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# Introduction

*Hong Leong Group has an integrated financial services group offering a comprehensive suite of conventional and Islamic products and services to meet the financial needs of its customers.*

- Personal Financial Services
  - Wholesale Banking
- Islamic Financial Services
  - Investment Banking
    - Insurance
    - Stockbroking
  - Asset Management
    - Unit Trust

Hong Leong Financial Group Berhad, the holding company for Hong Leong Group's banking and financial services, has over the years grown in strength and size through sound and focused business strategies aided by strong management and financial disciplines.

Through Hong Leong Bank Berhad, the Group provides comprehensive services in personal financial services, treasury, corporate and commercial banking and Islamic financial services. With more than a century of embedded presence and banking experience and with a wide network of branches nationwide, Hong Leong Bank Berhad has a solid market position and a well-recognised business franchise in Malaysia. Hong Leong Bank is one of the country's most valued brands, with integrity, trust and service as its core values.

It serves its diverse customer base through an integrated, multi-channel sales and distribution capability of entrenched 185 branches, 17 business and trade centres, more than 640 self-service terminals, a full-service inbound and outbound call centre, internet banking as well as phone banking and mobile banking services.

Hong Leong Bank has a regional presence through its branches in Singapore and Hong Kong. HL Bank in Singapore operates on a boutique investment banking and private banking business model. Hong Leong Bank Hong Kong's core businesses today are in treasury and wealth management and which includes Islamic Banking having launched an Islamic Banking window, the first in the territory.

To further embed itself in the region, Hong Leong Bank ventured into the Mainland China market with its investment in the Bank of Chengdu Company Limited, the largest city commercial bank in Western China. This is the first strategic banking investment by any Malaysian bank in China. Hong Leong Bank is also the first Malaysian and Southeast Asian bank to incorporate and operate a 100% wholly owned commercial bank in Vietnam.



Hong Leong Islamic Bank Berhad is a full fledged Islamic bank providing comprehensive Islamic banking and wealth management services. With innovative solutions covering areas of structured finance, capital markets, corporate & commercial financial services, personal financial services and takaful, Hong Leong Islamic Bank is ready to play a prominent role in the Malaysian Government's vision to transform Malaysia into a global hub for Islamic Financial Services.

Hong Leong Assurance Berhad, one of Malaysia's foremost home grown insurance companies, provides both life and general insurance services in Malaysia and in Hong Kong through its subsidiary Hong Leong Insurance (Asia) Limited. With several decades of business in Malaysia, Hong Leong Assurance continues to be true to its commitment of providing security and peace of mind to its customers.

The Group, through Hong Leong Investment Bank which is a subsidiary of HLG Capital, also provides investment banking and capital market services and solutions across the region. This includes corporate finance, stock broking, equity capital markets and debt capital markets.

The Asset Management arm of the Group is one of the largest fund management companies in Malaysia, with a sterling track record of managing assets across a spectrum of funds that include statutory bodies, state governments, insurance companies, corporations and unit trusts. HLG Unit Trust Berhad is one of the pioneers in the Malaysian Unit Trust industry and has established itself as a trusted brand name in the market.



## Chairman's Statement

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of HLG Capital Berhad ("HLGC" or "the Group") for the financial year ("FY") ended 30 June 2009.

### OVERALL BUSINESS ENVIRONMENT

The Malaysian economy continued to record commendable real gross domestic product ("GDP") growth of 4.6% year-on-year ("y-o-y") in calendar year 2008, although this represented a deceleration from the 6.3% y-o-y growth recorded in calendar year 2007. The lower economic growth was not surprising given the backdrop of the global financial crisis which developed throughout 2008. The lower economic growth and the global financial crisis resulted in a challenging environment for the financial services sector to operate in. The weaker investor sentiment arising from these events resulted in a significant decrease in trading volume on Bursa Malaysia in financial year 2009.

Competition within the stockbroking industry is expected to further intensify and the industry will continue to evolve with the ongoing financial liberalization and the entry of five foreign stockbrokers in recent years. Within the investment banking space, where the Group now competes in, with a total of fifteen investment banks now operating in Malaysia, the Group expects competition to remain stiff. Furthermore, Bank Negara Malaysia announced on 27 April 2009 that foreign equity participation in investment banks can be increased up to a limit of 70%. This measure can open up the possibility of more mergers and acquisition activity within the investment banking sector.

Hence, although we expect competition to intensify in the financial services sector going forward, the Group remains committed to ensuring the relevance of our products and services to our customers.

### FINANCIAL PERFORMANCE

The Group recorded a profit after taxation of RM12.5 million for the financial year ended 30 June 2009 as compared to RM27.1 million in the previous corresponding year, a decrease of RM14.6 million or 54.0% year-on-year ("y-o-y").

The Stockbroking business, which now resides within our 100%-owned subsidiary Hong Leong Investment Bank Berhad ("HLIB"), recorded a lower profit before taxation of RM10.0 million as compared to the RM21.5 million achieved in the previous financial year. The lower stockbroking earnings arose from lower trading volumes on Bursa Malaysia. Trading volumes on Bursa Malaysia were affected by poor investor sentiment arising from the onset of the global financial crisis.

On a positive note, our market share of volumes traded on Bursa Malaysia increased to 3.0% in financial year 2009 from 2.5% in the previous financial year. This partially reflected the completion of the acquisition of 100% equity interest in SBB Securities Sdn Bhd ("SBBS") on 22 October 2008. We would expect the full-year impact of this acquisition to be felt in the coming financial year. Furthermore, our internet broking delivery channel HLeBroking has continued to grow in significance, doubling its share of share volumes traded on Bursa Malaysia.

During the financial year, HLIB wrote off goodwill amounting to RM57.2 million in accordance with accounting standards arising from its acquisition of 100% equity interest in SBBS and the Identified Assets/Liabilities of Southern Investment Bank Berhad (“SIBB”). This leaves RM30 million of goodwill on HLIB’s books. This goodwill write-off will minimize the burden on HLIB from any potential goodwill impairment in the future, and hence minimise any disruption in the building of its investment banking business. This was offset by a one-off tax credit arising from the recognition of deferred tax assets of RM57.2 million due to unabsorbed tax losses carried forward.

The Asset Management business recorded a stable profit before taxation of RM7.8 million compared to the RM9.8 million recorded in the previous financial year. Although unit trust prices faced downward pressure due to lower global equity markets, assets under management (“AUM”) grew by 5.3% to RM2.9 billion as resilient unit trust sales managed to offset the decline in AUM due to lower unit trust prices.

Overall, earnings per share decreased to 10.4 sen per share from the 22.3 sen per share recorded in the previous financial year.

As we commence the build-up of our investment banking business, the Group has taken the decision to be prudent and to conserve its capital. Hence no dividend has been recommended for the financial year 2009. A final dividend of 7.5 sen per share less 25% income tax was paid out in respect of financial year 2008.

## CORPORATE DEVELOPMENTS

Despite the lower Group earnings this year, I am pleased to report that the longer term prospects of the Group were significantly enhanced during the financial year.

The Group achieved a milestone via the formation of Hong Leong Investment Bank Berhad. HLIB was granted a Merchant Banking license by Bank Negara Malaysia and a Capital Markets and Services license by the Securities Commission effective 31 January 2009. With the above licenses, HLIB has achieved ‘investment bank’ status. This was achieved after the completion of the following acquisitions/transfers on 31 January 2009:

- Acquisition of the Identified Assets/Liabilities of Southern Investment Bank Berhad by HLIB.
- Transfer of HLG Securities Sdn Bhd’s (“HLGS”) business to HLIB.
- Transfer of SBB Securities Sdn Bhd’s business to HLIB.

The acquisition of 100% equity interest in SBBS by HLIB was earlier completed on 22 October 2008. (“SBBS Acquisition”)

The completion of the SBBS Acquisition allows the Group to offer stockbroking services from three locations, as compared to the previous one location setup under HLGS. The three locations are:

- Menara HLA, Kuala Lumpur.
- Damansara Utama, Petaling Jaya.
- Ipoh.

To strengthen HLGC’s capital position and to repay borrowings used to finance the above acquisitions, HLGC had on 19 January 2009 proposed a 1-for-1 rights issue at a rights issue price of RM1.00 per share. (“Proposed Rights Issue”) The rights issue price has since been fixed at RM1.00 per share. The approval of HLGC’s shareholders was obtained on 31 July 2009 at an Extraordinary General Meeting. The Proposed Rights Issue is expected to be completed by October 2009.

## OUTLOOK

The attainment by HLIB of ‘investment bank’ status significantly expands the range of products and services that the Group is able to offer. To this end, HLIB has on 30 July 2009 obtained approval from the Securities Commission to commence corporate finance activities after the fulfillment of certain conditions. During the coming financial year, the Group plans to commence a number of business activities towards achieving its aim of becoming a niche investment bank.

In order to support the Group’s expansion in the coming financial year, HLIB has been capitalized to a level where its risk-weighted capital adequacy ratio stands at 34.9% as at 30 June 2009.

## ACKNOWLEDGEMENTS

The long-term success of the Group is attributed to the support and commitment from our Board of Directors, management and all staff. I also wish to extend our appreciation to our clients, business partners, regulatory authorities, bankers, advisors and auditors and look forward to another rewarding year with you.

**Quek Leng Chan**  
Chairman

16 September 2009

## Corporate Social Responsibility

Long before corporate social responsibility as a single concept was promulgated into guidelines for companies to follow, the Group was well on its journey. Corporate Social Responsibility (CSR) for the Hong Leong Group has always been more than just about community welfare. It is about having a sustainable business strategy in the face of global demands and challenges. It is also about conducting business with a conscience - caring for the community, the environment, the customers, employees and stakeholders.



### ECONOMIC SUSTAINABILITY

For many years now, the Group has had in place internally generated best practices to ensure the economic sustainability of all its companies. Some of these best practices are:

- An established Financial Management Discipline intended to drive excellence in financial management with the objective of preserving and enhancing the quality of business as a going concern.
- An established Enterprise Risk Management structure to ensure that a systematic process and delegation of responsibility is clearly set out to guide management. The Group sees Enterprise Risk Management as a serious consideration to protect the company from defaults that could fundamentally damage enterprise value.
- A strict code of business conduct and ethics which the Group abides by in all types of transactions and interactions.
- Public communications, like financial reports contain disclosures that are fair, accurate, timely and understandable.
- In choosing its directors, the Group seeks individuals of high integrity, have shareholder orientation and a genuine interest in their respective company's businesses. They are tasked with the responsibility of exercising their business judgment to act in what they reasonably believe to be in the best interest of the company and the shareholders they represent.
- The strict practice of responsible selling and marketing of products and services, in a global market that is increasingly becoming even more aggressive and competitive.

### SOCIAL SUSTAINABILITY

#### Employee Development and Welfare

The Hong Leong Group follows structured development programmes to help develop both technical and soft skills of employees.

The Group's Total Achievers' Group Programme, initiated in Fiscal Year 2007/2008, is a structured 10-month programme to develop managerial talents into future leaders of the Group. This programme currently involves 28 managers from the various Group companies.

The Group's Graduate Development Programme aims to identify and develop young graduates into engineering talents to support the growth of the Group. This programme entails classroom training, on-the-job familiarisation, learning assignments as well as mentoring.

For the non-executives, various in-house and external programmes were conducted to enhance their technical competencies as well as supervisory skills in order to develop a competent workforce.



#### **Diversity and Inclusion**

With a total workforce of 30,000 and spread across North and Southeast Asia, Western Europe and the UK, North America and Oceania, the Hong Leong Group develops talent regardless of race, gender or religious belief. Staff advancement is based on merit and we believe that it is this variety of persuasions and culture that fuel creativity, entrepreneurship and openness.

The Group also actively promotes work-life balance through various sports, family, social events initiatives. In this regard, various initiatives such as sports activities, social events and family day, were carried out with the full support and commitment of the employees throughout the financial year.



#### **Environmental Preservation**

As part of our commitment to our employees and to society as a whole, we practise environmental preservation and maintain high standards of Occupational Safety and Health management practices. Environmental management programmes such as recycling campaigns, air pollution controls and waste management programmes are continuously deployed to achieve the Group's objectives.

