute to the Group's profitability in the long term.

The Board of Directors remains confident that the Group is fundamentally strong to meet the challenges ahead and expects the performance for the current financial year to be satisfactory.

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

Executive Chairman



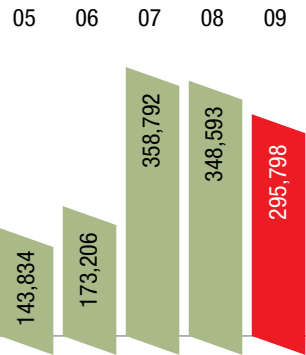
Right

Customary Cambodian blessing dance at the launch of HwangDBS Commercial Bank.

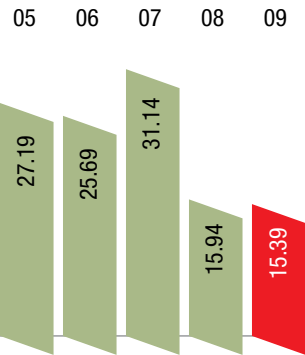
Group 5-Year Financial Highlights

Financial Year Ended 31 July

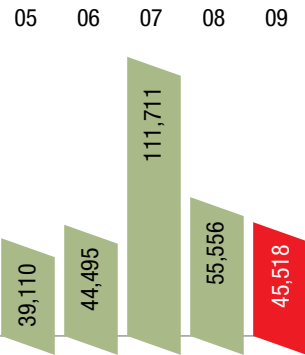
Operating Revenue
(RM'000)



Profit Before Tax Margin
(%)



Profit Before Tax
(RM'000)



RESULTS

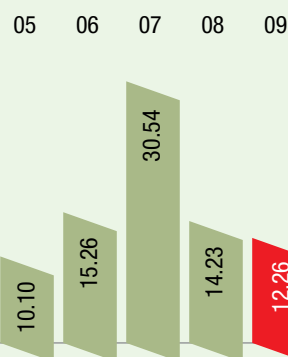
	Operating Revenue (RM'000)	Profit Before Tax (RM'000)	Profit After Tax (RM'000)
'05	143,834	39,110	27,499
'06	173,206	44,495	41,059
'07	358,792	111,711	80,813
'08	348,593	55,556	40,838
'09	295,798	45,518	34,364

CAPITAL EMPLOYED

	Paid-up Capital (RM'000)	Shareholders' Funds (RM'000)	Assets Employed (RM'000)
	264,034	650,581	1,204,737
	264,165	667,490	1,197,465
	265,559	737,976	2,036,892
	265,845	746,330	3,729,755
	265,845	770,762	3,188,514

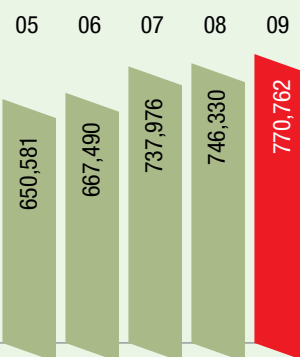
Earnings Per Share

(Sen)



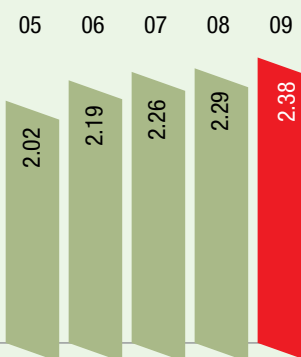
Shareholders' Funds

(RM'000)



Net Tangible Assets Per Share

(RM)



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 (%)
10.10	2.02	7.5	27.19	4.23
15.26	2.19	7.5	25.69	6.15
30.54	2.26	10.0	31.14	10.95
14.23	2.29	10.0	15.94	5.47
12.26	2.38	5.0	15.39	4.46



Poised For Further Accomplishment

Strength lies not only in a strong foundation but also in human capital.
At Hwang-DBS, we encourage our people to maximise their potential.

Profile of Directors



DATO' SERI HWANG SING LUE

DATO' SERI HWANG SING LUE, aged 80, a Malaysian, was appointed to the Board of the Company on 28 April 1992. He is the Non-Independent Executive Chairman of the Company. He is also a member of the Executive Committee and Remuneration Committee of the Company.

He also serves as a Non-Independent Non-Executive Director of HwangDBS Investment Bank Berhad and Executive Chairman of HwangDBS Commercial Bank Plc, a wholly owned subsidiary of the Company which is incorporated in Cambodia.

Dato' Seri Hwang has over 36 years of experience in the securities industry and is a Committee Member of the Association of Stockbroking Companies Malaysia.

Dato' Seri Hwang is also actively involved in the rubber industry, holding the positions of a member of the Management Committee of the Malaysian Rubber Board ("MRB"), an Arbitrator of the Panel of Malaysian Rubber Exchange of Arbitrators, a member of the Disciplinary Appeal Committee and Certification Panel of MRB and 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 deemed major shareholder of the Company as well as a director of the Company. Dato' Seri Hwang is also the father of Mr. Hwang Lip Koon, another deemed major shareholder of the Company. He has no conflict of interest with the Company and has not been convicted of any offences in the past 10 years.

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

Profile of Directors (cont'd)

From left to right

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

ANG TEIK SIEW (ANG TEIK LIM ERIC)

HWANG LIP TEIK

Y.A.M. TENGKU SYED BADARUDIN JAMALULLAIL



Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Almarhum Tuanku Ja'afar, aged 50, 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, HwangDBS Investment Management Berhad and Universal Trustee (Malaysia) 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), aged 56, a national of Singapore, was appointed to the Board of the Company on 2 April 2001 as a Non-Independent Non-Executive Director. He is nominated to the Board by DBS Vickers Securities (Malaysia) Pte Ltd and DBS Bank Ltd, a major shareholder and deemed major shareholder respectively of the Company. He serves as a member of the Executive Committee, Nomination Committee and Remuneration Committee of the Company. He also sits on the Board of HwangDBS Investment Bank Berhad and HwangDBS Commercial Bank Plc.

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

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

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



Hwang Lip Teik, aged 52, 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 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 appointed as an executive director in January 1996. He currently serves as the Managing Director/Chief Executive Officer of HwangDBS Investment Bank and is responsible for the overall operations and strategic activities of the Bank. He is also a director of HwangDBS Investment Management Berhad and 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 deemed major shareholders of the Company). He has no conflict of interest with the Company and has not been convicted of any offences in the past 10 years.

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

Y.A.M. Tengku Syed Badarudin Jamalullail, aged 64, 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 a director of HwangDBS Investment Management Berhad.

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

Profile of Directors (cont'd)

From left to right

ONG ENG KOOI

KANKIPATI RAJAN RAJU

NG WAI HUNG, ANDREW

MOHAMED TARMIZI TUN DR. ISMAIL



Ong Eng Kooi, aged 74, 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 and HwangDBS Investment Management Berhad.

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.

Kankipati Rajan Raju, aged 44, a national of India, was appointed to the Board of the Company on 20 July 2006 as a Non-Independent Non-Executive Director. He is nominated to the Board by DBS Vickers Securities (Malaysia) Pte Ltd and DBS Bank Ltd, a major shareholder and deemed major shareholder respectively of the Company. He serves as a member of the Audit Committee of the Company. He also sits on the Board of HwangDBS Investment Bank Berhad and HwangDBS Commercial Bank Plc.

Mr. Raju graduated with a Bachelor Degree in Economics from Bombay University in 1986 and did his post graduate studies in Business Administration at The Indian Institute of Management, Ahmedabad. He joined DBS Bank as Managing Director & Chief Administration Officer in the Treasury & Markets Business in September 1999 and moved on to become the Head of Processing and Servicing in September 2000. He was appointed the Head of South and Southeast Asia in August 2003 and took on additional responsibilities as Head of Global Transaction Services in September 2004 and Head of Technology and Operations in May 2006. Mr. Raju is now the Group Executive, Consumer Banking Group of DBS Bank. Prior to joining DBS Bank, Mr. Raju was with Citibank.

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



Ng Wai Hung, Andrew, aged 47, a national of Singapore, was appointed to the Board of the Company on 16 July 2008 as a Non-Independent Non-Executive Director. He is nominated to the Board by DBS Vickers Securities (Malaysia) Pte Ltd and DBS Bank Ltd, a major shareholder and deemed major shareholder respectively of the Company. 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 as Executive Director and Head of Asian swap desk before joining DBS Bank in January 2000. Mr. Ng is currently the Managing Director & Head of Treasury & Markets of DBS Bank.

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

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

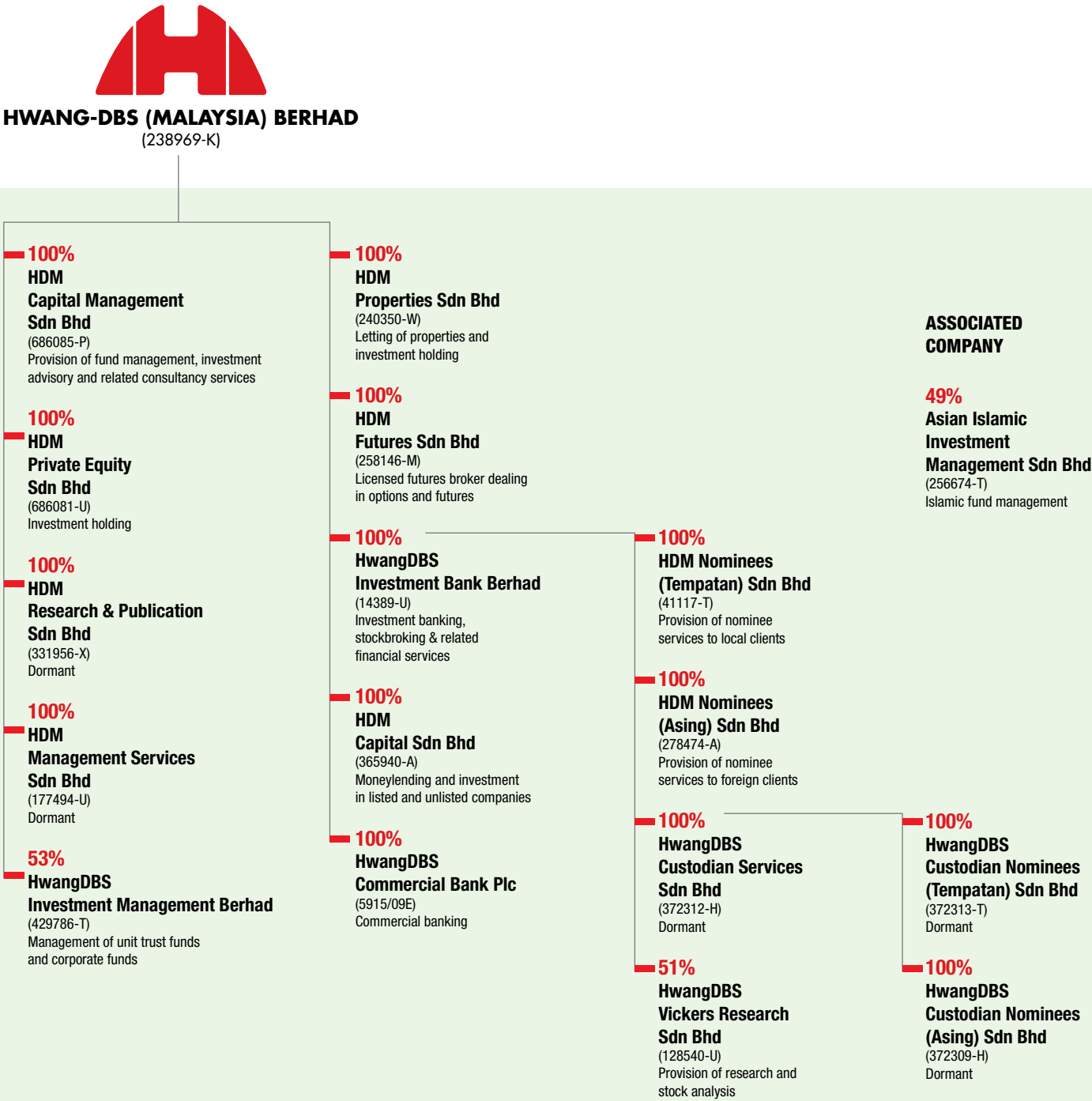
Mohamed Tarmizi Tun Dr. Ismail, aged 49, a Malaysian, is an Independent Non-Executive Director of the Company. He was appointed to the Board on 13 January 2009. He is a member of the Nomination Committee of the Company. He also sits on the Board of HwangDBS Investment Bank Berhad.

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 of 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 4 Board Meetings of the Company held during the financial year since his appointment to the Board.

Group Corporate Structure



Corporate Governance Statement

The Board of Directors (“the Board”) is committed to the principles of corporate governance as embodied in the Malaysian Code on Corporate Governance (“the Code”). Towards this end, the Board takes every step to ensure that the principles of corporate governance and best practices are observed and practised 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 31 July 2009, the Board comprises an Executive Chairman and 8 Non-Executive Directors, 3 of whom are independent. The profiles of the Directors are set out in pages 17 to 21 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 functions of Executive and Non-Executive Directors are separate and distinct. The Executive Chairman is responsible for making and implementing operational decisions. The Non-Executive Directors support the skills and experience of the Executive Chairman and contribute to the formulation of strategies and policies based on their knowledge and experience. The large number of Non-Executive Directors on the Board who bring strong independent judgement and objective participation in the proceedings and decision-making process of the Board provides an effective check and balance on the powers of the Executive Chairman.

(b) Board Responsibilities

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

- overseeing the conduct of the Group’s businesses;
- reviewing and adopting strategic business plans for key subsidiaries of the Group;
- identifying principal risks and ensure the implementation of appropriate systems to manage these risks;
- succession planning, including appointing, training and fixing the compensation of directors and key senior management; 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.

Corporate Governance Statement (cont'd)

(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.

During the financial year ended 31 July 2009, all directors have attended at least one training course. Two half-day training courses entitled "Interest Rate Risk Management" and "Understanding Structured Products" were organised for Directors and were attended by all Directors except one. The training were held on 24 February 2009 and 25 June 2009 respectively. Other training programmes/seminars attended by some Directors during the financial year were:-

- Bank Negara Malaysia's Financial Institutions Directors' Education Programme
- Unravelling The Genius Of The World's Greatest Investor: Warren Buffet
- Corporate Strategic Analytics I: Essentials Of Corporate Proposal Analysis
- Malaysian Bond Market: Weathering The Storm
- Central Banking In The 21st Century: Implications of Economic And Financial Globalisation
- Corporate Governance And Ethics: Strengthening Professionalism Through Ethics
- Anti-Money Laundering Training

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 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 2009. 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 Notices 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 compensation of the Executive Chairman is dependent on the performance of the Group and that of the Executive Chairman. In addition, 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 2009 are as follows:-

All figures in RM	Executive Director	Non-Executive Directors [#]
Salary	1,430,400	1,056,000
Fee & Meeting Allowance	72,000	747,345
Other Emoluments *	1,802,500	1,371,413
Total	3,304,900	3,174,758

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

	Executive Director	Non-Executive Directors [@]
RM1 - RM50,000	-	2 [@]
RM50,001 - RM100,000	-	3
RM100,001 - RM150,000	-	1
RM150,001 - RM200,000	-	1
RM200,001 - RM250,000	-	1
RM2,300,001 - RM2,350,000	-	1
RM3,300,001 - RM3,350,000	1	-
Total	1	9

Notes:-

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

* Other emoluments comprise bonuses, commission, EPF and SOCSO contributions.

@ This include a director who passed away during the financial year on 15 September 2008.

® A Director was appointed to the Board on 13 January 2009 and another passed away on 15 September 2008.

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	Executive Chairman
(b) Audit Committee	Independent Non-Executive Director
(c) Nomination Committee	Independent Non-Executive Director
(d) Remuneration Committee	Independent Non-Executive Director
(e) Option Committee	Independent Non-Executive Director

(a) Executive Committee

The Executive Committee is made up of the Executive Chairman and 2 Non-Independent Non-Executive Directors.

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 32 to 35 of this Annual Report.

(c) Nomination Committee

As at 31 July 2009, the Nomination Committee is made up of 3 Independent Non-Executive Directors and 2 Non-Independent Non-Executive Directors. It meets as and when required but the full Committee shall meet at least once a year.

The objective of the Committee is to provide a formal and transparent procedure for the appointment of Directors, Board committees members, the Chief Executive Officer(s) and key senior management officers of the Group as well as assessing the effectiveness of such individual Directors, the Board as a whole, 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 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;
- recommend to the respective Boards the removal of a Director, Chief Executive Officer or key senior management officers if they are ineffective, errant and negligent in discharging their respective responsibilities;
- establish a mechanism for the formal annual assessment, on 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 and other key senior management officers;

- ensure that all Directors receive appropriate continuous training;
- oversee the appointment, management succession planning and performance evaluation of key senior management officers; and
- ensure that the Directors, Chief Executive Officer and key senior management officers of an investment banking subsidiary are not disqualified under section 56 of the Banking and Financial Institutions Act 1989.

The Nomination Committee conducted a review of the required mix of skills and experience of the respective Boards of the Group and was satisfied with the mix of skills and experience of the Directors. The assessments and evaluations carried out by the Nomination Committee were properly documented. The Code recommends that such assessment be conducted annually. The assessment for the financial year 2008 was conducted in June 2008 whereas the assessment for the financial year 2009 was conducted in August this year after the end of the financial year 2009. The Board is of the view that although the assessment was not carried out during the financial year 2009, the subsequent assessment in August 2009 meets the objective of the Code.

(d) Remuneration Committee

The Remuneration Committee which members comprises 2 Independent Non-Executive Directors, a Non-Independent Non-Executive Director and the Executive Chairman as at 31 July 2009, 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 Company and its principal subsidiaries 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 Company and its principal subsidiaries for the Board's approval which covers fees, salaries, allowances, bonuses, options and benefits-in-kind;
- recommend specific remuneration package for Executive Director(s) and Chief Executive Officer(s) of the Company and its principal subsidiaries; and
- recommend specific remuneration package for Non-Executive Directors.

The Executive Chairman of the Company who sits on the Committee abstains from deliberations in respect of his own remuneration and remuneration of those personnel related to him.

(e) Option Committee

The Option Committee was formed primarily to administer the executive share option scheme in accordance with the scheme's objectives, bye-laws and guidelines affecting the scheme. The Committee determines the participation eligibility, option offers and allocations and attends to such other matters as may be required affecting the scheme.

The Option Committee has since ceased to function with the expiry of the executive share option scheme on 9 February 2009.

Corporate Governance Statement (cont'd)

3. ACCOUNTABILITY AND AUDIT

(a) Financial Reporting

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

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

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

(b) Internal Control

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

The Internal Control Statement, which provides an overview of the state of internal control within the Group, is set out in pages 30 to 31 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 the Executive Director and Management twice a year.

The duties of the Audit Committee is outlined in the Audit Committee's Report at pages 32 to 35 of this Annual Report.

4. RELATIONS WITH SHAREHOLDERS

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

The Company reaches out to its shareholders through:-

- (a) the distribution of its annual report
- (b) quarterly financial results announcements
- (c) various disclosures and announcements made to Bursa Securities
- (d) the Company's website at www.hdbs.com.my which shareholders can access for information.

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

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

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

The following statement, which should be read in conjunction with the Report of the Auditors set out in pages 49 to 50 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 51 to 139, 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.

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

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

RISK MANAGEMENT FRAMEWORK

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

The Group has in place an ongoing process for identifying, evaluating, managing and reporting on the 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 ("HDBSIB") and HwangDBS Investment Management Berhad. These committees meet regularly to oversee the development of general risk policies and procedures, monitor and evaluate the numerous risks that may arise from their respective companies' business activities.

Risk Management Departments are established at these subsidiaries to assist their respective Board Risk Management Committees in discharging their duties.

Other committees set up at Management level of HDBSIB 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 Board for application across the Group. 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.

- **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 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 resources are maintained through established recruitment process, performance appraisal system and training. Additional training and development programmes are conducted on an ad-hoc basis when the need arises.

Also, the ethical behaviour as set out in the key subsidiary companies' Code of Conduct are constantly communicated to employees, which requires all personnel to strictly adhere to the Code in the performance of their duties.

- **Audit**

Ongoing reviews of the internal control system are carried out by the internal auditors of HDBSIB where the results of such reviews are reported to the Audit Committee. The work of the internal auditors is focused on areas of priority according to their annual risk assessment and in accordance with the annual strategic audit plans approved by the Audit Committee. The Head of Internal Audit functions report 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 further 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 2009 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 25 August 2009.