In addition, we conduct regular occupational safety and awareness programmes for our employees and participate in road safety campaigns during festive seasons to promote civic consciousness and safe driving habits in our community.



## COMMUNITY INVESTMENT

The Group conducts most of its philanthropic activities through the Hong Leong Foundation, the charitable arm of Hong Leong Group. Since its incorporation in 1992, the Foundation's programmes have been funded by the Group companies' contributions. The Foundation focuses on education and community welfare as its key thrusts and responds to appeals for aid of victims of natural disasters such as floods, tsunamis and others. Among its focus areas, education in particular, takes top priority.

### Scholarship

The Foundation has, as part of its donation framework, designed a Scholarship Programme to benefit Malaysian students from low-income families. The Foundation believes that providing scholarships is about providing opportunities – giving deserving students the chance to have the higher education necessary to become tomorrow's leaders.



Over one million Ringgit is allocated each year for scholarship grants for the public for diploma and undergraduate studies at local universities and selected institutions of higher learning. Invitations are also extended to the scholars for industrial training at Group companies to help ensure that scholars graduate into the workforce with sufficient knowledge and relevant experience.

Apart from these, a separate fund is set aside for scholarship grants for deserving children of Group staff. Both grants for the public and Group staff's children are unconditional.

### Student Assistance

Although primary and secondary education in Malaysia is free, there are still a number of students from low-income families who find it a challenge to avail of this educational opportunity. To address the immediate needs of these students, the Foundation reaches out to them through the Student Assistance Programme. To date, through this Programme, the Foundation has donated school bags, books, uniforms, bicycles and others to thousands of school children nationwide.

### School Building Fund

The Foundation actively pursues opportunities where it can play a part in improving the quality of education in the country today. Donations for the construction of bigger and better facilities for learning institutions help create an environment in which students can excel.

## Community Welfare

Every year, the Foundation donates to selected charities nationwide in an effort to help improve the lives of the less fortunate through its Community Welfare Programme. Through cash donations, charities are able to ensure their survival and their ability to provide shelter, food and clothing for all its residents – the young orphans, the aged who have been abandoned by their families, the sick, the disabled and the mentally challenged.

The Foundation has made substantial donations to many charities over the years. In this fiscal year alone, we have made donations to these charity bodies:

Women's Aid Organization, United Voice, P.S.The Children, Kiwanis Down Syndrome Foundation Kuantan, Yayasan Orang-Orang Kurang Upaya Kelantan, Penang Shan Children's Home Association, The National Autism Society of Malaysia, Rumah Kebajikan Kanak-Kanak Cacat Negeri Perak, The Salvation Army, Persatuan Perkhidmatan Komuniti Taiping, Pusat Jagaan Diamond Home, Hospis Malaysia, Pusat Haemodialisis Mawar, Yayasan Tunku Nurul Hayati, Touch Community Society Seremban, Montfort Youth Centre, Pertubuhan Perkhidmatan Intervensi Awal Batu Pahat, CHK Moral Uplifting Society Kidney Foundation, Kuching Autistic Association, Sarawak Thalassaemia Society, Mental Health Association of Sarawak Kuching Branch, Sarawak Society for Parents of Children with Special Needs, The Association for Children with Special Needs Sibiu, Miri Red Crescent Dialysis Centre, Seri Mengasih Centre and Sabah Cheshire Home (Sandakan Branch).



## Small Enterprise Programme

The people behind Hong Leong Group are at core entrepreneurs and we seek to propagate this same spirit of entrepreneurship to the community. By expanding our contribution to the community to include this new category, through our dealings with various charities on programs designed to help the underprivileged set up their own businesses, we are able to teach people to stand on their own two feet, eventually breaking the cycle of poverty. Over the short term, those whom we help by giving seed money for businesses will be able to generate enough income to be able to provide for their families' needs. Over time, with proper management and guidance these businesses will grow and, in turn, be able to help others.

Towards this end, we are working with various NGOs, among which are:

Yayasan Salam Malaysia, United Voice, Malaysian Aids Council, Shelter Home for Children, Rose Virginie Good Shepherd Centre and Persatuan Kanak-Kanak Istimewa Kajang, Selangor.

Apart from activities carried out by the Foundation, Group companies have staged their own activities in numerous communities nationwide. The Group's employees have regularly participated in community services that include visits to orphanages and welfare homes, assist in the provision of medical services to poor communities through blood donation drives and volunteer work in hospitals as well as initiating and participating in projects involving environmental and social issues.



We are a  
diversified and  
experienced  
financial service  
provider  
committed to providing  
quality products and  
services to our  
customer ■



## Corporate Information

### ■ DIRECTORS

**YBhg Tan Sri Quek Leng Chan**  
Chairman

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

**YBhg Dato' Ahmad Fuaad bin Mohd Dahalan**

**YBhg Dato' Mohamed Nazim bin Abdul Razak**

**Encik Omar bin Zolkifli**

**Mr. Choong Yee How**

**Mr. Quek Kon Sean**

### ■ SECRETARY

Ms Christine Moh Suat Moi  
MAICSA No: 7005095

### ■ AUDITORS

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

### ■ REGISTRAR

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

### ■ REGISTERED OFFICE

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

### ■ WEBSITE

[www.hlgcap.com.my](http://www.hlgcap.com.my)

## Directors' Profile



### ■ YBHG TAN SRI QUEK LENG CHAN

Chairman/Non-Independent

YBhg Tan Sri Quek Leng Chan, aged 66, a Malaysian, qualified as a Barrister-at-Law from Middle Temple, United Kingdom. He has extensive business experience in various business sectors, including financial services, manufacturing and real estate.

Tan Sri Quek is the Chairman of HLG Capital Berhad ("HLGC") and was appointed to the Board of Directors ("Board") of HLGC on 25 February 1991. Tan Sri Quek is also a member of the Nominating Committee ("NC") and Remuneration Committee ("RC") of HLGC.

He is the Chairman & Chief Executive Officer of Hong Leong Company (Malaysia) Berhad, Executive Chairman of Hong Leong Industries Berhad, GuocoLand (Malaysia) Berhad, Hume Industries (Malaysia) Berhad and Narra Industries Berhad and Chairman of Hong Leong Financial Group Berhad ("HLFG"), Hong Leong Bank Berhad ("HLB"), Hong Leong Islamic Bank Berhad ("HLISB"), Hong Leong Assurance Berhad ("HLA") and Hong Leong Foundation.

Tan Sri Quek attended all the four Board Meetings of HLGC held during the financial year ended 30 June 2009.

### ■ YBHG TAN SRI DATO' SERI KHALID AHMAD BIN SULAIMAN

Non-Executive Director/Independent

YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman, aged 73, a Malaysian, was educated in England and was called to the English Bar at Middle Temple in 1964. He is a Consultant in a legal firm in Penang in which he was a Senior Partner from 1969 till June 2008. He is the Chairman of the Advocates and Solicitors Disciplinary Board. He was in the Penang State Executive Council from 1974 to 1982 and has served on various statutory boards.

He was appointed to the Board of HLGC on 5 August 1991. He is also the Chairman of the Board Audit & Risk Management Committee ("BARMC") and NC of HLGC.

He attended all the four Board Meetings of HLGC held during the financial year ended 30 June 2009.

He is also a Director of HLFG and the Senior Independent Board Member of IGB Corporation Berhad, both companies listed on the Main Market of Bursa Malaysia Securities Berhad ("Main Market of Bursa Securities") and Hong Leong Investment Bank Berhad (formerly known as HLG Credit Berhad) ("HLIB"), a public company.

We firmly believe that our core values form our foundation and framework. These values build character; they are the binding cord that holds the people together, the driving force towards the successful accomplishment of the Group's Vision.

#### ■ YBHG DATO' AHMAD FUAAD BIN MOHD DAHALAN

Non-Executive Director/Independent

YBhg Dato' Ahmad Fuaad bin Mohd Dahalan, aged 59, a Malaysian, holds a Bachelor of Arts (Hons) degree from the University of Malaya.

Dato' Ahmad Fuaad was attached to Wisma Putra, Ministry of Foreign Affairs as Malaysian Civil Service ("MCS") Officer in April 1973 before joining Malaysia Airlines in July 1973. While in Malaysia Airlines, Dato' Ahmad Fuaad served various posts and his last position was as the Managing Director. He was formerly a Director of Lembaga Penggalakan Pelancongan Malaysia, Director for Malaysian Industry-Government Group for High Technology and Director of Malaysia Airports Holdings Berhad.

Dato' Ahmad Fuaad was appointed a Director of HLGC on 12 December 2005. He was appointed as a member of the BARMC of HLGC on 25 September 2007. He is also a member of the NC of HLGC.

Dato' Ahmad Fuaad attended all the four Board Meetings of HLGC held during the financial year ended 30 June 2009.

Dato' Ahmad Fuaad is also a Director of Tokio Marine Insurans (Malaysia) Berhad, a public company.

#### ■ YBHG DATO' MOHAMED NAZIM BIN ABDUL RAZAK

Non-Executive Director/Independent

YBhg Dato' Mohamed Nazim bin Abdul Razak, aged 47, a Malaysian, an architect by profession, graduated from the Architectural Association, School of Architecture, London. He served with YRM Architecture in London, a multi-disciplinary building design consultancy and has more than 17 years experience in the architectural field, 13 of which were in Kuala Lumpur. Besides being the Managing Director of NR Associates Sdn Bhd, he is also the Chairman of Bandar Tasik Semenyih Sdn Bhd, a property developer in the Klang Valley.

Dato' Mohamed Nazim was appointed to the Board of HLGC on 4 October 2005. Dato' Mohamed Nazim is also the Chairman of the RC and a member of the NC of HLGC.

Dato' Mohamed Nazim attended three out of the four Board Meetings of HLGC held during the financial year ended 30 June 2009.

Dato' Mohamed Nazim is also a Director of HLB, a company listed on the Main Market of Bursa Securities, ING Insurance Berhad and HLISB, both public companies.

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**■ ENCIK OMAR BIN ZOLKIFLI**

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Non-Executive Director/Independent

Encik Omar bin Zolkifli, aged 52, a Malaysian, graduated with a Honours degree in Bachelor of Science, Electrical Engineering from the University of Southampton, United Kingdom. From 1979 to 1990, he was a Transmission Engineer with the Protection and Power Line Carrier Department, Lembaga Letrik Negara. In August 1990, he joined HLG Securities Sdn Bhd (“HLGS”) as the General Manager (Institutional Sales) and was later appointed a Director on 20 February 1992. On 3 April 2000, he was re-designated as Executive Director, Dealing of HLGS. He resigned as Executive Director, Dealing of HLGS on 7 May 2005.

Encik Omar bin Zolkifli was appointed a Director of HLGC on 5 August 1991. On 7 May 2007, Encik Omar bin Zolkifli was re-designated as an independent director of HLGC. He is a member of the BARMC, NC and RC of HLGC.

He attended all the four Board Meetings of HLGC held during the financial year ended 30 June 2009.

Encik Omar bin Zolkifli is also a Director of BIB Asia (L) Berhad, a public company.

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**■ MR CHOONG YEE HOW**

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Non-Executive Director/Non-Independent

Mr Choong Yee How, aged 53, a Malaysian, obtained a Bachelor of Science in Biochemistry (Honours) degree in 1979 and a Master of Business Administration in 1981 from the University of Otago, New Zealand. He has over 25 years of experience in banking, of which 23 were with Citibank in Malaysia. Mr Choong started his career with Citibank Malaysia as a Management Associate and was promoted to assume various senior positions within the Citibank Group; the last being President and Chief Executive Officer of Citibank Savings Inc, Philippines. Mr Choong is currently the President & Chief Executive Officer of HLFGB.

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

Mr Choong attended all the four Board Meetings of HLGC held during the financial year ended 30 June 2009.

He is also a Director of HLFGB and HLB, companies listed on the Main Market of Bursa Securities and HLA, HLISB, Hong Leong Tokio Marine Takaful Berhad and HLIB, all public companies.

## ■ MR QUEK KON SEAN

Non-Executive Director/Non-Independent

Mr Quek Kon Sean, aged 29, a Malaysian, obtained Bachelor of Science and Master of Science degrees in Economics from the London School of Economics. In 2002, he joined Goldman Sachs International, London as an Analyst in the Investment Banking Division and in 2003 he joined HSBC, London in Debt Capital Markets. Mr Quek is currently the Executive Director of HLFG. Prior to joining HLFG, Mr Quek was the Management Executive of HL Management Co Sdn Bhd.

Mr Quek was appointed to the Board of HLGC on 28 February 2006.

Mr Quek attended all the four Board Meetings of HLGC held during the financial year ended 30 June 2009.

He is also a Director of HLFG and HLB, companies listed on the Main Market of Bursa Securities, and HLA, a public company.

### Notes:

#### 1. Family Relationship with Director and/or Major Shareholder

Tan Sri Quek Leng Chan and Mr Quek Leng Chye, a deemed major shareholder of HLGC, are brothers. Tan Sri Quek Leng Chan is the father of Mr Quek Kon Sean. Save as disclosed herein, none of the Directors has any family relationship with any other director and/or major shareholder of HLGC.

#### 2. Conflict of Interest

None of the Directors has any conflict of interest with HLGC.

#### 3. Conviction of Offences

None of the Directors has been convicted of any offences in the past 10 years.



## Board Audit and Risk Management Committee Report



### CONSTITUTION

The Board Audit Committee of HLG Capital Berhad (“HLGC” or “the Company”) has been established since 23 March 1994 and had been re-designated as the Board Audit & Risk Management Committee (“BARMC”) on 29 August 2001.

### COMPOSITION OF BARMC

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

YBhg Dato’ Ahmad Fuaad bin Mohd Dahalan  
(Independent Non-Executive Director)

Encik Omar bin Zolkifli  
(Independent Non-Executive Director)

### SECRETARY

The Secretary to the BARMC is the Group Chief Internal Auditor.

### TERMS OF REFERENCE

- To nominate and recommend for the approval of the Board of Directors (“Board”), a person or persons as external auditor(s).
- To review the external audit fees.
- To review, with the external auditors, the audit scope and plan.
- To review, with the external auditors, the audit report and audit findings and the management’s response thereto.
- To review the assistance given by the officers of HLGC and its subsidiaries (“the Group”) to the external auditors.
- To review the quarterly reports and annual financial statements of the Company and of the Group prior to the approval by the Board.
- To review the adequacy of the internal audit scope and plan, functions, competency and resources of the internal audit functions.
- To review the report and findings of the internal audit functions including any findings of internal investigation and the management’s response thereto.
- To review and report to the Board measures taken to:-
  - a) identify and examine principal risks faced by the Company
  - b) implement appropriate systems and internal controls to manage these risks
- To evaluate and recommend to the Board, risk management policies and strategies proposed by management.
- To review any related party transactions that may arise within the Company or the Group.
- Other functions as might be agreed to by the BARMC and the Board.

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## **AUTHORITY**

The BARMC is authorised by the Board to review any activity of the Group within its Terms of Reference. It is authorised to seek any information it requires from any Director or member of management and all employees are directed to co-operate with any request made by the BARMC.

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

## **MEETINGS**

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

The Head of Operations, Head of Compliance of Hong Leong Investment Bank Berhad, Group Financial Controller, Group Internal Audit, Chief Risk Officer and external auditors are invited to attend the BARMC Meetings. At least twice a year, the BARMC will have a separate session with the external auditors without the presence of Executive Directors and management.

Two (2) members of the BARMC, who shall be independent and non-executive, shall constitute a quorum.

After each BARMC Meeting, the BARMC shall report and update the Board on significant issues and concerns discussed during the BARMC Meetings and where appropriate, make the necessary recommendations to the Board.

## **ACTIVITIES**

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

During the financial year ended 30 June 2009, four (4) BARMC Meetings were held and all the meetings were attended by all the Committee members. The BARMC also had two (2) separate sessions with the external auditors without the presence of executive directors and management.

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

In addition, the BARMC reviewed the adequacy and integrity of internal control systems, including risk management and relevant management information system. It also reviewed the processes put in place to identify, evaluate and manage the significant risks encountered by the Group.

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

## **INTERNAL AUDIT**

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

During the financial year ended 30 June 2009, the Group Internal Audit Division carried out its duties covering business audit, system and financial audit.

The cost incurred for the Internal Audit function in respect of the financial year ended 30 June 2009 was RM281,639.

This Board Audit and Risk Management Committee Report is made in accordance with the resolution of the Board of Directors.



# Corporate Governance & Internal Control

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

~ Finance Committee on Corporate Governance

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

## A. DIRECTORS

### I The Board

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

The roles and responsibilities of the Board broadly cover formulation of corporate policies and strategies; overseeing and evaluating the conduct of the Group’s businesses; identifying principal risks and ensuring the implementation of appropriate systems to manage these risks; and reviewing and approving key matters such as financial results, investments and divestments, acquisitions and disposals and major capital expenditure and such other responsibilities that are required of them by Bank Negara Malaysia (“BNM”) as specified in guidelines and circulars issued by BNM, from time to time.

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

### II Board Balance

The Board comprises seven (7) Directors, all of whom are non-executive whilst four (4) are independent. The profiles of the members of the Board are provided in the Annual Report.

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

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

### III Board Meetings

The Board met four (4) times during the financial year ended 30 June 2009. Details of attendance of each director are disclosed in the Directors' Profile in the Annual Report. At Board meetings, active deliberations of issues by Board members are encouraged and such deliberations, decisions and conclusions are recorded by the Company Secretary accordingly. Any director who has an interest in the subject matter to be deliberated shall abstain from deliberation and voting on the same during the meetings.

### IV Supply of Information

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

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

### V Appointments to the Board

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

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

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

YBhg Dato' Ahmad Fuaad bin Mohd Dahalan  
(Independent Non-Executive Director)

YBhg Dato' Mohamed Nazim bin Abdul Razak  
(Independent Non-Executive Director)

Encik Omar bin Zolkifli  
(Independent Non-Executive Director)

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

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

The NC reviews the membership of the Board, the professional qualifications and experience of the directors and the Board composition in terms of size, the balance between executive, non-executive and independent directors and mix of skills. The NC also reviews the performance of the Board against its terms of reference.

## **VI Re-election**

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

## **VII Training And Education**

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

As part of the training programme for its Directors, the Company prepared for the use of its Directors, the Director Manual, and organised in-house programmes and regular briefings and updates by its in-house professionals. The Directors are also encouraged to attend seminars and briefings in order to keep themselves abreast with the latest developments in the business environment and to enhance their skills and knowledge.

The Director Manual which is given to every Director for their reference, highlights, amongst others, the major duties and responsibilities of a director vis-à-vis various laws, regulations and guidelines governing the same. New directors will also be given a briefing on the businesses of the Group.

During the financial year ended 30 June 2009, the Directors received regular briefings and updates on the Group's businesses, operations, risk management, internal controls, corporate governance, finance and any new or changes to the companies and other relevant legislations, rules and regulations from in-house professionals. The Company also organised an in-house programme covering compliance and regulatory issues for its directors and senior management.

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

During the financial year ended 30 June 2009, the Directors of the Company attended the following training programmes, seminars, briefings and workshops:

- ◆ Financial Institutions Directors' Education Programme
- ◆ Mergers and Acquisitions - Doing Better Deals
- ◆ Main Market Listing Requirements of Bursa Malaysia Securities Berhad
- ◆ FTSE Bursa Malaysia - Elevating Malaysia's Benchmark Index to Global Standards

## **B. DIRECTORS' REMUNERATION**

### **I Level and Make-up of Remuneration**

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

YBhg Dato' Mohamed Nazim bin Abdul Razak  
(Chairman, Independent Non-Executive Director)

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

Encik Omar bin Zolkifli  
(Independent Non-Executive Director)

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

- ◆ Recommend to the Board the framework governing the remuneration of the:
  - Directors;
  - Chief Executive Officer; and
  - Key senior management officers.
- ◆ Review and recommend to the Board the specific remuneration packages of Executive Directors and the Chief Executive Officer.
- ◆ Review the remuneration package of key senior management officers.

During the financial year ended 30 June 2009, one (1) RC meeting was held and the meeting was attended by all the members.

The Group's remuneration scheme for Executive Directors is linked to performance, service seniority, experience and scope of responsibility and is periodically benchmarked to market/industry surveys conducted by human resource consultants. Performance is measured against profits and targets set in the Group's annual plan and budget.

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

## II Procedure

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

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

## III Disclosure

The aggregate remuneration of Directors (including remuneration earned as directors of subsidiaries) for the financial year ended 30 June 2009 is as follows:

	Fees (RM)	Salaries & Other Emoluments (inclusive bonuses and benefits-in-kind) (RM)	Total (RM)
Executive Directors	-	-	-
Non-Executive Directors	498,685	96,377	595,062

The number of Directors whose remuneration fall into the following bands is as follows:

Range Of Remuneration (RM)	Executive	Non-Executive
50,001 – 100,000	-	6
150,001 – 200,000	-	1

## C. SHAREHOLDERS

### I Dialogue between Companies and Investors

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

The Company has a website at [www.hlgcap.com.my](http://www.hlgcap.com.my) which the shareholders can access for corporate information which includes announcements made to Bursa Malaysia Securities Berhad by the Company.

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

Queries may be conveyed to the Group Chief Financial Officer. The contact details are as follows:

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

## **II AGM**

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

## **D. ACCOUNTABILITY AND AUDIT**

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

The BARMC met four (4) times during the financial year ended 30 June 2009. The attendance of the members are set out in the BARMC Report. The Group Financial Controller, Head of internal audit, Head of Compliance, the risk manager and the CEO may attend Committee meetings, on the invitation of the Committee, to provide information and clarification required on items on the agenda. Representatives of the external auditors are also invited to attend the Committee meetings to present their audit scope and plan, audit report and findings together with management's response thereto, and to brief the Committee members on significant audit and accounting areas which they noted in the course of their audit.

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

The BARMC is supported by the Internal Audit Department whose principal responsibility is to conduct periodic audits on the internal control matters to ensure compliance with systems and/or standard operating procedures of the Group. Investigation will be made at the request of the BARMC and senior management on specific areas of concern when necessary. Significant breaches and deficiencies identified are discussed at the BARMC meetings where appropriate actions will be taken.

### **I Financial Reporting**

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

### **II Internal Control**

The Board has overall responsibility for maintaining a system of internal controls which covers financial and operational controls and risk management. This system provides reasonable but not absolute assurance against material misstatements, losses and fraud.

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

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

### III Relationship with Auditors

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

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

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

## E. STATEMENT ON INTERNAL CONTROL

### I The Responsibility of the Board

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

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

### II The Risk Management Framework

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

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

These processes have been in place throughout the financial year ended 30 June 2009 and have continued up to the date this statement was approved.

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

A Chief Risk Officer administers the Risk Management Framework of the Group. The primary responsibilities of the Chief Risk Officer are:

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



In discharging the above responsibilities, the Chief Risk Officer is guided by but not limited to the questions raised in the Appendix to the Statement on Internal Control - Guidance for Directors of Public Listed Companies.

### **III Internal Control Review and Regulatory Compliance Procedures**

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

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

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

### **IV Management and Decision-Making Processes**

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

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

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

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

The Group has identified the major risks that has significant impact on its operations, namely; credit risk, market risk, settlement risk, operational risk, and legal and compliance risk. Action plans are developed at each operating unit to manage and monitor these risks. Where feasible and necessary, relevant group resources are focused to manage and monitor common risks on an integrated and Group-wide basis, using common tools, procedures and control systems as appropriate.

## **F. DIRECTORS' RESPONSIBILITY IN FINANCIAL REPORTING**

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

The directors are satisfied that in preparing the financial statements of the Group and of the Company for the financial year ended 30 June 2009, the Group has used the appropriate accounting policies and applied them consistently. The directors are also of the view that relevant approved accounting standards have been followed in the preparation of these financial statements.