Audit Committee Report

ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year ended 31 July 2009, 7 meetings were held by the Audit Committee ("Committee") of the Company. The Committee comprises the following members and details of attendance of each member at the Committee's meetings held during the year are as follows:-

Composition Of The Committee	No. Of Meetings Attended Whilst In Office
1. Ong Eng Kooi (Chairman/Independent Non-Executive Director)	7 out of 7 meetings
2. Y.A.M. Tengku Syed Badarudin Jamalullail (Member/Independent Non-Executive Director)	7 out of 7 meetings
3. Kankipati Rajan Raju (Member/Non-Independent Non-Executive Director)	5 out of 7 meetings
4. Tan Sri Dato' Ahmad Sabki Jahidin (passed away on 15 September 2008)	0 out of 1 meeting

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

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

- The audited financial statements for financial year ended 31 July 2008 and unaudited quarterly financial results announcements of the Group and making recommendations to the Board for consideration and approval.
- The external auditor's scope of work and the audit plan, their audit fees, the results of their examination in external audit reports and management letters, as well as new developments on accounting standards and regulatory requirements.
- The adequacy of the internal audit plans for the financial year 2009, 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 ending 31 July 2010.
- 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 the senior management.
- Disclosure requirements in the annual report of the Company in compliance with the provisions of the Listing Requirements of Bursa Malaysia Securities Berhad in relation to the Statement on Corporate Governance, Audit Committee Report, Statement of Internal Control and financial results.

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

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

INTERNAL AUDIT FUNCTIONS

The Group uses the services of the Internal Auditors of its wholly-owned subsidiary, HwangDBS Investment Bank Berhad 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 is 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 HwangDBS Investment Bank Berhad. Audit findings and areas of concern that need improvements were highlighted in the internal audit reports and reviewed by the Committee. During Board meetings, the Chairman of the Committee briefed the Board on audit matters and the minutes of the Committee 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 amounted to RM1.04 million.

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1. CONSTITUTION

The Audit Committee was established on 1 March 1996.

2. MEMBERSHIP

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

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

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

Audit Committee Report (cont'd)

3. ATTENDANCE AT MEETINGS

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

4. FREQUENCY OF MEETINGS

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

5. AUTHORITY

The Committee is authorized by the Board:-

- (a) to investigate any activity within its terms of reference.
- (b) to have full and unrestricted access to any information it requires from any employees and all employees are directed to co-operate with any request made by the Committee.
- (c) to have access to resources required to perform its duties.
- (d) to have direct communication channels with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees whenever deemed necessary.
- (e) to direct the Internal Audit Department in its activities and resources.
- (f) to obtain external legal or other independent professional advice, if it considers necessary. In the event that any member of the Committee shall need to seek external legal or other independent professional advice in furtherance of his duties, he shall first consult with and obtain prior approval of the Chairman of the Committee.

6. DUTIES

The duties of the Committee are:-

- (a) to recommend the appointment of the external auditors, their audit fee and any questions of their resignation or dismissal to the Board.
- (b) to review with the external auditors:-
 - the audit plan;
 - their evaluation of the system of internal controls; and
 - their audit reports.
- (c) to review the financial statements of the Company and the Group before submission to the Board, focusing particularly on:-
 - public announcements of results and dividend payment;
 - any changes in accounting policies and practices;
 - major judgmental areas;
 - significant adjustments resulting from the audit;

- the going-concern assumption;
 - compliance with applicable approved accounting standards; and
 - compliance with regulatory and statutory requirements.
- (d) to discuss problems and reservations arising from the interim and final audits and any matters the external auditors may wish to discuss (in the absence of management where necessary).
- (e) to do the following:-
- to review and approve the internal audit strategic plan, consider major findings and management's response to findings in the Internal Audit reports and where necessary, the Committee will direct actions to be taken by management, as well as to review the level of co-ordination between the internal and external auditors;
 - to review the adequacy of the scope, functions, competency and resources of the internal audit function and to ensure that it has the necessary authority to carry out its work;
 - to review the appraisal or assessment of the performance of the staff of the internal audit function;
 - to approve any appointment or termination of senior staff of the internal audit function; and
 - to be informed of resignation of any internal audit staff members.
- (f) to keep under review the effectiveness and proper monitoring of internal control system.
- (g) to review inspection and examination reports issued by the relevant regulatory authorities to ensure that appropriate actions are taken in respect of the findings and where necessary, direct actions to be taken by management.
- (h) to review related party transactions that may arise within the Company or Group.
- (i) to consider reports prepared by Compliance Officers of key subsidiary companies relating to compliance with statutory and regulatory requirements and issue directives for necessary remedial actions to be taken, if any.
- (j) to consider reports prepared by the respective Risk Management Committees of key subsidiary companies relating to risk management issues and findings, including any proposed remedial actions.
- (k) to review and assess with the senior management and external auditors the Statement of Internal Control of the Group for inclusion in the annual report.
- (l) to submit to the Board an Audit Committee report for inclusion in the annual report.
- (m) to review the Statement on Corporate Governance and best practices for inclusion in the annual report.
- (n) to perform such other functions as may be agreed upon by the Committee and the Board.

7. REPORTING PROCEDURES

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

Additional Disclosure

MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

Except as disclosed in the financial statements, there are no material contracts (not being contracts entered into in the ordinary course of business) subsisting as at 31 July 2009 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 / OR PENALTIES

The Company is not aware of any sanctions/penalties imposed on the Company, its subsidiaries, directors or management by relevant regulatory bodies that have been made public during the financial year.

RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

None of the aggregate value of the Recurrent Related Party Transactions where a mandate was sought from the shareholders during the last Annual General Meeting of the Company held on 27 November 2008 is equal or more than the threshold prescribed in Rule 10.09(1)(a) of the Main Market Listing Requirements during the financial year.

Corporate Responsibility Statement

The Group is committed to fulfill its corporate responsibility and ensures that Corporate Responsibility initiatives are put in place to inculcate ethical values and respect by our employees for the environment and community.

Our commitment to the 3-year 'Going Green' campaign implemented last year to inculcate an environmental conscious corporate culture amongst the employees of the Group began with raising awareness of the importance of reducing carbon footprint in the environment. The campaign had been structured into 3 phases.

Phase 1 kicked off with a series of talks presented by several environmental specialists, amongst which are specialists from the Malaysian Nature Society, Forestry Department and Department of Environment, in which they presented current state of destruction and deterioration of the environment and shared environmental conservation tips. Over the 10 'lunch-and-learn' sessions held during the financial year, more than 350 employees participated. The immediate results of such talks were seen in the many good ideas that were shared by the employees for reducing, reusing and recycling in the office, home and environment. These ideas were shared on a quarterly basis in the Group's newsletter, The LOOP.

To commemorate Phase 1, a 'Style Your Water Bottle' contest was launched and opened to all employees. The contest allowed employees to express their thoughts on conservations. The responses received from the employees were encouraging. Employees were involved in all stages of the contest, starting from participation to voting for the winning entries. As a gesture of appreciation to the employees, the winning designed was imprinted on re-usable water bottles and every employee of the Group was given a complimentary water bottle each.

The destruction of the global environment and increasingly high level of carbon footprint is a worldwide concern, therefore within the work place, employees are encouraged to contribute to preservation through their efforts to reduce the use of paper, recycle recyclable items and reduce wastage. Energy is conserved by ensuring that lights and air-conditioning are operating only when there is a need.

To encourage the conservation of the environment on a larger scale, the Group participated as a sponsor for the Raptor Watch and Light House Race held in Port Dickson. The event which was organized by the Malaysian Nature Society (MNS) aimed to create awareness and educate the public at large of MNS's efforts in the conservation of raptors and their natural habitats namely the mangrove swamps. Sponsorship of the event by the Group made it possible for talks to be held during the event by environmental specialists from the MNS which create further awareness amongst the community at large.

The Group also supports other good causes and in this respect, the Company participated in a School Sponsorship Programme where copies of The News Straits Times newspaper are delivered daily to a school to use as learning material not only to develop their written and oral English skills through reading but also to increase awareness of current events in and outside the country. In addition to the above, the Group continues to support other worthwhile causes through donations to hospitals, schools and other non-profitable organizations.

The Group also strives to attract and retain suitable employees and has in place effective career development policies. The Group provides employees with the opportunity for training and development as part of a motivation and retention plan and to upgrade employee's skills, knowledge, effectiveness and efficiency by sponsoring courses and seminars related to their job. The Group also provides financial assistance for employees to further their education and improve their knowledge and skills in areas which are relevant to their jobs. This gives employees opportunities for career advancement and self-improvement.

With the support of the Board and Management as well as commitment from all employees, the Group is able to give back in a sustainable way not only to the employees, but also to the environment and community.

Analysis of Shareholdings

As At 30 September 2009

Authorised Capital	: RM1,000,000,000.00
Issued and Fully Paid	: RM255,167,900.00 (excluding 10,677,100 treasury shares)
Class of Shares	: Ordinary Shares of RM1.00 each fully paid
No. of Shareholders	: 6,391
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	10	0.16	271	0.00
100 - 1,000	2,995	46.86	2,959,528	1.16
1,001 - 10,000	2,718	42.53	10,884,400	4.27
10,001 - 100,000	580	9.08	16,961,901	6.65
100,001 - less than 5% of issued shares	84	1.31	108,689,800	42.59
5% and above of issued shares	4	0.06	115,672,000	45.33
	6,391	100.00	255,167,900	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	22,672,000	8.89
3 HSBC Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Hwang Enterprises Sdn Bhd	20,000,000	7.84
4 RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Hwang Enterprises Sdn Bhd	13,000,000	5.10
5 Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Hwang Enterprises Sdn Bhd	12,000,000	4.70
6 HDM Nominees (Asing) Sdn Bhd AL Sueban Limited Company W.L.L	10,894,000	4.27
7 Mayban Nominees (Asing) Sdn Bhd DBS Bank For DBS Bank Ltd	10,600,000	4.15
8 Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Hwang Sing Lue	10,106,086	3.96
9 HDM Nominees (Tempatan) Sdn Bhd Kwek Kooi Hian	7,111,464	2.79
10 HDM Nominees (Asing) Sdn Bhd DBS Vickers Secs (S) Pte Ltd For Asiabelle Investment Pte Ltd	6,500,000	2.55

Thirty Largest Shareholders (cont'd)

Name of Shareholders		No. of Shares	% of Issued Share Capital
11	HDM Nominees (Tempatan) Sdn Bhd Tan Lee Sin	6,463,000	2.53
12	Chua Holdings Sdn Bhd	4,171,658	1.64
13	Permodalan Nasional Berhad	3,000,000	1.18
14	Wang Hui Tzu	2,983,543	1.17
15	HDM Nominees (Tempatan) Sdn Bhd Hock Kheng Industries Sdn Bhd	2,972,903	1.17
16	Citigroup Nominees (Asing) Sdn Bhd Exempt An For OCBC Securities Private Limited (Client A/C-NR)	2,762,200	1.08
17	HDM Nominees (Tempatan) Sdn Bhd Tan Koo Ching	2,000,000	0.78
18	Ong Guat Li	1,846,707	0.72
19	Southern Consortium Sdn Bhd	1,772,000	0.69
20	Citigroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lew Weng Ho	1,659,000	0.65
21	HDM Nominees (Tempatan) Sdn Bhd Ooi Ah Teik	1,561,000	0.61
22	Citigroup Nominees (Asing) Sdn Bhd CBNY For DFA Emerging Markets Fund	908,700	0.36
23	Dato' Seri Hwang Sing Lue	858,033	0.34
24	Tan Lee Sin	783,000	0.31
25	ECML Nominees (Tempatan) Sdn Bhd Avenue Invest Berhad For Kumpulan Wang Simpanan Pekerja (KWSP 2)	675,000	0.27
26	Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Almarhum Tuanku Ja'afar	660,000	0.26
27	Ong Chin Hong	655,015	0.26
28	Looi Siew Lean	586,000	0.23
29	Cheow Chew Khoon @ Teoh Chew Khoon	570,000	0.22
30	Kwek Kooi Hian	525,000	0.21
Total		210,296,309	82.44

Analysis of Shareholdings (cont'd)

As At 30 September 2009

Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 30 September 2009 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 (Incorporated), Singapore	(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 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)		-	-	-	-
Kankipati Rajan Raju		-	-	-	-
Ng Wai Hung, Andrew		-	-	-	-
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 and son Hwang Lip Koon

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

In Related Company – HwangDBS Investment Management Berhad

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

Particulars of Properties Held *by Hwang-DBS Group*

Location	Description of Property	Tenure	Approximate Area (Sq. Ft.)	Approximate Age (Years)	Net Book Value As At 31/07/2009 (RM)	Date of Acquisition
Levels 2, 3 & 4, Wisma Sri Pinang, 60 Green Hall, 10200 Penang	Office	Freehold	25,399	25	5,203,998	01/03/1993
Level 7, Wisma Sri Pinang, 60 Green Hall, 10200 Penang	Office	Freehold	9,483	25	2,305,778	10/03/1994
Level 8, Wisma Sri Pinang, 60 Green Hall, 10200 Penang	Office	Freehold	8,568	21	1,652,473	10/03/1994
A 7-storey building bearing address Wisma Sri Pinang II, 42 Green Hall, 10200 Penang	Office	Freehold	36,187	11	10,502,547	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	12	8,215,568	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	12	6,555,566	29/08/2000
Grant No. 33676, Lot No. 3041, Bandar Taiping, Daerah Larut dan Matang, Perak	Vacant Land	Freehold	40,214	—	839,200	07/09/2000
Grant Nos. 44963, 44964 and 44965, Lot Nos. 288, 289 and 290 all of North East District, Tanjong Bungah, Penang	Vacant Land	Freehold	39,460	—	1,229,810	12/06/2001
Level 7, Johor Bahru City Square (Office Tower), 106-108, Jalan Wong Ah Fook, 80000 Johor Bahru, Johor	Office	Leasehold 99 years expiring in 2091	18,648	10	5,890,176	20/06/2001
No. 2 & 4, Jalan Perda Barat, Bandar Perda, 14000 Bukit Mertajam, Penang	Shoplot	Freehold	3,930	10	1,629,167	11/06/2007

Reports & Financial Statements

Directors' Report	44
Independent Auditors' Report	49
Balance Sheets	51
Income Statements	52
Statements of Changes in Equity	53
Cash Flow Statements	57
Notes to the Financial Statements	60
Statement by Directors	140
Statutory Declaration	141

Directors' Report

For The Financial Year Ended 31 July 2009

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 2009.

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 corporate funds, moneylending and the provision of related financial services, as set out in note 17 to the financial statements. There have been no significant changes in the nature of these activities during the financial year other than those disclosed in note 17 to the financial statements.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit for the financial year attributable to:-		
Equity holders of the company	31,290	34,475
Minority interests	3,074	-
	<u>34,364</u>	<u>34,475</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 except as disclosed in note 7 to the financial statements.

DIVIDENDS

The dividend paid by the company since the end of the previous financial year is as follows:-

	RM'000
In respect of the financial year ended 31 July 2008:-	
Final dividend of 5 sen gross per share, less current income tax at 25%, paid on 22 December 2008:-	
- as shown in the Directors' Report for the financial year ended 31 July 2008	<u>9,569</u>

The directors now recommend the payment of a first and final dividend in respect of the financial year ended 31 July 2009 of 5 sen gross per share, less current income tax at 25%, amounting to RM9,568,796 based on the issued and paid-up share capital (less treasury shares) of the company as at 31 July 2009, 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 2010 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.

SHARES REPURCHASED

During the financial year, the company repurchased 10,000 of its issued shares from the open market to enhance the value of the company and in the best interests of the company and its shareholders, as disclosed in note 28 to the financial statements.

EXECUTIVE SHARE OPTION SCHEME

The company implemented an Executive Share Option Scheme ("ESOS") for the eligible executives of Hwang-DBS Group on 10 February 2004. The ESOS is governed by the by-laws which were approved by the company's shareholders at the Extraordinary General Meeting held on 21 November 2003. Details of the ESOS are as disclosed in note 28 to the financial statements.

The ESOS had expired on 9 February 2009 and no options were granted by the company during the financial period.

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)

Kankipati Rajan Raju

Ong Eng Kooi

Y.A.M. Tengku Syed Badarudin Jamalullail

Ng Wai Hung Andrew

Mohamed Tarmizi Tun Dr. Ismail (appointed on 13 January 2009)

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' Report (cont'd)

For The Financial Year Ended 31 July 2009

DIRECTORS' INTERESTS

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

	Number of ordinary shares of RM1 each			
	1 August 2008	Addition	Disposal	31 July 2009
Hwang-DBS (Malaysia) Berhad				
Direct interest				
Dato' Seri Hwang Sing Lue	10,964,119	-	-	10,964,119
Hwang Lip Teik	5,000	-	-	5,000
Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Almarhum Tuanku Ja'afar	660,000	-	-	660,000
Ong Eng Kooi	25,000	-	-	25,000

Indirect interest

Dato' Seri Hwang Sing Lue	68,697,000	-	-	68,697,000
Hwang Lip Teik	68,102,000	-	-	68,102,000

HwangDBS Investment Management Berhad

Direct interest

Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Almarhum Tuanku Ja'afar	1,700,000	-	-	1,700,000
--	-----------	---	---	------------------

	Number of ordinary shares of RM1 each under options			
	1 August 2008	Granted	Expired	31 July 2009
Hwang-DBS (Malaysia) Berhad				
Dato' Seri Hwang Sing Lue	50,000	-	(50,000)	-
Hwang Lip Teik	180,000	-	(180,000)	-
Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Almarhum Tuanku Ja'afar	35,000	-	(35,000)	-

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 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 35 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 43 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 except for the company's ESOS, which has expired during the financial year.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the income statements and balance sheets 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.

Directors' Report (cont'd)

For The Financial Year Ended 31 July 2009

RATING BY RATING AGENCIES

The company is not rated by an external agency. In August 2009, 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.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are as disclosed in note 51 to the financial statements.

AUDITORS

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

In accordance with a resolution of the Board of Directors dated 30 September 2009.



DATO' SERI HWANG SING LUE

Executive Chairman



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, which comprise the balance sheets as at 31 July 2009 of the group and of the company, and the income statements, statements of changes in equity and cash flow statements 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 on pages 51 to 139.

Directors' Responsibility for the Financial Statements

The directors of the company are responsible for the preparation and fair presentation of these financial statements in accordance with the Financial Reporting Standards in Malaysia, Bank Negara Malaysia Guidelines and the Companies Act, 1965. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 company's preparation and fair presentation of the financial statements 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 company'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 2009 and of their financial performance and cash flows for the financial year then ended.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:-

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the group and we have received satisfactory information and explanations required by us for those purposes.
- (c) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER MATTERS

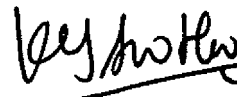
This report is made solely to the members of the company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



PRICEWATERHOUSECOOPERS

(No. AF: 1146)

Chartered Accountants



SOO HOO KHOON YEON

(No. 2682/10/09 (J))

Chartered Accountant

Penang

30 September 2009

Balance Sheets

As at 31 July 2009

	Note	Group		Company	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
ASSETS					
Cash and short term funds	5	847,215	1,256,975	2,879	16,849
Deposits and placements with banks and other financial institutions	6	87,781	147,773	-	-
Securities held-for-trading	7	425,408	1,229,259	-	-
Securities available-for-sale ("AFS")	8	86,032	33,161	14,140	16,267
Securities held-to-maturity	9	530,805	-	-	-
Loans, advances and financing	10	488,769	565,332	-	-
Clients' and brokers' balances	11	401,084	162,109	-	-
Derivative assets	12	22,759	14,955	-	-
Other assets	13	42,470	44,768	43,789	40,994
Statutory deposits with Central Banks	15	11,332	29,570	-	-
Tax recoverable		7,804	11,192	7,745	5,265
Deferred tax assets	16	4,099	2,918	12	-
Investments in subsidiaries	17	-	-	614,427	516,271
Investment in an associate	18	4,061	-	4,904	-
Interests in jointly controlled entities	19	-	123	-	130
Property, plant and equipment	20	60,248	62,764	424	628
Investment properties	21	6,138	6,237	-	-
Intangible assets	22	162,509	162,619	-	-
TOTAL ASSETS		3,188,514	3,729,755	688,320	596,404
LIABILITIES AND EQUITY					
Deposits from customers	23	505,371	1,052,235	-	-
Deposits and placements of banks and other financial institutions	24	800,926	1,125,548	-	-
Clients' and brokers' balances	25	366,630	196,861	-	-
Derivative liabilities	12	49,284	24,171	-	-
Other liabilities	26	341,823	258,713	3,595	4,001
Taxation		4,716	692	-	-
Deferred tax liabilities	16	581	596	-	2
Borrowings	27	334,500	312,000	214,500	150,000
TOTAL LIABILITIES		2,403,831	2,970,816	218,095	154,003
Share capital	28	265,845	265,845	265,845	265,845
Reserves	29	520,963	496,518	220,426	192,589
Treasury shares, at cost	28	(16,046)	(16,033)	(16,046)	(16,033)
		770,762	746,330	470,225	442,401
Minority interests		13,921	12,609	-	-
TOTAL EQUITY		784,683	758,939	470,225	442,401
TOTAL LIABILITIES AND EQUITY		3,188,514	3,729,755	688,320	596,404
COMMITMENTS AND CONTINGENCIES	44(d)	7,992,102	10,830,325	-	-