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

## Directors' Report

for the financial year ended 30 June 2009

The Directors hereby submit their report together with the audited financial statements of the Group and the Company for the financial year ended 30 June 2009.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are investment banking, stock broking, unit trust management, fund management, futures broking and nominee services as disclosed in Note 9 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

### FINANCIAL RESULTS

	The Group RM'000	The Company RM'000
Net profit for the financial year	12,474	860

### DIVIDEND

Since the last financial year ended 30 June 2008, a final dividend of 7.5 sen per share less income tax at 25% amounting to RM6,722,394 in respect of the financial year ended 30 June 2008 was paid on 19 November 2008.

The Directors do not recommend the payment of any final dividend for the financial year ended 30 June 2009.

### SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 43 to the financial statements.

### SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR

Significant events subsequent to the balance sheet date are disclosed in Note 44 to the financial statements.

### RESERVES AND PROVISIONS

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

### DIRECTORS

The Directors in office since the date of the last report are as follows:-

YBhg Tan Sri Quek Leng Chan	(Chairman, Non-Independent Non-Executive Director)
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman	(Independent Non-Executive Director)
Encik Omar bin Zolkifli	(Independent Non-Executive Director)
YBhg Dato' Mohamed Nazim bin Abdul Razak	(Independent Non-Executive Director)
YBhg Dato' Ahmad Fuaad bin Mohd Dahalan	(Independent Non-Executive Director)
Mr Choong Yee How	(Non-Independent Non-Executive Director)
Mr Quek Kon Sean	(Non-Independent Non-Executive Director)

## Directors' Report for the financial year ended 30 June 2009

### DIRECTORS

In accordance with Article 116 of the Company's Articles of Association, Mr Quek Kon Sean and YBhg Dato' Ahmad Fuaad bin Mohd Dahalan retire by rotation from the Board and being eligible, offer themselves for re-election.

In accordance with Section 129 of the Companies Act, 1965, YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman retires and being eligible, offers himself for re-appointment.

### DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year who had beneficial interests in the ordinary shares/options/convertible bonds of the Company and/or its related corporations during the financial year ended 30 June 2009, as recorded in the Register of Directors' shareholdings required to be kept by the Company under Section 134 of the Companies Act, 1965, are as follows:

	Nominal value per share RM	Shareholdings in which Directors have direct interests Number of ordinary shares/*shares issued or to be issued or acquired arising from the exercise of options/convertible bonds			As at 30 June 2009
		As at 1 July 2008	Acquired	Sold	
<b>Interests of YBhg Tan Sri Quek Leng Chan in:</b>					
Hong Leong Company (Malaysia) Berhad	1.00	390,000	-	-	390,000
Hong Leong Financial Group Berhad	1.00	4,989,600	-	-	4,989,600
Hume Industries (Malaysia) Berhad	1.00	2,000,000	-	-	2,000,000
Narra Industries Berhad	1.00	8,150,200	-	-	8,150,200
Guoco Group Limited	USD0.50	1,656,325	-	-	1,656,325
GuocoLand Limited ("GLL")	∞	20,062,965	-	-	20,062,965
GuocoLand (Malaysia) Berhad	0.50	4,476,280	15,030,500	-	19,506,780
GuocoLeisure Limited ("GL")	USD0.20	150,000	585,000	-	735,000
<b>Interests of YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman in:</b>					
Hong Leong Financial Group Berhad	1.00	5,544,000	-	-	5,544,000
Hong Leong Bank Berhad	1.00	400,000	-	-	400,000
Hong Leong Industries Berhad	0.50	52,800	-	-	52,800
Hume Industries (Malaysia) Berhad	1.00	167	-	-	167
Malaysian Pacific Industries Berhad	0.50	1,000	-	-	1,000

**Directors' Report**  
for the financial year ended 30 June 2009

**DIRECTORS' INTERESTS** *cont'd*

Shareholdings in which Directors have direct interests  
Number of ordinary shares/\*shares issued or to be issued or acquired arising from the exercise of options/convertible bonds

	Nominal value per share RM	As at 1 July 2008	Acquired	Sold	As at 30 June 2009
<b>Interest of Encik Omar bin Zolkifli in:</b>					
HLG Capital Berhad	1.00	220,068	-	-	220,068
<b>Interest of Mr Choong Yee How in:</b>					
Hong Leong Financial Group Berhad	1.00	8,000,000 %	-	-	8,000,000 %
<b>Interest of Mr Quek Kon Sean in:</b>					
Hong Leong Financial Group Berhad	1.00	2,500,000 %	-	-	2,500,000 %

Shareholdings in which Directors have indirect interests  
Number of ordinary shares/\*shares issued or to be issued or acquired arising from the exercise of options/convertible bonds

	Nominal value per share RM	As at 1 July 2008	Acquired	Sold	As at 30 June 2009
<b>Interests of YBhg Tan Sri Quek Leng Chan in:</b>					
Hong Leong Company (Malaysia) Berhad	1.00	7,487,100	-	-	7,487,100
Hong Leong Fund Management Sdn Bhd	1.00	1,400,000	-	-	1,400,000
Hong Leong Financial Group Berhad	1.00	824,437,300	-	-	824,437,300
HLG Capital Berhad	1.00	92,590,545	-	-	92,590,545
Hong Leong Bank Berhad	1.00	961,690,100	4,055,000	-	965,745,100
Hong Leong Tokio Marine Takaful Berhad	1.00	65,000,000	-	-	65,000,000
Hong Leong Industries Berhad	0.50	184,899,737	10,513,300 *@	-	195,413,037 *@
Hong Leong Yamaha Motor Sdn Bhd	1.00	17,352,872	-	-	17,352,872
Guocera Tile Industries (Meru) Sdn Bhd	1.00	19,600,000	-	-	19,600,000

**Directors' Report**  
for the financial year ended 30 June 2009

**DIRECTORS' INTERESTS** *cont'd*

	Nominal value per share RM	Shareholdings in which Directors have indirect interests Number of ordinary shares/*shares issued or to be issued or acquired arising from the exercise of options/convertible bonds				As at 30 June 2009
		As at 1 July 2008	Acquired	Sold		
<b>Interests of YBhg Tan Sri Quek Leng Chan in: <i>cont'd</i></b>						
Hong Leong Maruken Sdn Bhd (In members' voluntary liquidation)	1.00	1,750,000	-	-	1,750,000	
Guocera Tile Industries (Labuan) Sdn Bhd	1.00	6,545,001	-	-	6,545,001	
Varinet Sdn Bhd (In members' voluntary liquidation)	1.00	10,560,627	-	-	10,560,627	
RZA Logistics Sdn Bhd	1.00	7,815,980	118,267	-	7,934,247	
Malaysian Pacific Industries Berhad	0.50	127,683,309	-	-	127,683,309	
Carter Realty Sdn Bhd	1.00	7	-	-	7	
Carsem (M) Sdn Bhd	1.00	84,000,000	-	-	84,000,000	
	100.00	22,400	-	-	22,400	
		(Redeemable Preference Shares)			(Redeemable Preference Shares)	
Hume Industries (Malaysia) Berhad	1.00	120,208,928	1,692,101	19,401	121,881,628	
Narra Industries Berhad	1.00	38,314,000	-	-	38,314,000	
Adjuvant Resources Berhad (formerly known as Camerlin Group Berhad) ("ARB")	0.01	286,874,078	-	3,133,500 **	283,740,578 ###	
Guoco Group Limited	US\$0.50	219,839,529	15,359,000	-	235,198,529	
GuocoLand Limited ("GLL")	∞	570,958,320 726,348 *	8,066,000 20,246,945 *	-	579,024,320 20,973,293 *	
First Garden Development Pte Ltd	∞	72,000,000	-	9,000,000 &	63,000,000	
Melville Park Development Pte Ltd (In members' voluntary liquidation)	∞	57,840,000	-	57,840,000 ^^	-	
Sanctuary Land Pte Ltd	∞	54,000,000	-	53,910,000 &	90,000	
Beijing Minghua Property Development Co Ltd (In members' voluntary liquidation)	^	150,000,000	-	-	150,000,000	

**Directors' Report**  
for the financial year ended 30 June 2009

**DIRECTORS' INTERESTS** *cont'd*

	Nominal value per share RM	Shareholdings in which Directors have indirect interests Number of ordinary shares/*shares issued or to be issued or acquired arising from the exercise of options/convertible bonds			As at 30 June 2009
		As at 1 July 2008	Acquired	Sold	
<b>Interests of YBhg Tan Sri Quek Leng Chan in: <i>cont'd</i></b>					
Shanghai Xinhaozhong Property Development Co., Ltd	#	19,600,000	-	-	19,600,000
Beijing Jiang Sheng Property Development Co., Ltd	^	247,600,000	-	-	247,600,000
Nanjing Xinhaoning Property Development Co., Ltd	#	11,800,800	-	-	11,800,800
Nanjing Xinhaoxuan Property Development Co., Ltd	#	11,800,800	-	-	11,800,800
Nanjing Mahui Property Development Co., Ltd	^	271,499,800	-	-	271,499,800
Beijing Cheng Jian Dong Hua Real Estate Development Company Limited	^	50,000,000	-	-	50,000,000
Lam Soon (Hong Kong) Limited	HK\$1.00	140,008,659	-	-	140,008,659
Kwok Wah Hong Flour Company Limited	HK\$100.00	9,800	-	-	9,800
M.C. Packaging Offshore Limited	HK\$0.01	812,695	-	-	812,695
Guangzhou Lam Soon Food Products Limited	Ω	6,570,000	-	-	6,570,000
Shekou Lam Soon Silo Company Limited	#	8,464,500	1,035,500	-	9,500,000 ###
GuocoLand (Malaysia) Berhad	0.50	456,555,616	10,000,000 **@	-	466,555,616 *@
Guoman Hotel & Resort Holdings Sdn Bhd	1.00	277,000,000	-	-	277,000,000
JB Parade Sdn Bhd	1.00	18,000,000	10,000,000	-	28,000,000
		68,594,000	-	-	68,594,000
		(Redeemable Preference Shares)			(Redeemable Preference Shares)
GuocoLeisure Limited ("GL")	US\$0.20	839,709,108	232,766,375 \$	304,806,272 ~	767,669,211

**Directors' Report**  
for the financial year ended 30 June 2009

**DIRECTORS' INTERESTS** *cont'd*

	Nominal value per share RM	Shareholdings in which Directors have indirect interests Number of ordinary shares/*shares issued or to be issued or acquired arising from the exercise of options/convertible bonds			As at 30 June 2009
		As at 1 July 2008	Acquired	Sold	
<b>Bondway Properties Limited (In members' voluntary liquidation)</b>					
	GBP1	1,134,215	-	-	1,134,215
		Ordinary-Voting Shares			Ordinary-Voting Shares
	GBP1	10,332	-	-	10,332
		Ordinary-Non Voting Shares			Ordinary-Non Voting Shares
<b>Interests of YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman in:</b>					
Hong Leong Financial Group Berhad	1.00	3,600 <sup>^^</sup>	-	-	3,600 <sup>^^</sup>
HLG Capital Berhad	1.00	100,000 <sup>^^</sup>	-	-	100,000 <sup>^^</sup>
<b>Interests of Quek Kon Sean in:</b>					
Hong Leong Industries Berhad	0.50	-	750,000	-	750,000

Legend:

- ∞ Concept of par value was abolished with effect from 30 January 2006 pursuant to the Singapore Companies (Amendment) Act, 2005
- ^ Capital contribution in RMB
- # Capital contribution in USD
- Ω Capital contribution in HK\$
- \*\*@ Shares held by children who are not directors of the Company
- \*@ Inclusive shares held by children who are not directors of the Company
- \*\* Shares cancelled pursuant to the selective capital repayment exercise via capital reduction undertaken by ARB
- & Shares cancelled via capital reduction
- ^^ Dissolved during the financial year
- ~ Inclusive of cessation of deemed interest held through ARB pursuant to the Capital Distribution Exercise of ARB
- \$ Inclusive of shares which are credited/transferred to a company in which YBhg Tan Sri Quek Leng Chan has interest pursuant to the capital distribution of shares of GL to the entitled shareholders of ARB via a reduction of the share capital and cancellation of ARB's share premium reserve ("Capital Distribution Exercise of ARB")
- ### Became a wholly owned subsidiary during the financial year
- ^^^ Indirect interest through spouse and/or children pursuant to Section 134(12) (c) of the Companies Act, 1965
- % Shares to be purchased arising from the exercise of Executive Share Option Scheme of HLFG

**Directors' Report**  
for the financial year ended 30 June 2009

**DIRECTORS' BENEFITS**

No Director of the Company has since the end of the previous financial year received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in Note 28 to the financial statements or the fixed salary of a full-time employee of the Company or of a related company) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except for:

- (a) YBhg Tan Sri Quek Leng Chan, who may be deemed to derive a benefit by virtue of those transactions, contracts and agreements for the acquisition and/or disposal of stocks and shares, stocks in-trade, products, parts, accessories, plants, chattels, fixtures, buildings, land and other properties or any interest in any properties; and/or the provision of services, including but not limited to project and sales management and any other management and consultancy services; and/or the provision of construction contracts, leases, tenancy, dealership and distributorship agreements; and/or the provision of treasury functions, advances and the conduct of normal trading, insurance, investment, stock broking and/or other businesses between the Company or its related corporations and corporations in which YBhg Tan Sri Quek Leng Chan is deemed to have an interest; and
- (b) Encik Omar bin Zolkifli who may be deemed to derive a benefit by virtue of those transactions in connection with the provision of insurance broking services by BIB Insurance Brokers Sdn Bhd to the Company and its related corporations in which both Directors have interests.

During and at the end of the financial year, no arrangements subsisted to which the Company or its subsidiaries is a party with the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures, of the Company or any other body corporate.

**EXECUTIVE SHARE OPTION SCHEME ("ESOS" OR "SCHEME")**

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

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

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

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

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



**Directors' Report**  
for the financial year ended 30 June 2009

**EXECUTIVE SHARE OPTION SCHEME (“ESOS” OR “SCHEME”) *cont'd***

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

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

There were no options granted during the financial year.

**SHARE CAPITAL**

During the financial year, there was no issuance of new ordinary shares.

As at 30 June 2009, the issued and fully paid-up share capital of the Company is RM123,448,334 comprising 123,448,334 ordinary shares of RM1.00 each.

**Other statutory information regarding the Group and the Company**

**(a) As at the end of the financial year**

- (i) Before the income statements and balance sheets of the Group and the Company were made out, the Directors took reasonable steps:
- to ascertain that proper action had been taken in relation to the writing off of bad debts and 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
  - to ensure that any current assets, other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.
- (ii) In the opinion of the Directors, the results of the operations of the Group and the Company during the financial year had not been substantially affected by any item, transaction or event of a material and unusual nature.

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

- (i) The Directors are not aware of any circumstances:
- which would render the amount written off for bad debts or the amount of the allowance for doubtful debts inadequate to any material extent;
  - which would render the values attributed to current assets in the financial statements misleading; and
  - which had arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.
- (ii) In the opinion of the Directors:
- the results of the operations of the Group and the Company for the financial year ended 30 June 2009 are not likely to be substantially affected by any item, transaction or event of a material and unusual nature which had arisen in the interval between the end of the financial year and the date of this report; and
  - no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and the Company to meet their obligations as and when they fall due.

**Directors' Report**  
for the financial year ended 30 June 2009

**SHARE CAPITAL** *cont'd*

**Other statutory information regarding the Group and the Company** *cont'd*

**(c) As at the date of this report**

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

**HOLDING AND ULTIMATE HOLDING COMPANIES**

The holding and ultimate holding companies are Hong Leong Financial Group Berhad and Hong Leong Company (Malaysia) Berhad respectively, both incorporated in Malaysia.

**AUDITORS**

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

Signed on behalf of the Board of Directors in accordance with their resolution dated 31 July 2009.

**Tan Sri Dato' Seri Khalid Ahmad Bin Sulaiman**

**Choong Yee How**

Kuala Lumpur  
25 August 2009

## Balance Sheets

as at 30 June 2009

	Note	The Group		The Company	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>Assets</b>					
Cash and short term funds	2	317,387	252,959	4,668	23,263
Deposits and placements with banks and other financial institutions	3	73	30	-	-
Securities held at fair value through profit or loss	4	6,443	7,034	342	229
Available-for-sale securities	5	2,445	2,445	-	-
Loans and advances	6	82,339	38,003	-	-
Clients' and brokers' balances	7	145,762	148,737	-	-
Other receivables	8	13,854	13,201	11,148	20,221
Tax recoverable		644	560	1,363	519
Investment in subsidiary companies	9	-	-	270,189	147,189
Deferred tax assets	10	58,455	1,330	-	-
Prepaid lease payments	11	1,132	-	-	-
Property and equipment	12	4,750	3,616	-	-
Goodwill	13	32,823	4,663	-	-
Intangible assets	14	982	594	-	-
<b>Total assets</b>		<b>667,089</b>	<b>473,172</b>	<b>287,710</b>	<b>191,421</b>
<b>Liabilities</b>					
Deposits and placements of other financial institutions	15	9,820	-	-	-
Clients' and brokers' balances	16	279,029	233,817	-	-
Payables and other liabilities	17	55,236	43,662	771	20,515
Provision for taxation		-	336	-	-
Borrowings	18	146,900	24,600	146,900	24,600
<b>Total liabilities</b>		<b>490,985</b>	<b>302,415</b>	<b>147,671</b>	<b>45,115</b>
<b>Capital and reserves</b>					
Share capital	19	123,448	123,448	123,448	123,448
Reserves	20	56,629	50,877	20,564	26,426
Treasury shares for ESOS scheme	21	(3,973)	(3,568)	(3,973)	(3,568)
<b>Total equity</b>		<b>176,104</b>	<b>170,757</b>	<b>140,039</b>	<b>146,306</b>
<b>Total equity and liabilities</b>		<b>667,089</b>	<b>473,172</b>	<b>287,710</b>	<b>191,421</b>
<b>Commitment and contingencies</b>	32	<b>327,475</b>	<b>247,231</b>	-	-

## Income Statements

for the financial year ended 30 June 2009

	Note	The Group		The Company	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Interest income	22	8,315	6,847	239	45
Interest expense	23	(3,670)	(307)	(3,239)	(163)
Net interest income/(expense)		4,645	6,540	(3,000)	(118)
Non-interest income	24	55,484	65,630	4,333	4,466
Overhead expenses	25	60,129 (47,962)	72,170 (42,427)	1,333 (1,392)	4,348 (1,256)
Operating profit/(loss) before allowances		12,167	29,743	(59)	3,092
Writeback of losses on loans and advances and other losses	26	1,461	213	-	-
Impairment loss	27	(57,236)	2,197	-	-
(Loss)/Profit before taxation		(43,608)	32,153	(59)	3,092
Taxation	29	56,082	(5,030)	919	(55)
Net profit for the financial year		12,474	27,123	860	3,037
<b>Earnings per share (sen)</b>					
Basic and fully diluted	30	10.4	22.3		

## Statement of Changes in Equity

for the financial year ended 30 June 2009

The Group	Note	← Attributable to equity holders of the Company →					Total RM'000
		Share capital RM'000	Treasury shares for ESOS scheme RM'000	Statutory reserve RM'000	General reserve RM'000	Retained profits RM'000	
At 1 July 2008		123,448	(3,568)	-	543	50,334	170,757
Profit after taxation		-	-	-	-	12,474	12,474
Total income and expense recognised for the financial year		-	-	-	-	12,474	12,474
Transfer to statutory reserve		-	-	4,362	-	(4,362)	-
Purchase of shares for ESOS scheme		-	(405)	-	-	-	(405)
Dividends paid	31	-	-	-	-	(6,722)	(6,722)
<b>At 30 June 2009</b>		<b>123,448</b>	<b>(3,973)</b>	<b>4,362</b>	<b>543</b>	<b>51,724</b>	<b>176,104</b>
At 1 July 2007		123,448	(3,081)	-	543	27,569	148,479
Profit after taxation		-	-	-	-	27,123	27,123
Total income and expense recognised for the financial year		-	-	-	-	27,123	27,123
Purchase of shares for ESOS scheme		-	(487)	-	-	-	(487)
Dividends paid	31	-	-	-	-	(4,358)	(4,358)
<b>At 30 June 2008</b>		<b>123,448</b>	<b>(3,568)</b>	<b>-</b>	<b>543</b>	<b>50,334</b>	<b>170,757</b>

**Statement of Changes in Equity**  
for the financial year ended 30 June 2009

The Company	Note	← Non-distributable →		Distributable	Total RM'000
		Share capital RM'000	Treasury shares for ESOS scheme RM'000	Retained profits RM'000	
At 1 July 2008		123,448	(3,568)	26,426	146,306
Profit after taxation		-	-	860	860
Total income and expense recognised for the financial year		-	-	860	860
Purchase of shares for ESOS scheme		-	(405)	-	(405)
Dividends paid	31	-	-	(6,722)	(6,722)
At 30 June 2009		123,448	(3,973)	20,564	140,039
At 1 July 2007		123,448	(3,081)	27,747	148,114
Profit after taxation		-	-	3,037	3,037
Total income and expense recognised for the financial year		-	-	3,037	3,037
Purchase of shares for ESOS scheme		-	(487)	-	(487)
Dividends paid	31	-	-	(4,358)	(4,358)
At 30 June 2008		123,448	(3,568)	26,426	146,306

## Consolidated Cash Flow Statements

for the financial year ended 30 June 2009

	Note	2009 RM'000	2008 RM'000
<b>Cash flows from operating activities</b>			
(Loss)/profit before taxation		(43,608)	32,153
Adjustments for:			
Impairment loss		57,236	(2,197)
Depreciation of property and equipment		1,534	1,424
Amortisation of prepaid lease payments		1	-
Amortisation of intangible assets		372	166
Gain on sale of property and equipment		(73)	(5)
Unrealised loss/(gain) on revaluation of securities held at fair value through profit or loss		945	(119)
Allowances for losses on loans and advances		1,214	97
Writeback of losses on clients' and brokers' balances		(2,675)	(310)
Interest income		(8,315)	(6,847)
Interest expense		3,670	307
Dividend income		(1,085)	(556)
Gain on liquidation of subsidiaries		-	(3)
		52,824	(8,043)
<b>Operating profit before working capital changes</b>		9,216	24,110
<b>(Increase)/decrease in operating assets</b>			
Deposits and placements with banks and other financial institutions		(43)	(30)
Securities held at fair value through profit or loss		(354)	(230)
Loans and advances		(14,157)	-
Clients' and brokers' balances		33,924	92,020
Other receivables		355	-
<b>Increase/(decrease) in operating liabilities</b>			
Deposits from customers		(603)	-
Deposits and placements of banks and other financial institutions		(37,976)	-
Clients' and brokers' balances		(2,095)	-
Payables and other liabilities		(34,033)	(99,691)
		(54,982)	(7,931)

**Consolidated Cash Flow Statements**  
for the financial year ended 30 June 2009

	Note	2009 RM'000	2008 RM'000
<b>Cash (used in)/generated from operations</b>		(45,766)	16,179
Interest received		8,315	6,847
Net income tax paid		(1,399)	(6,941)
<b>Net cash (used in)/generated from operating activities</b>		<b>(38,850)</b>	<b>16,085</b>
<b>Cash flows from investing activities</b>			
Dividends received		-	556
Proceeds from disposal of property and equipment		118	369
Proceeds from liquidation of subsidiary		-	3
Purchase of property and equipment		(1,238)	(2,375)
Purchase of intangible assets - computer software		(717)	(655)
Acquisition of SBBS, net cash acquired	42	(27,817)	-
Acquisition of SIBB, net cash acquired	42	(48,152)	-
<b>Net cash used in investing activities</b>		<b>(77,806)</b>	<b>(2,102)</b>
<b>Cash flows from financing activities</b>			
Dividend paid		(6,722)	(4,358)
Interest paid on borrowings		(3,670)	(307)
Purchase of treasury shares for ESOS scheme		(405)	(487)
Drawdown of borrowings		122,300	9,900
<b>Net cash generated from financing activities</b>		<b>111,503</b>	<b>4,748</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(5,153)</b>	<b>18,731</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>113,006</b>	<b>94,275</b>
<b>Cash and cash equivalents at end of year</b>		<b>107,853</b>	<b>113,006</b>
<b>Cash and cash equivalents comprise:</b>			
Cash and short term funds	2	317,387	252,959
Less: Remisiers' and clients' trust monies		(209,534)	(139,953)
		<b>107,853</b>	<b>113,006</b>