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

Income Statements

For The Financial Year Ended 31 July 2009

		Group		Company	
	Note	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Operating revenue	30	295,798	348,593	62,921	55,383
Interest income	31	149,395	105,466	3,219	2,070
Interest expense	32	(75,956)	(62,115)	(8,543)	(6,211)
Net interest income/(expense)		73,439	43,351	(5,324)	(4,141)
Other operating income	33	125,914	213,156	57,099	55,886
		199,353	256,507	51,775	51,745
Other operating expenses	34	(150,084)	(193,598)	(5,057)	(6,237)
		49,269	62,909	46,718	45,508
Allowance for losses on loans, advances and financing (Allowance)/Write back of allowance for bad and doubtful debts on clients' balances and trade receivables	36	(2,832)	(7,004)	-	-
Impairment loss	37	(40)	8	-	-
	38	-	-	(11)	(1,304)
		46,397	55,913	46,707	44,204
Share of results of an associate, net of tax	18	(877)	-	-	-
Share of results of jointly controlled entities, net of tax	19	(2)	(357)	-	-
Profit before taxation		45,518	55,556	46,707	44,204
Taxation	39	(11,154)	(14,718)	(12,232)	(11,296)
Profit for the financial year		34,364	40,838	34,475	32,908
Attributable to:-					
Equity holders of the company		31,290	36,303	34,475	32,908
Minority interests		3,074	4,535	-	-
		34,364	40,838	34,475	32,908
Earnings per share (sen):-	40				
- basic		12.26	14.23		
- diluted		12.26	14.22		
Dividends per share (sen)	41			5.0	10.0

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

Statements of Changes in Equity

For The Financial Year Ended 31 July 2009

Attributable to equity holders of the company												
Note	Issued and fully paid ordinary shares of RM1 each		Treasury shares	Share premium	Statutory reserve	AFS reserve	Non-distributable		Distri- butable		Minority interests	Total equity
	Number of shares '000	Nominal value RM'000					Foreign exchange reserve	Options reserve	Retained profits	Sub-total		
			RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group												
At 1 August 2008	255,178	265,845	(16,033)	33,090	52,557	(1,918)	-	431	412,358	746,330	12,609	758,939
Currency translation differences	-	-	-	-	-	-	(768)	-	-	(768)	-	(768)
Net change in fair value of securities AFS, net of tax	-	-	-	-	-	851	-	-	-	851	-	851
Net loss transferred to income statement on disposal of securities AFS	-	-	-	-	-	2,641	-	-	-	2,641	-	2,641
Net gain/(loss) recognised directly in equity	-	-	-	-	-	3,492	(768)	-	-	2,724	-	2,724
Profit for the financial year	-	-	-	-	-	-	-	-	31,290	31,290	3,074	34,364
Total recognised income and expenses for the financial year	-	-	-	-	-	3,492	(768)	-	31,290	34,014	3,074	37,088
Transfer to statutory reserve	-	-	-	-	8,764	-	-	-	(8,764)	-	-	-
Shares repurchased held as treasury shares at cost	28	(10)	-	(13)	-	-	-	-	-	(13)	-	(13)
Options expired	-	-	-	-	-	-	-	(431)	431	-	-	-
Dividend in respect of the financial year ended:-												
- 31 July 2008	41	-	-	-	-	-	-	-	(9,569)	(9,569)	-	(9,569)
Dividend paid by a subsidiary to minority interests	-	-	-	-	-	-	-	-	-	-	(1,762)	(1,762)
At 31 July 2009	255,168	265,845	(16,046)	33,090	61,321	1,574	(768)	-	425,746	770,762	13,921	784,683

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

Statements of Changes in Equity (cont'd)

For The Financial Year Ended 31 July 2009

Attributable to equity holders of the company											
Note	Issued and fully paid ordinary shares of RM1 each		Treasury shares	Non-distributable				Distri- butable	Sub-total	Minority interests	Total equity
	Number of shares '000	Nominal value RM'000		Share premium RM'000	Statutory reserve RM'000	AFS reserve RM'000	Options reserve RM'000	Retained profits RM'000			
Group											
At 1 August 2007	254,897	265,559	(16,024)	32,884	37,926	7,890	320	409,421	737,976	9,790	747,766
Net change in fair value of securities AFS, net of tax	-	-	-	-	-	(6,985)	-	-	(6,985)	-	(6,985)
Net gain transferred to income statement on disposal of securities AFS	-	-	-	-	-	(2,823)	-	-	(2,823)	-	(2,823)
Net loss recognised directly in equity	-	-	-	-	-	(9,808)	-	-	(9,808)	-	(9,808)
Profit for the financial year	-	-	-	-	-	-	-	36,303	36,303	4,535	40,838
Total recognised income and expenses for the financial year	-	-	-	-	-	(9,808)	-	36,303	26,495	4,535	31,030
Transfer to statutory reserve	-	-	-	-	14,631	-	-	(14,631)	-	-	-
Shares repurchased held as treasury shares at cost	28	(5)	-	(9)	-	-	-	-	(9)	-	(9)
Issue of options	-	-	-	-	-	-	154	-	154	-	154
Options exercised	28	286	286	-	206	-	(23)	-	469	-	469
Options terminated	-	-	-	-	-	-	(20)	20	-	-	-
Dividends in respect of the financial year ended:-											
- 31 July 2007	-	-	-	-	-	-	-	(9,313)	(9,313)	-	(9,313)
- 31 July 2008	41	-	-	-	-	-	-	(9,442)	(9,442)	-	(9,442)
Dividend paid by a subsidiary to minority interests	-	-	-	-	-	-	-	-	-	(1,716)	(1,716)
At 31 July 2008	255,178	265,845	(16,033)	33,090	52,557	(1,918)	431	412,358	746,330	12,609	758,939

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

Company	Note	Issued and fully paid ordinary shares of RM1 each		Treasury shares RM'000	Non-distributable		Distributable	Total equity RM'000	
		Number of shares '000	Nominal value RM'000		Share premium RM'000	AFS reserve RM'000	Options reserve RM'000		Retained profits RM'000
At 1 August 2008		255,178	265,845	(16,033)	33,090	(2,194)	431	161,262	442,401
Net change in fair value of securities AFS, net of tax		-	-	-	-	290	-	-	290
Net loss transferred to income statement on disposal of securities AFS		-	-	-	-	2,641	-	-	2,641
Net gain recognised directly in equity		-	-	-	-	2,931	-	-	2,931
Profit for the financial year		-	-	-	-	-	-	34,475	34,475
Total recognised income and expenses for the financial year		-	-	-	-	2,931	-	34,475	37,406
Shares repurchased held as treasury shares at cost	28	(10)	-	(13)	-	-	-	-	(13)
Options expired		-	-	-	-	-	(431)	431	-
Dividend in respect of the financial year ended:- - 31 July 2008	41	-	-	-	-	-	-	(9,569)	(9,569)
At 31 July 2009		255,168	265,845	(16,046)	33,090	737	-	186,599	470,225

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

Statements of Changes in Equity (cont'd)

For The Financial Year Ended 31 July 2009

Company	Note	Issued and fully paid ordinary shares of RM1 each		Treasury shares RM'000	Non-distributable			Distributable	Total equity RM'000
		Number of shares '000	Nominal value RM'000		Share premium RM'000	AFS reserve RM'000	Options reserve RM'000	Retained profits RM'000	
At 1 August 2007		254,897	265,559	(16,024)	32,884	5,933	320	147,089	435,761
Net change in fair value of securities AFS, net of tax		-	-	-	-	(5,042)	-	-	(5,042)
Net gain transferred to income statement on disposal of securities AFS		-	-	-	-	(3,085)	-	-	(3,085)
Net loss recognised directly in equity		-	-	-	-	(8,127)	-	-	(8,127)
Profit for the financial year		-	-	-	-	-	-	32,908	32,908
Total recognised income and expenses for the financial year		-	-	-	-	(8,127)	-	32,908	24,781
Shares repurchased held as treasury shares at cost	28	(5)	-	(9)	-	-	-	-	(9)
Issue of options		-	-	-	-	-	154	-	154
Options exercised	28	286	286	-	206	-	(23)	-	469
Options terminated		-	-	-	-	-	(20)	20	-
Dividends in respect of the financial year ended:-									
- 31 July 2007		-	-	-	-	-	-	(9,313)	(9,313)
- 31 July 2008	41	-	-	-	-	-	-	(9,442)	(9,442)
At 31 July 2008		255,178	265,845	(16,033)	33,090	(2,194)	431	161,262	442,401

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

Cash Flow Statements

For The Financial Year Ended 31 July 2009

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
OPERATING ACTIVITIES				
Profit for the financial year	34,364	40,838	34,475	32,908
Property, plant and equipment:-				
- depreciation	8,391	8,785	204	68
- net gain on disposals	(142)	(199)	-	-
- write off	61	232	-	-
Investment properties:-				
- depreciation	99	99	-	-
- net gain on disposals	-	(386)	-	-
Impairment loss on:-				
- investments in subsidiaries	-	-	11	-
- interests in jointly controlled entities	-	-	-	1,304
Net (gain)/loss arising from disposal of:-				
- securities held-for-trading	(8,751)	(17,772)	-	-
- derivatives	13,068	156	-	-
- securities AFS	2,544	(2,314)	2,544	(2,561)
- securities held-to-maturity	(2,374)	-	-	-
- subsidiaries	42	-	4	-
Net unrealised (gain)/loss on: -				
- securities held-for-trading	(6,060)	10,894	-	-
- derivatives	20,550	12,273	-	-
Net unrealised (gain)/loss on foreign exchange	(477)	(858)	47	-
Amortisation of premium less accretion of discount	(8,737)	177	-	-
Allowance for losses on loans, advances and financing	2,832	7,004	-	-
Allowance for bad and doubtful debts on clients' balances and trade receivables	411	266	-	-
Interest suspended	869	664	-	-
Interest expense	75,956	62,115	8,543	6,211
Interest income on securities AFS and securities held-to-maturity	(34,516)	(6,624)	-	-
Dividends and income distributions	(1,911)	(4,192)	(59,702)	(53,313)
Equity compensation benefits	-	154	-	-
Share of results of an associate	877	-	-	-
Share of results of jointly controlled entities	2	357	-	-
Taxation	11,154	14,718	12,232	11,296
	73,888	85,549	(36,117)	(36,995)
	108,252	126,387	(1,642)	(4,087)

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

Cash Flow Statements (cont'd)

For The Financial Year Ended 31 July 2009

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
(Increase)/Decrease in operating assets:-				
Deposits and placements with banks and other financial institutions	59,121	(129,752)	-	-
Securities held-for-trading	320,912	(1,210,039)	-	-
Loans, advances and financing	72,922	(288,221)	-	-
Clients' and brokers' balances	(239,446)	549,468	-	-
Derivative assets	(11,848)	(238)	-	-
Other assets	(20,164)	(22,991)	(7,814)	(319)
Statutory deposits with Central Banks	18,229	(29,570)	-	-
	199,726	(1,131,343)	(7,814)	(319)
Increase/(Decrease) in operating liabilities:-				
Deposits from customers	(546,879)	963,630	-	-
Deposits and placements of banks and other financial institutions	(324,600)	951,062	-	-
Clients' and brokers' balances	196,767	(373,915)	-	-
Derivative liabilities	(1,505)	1,091	-	-
Other liabilities	(275)	(22,415)	(210)	(3,356)
	(676,492)	1,519,453	(210)	(3,356)
Cash (used in)/generated from operations	(368,514)	514,497	(9,666)	(7,762)
Interest paid	(64,604)	(46,420)	(38)	(101)
Taxation (paid)/refunded	(4,987)	(26,134)	-	1,457
Net operating cash flow	(438,105)	441,943	(9,704)	(6,406)
INVESTING ACTIVITIES				
Property, plant and equipment:				
- proceeds from disposals	288	481	-	-
- purchases (note 20)	(5,093)	(8,138)	-	(696)
Investment properties:-				
- proceeds from disposal	-	9,800	-	-
Net (purchase)/disposal of securities AFS	(53,856)	101,948	2,514	6,535
Net purchase of securities held-to-maturity	(3,694)	-	-	-
Interest received from securities AFS and securities held-to-maturity	37,422	6,624	-	-
Dividends and income distributions received	1,585	3,786	44,949	39,509
Net cash inflow/(outflow) arising from acquisition of subsidiaries (note 51(a))	102	-	(127)	-
Net cash outflow arising from deemed disposal of a subsidiary (note 51(b))	(1,994)	-	(1,900)	-
Subscription of initial share capital in a subsidiary (note 51(c))	-	-	(71,220)	-
Additional investments in existing subsidiaries (note 51(d) and (e))	-	-	(29,700)	-
Acquisition of other investments	-	(100)	-	-
Reduction in equity contributions to subsidiaries	-	-	-	562
Net investing cash flow	(25,240)	114,401	(55,484)	45,910

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

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
FINANCING ACTIVITIES				
Dividends paid to:-				
- equity holders of the company	(9,569)	(18,755)	(9,569)	(18,755)
- minority interests	(1,762)	(1,716)	-	-
Interest paid on borrowings	(14,620)	(10,170)	(8,700)	(6,068)
Net drawdown of borrowings	22,500	144,000	64,500	-
Subordinated term loan repaid by/(released to) a subsidiary	-	-	5,000	(5,000)
Issue of shares	-	469	-	469
Shares repurchased	(13)	(9)	(13)	(9)
Net financing cash flow	(3,464)	113,819	51,218	(29,363)
Net change in cash and cash equivalents	(466,809)	670,163	(13,970)	10,141
Foreign exchange differences	(776)	-	-	-
Cash and cash equivalents at beginning of the financial year	995,105	324,942	16,849	6,708
Cash and cash equivalents at end of the financial year (note 42)	527,520	995,105	2,879	16,849

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

Notes To The Financial Statements

For The Financial Year Ended 31 July 2009

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 corporate funds, moneylending and the provision of related financial services, as set out in note 17 to the financial statements. There have been no significant changes in the nature of these activities during the financial year other than those disclosed in note 17 to the financial statements.

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

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

Level 8 Wisma Sri Pinang
60 Green Hall
10200 Penang

2 Basis of preparation of the financial statements

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

The preparation of financial statements in conformity with the Financial Reporting Standards in Malaysia, BNM Guidelines and the provisions of the Companies Act, 1965 requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reported financial year. It also requires directors to exercise their judgement in the process of applying the accounting policies of the group and of the company. Although these estimates and assumptions are based on the management and directors' best knowledge of current events and actions, actual results may differ from those estimates.

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

New standards, amendments to published standards and interpretations which are relevant to the group and the company and have not been early adopted are as follows:-

- FRS 8 Operating Segments
(Effective for accounting period beginning on or after 1 July 2009)
This new standard replaces FRS 114²⁰⁰⁴, Segment Reporting. FRS 8 requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The adoption of FRS 8 will require additional disclosures in the financial statements of the group.

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

- FRS 139 Financial Instruments: Recognition and Measurement
(Effective for accounting period beginning on or after 1 January 2010)
This new standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted only under strict circumstances. The group and the company will apply this standard when effective. Nevertheless, the accounting policies of the group and of the company incorporate the requirements of the Revised Guidelines on Financial Reporting for Licensed Institutions issued by BNM (BNM/GP8) which include selected principles of FRS 139 on recognition and measurement of financial assets, financial liabilities and derivative financial instruments.
- FRS 7 Financial Instruments: Disclosures
(Effective for accounting period beginning on or after 1 January 2010)
This new standard replaces the disclosure requirements currently in FRS 132, Financial Instruments: Disclosures and Presentation. FRS 7 requires disclosure of quantitative and qualitative information about exposure to risks arising from financial instruments, including minimum disclosures about credit risk, market risk and liquidity risk.
- FRS 123 Borrowing Costs
(Effective for accounting period beginning on or after 1 January 2010)
This new standard requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that takes a substantial period of time to get ready for use or sale, as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed.
- IC Interpretation 9 Reassessment of Embedded Derivatives
(Effective for accounting period beginning on or after 1 January 2010)
IC Interpretation 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required.
- IC Interpretation 10 Interim Financial Reporting and Impairment
(Effective for accounting period beginning on or after 1 January 2010)
IC Interpretation 10 prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date.
- Amendments to FRS 127 Consolidated and Separate Financial Statements: Costs of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
(Effective for accounting period beginning on or after 1 January 2010)
Amendments to FRS 127 require that pre-acquisition dividend received from subsidiaries, which is currently to be accounted for as a deduction from costs of investment in subsidiaries, be presented as an income in the separate financial statements of an investor.

In respect of FRS 139 and FRS 7, the group and the company have applied the transitional provision in the respective standards, which exempts entities from disclosing the possible impact arising from the initial application of the standards on the financial statements of the group and of the company.

Notes To The Financial Statements (cont'd)

For The Financial Year Ended 31 July 2009

3 Summary of significant accounting policies

All significant accounting policies set out below are consistent with those applied in the previous financial year unless otherwise indicated.

(a) Basis of consolidation

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

Subsidiaries are consolidated using the purchase method of accounting. Under the purchase method of accounting, the results of subsidiaries acquired or disposed of during the financial year are included from the date of acquisition or up to the date of disposal. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the group's share of the fair value of identifiable net assets acquired at the date of acquisition is reflected as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

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.

The gain or loss on disposal of a subsidiary, which is the difference between net disposal proceeds and the group's share of its net assets as of the date of disposal is recognised in the consolidated income statement.

Minority interests represent that portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the group. It is measured at the minorities' share of the fair value of the subsidiary's identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since that date.

(b) Investments in subsidiaries

Investments in subsidiaries, which are eliminated on consolidation, are stated at cost less accumulated impairment losses.

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

3 Summary of significant accounting policies (cont'd)

(c) Associates and jointly controlled entities

Associates are those corporations, partnership or other 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.

Jointly controlled entities are corporations, partnerships or other entities over which there is contractually agreed sharing of control by the group with one or more parties.

In the separate financial statements of the company, the group's interests in associates and jointly controlled entities comprise the cost of investments in the ordinary shares of associates or jointly controlled entities and other long term interests which in substance, form part of the group's net investment, less accumulated impairment losses. On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is recognised as gain or loss on disposal in the income statement of the company.

In the consolidated financial statements, the group's interests in associates and jointly controlled entities are accounted for using the equity method of accounting. Equity accounting involves recognising the group's share of post acquisition results of associates or jointly controlled entities in the income statement and its share of post-acquisition movements within reserves in reserves.

When the group's share of losses in an associate or a jointly controlled entities equals or exceeds its interests in the associate or jointly controlled entity, the group's interests are 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 or jointly controlled entity.

The group's gain or loss on disposal of an associate is the difference between the net disposal proceeds and the group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences that relate to the associates being disposed. All gains or losses on disposal of associates or jointly controlled entities are recognised in the consolidated income statement.

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

(d) Intangible assets

(i) Goodwill

Goodwill represents the excess of the fair values of purchase consideration of subsidiaries or businesses, including operating rights acquired over the group's share of fair value of their separable net assets 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 losses is disclosed in note 3(n) to the financial statements.

Notes To The Financial Statements (cont'd)

For The Financial Year Ended 31 July 2009

3 Summary of significant accounting policies (cont'd)

(e) Securities portfolio

The group and the company classify the securities portfolio into the following categories: securities held-for-trading, securities held-to-maturity and securities available-for-sale ("AFS"). Classification of securities is determined at initial recognition.

(i) Securities held-for-trading

Securities held-for-trading are securities acquired or incurred principally for the purpose of selling or repurchasing in the near term or is part of a portfolio of identified securities that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Securities held-for-trading are stated at fair value at initial recognition. Any gain or loss arising from a change in fair value or arising from derecognition of such securities is recognised in the income statement.

Under the limited circumstances as set out in the BNM Circular, "Reclassification of Securities under Specific Circumstances", the investment banking subsidiary may reclassify non-derivative securities held-for-trading into held-to-maturity or available-for-sale ("AFS") categories under BNM/GP8 effective from 1 July 2008 to 31 December 2009. Reclassifications are at fair value of securities as of the date of reclassification, which will become the new cost or amortised cost, as applicable. Reversal of fair value gains or losses recorded before the reclassification date is not allowed. The effective interest rates for the securities reclassified are determined at the reclassification date. Any subsequent increases in estimates of cash flows shall be recognised as an adjustment to the effective interest rates prospectively.

(ii) Securities held-to-maturity

Securities held-to-maturity are securities with fixed or determinable payments and fixed maturities that the group and the company have the positive intent and ability to hold to maturity. Securities held-to-maturity are initially stated at fair value and subsequently measured at amortised cost using the effective interest method. Any gain or loss is recognised in the income statement when the securities are derecognised or impaired and through the amortisation process.

If more than an insignificant amount of the securities held-to-maturity portfolio is sold or reclassified before maturity (other than under those conditions specified in BNM/GP8) 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 directly in equity.

(iii) Securities AFS

Securities AFS are securities that are not classified as securities held-for-trading or securities held-to-maturity. These securities are initially stated 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, will be stated at cost.

Any gain or loss arising from the change in fair value is recognised directly in equity through the statement of changes in equity except for impairment losses and foreign exchange gains or losses. When securities AFS are derecognised, the cumulative gains or losses previously recognised in equity shall be transferred to the income statement.

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

3 Summary of significant accounting policies (cont'd)

(f) Impairment of securities

The group and the company assess at each balance sheet date whether there is objective evidence that a security is impaired. A security 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 securities that can be reliably estimated.

(i) Securities carried at amortised cost

If there is objective evidence that an impairment loss on securities held-to-maturity carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the securities' carrying amount and the present value of estimated future cash flows discounted at the securities' original effective interest rate. The carrying amount of the securities is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If the securities held-to-maturity has 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 the income statement.