## Company Cash Flow Statements

for the financial year ended 30 June 2009

	Note	The Company	
		2009 RM'000	2008 RM'000
<b>Cash flows from operating activities</b>			
(Loss)/Profit before taxation		(59)	3,092
Adjustments for:			
Unrealised gain on securities held at fair value through profit or loss		(13)	-
Interest expense		3,239	163
Interest income		(239)	(45)
Gain on liquidation of subsidiaries		-	(3)
Dividend income from subsidiary companies		(4,310)	(1,500)
Writeback of allowance for doubtful debts		-	(2,830)
Waiver of intercompany advance		-	(104)
		(1,323)	(4,319)
<b>Operating loss before working capital changes</b>		(1,382)	(1,227)
Increase in receivables		(10,662)	(2,657)
(Decrease)/Increase in payables		(10)	19,249
<b>Cash (used in)/generated from operating activities</b>		(12,054)	15,365
Income tax refund		1,153	-
Interest received		239	45
<b>Net cash (used in)/generated from operating activities</b>		(10,662)	15,410
<b>Cash flows from investing activities</b>			
Dividend income from subsidiary companies		3,233	1,125
Proceeds from liquidation of subsidiaries		-	503
Increase in investment in a subsidiary		(123,000)	-
Purchase of available-for-sale securities		(100)	(230)
Purchase of treasury shares for ESOS scheme		(405)	(487)
<b>Net cash (used in)/generated from investing activities</b>		(120,272)	911
<b>Cash flows from financing activities</b>			
Dividend paid		(6,722)	(4,358)
Interest paid on borrowings		(3,239)	(163)
Drawdown of borrowings		122,300	9,900
<b>Net cash generated from financing activities</b>		112,339	5,379
<b>Net (decrease)/increase in cash and cash equivalents</b>		(18,595)	21,700
<b>Cash and cash equivalents at beginning of year</b>		23,263	1,563
<b>Cash and cash equivalents at end of year</b>		4,668	23,263
<b>Cash and cash equivalents comprise:</b>			
Cash and short term funds	2	4,668	23,263

## Summary of Significant Accounting Policies

for the financial year ended 30 June 2009

All significant accounting policies set out below have been used consistently in dealing with items which are considered material in relation to the financial statements.

### A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and the Company have been prepared in accordance with the Malaysian Accounting Standards Board (“MASB”) Approved Accounting Standards in Malaysia for Entities Other Than Private Entities, Bank Negara Malaysia (“BNM”) Guidelines and comply with the provisions of the Companies Act, 1965.

The preparation of financial statements in conformity with Financial Reporting Standards requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group’s and the Company’s accounting policies. Although these estimates and judgement are based on the management and Directors’ best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 41.

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

There are no new accounting standards, amendments to published standards and interpretations to existing standards effective for the Group and the Company for the financial year ended 30 June 2009 and applicable to the Group and the Company.

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

The new standards and IC Interpretations that are applicable to the Group and the Company, but which the Group has not early adopted, are as follows:

- FRS 8 “Operating Segments” (effective for annual period beginning on or after 1 July 2009). FRS 8 replaces FRS 114<sup>2004</sup> Segment Reporting. The new standard requires a ‘management approach’, under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply this standard when effective. The adoption of FRS 8 will require additional disclosure requirements in the Group’s financial statements.

The following new standards and IC Interpretations will be effective for annual period beginning on or after 1 January 2010. The Group will apply these standards and IC Interpretations when effective.

- IC Interpretation 9 “Reassessment of Embedded Derivatives” 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. The adoption of IC 9 does not have any significant financial impact on the results of the Group.
- IC Interpretation 10 “Interim Financial Reporting and Impairment” 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. The adoption of IC 10 does not have any significant financial impact on the results of the Group.
- Amendments to FRS 1 “First-time Adoption of Financial Reporting Standards” and FRS 127 “Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate” allow first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The adoption of Amendments to FRS 1 does not have any significant financial impact on the results of the Group and the Company.

## Summary of Significant Accounting Policies for the financial year ended 30 June 2009

### A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS *cont'd*

#### (ii) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Company but not yet effective *cont'd*

- The Group and the Company has applied the transitional provision in the respective standards which exempts entities from disclosing the possible impact arising from the initial application of the standard on the financial statements of the Group and Company.
  - FRS 139 "Financial Instruments: Recognition and Measurement"
  - FRS 4 "Insurance Contracts"
  - FRS 7 "Financial Instruments: Disclosures"

### B ECONOMIC ENTITIES IN THE GROUP

#### (i) Subsidiaries

Subsidiaries are entities in which the Group has the power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than half of the voting rights.

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

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

Subsidiaries are consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceases. Subsidiaries are consolidated using the purchase method of accounting, except for business combinations involving entities or businesses under common control with agreement dates on/after 1 January 2006 which were accounted for using merger accounting principles.

Under the purchase method of accounting, the results of subsidiaries acquired or disposed of during the year are included from the date of acquisition 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 fair value of the Group's share of the 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.

Under the merger method of accounting, the results of subsidiaries are presented as if the merger had been effected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting credit difference is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve. Any share premium, capital redemption reserve and any other reserves which are attributable to share capital of the merged enterprises, to the extent that they have been capitalised by a debit difference, are reclassified and presented as movement in other capital reserves.

All material transactions and balances between group companies are eliminated and the consolidated financial statements reflect external transactions only. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets together with the carrying amount of the goodwill as of the date of disposal is recognised in the consolidated income statement.

## Summary of Significant Accounting Policies for the financial year ended 30 June 2009

### C GOODWILL

Goodwill represents the excess of the cost of acquisition of subsidiaries over the fair value of the Group's share of the identifiable net assets at the date of acquisition.

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

Goodwill is allocated to cash generating units ('CGU') for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the synergies of the business combination in which the goodwill arose. Refer to Note R on impairment of non-financial assets.

### D PROPERTY AND EQUIPMENT AND DEPRECIATION

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses (if any). Depreciation of property and equipment is calculated to write off the cost of property and equipment to their residual values over the estimated useful lives, summarised as follows:

Leasehold buildings	Over the remaining period of the lease or 50 years whichever is shorter
Office and computer equipment	20% - 33%
Furniture and fittings	20%
Office renovation	20%
Motor vehicles	20%

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in other operating income.

### E INTANGIBLE ASSETS

Intangible assets comprise of computer software. Intangible assets are initially recognised when they are separable or arise from contractual or other legal rights, the cost can be measured reliably and, in the case of intangible assets not acquired in a business combination, where it is probable that future economic benefits attributable to the assets will flow from their use. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Intangible assets that have an indefinite useful life, or are not yet ready for use, are tested for impairment annually. This impairment test may be performed at any time during the year, provided it is performed at the same time every year. An intangible asset recognised during the current period is tested before the end of the current year.

Intangible assets that have a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses and are amortised over their estimated useful lives.

Computer software are amortised over their finite useful lives of 3 years.

## Summary of Significant Accounting Policies for the financial year ended 30 June 2009

### F LEASES

#### Where the Group and the Company is the lessee

Lease of property and equipment where the Group and the Company assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of fair value of the lease assets or the present value of the minimum lease payments. Each lease payment is allocated between the liability and the finance charge. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance charge is charged to the income statement over the lease period. Property and equipment acquired under finance lease are depreciated over the estimated useful life of the assets.

Leases of assets where a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to income statement over the lease period.

Leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted as prepaid lease payments that are amortised over the lease term in accordance with the pattern of benefits provided.

#### Where the Group and the Company is the lessor

When assets are leased out under a finance lease, the present value of the lease payments is recognised as receivable. The difference between the gross receivables and net present value of the receivables is recognised as unearned income. Lease income is recognised over the term of the lease.

Assets leased out under operating leases are included in property and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar assets. Rental income is recognised on straight line basis over the lease term.

### G SECURITIES PORTFOLIO

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

#### (i) **Securities held at fair value through profit or loss**

Securities held at fair value through profit or loss comprise of securities held-for-trading ("HFT") and securities other than those held-for-trading but valued at fair value through profit or loss.

##### ***Held-for-trading securities***

Held-for-trading securities ("HFT") are securities that are acquired and held principally for the purpose of selling in the short term.

##### ***Securities other than held-for-trading designated at fair value***

Securities are classified as such if this eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

#### (ii) **Held-to-maturity securities**

Held-to-maturity securities are non-derivative instruments with fixed or determinable payments and fixed maturities that the Group's management has the positive intent and ability to hold to maturity. If the Group sell other than an insignificant amount of held-to-maturity securities, the entire category will be tainted and reclassified as available-for-sale securities.

#### (iii) **Available-for-sale securities**

Available-for-sale securities are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Securities are initially recognised at fair value. Securities are derecognised when the rights to receive cash flows from the securities have expired or where the Group has transferred substantially all risks and rewards of ownership.

## Summary of Significant Accounting Policies for the financial year ended 30 June 2009

### **G SECURITIES PORTFOLIO *cont'd***

#### **(iii) Available-for-sale securities *cont'd***

Securities held at fair value through profit or loss and available-for-sale securities are subsequently carried at fair value. Gains and losses arising from changes in the fair value of the securities held for trading category are included in the income statement in the period which they arise. Gains and losses arising from changes in fair value of available-for-sale securities are recognised directly in equity, until the securities are derecognised or impaired at which time the cumulative gains or loss previously recognised in equity are recognised in the income statement. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost.

Held-to-maturity securities are subsequently measured at amortised cost using the effective interest method. Gains or losses arising from the derecognition or impairment of the securities are recognised in the income statement.

Interest from securities held at fair value through profit or loss, available-for-sale securities and held-to-maturity securities is calculated using the effective interest method and is recognised in the income statement. Dividends from available-for-sale equity instruments are recognised in the income statement when the entity's right to receive payment is established.

The fair values of quoted securities are based on quoted prices in active markets. If the market for an instrument is not active (and for unquoted securities), the Group establish fair value by using valuation techniques.

### **H RECEIVABLES**

Clients' and brokers' balances arising from share and stock broking business are carried at cost, net of allowance for bad and doubtful debts (anticipated realisable values).

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

### **I MANAGER'S STOCKS AND PROMOTIONAL ITEMS**

Manager's stocks represent units in the unit trust funds managed by the unit trust management subsidiary. The units are stated at lower of cost and net realisable value. Cost is determined on a weighted average basis. Promotional items for future use are stated at cost and are written off when they are not foreseen to be used.

### **J CASH AND CASH EQUIVALENTS**

Cash and cash equivalents are cash and short terms funds held for the purpose of meeting short term commitments and readily convertible into cash without significant risk of changes in value, net of monies held in trust for clients and remisiers.

### **K PROVISIONS**

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

### **L BORROWINGS**

Borrowings are reported at their face values. Interest incurred on borrowings is charged to the income statement as expense on an accrual basis.

### **M INCOME TAXES**

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

## Summary of Significant Accounting Policies for the financial year ended 30 June 2009

### M INCOME TAXES *cont'd*

Deferred income tax is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

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

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

Deferred income tax related to fair value re-measurement of available-for-sale securities, which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the income statement together with the deferred gain or loss.

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

### N RECOGNITION OF INTEREST INCOME

#### (i) Recognition of interest income from loans and advances

Interest income is recognised on an accrual basis. Interest income on term loan is recognised by reference to rest periods which are either daily, monthly or yearly.

Where an account is classified as non-performing, interest accrued and recognised as income prior to the date the loans are classified as non-performing are reversed out of income and set-off against the accrued interest receivable amount in the balance sheet. Subsequently, interest earned on non-performing loan is recognised as interest income on cash basis instead of being accrued and suspended at the same time as prescribed previously.

Customers' accounts are classified as non-performing where repayments are in arrears for 3 months or more from the first day of default.

The Group's policy on suspension of interest income is generally more stringent than BNM's "Guidelines on the Classification of Non-Performing Loans and Provision for Substandard Bad and Doubtful Debts" ("BNM/GP3").

#### (ii) Recognition of other interest income

Interest income from margin financing, clients' overdue outstanding purchases and contra losses are recognised on an accrual basis. Where an account is classified as non-performing, interest is credited to the interest-in-suspense account and shall be reversed when realised on a cash basis; except for margin accounts where interest is suspended until the account is reclassified as performing. The suspension of interest income of the investment banking subsidiary company is made in accordance with the guidelines of Bursa Malaysia Securities Berhad.

### O RECOGNITION OF FEES AND OTHER INCOME

Loan arrangement fees and commissions are recognised as income when all conditions precedent are fulfilled. Commitment fees and guarantee fees which are material are recognised as income based on time apportionment. Service charges and other fee income are recognised as income when the services are rendered.

Dividends from securities held at fair value through profit or loss, available-for-sale securities, held-to-maturity securities and subsidiary companies are recognised when the rights to receive payment is established.

Net profit from securities held at fair value through profit or loss and available-for-sale securities are recognised upon disposal of the securities, as the difference between net disposal proceeds and the carrying amount of the securities.

Net brokerage income, margin income, rollover fees, nominees service and handling charges are recognised on an accrual basis.

## Summary of Significant Accounting Policies for the financial year ended 30 June 2009

### O RECOGNITION OF FEES AND OTHER INCOME *cont'd*

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

Management fees charged for management of clients' and unit trust funds, underwriting, placement and advisory fees are recognised on an accrual basis.

Service charge from sales of unit trust comprises gross proceeds from sales of unit trust less direct cost of unit trust created, net of cancellations. Such revenue is recognised upon the allotment of unit trust.

Commission from futures clients is recognised upon the execution of trade on behalf of clients.

### P EMPLOYEE BENEFITS

#### (i) Short term employee benefits

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

#### (ii) Defined contribution plans

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

The Group and the Company contributes to a national defined contribution plan (the Employee Provident Fund) on a mandatory basis and the amounts contributed to the plan are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group and the Company has no further payment obligations.

#### (iii) Equity compensation benefits

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

In accordance with FRS 132, the shares purchases for the benefit of the ESOS holders are recorded as "Treasury Shares for ESOS Scheme" in equity on the balance sheet. The cost of operating the ESOS scheme would be charged to the income statement when incurred in accordance with accounting standards.

Details of treasury shares are as discussed in Note 21 of the financial statements.

### Q ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES AND OTHER LOSSES

Specific allowances are made for doubtful debts which have been individually reviewed and specifically identified as bad or doubtful.

A general allowance based on a percentage of the loan portfolio is also made to cover possible losses which are not specifically identified.

An uncollectible loan or portion of a loan classified as bad is 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.

The policy on allowances for losses on loans and advances is in general more stringent than that laid down in BNM/GP3.

Bank Negara Malaysia has granted indulgence to the local banks from complying with the requirement on the impairment of loans and advances under the revised Guidelines on Financial Reporting for Licensed Institutions ("BNM/GP8"). The Group will be deemed to be in compliance with the requirement on the impairment of loans and advances under the revised BNM/GP8 if the allowances for non-performing loans and advances are computed based on BNM's Guidelines on the Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts ("BNM/GP3") requirements.



## Summary of Significant Accounting Policies for the financial year ended 30 June 2009

### **Q ALLOWANCES FOR LOSSES ON LOANS AND ADVANCES AND OTHER LOSSES *cont'd***

The allowance for bad and doubtful debts arising from stock broking business is made in conformity with the minimum requirements of allowance for bad and doubtful debts specified in Rule 1104.1 of Schedule 7 (Chapter 11) of the Rules of Bursa Malaysia Securities Berhad.

### **R IMPAIRMENT OF NON-FINANCIAL ASSETS**

Non-financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Non-financial assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the non-financial assets exceeds its recoverable amount.

The recoverable amount is the higher of a non-financial assets' fair value less costs to sell and value in use. For the purpose of assessing impairment, non-financial assets are grouped at the lowest levels for which there is separately identifiable cash flow/CGU. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the income statement. Impairment losses on goodwill are not reversed. In respect of other non-financial assets, any subsequent increase in recoverable amount is recognised in the income statement.

### **S IMPAIRMENT OF SECURITIES PORTFOLIO**

The Group and the Company assess at each balance sheet date whether there is objective evidence that the securities are impaired. A security or a group of securities is impaired and impairment losses are 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 securities (a 'loss event') and that loss event 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 an objective evidence that an impairment loss on held-to-maturity instruments held at amortised cost has been incurred, the amount of 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, 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 fair value**

In the case of equity instruments classified as available-for-sale securities, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If there is an objective evidence that an impairment loss on available-for-sale securities has been incurred, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on the securities previously recognised in income statement is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale securities increases and the increase can be related objectively to an event occurring after the impairment was recognised in the income statement, the impairment loss is reversed through the income statement.

### **T CURRENCY TRANSLATIONS**

#### **(i) Functional and presentation currency**

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

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## Summary of Significant Accounting Policies for the financial year ended 30 June 2009

### **T CURRENCY TRANSLATIONS *cont'd***

#### **(ii) Foreign currency transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

### **U CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

The Group does 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 or 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 or the Company. The Group or the Company does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

### **V 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 are subject to risks and returns that are different from those components.

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

## Notes to the Financial Statements

for the financial year ended 30 June 2009

### 1 GENERAL INFORMATION

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are investment banking, stock broking, unit trust management, fund management, futures broking and nominee services as disclosed in Note 9 to the financial statements.

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

The holding and ultimate holding companies are Hong Leong Financial Group Berhad and Hong Leong Company (Malaysia) Berhad respectively, both incorporated in Malaysia.

The principal place of business of the Company is located at Level 5-8, Wisma HLA, No. 3 Jalan Kia Peng, 50450 Kuala Lumpur. The registered office of the Company is located at Level 8, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur.

### 2 CASH AND SHORT TERM FUNDS

	The Group		The Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Cash and balances with banks and other financial institutions	61,603	38,042	3,468	1,263
Money at call and deposit placements maturing within one month	255,784	214,917	1,200	22,000
	317,387	252,959	4,668	23,263

Included in cash and short term funds of the Group are accounts in trust for clients' and dealers' representatives amounting to RM209,534,000 (2008: RM139,953,000).

### 3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group	
	2009 RM'000	2008 RM'000
Licensed banks	24	-
Other financial institutions	49	30
	73	30

### 4 SECURITIES HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group		The Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<i>Held for trading</i>				
<b>Quoted securities:</b>				
Shares quoted in Malaysia	6,101	6,805	-	-
Unit trusts investments	342	229	342	229
	6,443	7,034	342	229

Notes to the Financial Statements  
for the financial year ended 30 June 2009

**5 AVAILABLE-FOR-SALE SECURITIES**

	The Group	
	2009	2008
	RM'000	RM'000
<b>Unquoted securities:</b>		
Unquoted shares in Malaysia	2,445	2,445

**6 LOANS AND ADVANCES**

	The Group	
	2009	2008
	RM'000	RM'000
Share margin financing	55,002	38,748
Revolving credit	31,112	-
	86,114	38,748
Less:		
Allowance for losses on loans and advances		
- specific	(2,521)	(361)
- general	(1,254)	(384)
Total net loans and advances	82,339	38,003

(i) The maturity structure of loans and advances is as follows:

	The Group	
	2009	2008
	RM'000	RM'000
Maturing within:		
- one year	86,114	38,748
Gross loans and advances	86,114	38,748

(ii) The loans and advances are disbursed to the following types of customers:

	The Group	
	2009	2008
	RM'000	RM'000
Domestic business enterprises	29,776	-
Individuals	53,359	38,748
Foreign entities	2,979	-
Gross loans and advances	86,114	38,748

Notes to the Financial Statements  
for the financial year ended 30 June 2009

**6 LOANS AND ADVANCES** *cont'd*

(iii) Loans and advances analysed by interest rate sensitivity are as follows:

	The Group	
	2009	2008
	RM'000	RM'000
Fixed rate		
- Other fixed rate loans	55,002	38,748
Variable rate		
- Cost plus	31,112	-
<b>Gross loans and advances</b>	<b>86,114</b>	<b>38,748</b>

(iv) Loans and advances analysed by their economic purposes are as follows:

	The Group	
	2009	2008
	RM'000	RM'000
Purchase of securities	70,516	38,748
Working capital	15,598	-
<b>Gross loans and advances</b>	<b>86,114</b>	<b>38,748</b>

(v) Non-performing loans and advances analysed by their economic purposes are as follows:

	The Group	
	2009	2008
	RM'000	RM'000
Purchase of securities	2,521	361
<b>Non-performing loans and advances</b>	<b>2,521</b>	<b>361</b>

(vi) Movements in the non-performing loans and advances are as follows:

	The Group	
	2009	2008
	RM'000	RM'000
At 1 July	361	388
Amount arising from acquisition of SBBS	1,114	-
Non performing during the year	1,085	-
Written back during the year	(39)	(27)
At 30 June	2,521	361
Specific allowance	(2,521)	(361)
Net non-performing loans and advances	-	-
<b>Ratio of non-performing loans to total loans, net of specific allowance</b>	<b>0%</b>	<b>0%</b>

Notes to the Financial Statements  
for the financial year ended 30 June 2009

**6 LOANS AND ADVANCES** *cont'd*

(vii) Movements in the allowance for losses on loans and advances are as follows:

	The Group	
	2009 RM'000	2008 RM'000
<b>Specific allowance</b>		
At 1 July	361	388
Allowances arising from loans and advances acquired from SBBS	1,114	-
Allowances made during the year	1,085	-
Written back during the year	(39)	(27)
<b>At 30 June</b>	<b>2,521</b>	<b>361</b>
<b>General allowance</b>		
At 1 July	384	260
Amount arising from acquisition of SIBB	524	-
Allowances arising from loans and advances acquired from SBBS	178	-
Allowances made during the year	168	124
<b>At 30 June</b>	<b>1,254</b>	<b>384</b>
(as % of total loans less specific allowance)	1.5%	1.0%

**7 CLIENTS' AND BROKERS' BALANCES**

Clients' and brokers' balances represent amount receivable from outstanding purchase contracts in respect of the Group's investment banking and futures business entered on behalf of clients, amount due from brokers and contra losses.

	The Group	
	2009 RM'000	2008 RM'000
Performing accounts	192,472	192,856
Non-performing accounts – Bad	73,406	76,032
– Doubtful	53	-
	265,931	268,888
Less: Allowances for bad and doubtful debts		
- specific	(73,432)	(76,032)
- general	(50)	(125)
- interest in suspense	(46,687)	(43,994)
	145,762	148,737

Notes to the Financial Statements  
for the financial year ended 30 June 2009

**7 CLIENTS' AND BROKERS' BALANCES** *cont'd*

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

	The Group	
	2009 RM'000	2008 RM'000
<u>Specific allowance</u>		
At 1 July	76,032	76,334
Allowances made during the financial year	-	531
Allowances written back during the financial year	(2,600)	(833)
At 30 June	73,432	76,032
<u>General allowance</u>		
At 1 July	125	133
Allowances made during the financial year	43	-
Allowances written back during the financial year	(118)	(8)
At 30 June	50	125
<u>Interest-in-suspense</u>		
At 1 July	43,994	41,765
Interest suspended during the financial year	2,693	2,229
At 30 June	46,687	43,994

**8 OTHER RECEIVABLES**

	The Group		The Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Amount due from subsidiary companies (a)	-	-	11,143	20,004
Deposits and prepayments	4,635	3,319	5	5
Other receivables	8,809	608	-	212
Manager's stocks and promotional items (b)	410	9,274	-	-
	13,854	13,201	11,148	20,221

(a) The amounts due from subsidiary companies comprise the following:

	The Company	
	2009 RM'000	2008 RM'000
Advances (unsecured)	206,853	215,714
Less: Allowance for doubtful debts	(167,901)	(167,901)
Interest-in-suspense	(27,809)	(27,809)
	11,143	20,004

Included in the amount due from subsidiaries is an unsecured advance which was fully provided for and interest suspended. The remaining balance of RM2.5 million bears interest of 3.50% (2008: 4.63%) per annum. All other balances are unsecured, interest free and have no fixed terms of repayment.