(ii) Securities carried at cost

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

(iii) Securities carried at fair value

When a decline in fair value of securities AFS has been recognised directly in equity and there is objective evidence that the securities are impaired, the cumulative loss that has been recognised directly in equity is removed from equity and recognised in the income statement even though the securities 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 securities previously recognised in the income statement.

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

(g) 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 balance sheets as assets (positive changes in fair values) and liabilities (negative changes in fair values). Unrealised gains or losses arising from changes in the fair value of the derivatives are recognised immediately in the income statement.

Notes To The Financial Statements (cont'd)

For The Financial Year Ended 31 July 2009

3 Summary of significant accounting policies (cont'd)

(h) Loans, advances and financing

Loans, advances and financing are carried at their outstanding principal and interest, net of interest-in-suspense, general and specific allowances for losses on loans, advances and financing.

(i) Share margin financing

The policies on identification of non-performing accounts, specific allowance for bad and doubtful debts, maintenance of a general allowance account and suspension of interest are in accordance with the Rules of Bursa Malaysia Securities Berhad ("Rules of Bursa Securities").

Specific allowance is made for bad and doubtful debts which have been individually reviewed and specifically identified as bad or doubtful, after deducting the amount of interest-in-suspense, the value of collateral held and the deposits of and all amounts due to the dealer's representatives.

A general allowance based on a percentage of its total trade receivables (as defined under the Rules of Bursa Securities), after deducting the amount of specific allowance and interest-in-suspense is also made to cover possible losses, which have not been specifically identified.

Interest is suspended and credited to the interest-in-suspense account when an account is classified as non-performing as defined under the Rules of Bursa Securities.

(ii) Loans and advances

Specific allowance is made for loans and advances which have been individually reviewed and specifically identified as bad, doubtful or substandard.

A general allowance based on a percentage of the loans and advances portfolio, net of specific allowance for bad and doubtful debts, is also made to cover possible losses, which are not specifically identified.

The investment banking subsidiary's allowance for non-performing loans and advances made is in conformity with the minimum requirements of the Guidelines on Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts issued by BNM (Revised BNM/GP3). BNM has granted indulgence to the investment banking subsidiary from complying with the requirement on the impairment of loans under the Revised BNM/GP3, which requires impaired credit facilities to be measured at their estimated recoverable amount (i.e. present value of estimated future cash flows discounted at original effective interest rate). The loan impairment requirement previously in BNM/GP8 has been superseded.

The allowances for bad and doubtful debts of the moneylending subsidiary follow the general guidelines as set out in the Revised BNM/GP3 in so far as it relates to the parameters for periods of default and provisioning rates. In addition, where there are indications of deteriorating financial conditions of the borrowers, a loan account may be classified as non-performing and allowance for bad and doubtful debts will be made at management's discretion.

Any uncollectible loans or portion of loans classified as bad are written off after taking into consideration the realisable value of collateral, if any, when in the judgement of the management, there is no prospect of recovery.

3 Summary of significant accounting policies (cont'd)

(i) Clients' and brokers' balances

Clients' and brokers' balances are classified as performing or non-performing in accordance with the Rules of Bursa Securities. Non-performing clients' and brokers' balances are stated net of interest-in-suspense.

Specific allowance is made for bad and doubtful debts which have been individually reviewed and specifically identified as bad or doubtful, after deducting the amount of interest-in-suspense, the value of collateral held and the deposits of and all amounts due to the dealer's representatives.

A general allowance based on a percentage of its total trade receivables (as defined under the Rules of Bursa Securities), after deducting the amount of specific allowance and interest-in-suspense is also made to cover possible losses, which have not been specifically identified.

Interest is suspended and credited to the interest-in-suspense account when an account is classified as non-performing as defined under the Rules of Bursa Securities.

The policies on identification of non-performing accounts, specific allowance for bad and doubtful debts, maintenance of a general allowance account and suspension of interest are in accordance with the Rules of Bursa Securities.

(j) Other receivables

Other receivables are stated at anticipated realisable values. Known bad debts are written off and specific allowance is made for any debts which are considered doubtful based on management's assessment of recoverability of debts. Doubtful debts which have subsequently become bad and for which allowance had been made are written off against the allowance.

(k) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated 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 each balance sheet date.

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

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

Notes To The Financial Statements (cont'd)

For The Financial Year Ended 31 July 2009

3 Summary of significant accounting policies (cont'd)

(l) 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 accumulated 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 the income statement.

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

(m) Other investments

Other investments, which comprise transferable corporate club memberships, investments in gold coins and commemorative notes, are stated at cost.

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 the income statement.

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

(n) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation/depreciation and are tested annually for impairment. 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 the income statement in the period in which it arises.

Assets, other than goodwill, of which an impairment loss is recognised in prior financial years, are reviewed for possible reversal of the impairment at each balance sheet date. Reversal of impairment loss is recognised in the income statement 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.

3 Summary of significant accounting policies (cont'd)

(o) 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 balance sheet date 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 securities AFS are credited or charged directly to equity.

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.

(p) 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.

(q) Financial instruments

Financial instruments are recognised in the balance sheet when the group or the company has become a party to the contractual provisions of the instrument. Financial instruments are classified as assets, liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to financial instruments classified as financial assets and liabilities are reported in the income statement as income or expense. Distributions to holders of financial instruments classified as equity are debited directly to equity.

Financial instruments are offset and the net amount presented in the balance sheet when the group or the company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

Notes To The Financial Statements (cont'd)

For The Financial Year Ended 31 July 2009

3 Summary of significant accounting policies (cont'd)

(r) 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 balance sheet date are translated into Ringgit Malaysia at the rates of exchange ruling on that date. All gains and losses on foreign exchange are included in the income statement.

(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 for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions);
- 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 partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on disposal.

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.

(s) Income recognition

(i) Interest income

Interest income is recognised on an accrual basis.

Interest accrued and recognised as income prior to the date of a loan account or clients' balances arising from stockbroking business are classified as non-performing shall be reversed out of income by debiting the interest income in the income statement and crediting the accrued interest receivable account or interest-in-suspense in the balance sheet. Subsequently, interest earned on non-performing accounts is recognised on a cash basis.

Interest income from securities portfolio is recognised on an accrual basis using the effective interest method. The interest income includes coupons earned and accretion of discount, net of amortisation of premium of securities.

3 Summary of significant accounting policies (cont'd)

(s) Income recognition (cont'd)

(ii) 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.

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

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.

(t) Interest expense

Interest expense is recognised on an accrual basis. Other related costs on borrowings are expensed when incurred.

(u) 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 employee benefits

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

(iii) Equity compensation benefits

The company's Executive Share Option Scheme ("ESOS") for eligible executives of the group is an equity-settled share-based compensation plan. Details of the company's ESOS are as disclosed in note 28 to the financial statements.

Employee services received in exchange for the grant of the share options, which are fully vested on the grant dates, are recognised as an expense in the income statement, by reference to the fair value of the share options at dates of grant, with a corresponding increase in equity.

Proceeds received by the company arising from options exercised are credited to share capital and share premium. Fair value of options exercised is transferred from options reserve to share premium. Fair value of options terminated is transferred from options reserve to retained profits.

Notes To The Financial Statements (cont'd)

For The Financial Year Ended 31 July 2009

3 Summary of significant accounting policies (cont'd)

(v) 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 the income statement on the straight line basis over the period of the lease.

(w) 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.

(x) Dividends

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

(y) 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.

(z) 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 discloses its existence where inflows of economic benefits are probable, but not virtually certain.

(aa) Segment reporting

Segment reporting is presented for enhanced assessment of the group's risk and return. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those components.

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

4 Critical accounting estimates and judgement

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

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

(a) Allowance for losses on bad and doubtful debts

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

(b) Impairment of assets

(i) Intangible assets

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

(ii) Other assets

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

(c) Fair value of financial instruments

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

Notes To The Financial Statements (cont'd)

For The Financial Year Ended 31 July 2009

5 Cash and short term funds

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	144,820	74,375	340	695
Money at call and deposit placements maturing within one month	702,395	1,182,600	2,539	16,154
	847,215	1,256,975	2,879	16,849
Included in cash and balances with banks and other financial institutions are:-				
Monies held in trust for clients	8,405	1,711	-	-
Dividends received on behalf of customers by certain subsidiaries	613	964	-	-
	9,018	2,675	-	-
Included in money at call and deposit placements maturing within one month are:-				
Monies held in trust for clients and dealer's representatives	310,677	259,195	-	-
	319,695	261,870	-	-

Included in cash and short term funds is RM1,208,000 (2008: RM13,840,000) held under funds under management placed by the company with a subsidiary, HwangDBS Investment Management Berhad, which is given the discretionary powers within certain guidelines to invest the funds (note 14).

6 Deposits and placements with banks and other financial institutions

Group	2009	2008
	RM'000	RM'000
Licensed banks	62,781	117,773
Licensed investment banks	25,000	30,000
	87,781	147,773
Included in deposits with licensed banks are:-		
Monies held in trust for clients	2,150	2,184

7 Securities held-for-trading

Group

	2009 RM'000	2008 RM'000
At fair value		
Quoted:-		
In Malaysia		
Shares, warrants and REITs	19,530	19,709
Loan stocks	1,393	1,741
Unit trusts	11,975	872
	32,898	22,322
Unquoted:-		
In Malaysia		
Negotiable instruments of deposits	30,053	219,989
Bankers' acceptances	132,480	321,235
Malaysian Government Securities	51,216	-
Private and Islamic debt securities	178,761	484,638
Outside Malaysia		
Private debt securities	-	181,075
	425,408	1,229,259

During the financial year, the group has reclassified certain securities held-for-trading to held-to-maturity category with retrospective effect to 1 August 2008 following the guidance as set out in the BNM Circular, "Reclassification of Securities under Specific Circumstances" as a consequence of the illiquid market then, which resulted in the group no longer holding these securities for purpose of selling or trading over the near term.

The fair value of securities held-for-trading of the group which were reclassified to the held-to-maturity category on 1 August 2008 amounted to RM505,134,000 at an effective interest rate of 6.61% per annum as at 1 August 2008. There is no fair value gain or loss being recognised in the current financial year in respect of the reclassified securities.

The after tax effect of the unrecognised marked-to-market loss attributable to the reclassified securities of the group for the financial year amounted to approximately RM1,965,000. There is no significant change in the estimated amount of cash flows that the group expects to recover from the reclassified securities.

Notes To The Financial Statements (cont'd)

For The Financial Year Ended 31 July 2009

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

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Quoted:-				
At fair value				
In Malaysia				
Shares	13,650	15,777	13,650	15,777
Unit trusts	5,382	6,894	-	-
	19,032	22,671	13,650	15,777
Unquoted:-				
At fair value				
In Malaysia				
Malaysian Government Securities	66,510	10,000	-	-
At cost				
In Malaysia				
Shares	4,490	4,490	490	490
	90,032	37,161	14,140	16,267
Accumulated impairment loss	(4,000)	(4,000)	-	-
	86,032	33,161	14,140	16,267

Included in securities AFS are:-

- quoted shares amounting to RM13,650,000 (2008: RM15,777,000) held under funds under management placed by the company with a subsidiary, HwangDBS Investment Management Berhad ("HDBSIM") (note 14); and
- investments in unit trust funds managed by a subsidiary, HDBSIM, at a carrying amount of RM4,097,000 (2008: RM5,584,000) as at the balance sheet date.

9 Securities held-to-maturity

Group	2009	2008
	RM'000	RM'000
At amortised cost		
Unquoted:-		
In Malaysia		
Malaysian Government Securities	71,495	-
Private and Islamic debt securities	333,057	-
Outside Malaysia		
Private debt securities	126,253	-
	530,805	-

9 Securities held-to-maturity (cont'd)

Group

As at the balance sheet date, the carrying amount and fair value of securities held-to-maturity reclassified from held-for-trading category are as follows:-

	2009 RM'000	2008 RM'000
Carrying amount	459,310	-
Fair value	456,690	-

10 Loans, advances and financing

Group

	2009 RM'000	2008 RM'000
(a) By type		
Term loans		
- bridging loans	79,688	73,980
- syndicated term loans	81,357	47,257
- other term loans	409,560	382,140
Share margin financing	105,193	156,783
Other financing	-	30,000
	675,798	690,160
Unearned interest	(171,328)	(111,959)
	504,470	578,201
Allowance for losses on loans, advances and financing:-		
- general	(6,914)	(7,819)
- specific	(8,787)	(5,050)
Net loans, advances and financing	488,769	565,332
(b) By maturity structure		
Within 1 year	236,617	387,933
1 year to 3 years	39,108	59,935
3 years to 5 years	60,516	8,602
Over 5 years	168,229	121,731
	504,470	578,201

Notes To The Financial Statements (cont'd)

For The Financial Year Ended 31 July 2009

10 Loans, advances and financing (cont'd)

Group

	2009 RM'000	2008 RM'000
(c) By type of customer		
Domestic business enterprises		
- others	223,983	224,679
Individuals	90,284	206,052
Other domestic entities	182,932	133,893
Foreign entities	7,271	13,577
	504,470	578,201
(d) By interest rate sensitivity		
Fixed rate		
- other fixed rate loans/financing	338,402	387,871
Variable rate		
- cost-plus	166,068	190,330
	504,470	578,201
(e) By purpose		
Purchase of landed properties:-		
- non-residential	36,087	29,757
Purchase of securities	161,051	304,621
Working capital	68,787	49,796
Personal use	198,471	164,928
Others	40,074	29,099
	504,470	578,201
(f) Non-performing loans, advances and financing ("NPL") by purpose		
Purchase of securities	1,018	11,993
Working capital	8,550	959
Personal use	3,575	700
	13,143	13,652

10 Loans, advances and financing (cont'd)

Group

	2009 RM'000	2008 RM'000
(g) Movements in NPLs		
At beginning of the financial year	13,652	22,142
Classified as non-performing	13,158	6,151
Reclassified as performing	(223)	(892)
Amount recovered	(13,444)	(4,614)
Amount written off	-	(9,135)
At end of the financial year	13,143	13,652
Less: Specific allowance	(8,787)	(5,050)
Net NPLs	4,356	8,602
Net NPLs as a % of gross loans, advances and financing less specific allowance	0.9%	1.5%

(h) Movements in allowance for losses on loans, advances and financing

General allowance

At beginning of the financial year	7,819	3,262
Allowance (written back)/made	(905)	4,557
At end of the financial year	6,914	7,819
As a % of gross loans, advances and financing less specific allowance	1.4%	1.4%

Specific allowance

At beginning of the financial year	5,050	11,738
Allowance made	7,292	2,552
Amount written back	(3,555)	(375)
Amount written off	-	(8,865)
At end of the financial year	8,787	5,050

The above average general allowance percentage of gross loans, advances and financing less specific allowance of 1.4% (2008: 1.4%) is computed based on a combination of percentages of general allowances as set out in the relevant BNM guidelines and Rules of Bursa Securities.

Notes To The Financial Statements (cont'd)

For The Financial Year Ended 31 July 2009

11 Clients' and brokers' balances

Group

	2009 RM'000	2008 RM'000
Amounts due from clients	170,959	127,435
Allowance for bad and doubtful debts:-		
- general	(60)	(59)
- specific	(831)	(1,212)
Interest-in-suspense	(99)	(122)
	169,969	126,042
Amounts due from brokers	231,115	36,067
	401,084	162,109

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.

Movements in the allowance for bad and doubtful debts and interest-in-suspense made in accordance with the Rules of Bursa Securities are as follows:-

	2009 RM'000	2008 RM'000
General allowance for bad and doubtful debts		
At beginning of the financial year	59	129
Allowance made/(written back)	1	(70)
At end of the financial year	60	59
Specific allowance for bad and doubtful debts		
At beginning of the financial year	1,212	12,401
Allowance made	366	1,017
Amounts written back	(283)	(904)
Amounts written off	(464)	(11,302)
At end of the financial year	831	1,212
Interest-in-suspense		
At beginning of the financial year	122	1,369
Interest suspended	40	60
Amounts written back	(41)	(44)
Amounts written off	(22)	(1,263)
At end of the financial year	99	122

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

Group

	2009 RM'000	2008 RM'000
Non-performing accounts		
Outstanding balances, classified as:-		
- Doubtful	14	9
- Bad	824	1,207
	<u>838</u>	<u>1,216</u>

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

12 Derivative financial instruments

Group

	2009 RM'000	2008 RM'000
Derivative assets	22,759	14,955
Derivative liabilities	(49,284)	(24,171)
	<u>(26,525)</u>	<u>(9,216)</u>

	Fair value		
	Notional amount RM'000	Derivative assets RM'000	Derivative liabilities RM'000
2009			
Foreign exchange related contracts			
- Currency forwards	54,691	126	(113)
- Currency swaps	35,068	207	-
- Cross currency interest rate swaps	224,230	-	(24,899)
Interest rate related contracts			
- Interest rate swaps	1,428,000	22,426	(24,272)
	<u>1,741,989</u>	<u>22,759</u>	<u>(49,284)</u>
2008			
Foreign exchange related contracts			
- Currency forwards	6,079	-	(3)
- Currency swaps	97,826	168	(181)
- Cross currency interest rate swaps	319,950	4	(5,768)
Interest rate related contracts			
- Interest rate swaps	1,835,970	14,653	(18,089)
Equity related contracts			
- Options	356	130	(130)
	<u>2,260,181</u>	<u>14,955</u>	<u>(24,171)</u>

Notes To The Financial Statements (cont'd)

For The Financial Year Ended 31 July 2009

12 Derivative financial instruments (cont'd)

Group

As at the balance sheet date, the fair values of the following outstanding futures contracts are included in other receivables, deposits and prepayments (note 13):-

		Fair value	
	Notional amount	Derivative assets	Derivative liabilities
	RM'000	RM'000	RM'000
2009			
Interest rate related contracts			
- Futures	5,818,000	180	(24,298)
2008			
Interest rate related contracts			
- Futures	8,068,000	3,101	(7,183)

13 Other assets

		Group		Company	
	Note	2009	2008	2009	2008
		RM'000	RM'000	RM'000	RM'000
Trade receivables	(a)	5,905	8,481	-	-
Interest receivable		15,535	13,130	-	-
Statutory deposit	(b)	150	150	-	-
Amounts due from subsidiaries	43(c)	-	-	38,470	30,731
Subordinated term loans to a subsidiary	43(c)	-	-	5,000	10,000
Clearing Guarantee Fund	(c)	1,924	1,870	-	-
Clearing Fund	(d)	1,000	1,000	-	-
Other receivables, deposits and prepayments	(e)	15,050	17,231	319	263
Other investments	(f)	2,906	2,906	-	-
		42,470	44,768	43,789	40,994

(a) Trade receivables are stated net of allowance for doubtful debts of RM362,000 (2008: RM542,000).

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

(c) 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.

13 Other assets (cont'd)

- (d) 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.
- (e) Included in other receivables, deposits and prepayments of the group as at the balance sheet date is an amount of RM4,000,000 (2008: RM4,000,000) paid by the investment banking subsidiary for a portion of the tax credits in connection with the acquisition of the business of Taiping Securities Sdn. Bhd. (Special Administrators Appointed), now known as Taiping Recovery Sdn. Bhd. (In liquidation) in a prior financial year. Details of the tax credits scheme are disclosed in note 39 to the financial statements.
- (f) Other investments of the group comprise the following:-

	2009 RM'000	2008 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	561	561
	2,906	2,906

14 Funds under management

Group and Company

The company places funds with a subsidiary, HwangDBS Investment Management Berhad which is given discretionary powers within certain guidelines to invest the funds. Funds under management as at the balance sheet date are represented by:-

	2009 RM'000	2008 RM'000
Cash and short term funds		
- Cash and balances with banks and other financial institutions	69	14
- Money at call and deposit placements maturing within one month	1,139	13,826
Securities AFS (note 8)	13,650	15,777
Other assets	264	164
Other liabilities	(187)	-
	14,935	29,781

Notes To The Financial Statements (cont'd)

For The Financial Year Ended 31 July 2009

15 Statutory deposits with Central Banks

Group

	2009 RM'000	2008 RM'000
Statutory deposits with:-		
Bank Negara Malaysia	4,287	29,570
National Bank of Cambodia	7,045	-
	11,332	29,570

The non-interest bearing statutory deposits maintained by the investment banking subsidiary with Bank Negara Malaysia ("BNM") are in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act, 1958 (revised 1994), the amounts of which are determined as set percentages of total eligible liabilities.

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

16 Deferred tax assets/(liabilities)

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Subject to income tax:-				
Deferred tax assets	4,099	2,918	12	-
Deferred tax liabilities	(581)	(596)	-	(2)
	3,518	2,322	12	(2)

Movements in deferred tax during the financial year are as follows:-

	Excess of capital allowance over depreciation RM'000	Allowances for bad and doubtful debts RM'000	Accrued expenses RM'000	Unrealised (gain)/loss on securities AFS RM'000	Others RM'000	Total RM'000
Group						
2009						
At beginning of the financial year	(2,519)	2,137	2,801	(96)	(1)	2,322
Transfer from/(to) income statement	383	(226)	1,211	(11)	12	1,369
Transfer to equity	-	-	-	(173)	-	(173)
At end of the financial year	(2,136)	1,911	4,012	(280)	11	3,518
2008						
At beginning of the financial year	(2,216)	887	2,703	(877)	11	508
Transfer from/(to) income statement	(303)	1,250	98	-	(1)	1,044
Transfer from/(to) equity	-	-	-	781	(11)	770
At end of the financial year	(2,519)	2,137	2,801	(96)	(1)	2,322

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

Movements in deferred tax during the financial year are as follows (cont'd):-

	Excess of capital allowance over depreciation RM'000	Others RM'000	Total RM'000
Company			
2009			
At beginning of the financial year	(2)	-	(2)
Transfer from income statement	-	14	14
At end of the financial year	(2)	14	12
2008			
At beginning of the financial year	-	-	-
Transfer to income statement	(2)	-	(2)
At end of the financial year	(2)	-	(2)

Included in deferred tax assets of the group as at 31 July 2008 was an amount of RM1,043,000 in respect of a subsidiary which incurred losses in the preceding financial year mainly due to alignment of loan loss provisioning to follow the general principles of BNM guidelines. It was probable then that future taxable profit will be available against which the temporary differences can be utilised.

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

	Group	
	2009	2008
	RM'000	RM'000
Tax losses	981	884
Capital allowances	2	179
Other deductible temporary differences	477	3,113
	1,460	4,176

The unutilised tax losses as at the balance sheet date have no expiry date other than tax losses of approximately RM246,000 (2008: RM Nil) arising from a foreign subsidiary, which are available for offset against future taxable profits of the subsidiary and will expire in year 2014.

Notes To The Financial Statements (cont'd)

For The Financial Year Ended 31 July 2009

17 Investments in subsidiaries

Company

	2009 RM'000	2008 RM'000
At cost:-		
Unquoted shares		
- in Malaysia	544,522	516,271
- outside Malaysia	71,220	-
	615,742	516,271
Accumulated impairment loss	(1,315)	-
	614,427	516,271

Impairment losses recognised are in respect of certain subsidiaries, which are inactive, based on the fair value less cost to sell estimated using the net assets of the subsidiaries as at the balance sheet date. Additional impairment loss made during the financial year amounted to RM11,000 (note 38).

Details of the subsidiaries are as follows:-

Name of subsidiary	Country of incorporation	Equity interest		Principal activity
		2009 %	2008 %	
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 and investment in listed and unlisted companies
HwangDBS Investment Management Berhad	Malaysia	53	53	Management of unit trust funds and corporate funds
HwangDBS Commercial Bank Plc *	Cambodia	100	-	Commercial banking
HDM Private Equity Sdn. Bhd. #	Malaysia	100	-^	Investment holding. Currently inactive.
HDM Capital Management Sdn. Bhd.	Malaysia	100	-^	Provision of fund management, investment advisory and related consultancy services. Currently inactive.
Asian Islamic Investment Management Sdn. Bhd.	Malaysia	-+	100	Inactive

17 Investments in subsidiaries (cont'd)

Company

Details of the subsidiaries are as follows (cont'd):-

Name of subsidiary	Country of incorporation	Equity interest		Principal activity
		2009 %	2008 %	
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 Custodian Services Sdn. Bhd.:-				
HwangDBS Custodian Nominees (Asing) Sdn. Bhd.	Malaysia	100	100	Dormant
HwangDBS Custodian Nominees (Tempatan) Sdn. Bhd.	Malaysia	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.

^ A jointly controlled entity as at 31 July 2008.

+ Ceased to be a subsidiary during the financial year due to the dilution of the company's equity interests (note 18).

Notes To The Financial Statements (cont'd)

For The Financial Year Ended 31 July 2009

18 Investments in an associate (2009 only)

	RM'000
Group	
Share of net assets in an associate	4,006
Goodwill on acquisition	55
	<u>4,061</u>
Company	
Unquoted shares, at cost	<u>4,904</u>

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

Name of associate	Equity interest		Principal activity
	2009 %	2008 %	
Heal by the company:-			
Asian Islamic Investment Management Sdn. Bhd. ("AII MAN")	49	-*	Islamic fund management

* As disclosed in note 51(b) to the financial statements, the company's equity interests in its wholly-owned subsidiary, AII MAN has been diluted to 49% and AII MAN became an associate of the company on 13 November 2008.

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

	RM'000
Non-current assets	397
Current assets	3,622
Current liabilities	(13)
	<u>4,006</u>

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

	RM'000
Revenue	96
Other income	51
Expenses	(1,015)
Loss before taxation	(868)
Taxation	(9)
Loss for the financial year	<u>(877)</u>

19 Interests in jointly controlled entities

	2008 RM'000
Group	
Share of net liabilities of the jointly controlled entities	(1,108)
Redeemable convertible preference shares ("RCPS")	1,231
	<u>123</u>
Company	
Unquoted ordinary shares, at cost	203
Redeemable convertible preference shares	1,231
	<u>1,434</u>
Accumulated impairment loss	<u>(1,304)</u>
	<u>130</u>

Based on the fair value less cost to sell estimated using the net assets of the jointly controlled entities as at 31 July 2008, the company recognised an impairment loss of RM1,304,000 in respect of its interests in the jointly controlled entities, which have become inactive in the previous financial year.

The jointly controlled entities, which are all incorporated in Malaysia, are as follows:-

Name of jointly controlled entities	Equity interest		Principal activity
	2009 %	2008 %	
HDM Private Equity Sdn. Bhd. ("HPE")	-*	50	Investment holding. Currently inactive.
HDM Capital Management Sdn. Bhd. ("HCM")	-*	50	Provision of fund management, investment advisory and related consultancy services. Currently inactive.

- * As disclosed in note 51(a) to the financial statements, the company has acquired the remaining 50% equity interests in its jointly controlled entities, HPE and HCM during the financial year for a total cash consideration of RM126,910. Both HPE and HCM became wholly-owned subsidiaries of the company on 25 September 2008 (note 17).

Notes To The Financial Statements (cont'd)

For The Financial Year Ended 31 July 2009

19 Interests in jointly controlled entities (cont'd)

The issued and paid-up share capital of jointly controlled entities as at 31 July 2008 are as follows:-

	RM'000
Ordinary shares in HPE:-	
50,000 shares of RM0.10 each	<u>5</u>
RCPS in HPE:-	
499,500 shares of RM0.01 each	5
Share premium of RM99.99 each in respect of 24,580 shares	<u>2,458</u>
	<u>2,463</u>
Ordinary shares in HCM:-	
400,000 shares of RM1 each	<u>400</u>

The call for the unpaid premium of RM0.90 per ordinary share and RM99.99 per RCPS on the balance of 474,920 RCPS respectively will be determined by the board of directors of HPE at a later date.

The group's share of the assets and liabilities of the jointly controlled entities as at 31 July 2008 are as follows:-

	RM'000
Non-current assets	12
Current assets	129
Current liabilities	<u>(18)</u>
	<u>123</u>

The group's share of the income and expenses of the jointly controlled entities is as follows:-

	2009 RM'000	2008 RM'000
Revenue	-	312
Other income	1	6
Expenses	<u>(3)</u>	(664)
Loss before taxation	<u>(2)</u>	(346)
Taxation	-	(11)
Loss for the financial year	<u>(2)</u>	(357)

20 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							
2009							
Cost							
At 1 August 2008	49,998	9,371	11,696	45,342	9,999	10,974	137,380
Additions	-	827	1,084	4,063	289	666	6,929
Acquisition of a subsidiary	-	6	9	10	-	9	34
Disposals/Write offs	-	(15)	(1,538)	(3,557)	(539)	(72)	(5,721)
Deemed disposal of a subsidiary	-	(134)	(34)	(21)	(473)	(293)	(955)
Reclassifications	-	360	254	(614)	-	-	-
Exchange differences	-	(9)	(10)	(27)	(2)	(7)	(55)
At 31 July 2009	49,998	10,406	11,461	45,196	9,274	11,277	137,612
Accumulated depreciation							
At 1 August 2008	9,450	6,278	9,661	35,711	6,231	7,285	74,616
Charge for the financial year	1,000	659	768	3,565	1,190	1,209	8,391
Acquisition of a subsidiary	-	2	2	4	-	2	10
Disposals/Write offs	-	(15)	(1,525)	(3,552)	(395)	(27)	(5,514)
Deemed disposal of a subsidiary	-	(17)	(4)	(4)	(74)	(40)	(139)
Reclassifications	-	362	236	(598)	-	-	-
At 31 July 2009	10,450	7,269	9,138	35,126	6,952	8,429	77,364
Net book value							
31 July 2009	39,548	3,137	2,323	10,070	2,322	2,848	60,248

Notes To The Financial Statements (cont'd)

For The Financial Year Ended 31 July 2009

20 Property, plant and equipment (cont'd)

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

	Apartments, buildings and office units RM'000	Furniture, fixtures and fittings RM'000	Office equipment RM'000	Computer equipment RM'000	Motor vehicles RM'000	Renovations RM'000	Total RM'000
Group							
2008							
Cost							
At 1 August 2007	49,998	8,684	11,199	42,464	9,808	10,150	132,303
Additions	-	988	880	3,564	1,507	1,199	8,138
Disposals/Write offs	-	(301)	(383)	(686)	(1,316)	(375)	(3,061)
At 31 July 2008	49,998	9,371	11,696	45,342	9,999	10,974	137,380
Accumulated depreciation							
At 1 August 2007	8,450	5,882	9,244	32,627	5,901	6,274	68,378
Charge for the financial year	1,000	690	760	3,540	1,409	1,386	8,785
Disposals/Write offs	-	(294)	(343)	(456)	(1,079)	(375)	(2,547)
At 31 July 2008	9,450	6,278	9,661	35,711	6,231	7,285	74,616
Net book value							
31 July 2008	40,548	3,093	2,035	9,631	3,768	3,689	62,764

	Motor vehicles	
	2009	2008
	RM'000	RM'000
Company		
Cost		
At beginning of the financial year	696	-
Additions	-	696
At end of the financial year	696	696
Accumulated depreciation		
At beginning of the financial year	68	-
Charge for the financial year	204	68
At end of the financial year	272	68
Net book value		
31 July 2009	424	628

20 Property, plant and equipment (cont'd)

Included in computer equipment are capital work-in-progress costing RM1,279,000 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 RM17,350,000 (2008: RM17,772,000) as at the balance sheet date.

As at the balance sheet date, the title deeds in respect of apartments, buildings and office units of the group belonging to a subsidiary at an aggregate carrying amount of RM17,425,000 (2008: RM28,613,000) have yet to be issued.

During the financial year, the group and the company acquired property, plant and equipment with an aggregate costs of RM6,929,000 (2008: RM8,138,000) and RM Nil (2008: RM696,000) of which RM5,093,000 (2008: RM8,138,000) and RM Nil (2008: RM696,000) were settled in cash respectively.

21 Investment properties

Group

	Freehold land RM'000	Buildings and office units RM'000	Total RM'000
2009			
Cost			
At 1 August 2008/31 July 2009	2,069	4,932	7,001
Accumulated depreciation			
At 1 August 2008	-	764	764
Charge for the financial year	-	99	99
At 31 July 2009	-	863	863
Net book value			
31 July 2009	2,069	4,069	6,138
2008			
Cost			
At 1 August 2007	2,069	23,220	25,289
Disposal	-	(18,288)	(18,288)
At 31 July 2008	2,069	4,932	7,001
Accumulated depreciation			
At 1 August 2007	-	961	961
Charge for the financial year	-	99	99
Disposal	-	(296)	(296)
At 31 July 2008	-	764	764

Notes To The Financial Statements (cont'd)

For The Financial Year Ended 31 July 2009

21 Investment properties (cont'd)

Group

	Freehold land RM'000	Buildings and office units RM'000	Total RM'000
2008 (cont'd)			
Accumulated impairment loss			
At 1 August 2007	-	6,378	6,378
Disposal	-	(6,378)	(6,378)
At 31 July 2008	-	-	-
Net book value			
31 July 2008	2,069	4,168	6,237

- (a) As at the balance sheet date, the fair value of the investment properties is estimated at RM8,865,000 (2008: RM7,417,000) on the basis of management's valuations, based on current prices in an active market for similar properties in the same location and condition.
- (b) Included in the net book value of apartments, buildings and office units are 99-year leasehold office units amounting to RM3,931,000 (2008: RM4,026,000) as at the balance sheet date.
- (c) As at the balance sheet date, the title deeds in respect of buildings and office units have yet to be issued.

22 Intangible assets

Group

	Goodwill on consolidation RM'000	Purchased goodwill RM'000	Merchant bank licence RM'000	Total RM'000
2009				
Cost				
At 1 August 2008/31 July 2009	117	130,202	52,500	182,819
Acquisition of subsidiaries	5	-	-	5
Deemed disposal of a subsidiary	(115)	-	-	(115)
	7	130,202	52,500	182,709
Accumulated impairment loss				
At 1 August 2008/31 July 2009	-	(20,200)	-	(20,200)
Net carrying amount				
31 July 2009	7	110,002	52,500	162,509

22 Intangible assets (cont'd)

Group

	Goodwill on consolidation RM'000	Purchased goodwill RM'000	Merchant bank licence RM'000	Total RM'000
2008				
Cost				
At 1 August 2007/31 July 2008	117	130,202	52,500	182,819
Accumulated impairment loss				
At 1 August 2007/31 July 2008	-	(20,200)	-	(20,200)
Net carrying amount				
31 July 2008	117	110,002	52,500	162,619

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

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

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

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 7.72% (2008:10.03%) and 7.91% (2008:10.13%) for the stockbroking and investment banking operating units respectively. The growth rate of 5.0% 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.

Notes To The Financial Statements (cont'd)

For The Financial Year Ended 31 July 2009

23 Deposits from customers

Group

	2009 RM'000	2008 RM'000
(a) By type of deposit		
Demand deposits	11	-
Savings deposits	99	-
Fixed deposits	503,261	1,001,735
Negotiable instruments of deposits	2,000	50,500
	505,371	1,052,235
(b) By maturity structure		
Within 6 months	504,972	1,012,235
6 months to 1 year	399	-
1 year to 3 years	-	40,000
	505,371	1,052,235
(c) By type of customer		
Government and statutory bodies	150,000	200,000
Business enterprises	340,525	790,969
Individuals	12,309	56,224
Others	2,537	5,042
	505,371	1,052,235

24 Deposits and placements of banks and other financial institutions

Group

	2009 RM'000	2008 RM'000
Licensed banks	116,689	152,376
Licensed investment banks	60,000	20,000
Other financial institutions	624,237	953,172
	800,926	1,125,548

The maturity structure of deposits and placements of banks and other financial institutions is as follows:-

Within 6 months	775,748	1,113,869
6 months to 1 year	10,808	4,628
1 year to 3 years	14,370	7,051
	800,926	1,125,548

25 Clients' and brokers' balances

Group

	2009 RM'000	2008 RM'000
Amount due to:-		
- Clients	201,280	132,987
- Brokers	165,350	63,874
	366,630	196,861

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 RM60,686,000 (2008: RM87,684,000).

26 Other liabilities

	Note	Group		Company	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Trade payables	(a)	9,277	25,225	-	-
Clients' trust accounts	(b)	211,419	128,159	-	-
Dealer's representatives' trust accounts	(b)	46,163	46,606	-	-
Amounts payable to dealer's representatives	(c)	9,926	8,027	-	-
Contributions payable to a defined contribution plan		1,514	1,204	-	-
Interest payable		4,131	7,399	434	629
Amounts due to subsidiaries	43(c)	-	-	857	836
Other payables and accruals	(d)	59,393	42,093	2,304	2,536
		341,823	258,713	3,595	4,001

(a) Trade payables comprised:-

Amounts payable to:-

- unit trust funds	3,695	8,518	-	-
- unit holders	5,582	16,707	-	-
	9,277	25,225	-	-

(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 balance sheet date are dividends received on behalf of customers by certain subsidiaries amounting to RM613,000 (2008: RM964,000).

Notes To The Financial Statements (cont'd)

For The Financial Year Ended 31 July 2009

27 Borrowings

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Unsecured				
Revolving credits	334,500	312,000	214,500	150,000

The effective interest rates per annum on borrowings as at the balance sheet date are as follows:-

	Group		Company	
	2009	2008	2009	2008
	%	%	%	%
Revolving credits	3.58	4.99	3.54	4.94

28 Share capital

Group and Company

	2009	2008
	RM'000	RM'000
Authorised:-		
Ordinary shares of RM1 each	1,000,000	1,000,000

Issued and fully paid:-

Ordinary shares of RM1 each	265,845	265,845
-----------------------------	----------------	---------

Movements in issued and fully paid share capital are as follows:-

At beginning of the financial year	265,845	265,559
Options exercised	-	286
At end of the financial year	265,845	265,845

During the previous financial year, the issued and fully paid share capital of the company was increased from RM265,559,000 to RM265,845,000 by way of an issue of 286,000 ordinary shares of RM1 each for cash at the respective option prices, which ranged from RM1.32 to RM2.29 per share by virtue of the exercise of options granted under the company's Executive Share Option Scheme ("ESOS"). The newly issued ordinary shares ranked pari passu in all respects with the existing issued ordinary shares of the company.

28 Share capital (cont'd)

Group and Company

Details of share options exercised in the previous financial year were as follows:-

	RM'000
Ordinary shares at nominal value of RM1 each	286
Share premium (note 29(a))	206
	<u>492</u>
Weighted average share price as at dates of issue of shares (RM)	<u>2.26</u>

Executive Share Option Scheme

The company's ESOS, which was approved by the company's shareholders at the Extraordinary General Meeting held on 21 November 2003 and implemented on 10 February 2004 has expired on 9 February 2009. The ESOS was an equity-settled share-based compensation plan.

The principal features of ESOS were:-

- (a) Eligible executives must have been in the full time employment (excluding employment on contract or part time basis) of the group for a period of at least 12 full months of continuous service and whose employment has been confirmed in writing on or prior to the date of the offer. The eligibility to participate in the ESOS shall be at the absolute discretion of the Option Committee appointed by the Board of Directors.
- (b) The total number of shares, which can be offered, shall not in aggregate exceed 10% of the issued and fully paid share capital of the company at any point of time during the duration of the ESOS.
- (c) The total number of shares to be offered shall be determined by the Option Committee in its sole and absolute discretion, taking into consideration the performance and grades of the eligible executives, provided that:-
 - (i) not more than 50% of the shares available under the ESOS are allocated, in aggregate, to executive directors and senior management of the group; and
 - (ii) not more than 10% of the shares available under the ESOS are allocated to any eligible executive who, either singly or together with one or more of his associates, holds 20% or more of the issued and fully paid share capital of the company.
- (d) The option price shall be the higher of the nominal value of the shares or the five-day weighted average market price ("WAMP") of the company's shares at the time the offer is made, subject to the discretion of the Option Committee to grant a discount of not more than 10% of the said WAMP.
- (e) The shares to be allotted upon any exercise of an option will rank pari passu in all respects with the then existing issued shares of the company.
- (f) The ESOS shall be in force for a period of 5 years from 10 February 2004 to 9 February 2009, provided always that the company may extend the duration of the ESOS up to a maximum of 10 years in aggregate from the date of commencement.

Notes To The Financial Statements (cont'd)

For The Financial Year Ended 31 July 2009

28 Share capital (cont'd)

Group and Company

Executive Share Option Scheme (cont'd)

Movements in number of share options during the financial year are as follows:-

Date of offer	Note	Balance as at 1 August 2008 '000	Options expired '000	Balance as at 31 July 2009 '000	Option price (RM)
16 February 2004	(a)	497	(497)	-	1.90
5 July 2004	(a)	6	(6)	-	1.62
15 February 2005	(b)	334	(334)	-	1.54
8 February 2006	(b)	268	(268)	-	1.32
7 July 2006	(b)	17	(17)	-	1.52
22 January 2007	(c)	745	(745)	-	2.29
14 March 2008	(c)	991	(991)	-	1.84
Number of share options vested		2,858	(2,858)	-	
Weighted average share price (RM)		1.88			

- (a) The options were granted and vested prior to 31 December 2004 and therefore were not recognised in the financial statements, in accordance with the transitional provisions of FRS 2, Share-based Payment.
- (b) The options were granted after 31 December 2004 but vested before 1 August 2006 and therefore were not recognised in the financial statements, in accordance with the transitional provisions of FRS 2.
- (c) The options were granted and vested after 1 August 2006 and were recognised by the group in accordance with the provisions of FRS 2.

Options exercisable in a particular year but not exercised can be carried forward to the subsequent years subject to the time limit of the ESOS. The person to whom the options have been granted has no right to participate, by virtue of the option, in any share issue of any other company in the group.

The weighted average remaining contractual life of the options outstanding as at the previous financial year end was 0.5 year.

28 Share capital (cont'd)

Group and Company

Executive Share Option Scheme (cont'd)

The fair value of employee services received as consideration for share options of the company was measured by reference to the fair value of the share options granted using a trinomial option-pricing model. The significant inputs to the option-pricing model in respect of share options granted in the previous financial year were as follows:-

Weighted average share price at grant dates	RM1.78
Expected volatility (%)	29.66%
Option life	0.5 year
Expected dividend yield (%)	6.40%
Weighted average risk-free interest rate (%)	3.42%

The expected volatility was determined based on the historical volatility of the company's share prices.

Treasury shares

The shareholders of the company have at the Annual General Meeting held on 27 November 2008, renewed the approval for the company to buy back its own shares of up to 10% of the total issued and paid-up share capital of the company at any point in time, in accordance with Section 67A of the Companies Act, 1965.

The directors of the company are committed to enhancing the value of the company to its shareholders and believe that the share buyback can be applied in the best interests of the company and its shareholders.

Details of shares repurchased by the company from the open market are as follows:-

	No. of shares '000	Cost RM'000	Highest price RM	Lowest price RM	Average price * RM
2009					
At beginning of the financial year	10,667	16,033			1.50
Shares repurchased in:-					
December 2008	5	5	1.06	1.06	1.07
May 2009	5	8	1.48	1.48	1.49
	10	13			
At end of the financial year	10,677	16,046			1.50

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

Notes To The Financial Statements (cont'd)

For The Financial Year Ended 31 July 2009

28 Share capital (cont'd)

Group and Company

Details of shares repurchased by the company from the open market are as follows (cont'd):-

	No. of shares '000	Cost RM'000	Highest price RM	Lowest price RM	Average price * RM
2008					
At beginning of the financial year	10,662	16,024			1.50
Shares repurchased in:-					
March 2008	5	9	1.79	1.79	1.80
At end of the financial year	10,667	16,033			1.50

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

The share buyback transactions are financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

29 Reserves

	Note	Group		Company	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Non-distributable					
Share premium	(a)	33,090	33,090	33,090	33,090
Statutory reserve	(b)	61,321	52,557	-	-
AFS reserve	(c)	1,574	(1,918)	737	(2,194)
Foreign exchange reserve	(d)	(768)	-	-	-
Options reserve	(e)	-	431	-	431
		95,217	84,160	33,827	31,327
Distributable					
Retained profits	(f)	425,746	412,358	186,599	161,262
		520,963	496,518	220,426	192,589

29 Reserves (cont'd)

(a) Share premium

Movements in share premium account are as follows:-

	Group and Company	
	2009	2008
	RM'000	RM'000
At beginning of the financial year	33,090	32,884
Premium arising from options exercised in respect of 286,000 ordinary shares	-	206
At end of the financial year	33,090	33,090

- (b) 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.
- (c) AFS reserve represents unrealised gains or losses arising from changes in fair values of securities classified as available-for-sale, net of tax.
- (d) Foreign exchange reserve represents exchange differences arising from translation of financial statements of foreign operations into the presentation currency of the group.
- (e) Options reserve represents fair value of share options granted and vested after 1 August 2006. The options reserve has been transferred to retained profits upon expiry of the ESOS during the financial year.
- (f) 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 balance sheet date, 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 2009.

Notes To The Financial Statements (cont'd)

For The Financial Year Ended 31 July 2009

30 Operating revenue

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Interest income	146,211	102,042	3,219	2,070
Brokerage and commission	83,639	125,035	-	-
Unit trust management and incentive fees	29,986	41,012	-	-
Advisory and arranger fees	6,709	13,300	-	-
Initial service charge	7,928	17,553	-	-
Underwriting commission and placement income	48	916	-	-
Rollover fees	2,209	3,441	-	-
Gain arising from disposals of securities and derivatives	370	26,564	-	-
Dividends and income distributions	802	1,375	59,702	53,313
Rental income	571	670	-	-
Other revenue	17,325	16,685	-	-
	295,798	348,593	62,921	55,383

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

31 Interest income

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing				
- interest income other than recoveries from non-performing loans, advances and financing ("NPLs")	56,946	33,969	-	-
- recoveries from NPLs	472	760	-	-
Money at call and deposit placements with financial institutions	18,511	29,415	254	567
Securities:				
- held-for-trading	22,366	32,949	-	-
- AFS	793	5,397	-	-
- held-to-maturity	33,723	1,227	-	-
Advances to a subsidiary	-	-	2,965	1,503
Others	8,716	2,590	-	-
	141,527	106,307	3,219	2,070
Amortisation of premium less accretion of discount	8,737	(177)	-	-
Interest suspended	(869)	(664)	-	-
	149,395	105,466	3,219	2,070

32 Interest expense

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	(28,642)	(32,658)	-	-
Deposits from customers	(19,333)	(16,386)	-	-
Borrowings	(14,362)	(10,371)	(8,505)	(6,110)
Advances from subsidiaries	-	-	(38)	(101)
Others	(13,619)	(2,700)	-	-
	(75,956)	(62,115)	(8,543)	(6,211)

Notes To The Financial Statements (cont'd)

For The Financial Year Ended 31 July 2009

33 Other operating income

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Fee and commission income:-				
Brokerage	79,358	124,085	-	-
Unit trust management and incentive fees	29,986	41,012	-	-
Advisory and arranger fees	6,709	13,300	-	-
Underwriting commission and placement income	48	916	-	-
Rollover fees	2,209	3,441	-	-
Service charges and fees	913	1,753	-	-
Fees on loans, advances and financing	1,181	2,170	-	-
Other fees and commission	7,978	3,358	-	-
	128,382	190,035	-	-
Net gain/(loss) arising from disposal of:-				
- securities held-for-trading	8,751	17,772	-	-
- derivatives	(13,068)	(156)	-	-
- securities AFS	(2,544)	2,314	(2,544)	2,561
- securities held-to-maturity	2,374	-	-	-
	(4,487)	19,930	(2,544)	2,561
Net unrealised gain/(loss) on:-				
- securities held-for-trading	6,060	(10,894)	-	-
- derivatives	(20,550)	(12,273)	-	-
	(14,490)	(23,167)	-	-
Gross dividends/income distributions from:-				
- securities held-for-trading	864	1,189	-	-
- securities AFS	1,047	3,003	802	1,375
- subsidiaries	-	-	58,900	51,938
	1,911	4,192	59,702	53,313
Other income:-				
Initial service charge	7,928	17,553	-	-
Net foreign exchange gain/(loss):-				
- realised	1,952	(2,523)	(1)	-
- unrealised	1,320	847	(54)	-
Rental income	571	670	-	-
Net loss on deemed disposal of a subsidiary	(42)	-	(4)	-
Others	2,869	5,619	-	12
	14,598	22,166	(59)	12
	125,914	213,156	57,099	55,886

34 Other operating expenses

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Personnel costs:-				
Salaries, allowances and bonus	(56,434)	(66,347)	(3,443)	(3,625)
Contributions to a defined contribution plan	(7,838)	(9,568)	(7)	(2)
Equity compensation benefits	-	(154)	-	-
Others	(9,850)	(16,884)	(11)	-
	(74,122)	(92,953)	(3,461)	(3,627)
Establishment related costs:-				
Depreciation:-				
- property, plant and equipment	(8,391)	(8,785)	(204)	(68)
- investment properties	(99)	(99)	-	-
Rental of:-				
- premises	(3,875)	(3,600)	-	-
- equipment	(2,756)	(2,849)	-	-
Repairs and maintenance of premises and equipment	(1,252)	(1,250)	-	-
Information technology expenses	(2,545)	(1,870)	-	-
Others	(4,699)	(4,451)	-	-
	(23,617)	(22,904)	(204)	(68)
Promotion and marketing related expenses:-				
Promotion and business development	(11,922)	(14,048)	(409)	(457)
Travelling and accommodation	(756)	(899)	-	-
Others	(4,192)	(5,378)	(5)	(17)
	(16,870)	(20,325)	(414)	(474)
Administrative and general expenses:-				
Auditors' remuneration:-				
- statutory audit	(236)	(249)	(35)	(35)
- others	(4)	(5)	(4)	(4)
Other professional and consultancy fees	(2,293)	(2,366)	(117)	(249)
Communication expenses	(5,013)	(4,478)	(10)	1
Incentives and commission	(14,270)	(28,210)	-	-
Regulatory charges	(5,666)	(8,943)	(32)	-
Commission on standby letter of credit	-	(953)	-	(953)
Net gain on disposals of:-				
- property, plant and equipment	142	199	-	-
- investment properties	-	386	-	-
Property, plant and equipment written off	(61)	(232)	-	-
Others	(8,074)	(12,565)	(780)	(828)
	(35,475)	(57,416)	(978)	(2,068)
	(150,084)	(193,598)	(5,057)	(6,237)

Notes To The Financial Statements (cont'd)

For The Financial Year Ended 31 July 2009

35 Directors' remuneration

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Executive Director:-				
Salary, bonus and other remuneration	3,201	3,510	3,201	3,510
Fees	72	72	36	36
Estimated monetary value of benefits-in-kind	32	35	32	12
Non-Executive Directors*:-				
Salary, bonus and other remuneration	2,197	2,828	54	88
Fees	612	620	276	280
Contributions to a defined contribution plan	333	418	-	-
Estimated monetary value of benefits-in-kind	32	35	-	-
	6,479	7,518	3,599	3,926

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

The directors' remuneration which is included in personnel costs of the group and of the company amounted to RM5,731,000 (2008: RM6,748,000) and RM3,255,000 (2008: RM3,598,000) respectively.

36 Allowance for losses on loans, advances and financing

Group	2009	2008
	RM'000	RM'000
Allowance for bad and doubtful debts:-		
Specific allowance		
- made during the financial year	(7,292)	(2,552)
- written back during the financial year	3,555	375
	(3,737)	(2,177)
General allowance		
- written back/(made) during the financial year	905	(4,557)
Bad debts		
- written off	-	(270)
	(2,832)	(7,004)

37 (Allowance)/Write back of allowance for bad and doubtful debts on clients' balances and trade receivables**Group**

	2009	2008
	RM'000	RM'000
Allowance for bad and doubtful debts:-		
Specific allowance		
- made during the financial year	(693)	(1,240)
- written back during the financial year	283	904
	(410)	(336)
General allowance		
- (made)/written back during the financial year	(1)	70
Bad debts		
- recovered	371	274
	(40)	8

38 Impairment loss**Company**

	2009	2008
	RM'000	RM'000
Impairment loss on:-		
- investments in subsidiaries (note 17)	(11)	-
- interests in jointly controlled entities (note 19)	-	(1,304)
	(11)	(1,304)

39 Taxation

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
In respect of the current financial year:-				
Malaysian income tax	(14,702)	(15,852)	(12,267)	(11,291)
Deferred tax	1,578	1,060	14	(2)
	(13,124)	(14,792)	(12,253)	(11,293)
In respect of prior financial years:-				
Malaysian income tax	2,179	90	21	(3)
Deferred tax	(209)	(16)	-	-
	1,970	74	21	(3)
	(11,154)	(14,718)	(12,232)	(11,296)

As gazetted in the Finance Act 2007, the income tax rate is 26% for the year of assessment 2008 and for the year of assessment 2009 onwards, the income tax rate is 25%.

Notes To The Financial Statements (cont'd)

For The Financial Year Ended 31 July 2009

39 Taxation (cont'd)

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

	Group		Company	
	2009	2008	2009	2008
	%	%	%	%
Applicable statutory income tax rate	25.0	26.0	25.0	26.0
Tax effects in respect of:-				
Expenses not deductible for tax purposes	4.7	3.3	1.6	1.2
Income not subject to tax	(0.8)	(2.3)	(0.4)	(1.6)
Effects of different tax rate in foreign jurisdiction	0.2	-	-	-
Lower tax rate applicable to a portion of taxable profits	-	(0.2)	-	-
Temporary differences and tax losses not recognised	(0.3)	(0.5)	-	-
Overaccrual for taxation in respect of prior financial years	(4.3)	(0.1)	-	-
Others	-	0.3	-	-
Effective tax rate	24.5	26.5	26.2	25.6

Tax savings of the group arising from the recognition of previously unrecognised tax losses amounted to RM15,000 for the financial year.

The Ministry of Finance Malaysia ("MOF") has approved tax credits to the investment banking subsidiary, HDBSIB based on 50% of the tax losses of the stockbroking companies acquired by HDBSIB or stockbroking companies of which the businesses were acquired by HDBSIB under the Securities Commission's ("SC") Policy Framework for Consolidation of the Stockbroking Industry.

As at the balance sheet date, the agreement to be signed between the MOF and the Liquidator of Taiping Recovery Sdn. Bhd. (In Liquidation) ("TRSB") in connection with the acquisition of the business of TRSB by HDBSIB in a prior financial year, under Section 154 of the Income Tax Act, 1967 for the release of 50% of the accumulated tax losses of TRSB has not been finalised. The Technical Division of the IRB has yet to approve and confirm the amount of the resultant tax credit. The effect of the tax credit has yet to be utilised and recognised in the financial statements.

40 Earnings per share

Group

Basic earnings per share

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.

	2009	2008
Profit for the financial year attributable to equity holders of the company (RM'000)	31,290	36,303
Weighted average number of ordinary shares in issue ('000)	255,174	255,113
Basic earnings per share (sen)	12.26	14.23

40 Earnings per share (cont'd)

Group

Diluted earnings per share

For the diluted earnings per share calculation, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares, which are share options granted to eligible executives. A calculation is done to determine the number of shares that could have been acquired at market price (determined as the volume-weighted average annual transacted share price of the company's shares) based on the option price attached to outstanding share options. The number of shares calculated is compared with the number of shares that would have been issued assuming the exercise of the share options. The difference is added to the weighted average number of shares in issue during the financial year as an issue of ordinary shares for no consideration. This calculation serves to determine the 'bonus' element in the ordinary shares outstanding for the purpose of computing the dilution. No adjustment is made to the profit for the financial year attributable to equity holders of the company.

	2009	2008
Profit for the financial year attributable to equity holders of the company (RM'000)	31,290	36,303
Weighted average number of ordinary shares for diluted earnings per share ('000):		
In issue during the financial year (as above)	255,174	255,113
Adjustments for share options	-	275
	255,174	255,388
Diluted earnings per share (sen)	12.26	14.22

41 Dividends per share

Company

	2009		2008	
	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	9,442
Proposed:-				
- Final dividend	5.0	9,569	5.0	9,569
	5.0	9,569	10.0	19,011

At the forthcoming Annual General Meeting of the company, a first and final dividend in respect of the financial year ended 31 July 2009 of 5 sen gross per share, less current income tax at 25%, amounting to RM9,568,796 based on the issued and paid-up share capital (less treasury shares) of the company as at 31 July 2009, 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 2010 when approved by the shareholders.

Notes To The Financial Statements (cont'd)

For The Financial Year Ended 31 July 2009

42 Cash and cash equivalents

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Cash and short term funds	847,215	1,256,975	2,879	16,849
Less:-				
Monies held in trust and dividends received on behalf of customers	(319,695)	(261,870)	-	-
	527,520	995,105	2,879	16,849

43 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 party
Subsidiaries	Subsidiaries of the company as disclosed in note 17 to the financial statements
Key management personnel	All directors of the company and its major subsidiaries and members of management committee 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.

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

(b) Significant related party transactions

Group	Other related parties	
	2009	2008
	RM'000	RM'000
<u>Income</u>		
Reimbursement of research expenses	1,433	1,863
Brokerage	480	778
<u>Expenses</u>		
Commission on standby letter of credit	-	(953)
Consultancy fee	(410)	(459)
	1,503	1,229
Company		
<u>Expenses</u>		
Commission on standby letter of credit	-	(953)
<u>Key management personnel compensation</u>		

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Short term employee benefits	6,447	7,504	3,288	3,611
Post-employment employee benefits	473	584	-	-
Equity compensation benefits	-	16	-	-
Directors' fees	684	693	312	316
	7,604	8,797	3,600	3,927

Movements in number of share options granted to key management personnel are as follows:-

	Group	
	2009	2008
	'000	'000
At beginning of the financial year	290	379
Granted	-	96
Exercised	-	(185)
Expired	(290)	-
At end of the financial year	-	290

Notes To The Financial Statements (cont'd)

For The Financial Year Ended 31 July 2009

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

(c) Significant related party balances

	Other related party	
	2009	2008
	RM'000	RM'000
Group		
<u>Due to</u>		
Deposits and placements of banks and other financial institutions	(61,468)	(32,957)

The deposits and placements from other related party carry an effective interest rate of 0.28% (2008: 2.53%) per annum.

As at the balance sheet date, the group has a standby shares purchase commitment, which was entered into with other related party by the investment banking subsidiary in its ordinary course of business. The commitment, which is at a credit equivalent amount of RM1,956,000, expired on 13 August 2009.

	Subsidiaries	
	2009	2008
	RM'000	RM'000
Company		
<u>Due from</u>		
Amounts due from subsidiaries (note 13)	38,470	30,731
Subordinated term loans (note 13)	5,000	10,000
	43,470	40,731
<u>Due to</u>		
Amounts due to subsidiaries (note 26)	(857)	(836)
	42,613	39,895

The subordinated term loans to HDM Futures Sdn. Bhd., which have been approved by Bursa Malaysia Derivatives Berhad are unsecured and interest free. Movements in the subordinated term loans during the financial year are as follows:-

	2009	2008
	RM'000	RM'000
At beginning of the financial year	10,000	5,000
Loan (repaid)/released	(5,000)	5,000
At end of the financial year	5,000	10,000

The subordinated term loan as at the balance sheet date is repayable on 25 June 2011.

Amounts due from subsidiaries as at the balance sheet date are unsecured and have no fixed terms of repayment. Included in the amounts due from subsidiaries are advances to a subsidiary amounting to RM34,649,000 (2008: RM30,731,000) which carry an interest rate of 3.6% (2008: 5.0%) per annum.

Amounts due to subsidiaries as at the balance sheet date are in respect of advances, which are unsecured and have no fixed terms of repayment at an interest rate of 3.6% (2008: 5.0%) per annum.

44 Capital adequacy

(a) Capital adequacy ratios

The capital adequacy ratios of the investment banking subsidiary as at 31 July 2009 are computed in accordance with the Risk Weighted Capital Adequacy Framework (Basel II - Risk Weighted Assets Computation) issued by Bank Negara Malaysia on 28 January 2008. The presentation of comparative Tier I capital has been restated to conform with current financial year's presentation in accordance with BNM guidelines on Risk-Weighted Capital Adequacy Framework (Basel II - Risk-Weighted Assets Computation) dated 24 July 2009.

The capital adequacy ratios of the investment banking subsidiary, HDBSIB are as follows:-

	2009 RM'000	2008 RM'000
Tier I capital:-		
Issued and fully paid share capital	500,000	500,000
Retained profits	198,577	203,121
Statutory reserve	61,321	52,557
	<u>759,898</u>	<u>755,678</u>
Less: Goodwill	(110,002)	(110,002)
Total Tier I capital	<u>649,896</u>	<u>645,676</u>
Tier II capital:-		
General allowance for bad and doubtful debts	4,137	5,139
Total Tier II capital	<u>4,137</u>	<u>5,139</u>
Total capital	654,033	650,815
Less: Investments in subsidiaries	(3,081)	(3,081)
Other deductions	(540)	-
Capital base	<u>650,412</u>	<u>647,734</u>
Before deducting proposed dividend:-		
Core capital ratio	33.8%	31.8%
Risk-weighted capital ratio	<u>33.9%</u>	<u>31.9%</u>
After deducting proposed dividend:-		
Core capital ratio	33.4%	31.2%
Risk-weighted capital ratio	<u>33.5%</u>	<u>31.3%</u>

Notes To The Financial Statements (cont'd)

For The Financial Year Ended 31 July 2009

44 Capital adequacy (cont'd)

The investment banking subsidiary has applied the provisions in paragraph 7.2 of the Concept Paper - Risk Weighted Capital Adequacy Framework (Basel II) and Capital Adequacy Framework for Islamic Banks (CAFIB) - Disclosure Requirements (Pillar 3) dated 5 December 2008, which exempts the banking institutions from disclosing comparative figures at initial disclosure as required by the Concept Paper.

(b) The risk-weighted assets and capital requirements of HDBSIB by class of exposure are as follows:-

	Gross exposures RM'000	Net exposures RM'000	Risk- weighted assets RM'000	Capital requirements RM'000
2009				
(i) Credit risk				
<u>On-Balance Sheet Exposures</u>				
Sovereigns/Central Banks	263,902	263,902	-	-
Banks, Development Financial Institutions ("DFIs") & Multilateral Development Banks ("MDBs")	639,838	639,838	315,121	25,210
Insurance companies, securities firms & fund managers	50,629	50,629	30,651	2,452
Corporates	633,860	633,860	440,329	35,226
Other assets	571,971	571,971	381,400	30,512
Defaulted exposures	5,059	5,059	4,468	357
Sub-total	2,165,259	2,165,259	1,171,969	93,757
<u>Off-Balance Sheet Exposures</u>				
Over-the-counter ("OTC") derivatives	81,997	81,997	31,916	2,553
Off-balance sheet exposures other than OTC or credit derivatives	54,623	54,623	13,786	1,103
Sub-total	136,620	136,620	45,702	3,656
Total credit risk exposures	2,301,879	2,301,879	1,217,671	97,413
(ii) Large exposures risk requirements	-	-	-	-
(iii) Market risk				
	Long position RM'000	Short position RM'000		
Interest rate risk	7,478,830	7,112,034	366,796	304,874
Foreign currency risk	358,364	335,948	22,416	22,415
Equity risk	20,852	-	20,852	57,255
	7,858,046	7,447,982	410,064	384,544
(iv) Operational risk			319,227	25,538
(v) Total risk-weighted assets and capital requirements			1,921,442	153,714

44 Capital adequacy (cont'd)

(c) The credit risk exposures of HDBSIB by risk weight are as follows:-

2009

Risk weights	Exposures after netting and credit risk mitigation						Total risk-weighted assets RM'000
	Sovereigns /Central Banks RM'000	Banks, DFIs & MDBs RM'000	Insurance companies, securities firms & fund managers RM'000	Corporates RM'000	Other assets RM'000	Total RM'000	
0%	263,902	-	-	-	45,108	309,010	-
20%	-	72,760	-	167,634	182,562	422,956	84,591
50%	-	662,736	39,957	170,966	8	873,667	436,834
100%	-	-	10,672	334,116	351,458	696,246	696,246
Total	263,902	735,496	50,629	672,716	579,136	2,301,879	1,217,671
Deduction from capital base	-	-	-	-	3,081	3,081	-
Average risk weight							52.9%

2008

	Principal RM'000	Risk-weighted RM'000
Total risk-weighted assets equivalents for credit risk:-		
0%	841,689	-
20%	161,560	32,312
50%	492,466	246,233
100%	659,591	659,591
	<u>2,155,306</u>	<u>938,136</u>
Total risk-weighted assets equivalents for:-		
- market risk		770,563
- operational risk		319,379
- large exposure risk for equity holdings		1,007
		<u>2,029,085</u>

Notes To The Financial Statements (cont'd)

For The Financial Year Ended 31 July 2009

44 Capital adequacy (cont'd)

(d) Disclosure of off-balance sheet and counterparty credit risk in respect of HDBSIB are as follows:-

	Principal amount RM'000	Positive fair value of derivative contracts RM'000	Credit equivalent amount * RM'000	Risk- weighted amount RM'000
2009				
Direct credit substitutes	32,500	-	32,500	6,500
Commitments to extend credits with maturity of:-				
- less than 1 year	372,221	-	4,104	2,385
- 1 year to less than 5 years	27,392	-	13,696	2,739
Foreign exchange related contracts:-				
- less than 1 year	89,759	333	860	434
- 1 year to less than 5 years	224,230	-	22,116	11,058
Interest rate related contracts:-				
- less than 1 year	983,000	896	1,460	730
- 1 year to less than 5 years	6,263,000	21,710	61,884	21,856
	7,992,102	22,939	136,620	45,702
2008				
Direct credit substitutes	65,050	-	65,050	65,050
Commitments to extend credits with maturity of:-				
- less than 1 year	437,094	-	-	-
Foreign exchange related contracts:-				
- less than 1 year	103,905	168	655	152
- 1 year to less than 5 years	319,950	4	38,554	16,692
Interest rate related contracts:-				
- less than 1 year	1,205,000	37	1,752	876
- 1 year to less than 5 years	8,454,845	9,081	64,502	31,261
- more than 5 years	244,125	8,636	50,810	25,405
Equity related contracts:-				
- less than 1 year	356	130	21	4
	10,830,325	18,056	221,344	139,440

* The credit equivalent amount is arrived at using the credit conversion factors as specified by Bank Negara Malaysia.

- (e) The commercial banking subsidiary, HwangDBS Commercial Bank Plc ("HDCB") is required to comply with the minimum solvency ratio, which is the regulatory capital adequacy ratios prescribed by the National Bank of Cambodia ("NBC"). As disclosed in note 51(c), HDCB commenced operations on 23 July 2009 and is required to report on the solvency ratio to NBC with effect from August 2009.

45 Capital expenditure commitments

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
In respect of property, plant and equipment:-				
Contracted but not provided for	225	393	-	-
Approved but not contracted for	9,359	13,852	-	-
	9,584	14,245	-	-
Committed capital in HDM Private Equity Sdn. Bhd. ("HPE") in accordance with the Subscription Agreements between the company and HPE	-	23,766	47,532	23,766
	9,584	38,011	47,532	23,766

46 Non-cancellable operating lease commitments

Group	2009	2008
	RM'000	RM'000
Future minimum lease payments due:-		
- not later than 1 year	3,204	4,618
- later than 1 year but not later than 5 years	1,747	3,295
	4,951	7,913

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

47 Segmental information

The group is organised into the following business segments:-

- Stockbroking and related activities
- Investment banking and financial services
- Commercial banking
- Property investment
- Moneylending
- Others
- stockbroking, nominee services, and dealing in options and futures
- investment banking activities, management of unit trust and corporate funds and investment advisory
- commercial banking activities
- letting of properties
- moneylending and investment in listed and unlisted companies
- include investment holding and dormant operations, none of which is of a sufficient size to be reported separately

The segmental information presented reflects commercial banking segment as a separate new segment, following the establishment of a commercial banking subsidiary on 26 June 2009 (note 51(c)). The comparative segmental information presented has been restated to amalgamate the "Investment holding" segment into "Others" segment to conform with current financial year's presentation.

Notes To The Financial Statements (cont'd)

For The Financial Year Ended 31 July 2009

47 Segmental information (cont'd)

Primary reporting format - business segments

	Stock- broking and related activities RM'000	Investment banking and financial services RM'000	Commercial banking RM'000	Property investment RM'000	Money- lending RM'000	Others RM'000	Elimi- nations RM'000	Group RM'000
2009								
Revenue								
External revenue	104,831	142,267	-	571	45,640	2,489	-	295,798
Inter-segment revenue	-	1,982	-	4,251	-	63,676	(69,909)	-
Total revenue	104,831	144,249	-	4,822	45,640	66,165	(69,909)	295,798
Results								
Segment results	30,961	484	(1,429)	2,793	30,130	(10,778)	(1,197)	50,964
Unallocated income								218
Unallocated expenses								(4,785)
								46,397
Share of results of an associate, net of tax	-	(877)	-	-	-	-	-	(877)
Share of results of jointly controlled entities, net of tax	-	(2)	-	-	-	-	-	(2)
Profit before taxation								45,518
Taxation								(11,154)
Profit for the financial year								34,364
OTHER INFORMATION								
Segment assets	1,101,154	1,667,346	93,393	46,883	230,356	19,166	-	3,158,298
Investment in an associate	-	4,061	-	-	-	-	-	4,061
								3,162,359
Unallocated assets								26,155
Total assets								3,188,514
Segment liabilities	657,087	1,355,085	20,549	29	148,134	217,650	-	2,398,534
Unallocated liabilities								5,297
Total liabilities								2,403,831
Capital expenditure	970	1,634	4,260	-	53	36	-	6,953
Depreciation of:-								
- property, plant and equipment	3,973	2,847	69	1,000	178	324	-	8,391
- investment properties	-	-	-	99	-	-	-	99
Allowances for bad and doubtful debts	(601)	4,173	-	-	(329)	-	-	3,243

47 Segmental information (cont'd)

Primary reporting format - business segments (cont'd)

	Stock- broking and related activities RM'000	Investment banking and financial services RM'000	Property investment RM'000	Money- lending RM'000	Others RM'000	Elimi- nations RM'000	Group RM'000
2008							
Revenue							
External revenue	165,683	160,215	669	18,222	3,804	-	348,593
Inter-segment revenue	-	1,345	4,245	-	56,066	(61,656)	-
Total revenue	165,683	161,560	4,914	18,222	59,870	(61,656)	348,593
Results							
Segment results	60,773	(4,241)	3,425	2,868	(4,650)	2,438	60,613
Unallocated income							254
Unallocated expenses							(4,954)
							55,913
Share of results of jointly controlled entities, net of tax	-	(34)	-	-	(323)	-	(357)
Profit before taxation							55,556
Taxation							(14,718)
Profit for the financial year							40,838
OTHER INFORMATION							
Segment assets	851,064	2,526,275	46,516	226,792	38,772	-	3,689,419
Interests in jointly controlled entities	-	129	-	-	(6)	-	123
							3,689,542
Unallocated assets							40,213
Total assets							3,729,755
Segment liabilities	400,966	2,240,601	52	173,852	154,063	-	2,969,534
Unallocated liabilities							1,282
Total liabilities							2,970,816
Capital expenditure	3,529	3,179	-	476	954	-	8,138
Depreciation of:-							
- property, plant and equipment	4,481	2,847	1,000	168	289	-	8,785
- investment properties	-	-	99	-	-	-	99
Allowances for bad and doubtful debts	(866)	2,926	-	5,210	-	-	7,270

Notes To The Financial Statements (cont'd)

For The Financial Year Ended 31 July 2009

47 Segmental information (cont'd)

Secondary reporting format - geographical segments

	Revenue		Total assets		Capital expenditure	
	2009	2008	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	261,252	321,525	2,848,857	3,463,548	2,693	8,138
Singapore	5,737	3,748	48,186	38,357	-	-
Hong Kong	17,953	12,268	41,780	100,036	-	-
South Korea	7,102	1,333	94,720	84,884	-	-
Cambodia	-	-	93,425	-	4,260	-
Others	3,754	9,719	35,391	2,717	-	-
	295,798	348,593	3,162,359	3,689,542	6,953	8,138
Unallocated assets			26,155	40,213		
			3,188,514	3,729,755		

48 Financial instruments

(a) Financial risk management objectives and policies

The operations of the group are subject to a variety of financial risks, including credit risk, market risk, liquidity risk, foreign currency risk as well as operational risk. The group has formulated a financial risk management framework and policies of the group are guided by the principal objective of minimising the group's exposure to the risks and/or costs associated with the financing, investing and operating 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.

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 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 with the group.

48 Financial instruments (cont'd)

(a) Financial risk management objectives and policies (cont'd)

Credit risk (cont'd)

In respect of the investment banking subsidiary, the credit risk management activities are governed by the Core Credit Risk Policies that set out the principles for credit review, evaluation and approval processes and these are established to follow the general guidelines on the "Best Practices for the Management of Credit Risk" issued by BNM. 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 condition and outlook, industry and economic conditions, market position, access to capital and management strength. The Counterparty Risk Rating System is further enhanced by the Facility Risk Rating System, which takes into consideration the credit structure, collateral, guarantees and transfer risks. The credit and facility risk ratings are reviewed at least annually and more frequently when conditions warrant.

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

Market risk

Market risk is the risk of losses arising from changes in market prices or rates, such as interest rates, foreign exchange rates, equity prices and credit spreads, as well as in their correlation and implied volatilities.

The subsidiaries in the group manage the risk of unfavourable price changes by cautious review of the investments and collateral held with continuous monitoring of their performance and risk profiles by qualified personnel.

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 funding 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:-

- Limits to ensure that risk-takers do not exceed aggregate risk and concentration parameters set by senior management and the board of directors;
- Independent validation of valuation and risk models and methodologies;
- Independent mark-to-market valuation, reconciliation of positions and tracking of stop-loss for trading positions on a timely basis; and
- New product/service process whereby risk issues are identified before new products and services are launched.

The investment banking subsidiary adopts a Value-at-Risk ("VaR") methodology using a parametric (variance-covariance) approach for its interest rate and foreign exchange exposures. On a daily basis, it computes VaR for each trading business unit and for each risk element. The VaR figures are back-tested against actual profit and loss of the trading book to validate its robustness. To complement the VaR framework, sensitivity measures such as present-value basis point ("PVBp") and modified duration are used to assist in risk control limit setting. The management also monitors exposures to a single counter on an ongoing basis.

While VaR measures the potential losses in normal market movements, extreme market movements are simulated under stress testing scenarios. Stress testing examines the impact of abnormally large swings in market parameters on the market value of the securities and its corresponding impact on the capital of the investment banking subsidiary.

Notes To The Financial Statements (cont'd)

For The Financial Year Ended 31 July 2009

48 Financial instruments (cont'd)

(a) Financial risk management objectives and policies (cont'd)

Liquidity risk

Liquidity risk is defined as the risk of the group encountering difficulties in fulfilling its current or future payment obligations in full and at the due dates.

The group manages the funding needs and allocates funds in such a manner that all business units maintain optimum levels of liquidity sufficient for its 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 obligations in a timely and cost effective manner and to minimise the mismatch of financial assets and liabilities. 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 principally guided by the New Liquidity Framework ("NLF") prescribed by BNM. The key quantitative tools and techniques used by the investment banking subsidiary to manage and monitor liquidity risk include maturity mismatch analysis which involves monitoring over successive time bands and across functional currencies. This analysis includes behavioral assumptions on, inter-alia, customer loans, customer deposits and reserve assets. In addition, the investment banking subsidiary employs various liquidity ratios and concentration limits to manage funding liquidity risk.

The Risk Oversight Committee of the investment banking subsidiary reviews liquidity risk positions as well as policies relating to the identification, measurement and management of liquidity risk on a periodic basis. The investment banking subsidiary also conducts stress test on liquidity risk whereby the behavioral assumptions such as deposit withdrawal and facility drawdown are stressed to generate the impact on funding liquidity.

Foreign currency risk

Foreign currency risk is the risk that the value and earnings of financial instruments will fluctuate due to changes in foreign currency exchange rates. Significant currency exposures arising on the holding of monetary assets and liabilities for 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.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. This includes legal, compliance, accounting and fraud risk.

The group has established policies and has put in place procedures to provide guidance to the key operating units on the risk governance structure and baseline internal controls necessary to identify, assess, monitor and control their operational risks. The policies and procedures are reviewed periodically, taking into account the business objectives and strategies of the key operating units as well as regulatory requirements. An integral part of the policies is to create a self-assessment culture in the key operating units to reinforce accountability and responsibility of risk and controls by the operating units.

The individual key operating units are responsible to manage operational risk on a regular basis. The Risk Management Committees formed at the key operating units are responsible to formulate operational risk management framework and oversee risk event management and monitoring.

Internal audit functions on the key operating units provide independent assessment of the adequacy of the internal control policies and procedures of the operating units to mitigate risk associated with operational activities.

48 Financial instruments (cont'd)

(b) Interest rate risk

The tables below summarise the exposure of the group and of the company to interest rate risks. The assets and liabilities at carrying amount are categorised by the earlier of contractual repricing or maturity dates. The off-balance sheet interest rate sensitivity gap represents the net notional amounts of all interest rate sensitive derivative financial instruments.

Group	Non-trading book						Sub-total	Trading book	Total	Effective interest rate %
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years	Non-interest sensitive				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
2009										
Assets										
Cash and short term funds	702,395	-	-	-	-	144,820	847,215	-	847,215	1.90
Deposits and placements with banks and other financial institutions	-	77,150	-	10,631	-	-	87,781	-	87,781	2.72
Securities held-for-trading	-	-	-	-	-	-	-	425,408	425,408	4.18
Securities AFS	-	-	10,135	56,375	-	19,522	86,032	-	86,032	2.88
Securities held-to-maturity	-	-	-	119,937	410,868	-	530,805	-	530,805	6.15
Loans, advances and financing:-										
- performing	306,049	5,043	355	15,006	164,874	(6,914)*	484,413	-	484,413	9.83
- non-performing	-	-	-	-	-	4,356	4,356	-	4,356	-
Clients' and brokers' balances	1,317	-	-	-	-	399,767	401,084	-	401,084	8.00
Derivative assets	-	-	-	-	-	-	-	22,759	22,759	-
Other assets ⁽¹⁾	6,508	1,924	-	-	-	290,229	298,661	-	298,661	0.93
Total assets	1,016,269	84,117	10,490	201,949	575,742	851,780	2,740,347	448,167	3,188,514	

⁽¹⁾ Other assets include Other assets, Statutory deposits with Central Banks, Tax recoverable, Deferred tax assets, Investment in an associate, Property, plant and equipment, Investment properties and Intangible assets as disclosed in the balance sheets.

Loans, advances and financing, Clients' and brokers' balances and Other assets are stated net of specific and general allowances and interest-in suspense.

* The negative balance represents general allowance for losses on loans, advances and financing.

Notes To The Financial Statements (cont'd)

For The Financial Year Ended 31 July 2009

48 Financial instruments (cont'd)

(b) Interest rate risk (cont'd)

Group	Non-trading book							Trading book	Total	Effective interest rate %
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years	Non-interest sensitive	Sub-total			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
2009										
Liabilities										
Deposits from customers	481,702	22,255	1,403	-	-	11	505,371	-	505,371	2.16
Deposits and placements of banks and other financial institutions	661,800	64,613	59,861	14,370	-	282	800,926	-	800,926	2.08
Clients' and brokers' balances	58,536	-	-	-	-	308,094	366,630	-	366,630	1.87
Derivative liabilities	-	-	-	-	-	-	-	49,284	49,284	-
Other liabilities ⁽²⁾	252,289	2,150	-	-	-	92,681	347,120	-	347,120	1.88
Borrowings	33,000	114,500	187,000	-	-	-	334,500	-	334,500	3.58
Total liabilities	1,487,327	203,518	248,264	14,370	-	401,068	2,354,547	49,284	2,403,831	
Total equity	-	-	-	-	-	784,683	784,683	-	784,683	-
Total liabilities and equity	1,487,327	203,518	248,264	14,370	-	1,185,751	3,139,230	49,284	3,188,514	
On-balance sheet interest sensitivity gap	(471,058)	(119,401)	(237,774)	187,579	575,742	(333,971)	(398,883)	398,883	-	
Off-balance sheet interest sensitivity gap	(255,000)	(125,000)	(613,000)	(4,315,000)	-	-	(5,308,000)	-	(5,308,000)	
	(726,058)	(244,401)	(850,774)	(4,127,421)	575,742	(333,971)	(5,706,883)	398,883	(5,308,000)	

⁽²⁾ Other liabilities include Other liabilities, Taxation and Deferred tax liabilities as disclosed in the balance sheets.

48 Financial instruments (cont'd)

(b) Interest rate risk (cont'd)

Group	Non-trading book							Trading book	Total	Effective interest rate
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years	Non-interest sensitive	Sub-total			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
2008										
Assets										
Cash and short term funds	1,182,600	-	-	-	-	74,375	1,256,975	-	1,256,975	3.41
Deposits and placements with banks and other financial institutions	-	147,773	-	-	-	-	147,773	-	147,773	3.34
Securities held-for-trading	-	-	-	-	-	-	-	1,229,259	1,229,259	5.06
Securities AFS	-	-	-	10,000	-	23,161	33,161	-	33,161	3.69
Loans, advances and financing:-										
- performing	264,359	151,006	15,924	12,183	121,077	(7,819)*	556,730	-	556,730	9.40
- non-performing	-	-	-	-	-	8,602	8,602	-	8,602	-
Clients' and brokers' balances	948	-	-	-	-	161,161	162,109	-	162,109	9.00
Derivative assets	-	-	-	-	-	-	-	14,955	14,955	-
Other assets ⁽¹⁾	9,551	1,870	-	-	-	308,770	320,191	-	320,191	2.15
Total assets	1,457,458	300,649	15,924	22,183	121,077	568,250	2,485,541	1,244,214	3,729,755	

⁽¹⁾ Other assets include Other assets, Statutory deposits with Central Banks, Tax recoverable, Deferred tax assets, Interests in jointly controlled entities, Property, plant and equipment, Investment properties and Intangible assets as disclosed in the balance sheets.

Loans, advances and financing, Clients' and brokers' balances and Other assets are stated net of specific and general allowances and interest-in-suspense.

* The negative balance represents general allowance for losses on loans, advances and financing.

Notes To The Financial Statements (cont'd)

For The Financial Year Ended 31 July 2009

48 Financial instruments (cont'd)

(b) Interest rate risk (cont'd)

Group	Non-trading book						Non-interest sensitive	Sub-total	Trading book	Total	Effective interest rate %
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years						
	RM'000	RM'000	RM'000	RM'000	RM'000		RM'000	RM'000	RM'000	RM'000	
2008											
Liabilities											
Deposits from customers	682,651	328,584	1,000	40,000	-	-	1,052,235	-	1,052,235		3.51
Deposits and placements of banks and other financial institutions	1,053,237	40,632	24,628	7,051	-	-	1,125,548	-	1,125,548		3.37
Clients' and brokers' balances	86,732	-	-	-	-	110,129	196,861	-	196,861		2.83
Derivative liabilities	-	-	-	-	-	-	-	24,171	24,171		-
Other liabilities ⁽²⁾	174,669	-	-	-	-	85,332	260,001	-	260,001		3.26
Borrowings	87,000	50,000	175,000	-	-	-	312,000	-	312,000		4.99
Total liabilities	2,084,289	419,216	200,628	47,051	-	195,461	2,946,645	24,171	2,970,816		
Total equity	-	-	-	-	-	758,939	758,939	-	758,939		-
Total liabilities and equity	2,084,289	419,216	200,628	47,051	-	954,400	3,705,584	24,171	3,729,755		
On-balance sheet interest sensitivity gap	(626,831)	(118,567)	(184,704)	(24,868)	121,077	(386,150)	(1,220,043)	1,220,043		-	
Off-balance sheet interest sensitivity gap	(258,725)	394,695	(675,000)	(7,204,845)	(244,125)	-	(7,988,000)	-	(7,988,000)		
	(885,556)	276,128	(859,704)	(7,229,713)	(123,048)	(386,150)	(9,208,043)	1,220,043	(7,988,000)		

⁽²⁾ Other liabilities include Other liabilities, Taxation and Deferred tax liabilities as disclosed in the balance sheets.

48 Financial instruments (cont'd)

(b) Interest rate risk (cont'd)

Company	Non-trading book							Trading book	Total	Effective interest rate
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years	Non-interest sensitive	Sub-total			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
2009										
Assets										
Cash and short term funds	2,539	-	-	-	-	340	2,879	-	2,879	1.69
Securities AFS	-	-	-	-	-	14,140	14,140	-	14,140	-
Other assets ⁽¹⁾	38,470	-	-	-	-	632,831	671,301	-	671,301	3.60
Total assets	41,009	-	-	-	-	647,311	688,320	-	688,320	
Liabilities										
Other liabilities	857	-	-	-	-	2,738	3,595	-	3,595	3.60
Borrowings	-	64,500	150,000	-	-	-	214,500	-	214,500	3.54
Total liabilities	857	64,500	150,000	-	-	2,738	218,095	-	218,095	
Total equity	-	-	-	-	-	470,225	470,225	-	470,225	-
Total liabilities and equity	857	64,500	150,000	-	-	472,963	688,320	-	688,320	
On-balance sheet interest sensitivity gap	40,152	(64,500)	(150,000)	-	-	174,348	-	-	-	

⁽¹⁾ Other assets include Other assets, Tax recoverable, Deferred tax assets, Investments in subsidiaries, Investment in an associate and Property, plant and equipment as disclosed in the balance sheets.

Notes To The Financial Statements (cont'd)

For The Financial Year Ended 31 July 2009

48 Financial instruments (cont'd)

(b) Interest rate risk (cont'd)

Company	Non-trading book							Trading book	Total	Effective interest rate %
	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years	Non-interest sensitive	Sub-total			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
2008										
Assets										
Cash and short term funds	16,154	-	-	-	-	695	16,849	-	16,849	3.01
Securities AFS	-	-	-	-	-	16,267	16,267	-	16,267	-
Other assets ⁽¹⁾	30,731	-	-	-	-	532,557	563,288	-	563,288	5.00
Total assets	46,885	-	-	-	-	549,519	596,404	-	596,404	
Liabilities										
Other liabilities ⁽²⁾	836	-	-	-	-	3,167	4,003	-	4,003	5.00
Borrowings	-	-	150,000	-	-	-	150,000	-	150,000	4.94
Total liabilities	836	-	150,000	-	-	3,167	154,003	-	154,003	
Total equity	-	-	-	-	-	442,401	442,401	-	442,401	-
Total liabilities and equity	836	-	150,000	-	-	445,568	596,404	-	596,404	
On-balance sheet interest sensitivity gap	46,049	-	(150,000)	-	-	103,951	-	-	-	

⁽¹⁾ Other assets include Other assets, Tax recoverable, Investments in subsidiaries, Interests in jointly controlled entities and Property, plant and equipment as disclosed in the balance sheets.

⁽²⁾ Other liabilities include Other liabilities and Deferred tax liabilities as disclosed in the balance sheets.

48 Financial instruments (cont'd)

(c) Credit risk

The tables below set out the credit risk concentrations of the group and of the company.

Group

	Short term funds and deposit placements	with financial institutions	Securities held-for- trading	Securities AFS	Securities HTM	Loans, advances and financing ⁽¹⁾	Clients' and brokers' balances ⁽¹⁾	Other assets ⁽²⁾	Total on- balance sheet exposure	Commit- ments and contingencies
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2009										
Agriculture and forestry	-	-	1,411	-	-	-	-	562	1,973	-
Mining and quarrying	-	24,846	413	93,110	85,165	-	-	1,610	205,144	-
Manufacturing	-	-	398	-	9,298	-	-	220	9,916	-
Infrastructure and utilities	-	15,207	1,526	159,457	31,242	-	-	3,342	210,774	-
Construction	-	33,480	317	-	-	-	-	-	33,797	-
Real estate	-	-	1,708	-	38,069	-	-	1,884	41,661	1,956
General commerce	-	-	2,006	-	-	-	-	21	2,027	-
Finance, insurance and business services	814,836	267,761	9,478	173,600	-	-	-	43,544	1,309,219	134,664
Government and government agencies	119,500	51,216	66,510	71,495	-	-	-	21,450	330,171	-
Transport, storage and communication	-	-	1,775	33,143	-	-	-	987	35,905	-
Purchase of securities	-	-	-	-	128,790	401,144	-	-	529,934	-
Personal use	-	-	-	-	194,978	-	-	-	194,978	-
Others	-	-	490	-	8,141	-	-	1,733	10,364	-
	934,336	392,510	86,032	530,805	495,683	401,144	75,353	2,915,863	136,620	
Assets, commitments and contingencies not subject to credit risk	660	32,898	-	-	-	-	-	9,012	42,570	-
	934,996	425,408	86,032	530,805	495,683	401,144	84,365	2,958,433	136,620	

⁽¹⁾ Excludes general allowance for losses on loans, advances and financing and clients' balances amounting to RM6,914,000 and RM60,000 respectively.

⁽²⁾ Other assets include Derivative assets, Other assets, Statutory deposits with Central Banks and Tax recoverable as disclosed in the balance sheets.

Risk concentration for commitments and contingencies is based on the credit equivalent amounts as disclosed in note 44(d) to the financial statements.

Notes To The Financial Statements (cont'd)

For The Financial Year Ended 31 July 2009

48 Financial instruments (cont'd)

(c) Credit risk (cont'd)

Group

	Short term funds and deposit placements with financial institutions RM'000	Securities held-for- trading RM'000	Securities AFS RM'000	Loans, advances and financing ⁽¹⁾ RM'000	Clients' and brokers' balances ⁽¹⁾ RM'000	Other assets ⁽²⁾ RM'000	Total on- balance sheet exposure RM'000	Commit- ments and contin- gencies RM'000
2008								
Agriculture and forestry	-	-	504	-	-	-	504	-
Mining and quarrying	-	109,727	-	-	-	-	109,727	-
Manufacturing	-	-	322	19,177	-	181	19,680	32,550
Infrastructure and utilities	-	214,446	3,455	77,257	-	4,911	300,069	-
Construction	-	-	-	-	-	2,325	2,325	-
Real estate	-	14,891	2,141	51,818	-	881	69,731	-
General commerce	-	4,995	1,925	-	-	125	7,045	-
Finance, insurance and business services	628,498	761,837	11,051	30,043	-	37,986	1,469,415	188,794
Government and government agencies	776,200	-	10,000	-	-	41,904	828,104	-
Transport, storage and communication	-	101,041	3,273	-	-	2,151	106,465	-
Purchase of securities	-	-	-	223,932	162,168	-	386,100	-
Personal use	-	-	-	133,424	-	-	133,424	-
Others	-	-	490	37,500	-	1,656	39,646	-
	1,404,698	1,206,937	33,161	573,151	162,168	92,120	3,472,235	221,344
Assets, commitments and contingencies not subject to credit risk	50	22,322	-	-	-	8,365	30,737	-
	1,404,748	1,229,259	33,161	573,151	162,168	100,485	3,502,972	221,344

⁽¹⁾ Excludes general allowance for losses on loans, advances and financing and clients' balances amounting to RM7,819,000 and RM59,000 respectively.

⁽²⁾ Other assets include Derivative assets, Other assets, Statutory deposits with Central Banks and Tax recoverable as disclosed in the balance sheets.

Risk concentration for commitments and contingencies is based on the credit equivalent amounts as disclosed in note 44(d) to the financial statements.

48 Financial instruments (cont'd)

(c) Credit risk (cont'd)

Company

	Short term funds and deposit placements with financial institutions RM'000	Securities AFS RM'000	Other assets ⁽¹⁾ RM'000	Total on-balance sheet exposure RM'000
2009				
Agriculture and forestry	-	1,411	3	1,414
Mining and quarrying	-	414	-	414
Manufacturing	-	398	3	401
Infrastructure and utilities	-	1,526	-	1,526
Construction	-	316	-	316
Real estate	-	1,708	-	1,708
General commerce	-	2,006	21	2,027
Finance, insurance and business services	2,879	4,096	43,717	50,692
Government and government agencies	-	-	7,745	7,745
Transport, storage and communication	-	1,775	-	1,775
Others	-	490	5	495
	2,879	14,140	51,494	68,513
Assets not subject to credit risk	-	-	40	40
	2,879	14,140	51,534	68,553
2008				
Agriculture and forestry	-	504	-	504
Manufacturing	-	322	-	322
Infrastructure and utilities	-	3,455	-	3,455
Real estate	-	2,141	-	2,141
General commerce	-	1,925	-	1,925
Finance, insurance and business services	16,849	4,157	40,938	61,944
Government and government agencies	-	-	5,265	5,265
Transport, storage and communication	-	3,273	-	3,273
Others	-	490	4	494
	16,849	16,267	46,207	79,323
Assets not subject to credit risk	-	-	52	52
	16,849	16,267	46,259	79,375

⁽¹⁾ Other assets include Other assets and Tax recoverable as disclosed in the balance sheets.

Notes To The Financial Statements (cont'd)

For The Financial Year Ended 31 July 2009

49 Fair value of financial instruments

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

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

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

As at the balance sheet date, the fair values of financial instruments of the group and of the company approximate their carrying amounts, except for the following:-

		2009		2008	
	Note	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Group					
Financial assets					
Securities AFS					
- unquoted securities	8	490 *	1,937	490 *	1,738
Loans, advances and financing	10(a)	488,769	502,062	565,332	568,098
Company					
Financial assets					
Securities AFS					
- unquoted securities	8	490	1,937	490	1,738
Subordinated term loans to a subsidiary, HDM Futures Sdn. Bhd.	43(c)	5,000	4,633	10,000	8,706

* The carrying amount of unquoted securities is stated net of accumulated impairment loss of RM4,000,000 (2008: RM4,000,000) as at the balance sheet date.

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

(a) Cash and short term funds

The carrying amount of cash and short term funds is a reasonable estimate of fair value.

(b) 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.

49 Fair value of financial instruments (cont'd)

The estimated fair values are based on the following methodologies and assumptions (cont'd):-

(c) 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 balance sheet date or net tangible asset backing of the investee.

(d) Loans, advances and financing

For floating rate loans and fixed rate loans with remaining period to maturity of less than one year, the carrying amounts are generally reasonable estimates of their fair values.

For fixed rate loans with remaining period to maturity of one year and above, fair values are estimated by discounting the estimated future cash flows using the prevailing market rates of loans with similar credit risks and maturities.

The estimated fair value of fixed rated share margin financing approximates the carrying amount as the amount is deemed repayable on demand.

The fair values of non-performing loans are represented by their carrying amounts, net of allowance for losses and interest suspended, being the expected recoverable amounts of the loans.

(e) 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.

(f) Derivative financial instruments

The carrying amounts of the derivative assets and liabilities being mark-to-market values, are reasonable estimates of their fair value.

(g) Other assets and liabilities

Fair value of subordinated term loan to a subsidiary is estimated by discounting the estimated future cash flows using the prevailing market interest rate. The estimated fair value of the amount due from/to subsidiaries approximates the carrying amount as the amount has no fixed terms of repayment and deemed repayable on demand.

The carrying amounts of other financial assets and liabilities less any estimated allowance 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.

(h) Deposits from customers

For deposits from customers with maturities of less than one year, the carrying amounts are a reasonable estimate of their fair values. For deposit with maturities of one year or more, fair values are estimated based on discounted cash flows using prevailing market rates for similar deposits from customers.

Notes To The Financial Statements (cont'd)

For The Financial Year Ended 31 July 2009

49 Fair value of financial instruments (cont'd)

The estimated fair values are based on the following methodologies and assumptions (cont'd):-

(i) 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.

(j) Borrowings

The estimated fair values of borrowings with maturities of less than one year approximate the carrying values.

50 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 case is in respect of 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 have been consolidated. The court has dismissed the client's application to reopen his case in order to call further witness to give evidence and has fixed 17 and 18 November 2009 for continued hearing. The client had also filed an appeal against the court's decision in dismissing his application to reopen his case.

The above litigation case is pending in court and based on legal opinion, the group is confident of successfully defending the claims.

51 Significant events during the financial year

Group

(a) Acquisition of subsidiaries

On 25 September 2008, the company has completed the acquisition of the remaining 50% equity interests in its jointly controlled entities, HDM Private Equity Sdn. Bhd. ("HPE") and HDM Capital Management Sdn. Bhd. ("HCM") for a total cash consideration of RM126,910. Both HPE and HCM became wholly-owned subsidiaries of the company on 25 September 2008.

51 Significant events during the financial year (cont'd)

Group

(a) Acquisition of subsidiaries (cont'd)

Details of total net assets acquired by the group at date of acquisition and the cash flow arising from acquisition are as follows:-

	RM'000
Property, plant and equipment	24
Other assets	4
Cash and bank balances	229
Other liabilities	(14)
Total net assets	243
Less: Amount accounted for as interests in jointly controlled entities	(121)
	122
Goodwill	5
Purchase consideration	127
Purchase consideration discharged by cash	(127)
Add: Cash and cash equivalents acquired	229
Net cash inflow arising from acquisition of subsidiaries	102

There is no significant effect arising from the acquisition of the subsidiaries on the group's financial results.

(b) Deemed disposal of a subsidiary

On 13 November 2008, a wholly-owned subsidiary of the company, Asian Islamic Investment Management Sdn. Bhd. ("AIIMAN") has completed the issuance and allotment of 7,000,000 new ordinary shares at a subscription price of RM1 each to the following shareholders:-

	Number of shares allotted '000
The company	1,900
DBS Asset Management Ltd. ("DBSAM")	5,100
	7,000

With the issuance of 5,100,000 ordinary shares to DBSAM, the company's equity interest in AIIMAN was reduced to 49% and AIIMAN ceased to be a subsidiary of the company on 13 November 2008.

Notes To The Financial Statements (cont'd)

For The Financial Year Ended 31 July 2009

51 Significant events during the financial year (cont'd)

Group

(b) Deemed disposal of a subsidiary (cont'd)

Details of the deemed disposal are as follows:-

	At date of deemed disposal RM'000
Property, plant and equipment	816
Securities AFS	1,981
Receivables, deposits and prepayments	88
Cash and bank balances	7,094
Other liabilities	(14)
Goodwill	115
Total net assets	10,080
Less: Amount accounted for as investment in an associate	(4,938)
Net assets deemed disposed of	5,142
New ordinary shares allotted to DBSAM	(5,100)
Net loss on deemed disposal of a subsidiary	42
 New ordinary shares allotted to the company	 (1,900)
Less: Cash and cash equivalents of the subsidiary deemed disposed of	(94)
Net cash outflow arising from deemed disposal of a subsidiary	(1,994)

There is no significant effect arising from the deemed disposal of ALLMAN on the group's financial results.

(c) Establishment of a subsidiary

On 15 August 2008 and 14 January 2009, Bank Negara Malaysia and the National Bank of Cambodia have respectively granted approval to the company for the establishment of a wholly-owned commercial bank subsidiary in Cambodia.

On 26 June 2009, the wholly-owned commercial bank subsidiary, HwangDBS Commercial Bank Plc ("HDCB") was incorporated in Cambodia and HDCB commenced operations on 23 July 2009. HDCB has an issued and paid-up capital of USD20 million comprising 20 million ordinary shares of par value USD1 each.

51 Significant events during the financial year (cont'd)

Company

- (d) On 23 December 2008, the company subscribed for an additional 23 million ordinary shares of RM1 each at par for cash in its wholly-owned subsidiary, HDM Capital Sdn. Bhd. ("HDMC"), whereby the total number of shares held in HDMC was increased from 2 million ordinary shares to 25 million ordinary shares of RM1 each amounting to RM25,000,000. On 28 July 2009, the company has further subscribed for an additional 5 million ordinary shares of RM1 each at par for cash in HDMC. The total number of shares held by the company in HDMC as at the balance sheet date is 30 million ordinary shares of RM1 each amounting to RM30,000,000.
- (e) On 28 July 2009, the company subscribed for an additional 1,700,000 ordinary shares of RM1 each at par for cash in its wholly-owned subsidiary, HDM Properties Sdn. Bhd. ("HDMP"), whereby the total number of shares held by the company in HDMP as at the balance sheet date was increased from 300,000 ordinary shares to 2,000,000 ordinary shares of RM1 each amounting to RM2,000,000.

52 Approval of financial statements

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors dated 30 September 2009.

Statement By Directors

Pursuant to Section 169(15) of the Companies Act, 1965

We, Dato' Seri Hwang Sing Lue 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 51 to 139 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 2009 and of the results 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 30 September 2009.



DATO' SERI HWANG SING LUE

Executive Chairman



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 51 to 139 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 30 September 2009.

Before me



Commissioner for Oaths
368-3-1 & 2, Bellisa Row
Jalan Burma, 10350 Pulau Pinang.



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@hdbs.com.my

HWANGDBS INVESTMENT BANK BERHAD (14389-U)

Levels 2, 3, 4, 5, 7 & 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@hdbs.com.my

INVESTMENT BANKING DIVISION

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

HWANGDBS INVESTMENT

MANAGEMENT BERHAD (429786-T)

Suite 12-03, 12th Floor, Menara Keck Seng,
203, Jalan Bukit Bintang,
55100 Kuala Lumpur, Malaysia
Tel: 603-2142 1881 Fax: 603-2141 1886
E-mail: hdbsim@hdbs.com.my

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

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

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

Levels 2, 3, 4, 5, 7 & 8, Wisma Sri Pinang,
60 Green Hall, 10200 Penang, Malaysia
Tel: 604-263 6996 Fax: 604-263 9597
E-mail: hdmmail@hdbs.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 (5915/09E)

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

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@hdbs.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@hdbs.com.my

TAIPING BRANCH

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

IPOH BRANCH

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@hdbs.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@hdbs.com.my

SUBANG JAYA BRANCH

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

BUKIT BINTANG BRANCH, KL

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

CHERAS BRANCH

No. 34-5, 5th Floor, Cheras Commercial Centre,
Jalan 5/101C, Off Jalan Kaskas,
5th Mile Cheras, 56100 Kuala Lumpur, Malaysia
Tel: 603-9130 3399 Fax: 603-9130 2299
E-mail: hdmmail@hdbs.com.my

SEREMBAN BRANCH

1st Floor, 105, 107 & 109,
Jalan Yam Tuan, 70000 Seremban,
Negeri Sembilan Darul Khusus, Malaysia
Tel: 606-761 2288 Fax: 606-761 4228
E-mail: hdmmail@hdbs.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@hdbs.com.my

JOHOR BAHRU BRANCH

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

KUCHING BRANCH

Lot 328, Jalan Abell, 93100 Kuching,
Sarawak, Malaysia
Tel: 6082-236 999 Fax: 6082-426 999
E-mail: hdmmail@hdbs.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@hdbs.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@hdbs.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@hdbs.com.my

GERIK

First Floor, No. 186, Jalan Tun Saban,
33300 Gerik,
Perak Darul Ridzuan, Malaysia
Tel: 605-791 7813 Fax: 605-791 2171
E-mail: hdmmail@hdbs.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@hdbs.com.my

ASSOCIATED COMPANY

ASIAN ISLAMIC INVESTMENT

MANAGEMENT SDN BHD (256674-T)

Suite 10-03, 10th Floor, Menara Keck Seng,
203, Jalan Bukit Bintang,
55100 Kuala Lumpur, Malaysia
Tel: 603-2142 1881 Fax: 603-2116 6150
E-mail: general@aiiman.com

Proxy Form



I / We, _____ (IN BLOCK LETTERS) NRIC No. _____
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. _____
of _____ (FULL ADDRESS)

as my / our proxy to vote for me / us on my / our behalf at the Seventeenth Annual General Meeting of the Company, to be held at the Bayan Room, Hotel Equatorial, No. 1, Jalan Bukit Jambul, 11900 Penang on Wednesday, 25 November 2009 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 and adopt the audited Financial Statements and Reports (Resolution 1)		
To approve the payment of a first and 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) Kankipati Rajan Raju (Resolution 6)		
To re-elect Mohamed Tarmizi Tun Dr. Ismail as Director retiring under Article 83 of the Articles of Association of the Company (Resolution 7)		
To re-appoint the following Directors in accordance with Section 129(6) of the Companies Act, 1965:-		
(a) Dato' Seri Hwang Sing Lue (Resolution 8)		
(b) Ong Eng Kooi (Resolution 9)		
To approve the payment of Directors' fees (Resolution 10)		
To re-appoint Messrs PricewaterhouseCoopers as auditors and to authorise the Directors to fix their remuneration (Resolution 11)		
As special business, to pass the ordinary resolution on Proposed Renewal Of Authority For The Company To Purchase Its Own Shares (Resolution 12)		

Dated this _____ day of _____ 2009.

No. of Shares Held : _____

Signature/Common Seal

Notes:-

- A proxy may but need not be a member of the Company and the provisions of Section 149(1)(a) and (b) of the Companies Act, 1965 shall not apply to the Company.
- 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.
- A member 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.

Fold here

affix
stamp
here

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

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

Fold here