Notes to the Financial Statements  
for the financial year ended 30 June 2009

**8 OTHER RECEIVABLES *cont'd***

(b) The Manager's stocks and promotional items of the Group comprise the following:

	The Group	
	2009 RM'000	2008 RM'000
Quoted unit trust, at cost	382	9,218
Promotional items, at cost	28	56
	410	9,274
Quoted unit trust, at market value	386	9,219

**9 INVESTMENT IN SUBSIDIARY COMPANIES**

	The Company	
	2009 RM'000	2008 RM'000
<b>Subsidiary companies:</b>		
Unquoted shares at cost	275,266	152,266
Less: Cumulative impairment losses	(5,077)	(5,077)
	270,189	147,189

(i) Details of the subsidiaries are as follows:

Name of company	Country of incorporation	Equity interest		Principal activities
		2009 %	2008 %	
Hong Leong Investment Bank Berhad (formerly known as HLG Credit Berhad and HLG Credit Sdn Bhd) and its subsidiaries	Malaysia	100	100	Investment banking and stock broking
- HLG Nominee (Tempatan) Sdn Bhd	Malaysia	100	100	Agent and nominee for Malaysian clients
- HLG Nominee (Asing) Sdn Bhd	Malaysia	100	100	Agent and nominee for foreign clients
- RC Holdings Sdn Bhd (formerly known as SBB Securities Sdn Bhd) <sup>1</sup>	Malaysia	100	-	Dormant
- RC Nominee (Asing) Sdn Bhd <sup>1</sup>	Malaysia	100	-	Dormant
- RC Nominee (Tempatan) Sdn Bhd <sup>1</sup>	Malaysia	100	-	Dormant
- RC Research Sdn Bhd (formerly known as SBB Sec Research Sdn Bhd) <sup>1</sup>	Malaysia	100	-	Dormant
HLG Asset Management Sdn Bhd	Malaysia	100	100	Fund management
HLG Capital Markets Sdn Bhd	Malaysia	100	100	Investment holdings



Notes to the Financial Statements  
for the financial year ended 30 June 2009

**9 INVESTMENT IN SUBSIDIARY COMPANIES** *cont'd*

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

Name of company	Country of incorporation	Equity interest		Principal activities
		2009 %	2008 %	
- HLG Principal Investment (L) Limited (subsidiary of HLG Capital Markets Sdn Bhd)	Labuan	100	100	Holding of or dealing in offshore investments
HLG Securities Sdn Bhd	Malaysia	100	100	Investment holdings
HLG Futures Sdn Bhd	Malaysia	100	100	Futures and options broking
HLG Unit Trust Bhd	Malaysia	100	100	Sales of unit trust and management of unit trusts funds
Unincorporated trust for ESOS <sup>2</sup>	Malaysia	-	-	Special purpose vehicle for ESOS purposes

<sup>1</sup> On October 22 2008, HLG Capital Berhad had via its direct subsidiary, Hong Leong Investment Bank, acquired 100% of the total issued share capital of SBBS Group from SBB Capital Markets Sdn Bhd.

<sup>2</sup> Deemed subsidiary pursuant to IC 112 – Consolidation : Special Purpose Entities.

**10 DEFERRED TAXATION**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

		The Group	
		2009 RM'000	2008 RM'000
Deferred tax assets	(a)	59,105	1,801
Deferred tax liabilities	(b)	(650)	(471)
		58,455	1,330

	The Group	
	2009 RM'000	2008 RM'000
At 1 July	1,330	1,427
Amount arising from acquisition of SBBS	72	-
Transfer from/(to) income statement (Note 29)	57,053	(97)
At 30 June	58,455	1,330

Notes to the Financial Statements  
for the financial year ended 30 June 2009

**10 DEFERRED TAXATION** *cont'd*

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

**(a) Deferred tax assets**

	General allowance RM'000	Unabsorbed tax losses RM'000	Other temporary differences RM'000	Total RM'000
<b>The Group</b>				
At 1 July 2008	129	-	1,672	1,801
Credited/(charged) to income statement	198	57,231	(125)	57,304
At 30 June 2009	327	57,231	1,547	59,105
At 1 July 2007	99	-	1,590	1,689
Credited to income statement	30	-	82	112
At 30 June 2008	129	-	1,672	1,801

**(b) Deferred tax liabilities**

	Property and equipment RM'000	Available-for-sale securities RM'000	Total RM'000
<b>The Group</b>			
At 1 July 2008	300	171	471
Amount arising from acquisition of SBBS	(72)	-	(72)
Charged/(credited) to income statement	422	(171)	251
At 30 June 2009	650	-	650
At 1 July 2007	122	140	262
Charged to income statement	178	31	209
At 30 June 2008	300	171	471

**11 PREPAID LEASE PAYMENTS**

	The Group	
	2009	2008
	Leasehold land 50 years or more RM'000	Leasehold land 50 years or more RM'000
<b>Cost</b>		
At 1 July	-	-
Amount arising from acquisition of SBBS	1,133	-
At 30 June	1,133	-

Notes to the Financial Statements  
for the financial year ended 30 June 2009

**11 PREPAID LEASE PAYMENTS** *cont'd*

	The Group	
	2009	2008
	Leasehold land 50 years or more RM'000	Leasehold land 50 years or more RM'000
<b>Amortisation</b>		
At 1 July	-	-
Amortisation during the year	(1)	-
At 30 June	(1)	-
<b>Net book value 30 June</b>	<b>1,132</b>	<b>-</b>

Future amortisation of prepaid lease payments are as follows:

	The Group	
	2009	2008
	Leasehold land 50 years or more RM'000	Leasehold land 50 years or more RM'000
- Not later than 1 year	1	-
- Later than 1 year and not later than 5 years	5	-
- Later than 5 years	1,126	-
	<b>1,132</b>	<b>-</b>

**12 PROPERTY AND EQUIPMENT**

The Group	Leasehold buildings RM'000	Office and computer equipment RM'000	Furniture and fittings RM'000	Office renovation RM'000	Motor vehicles RM'000	Total RM'000
<b>2009</b>						
<b>Cost</b>						
At 1 July 2008	-	14,245	1,607	6,930	1,345	24,127
Additions	-	1,177	68	(24)	17	1,238
Amount arising from acquisition of SBBS	871	489	50	32	17	1,459
Amount arising from acquisition of SIBB	-	16	-	-	-	16
Disposals	-	(3)	-	-	(105)	(108)
At 30 June 2009	<b>871</b>	<b>15,924</b>	<b>1,725</b>	<b>6,938</b>	<b>1,274</b>	<b>26,732</b>

Notes to the Financial Statements  
for the financial year ended 30 June 2009

**12 PROPERTY AND EQUIPMENT** *cont'd*

<b>The Group</b>	Leasehold buildings RM'000	Office and computer equipment RM'000	Furniture and fittings RM'000	Office renovation RM'000	Motor vehicles RM'000	Total RM'000
<b>2009</b>						
<b>Accumulated depreciation</b>						
At 1 July 2008	-	12,566	1,389	5,685	871	20,511
Charge for the financial year	11	937	67	321	198	1,534
Disposals	-	(1)	-	-	(62)	(63)
At 30 June 2009	11	13,502	1,456	6,006	1,007	21,982
<b>Net book value</b>						
At 30 June 2009	860	2,422	269	932	267	4,750
<b>2008</b>						
<b>Cost</b>						
At 1 July 2007	-	12,686	1,504	6,255	1,877	22,322
Additions	-	1,580	103	692	-	2,375
Disposals	-	(21)	-	(17)	(532)	(570)
At 30 June 2008	-	14,245	1,607	6,930	1,345	24,127
<b>Accumulated depreciation</b>						
At 1 July 2007	-	12,019	1,348	5,143	783	19,293
Charge for the financial year	-	567	41	559	257	1,424
Disposals	-	(20)	-	(17)	(169)	(206)
At 30 June 2008	-	12,566	1,389	5,685	871	20,511
<b>Net book value</b>						
At 30 June 2008	-	1,679	218	1,245	474	3,616

**13 GOODWILL**

	The Group	
	2009 RM'000	2008 RM'000
At 1 July	4,663	4,663
Goodwill arising from acquisition of SIBB and SBBS	85,396	-
Impairment loss on goodwill	(57,236)	-
At 30 June	32,823	4,663

**Notes to the Financial Statements**  
for the financial year ended 30 June 2009

**13 GOODWILL *cont'd***

**Allocation of goodwill to cash-generating units**

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

CGU	The Group	
	2009 RM'000	2008 RM'000
Investment banking and stock broking	28,750	590
Unit trust management	4,073	4,073
	32,823	4,663

**Impairment test on goodwill**

The fair value is determined based on value in use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by directors covering a one-year period. Cash flows beyond the one-year period are assumed to grow at 4% (2008: 5%) to infinity.

The cash flow projections are derived based on a number of key factors including the past performance and management's expectations at the market development. The pre-tax discount rate is 11.4% (2008: 9.5%) and reflect specific risks relating to the segment.

An impairment charge of RM57,236,000 was recognised for goodwill arising from the investment banking and stock broking segment. Management believes that any reasonable possible change to the assumptions applied may likely cause the recoverable amount to be lower than carrying amount, or to be fully impaired.

**14 INTANGIBLE ASSETS – COMPUTER SOFTWARE**

	The Group	
	2009 RM'000	2008 RM'000
<b>At cost</b>		
At 1 July	9,663	9,008
Amount arising from acquisition of SIBB	43	-
Additions	717	655
At 30 June	10,423	9,663
<b>Accumulated amortisation</b>		
At 1 July	(9,069)	(8,903)
Charge for the year	(372)	(166)
At 30 June	(9,441)	(9,069)
At end of financial year	982	594

Notes to the Financial Statements  
for the financial year ended 30 June 2009

**15 DEPOSITS AND PLACEMENTS OF OTHER FINANCIAL INSTITUTIONS**

	The Group	
	2009	2008
	RM'000	RM'000
Other financial institution	9,820	-

**16 CLIENTS' AND BROKERS' BALANCES**

Included in clients' and brokers' balances are clients' trust balances, held in trust for clients of RM179,167,000 (2008: RM177,535,000).

**17 PAYABLES AND OTHER LIABILITIES**

	The Group		The Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Amount due to:				
- subsidiaries (a)	-	-	-	19,735
- holding company (a)	4	2	2	2
- other related companies (a)	709	1,201	103	25
Amount payable to fund managers	814	1,114	-	-
Amount payable for creation of units due to funds	5,201	7,757	-	-
Amount payable to unit trust holders	16,851	10,769	-	-
Remisiers' trust deposits	12,816	5,248	-	-
Other payables and accrued liabilities	17,813	16,560	666	753
Post employment benefits obligation				
- defined contribution plan	1,028	1,011	-	-
	55,236	43,662	771	20,515

(a) The amounts due to the holding company, subsidiaries and other related companies, are interest free and have no fixed terms of repayment.

**18 BORROWINGS**

	The Group and The Company	
	2009	2008
	RM'000	RM'000
Revolving credit	146,900	24,600

The interest rate of the revolving credit facilities ranges from 2.90% to 4.70% (2008: 4.09% to 4.63%) per annum. The revolving credit facilities are repayable within 12 months.

Notes to the Financial Statements  
for the financial year ended 30 June 2009

## 19 SHARE CAPITAL

	The Company	
	2009 RM'000	2008 RM'000
Authorised:		
Ordinary shares of RM1.00 each		
At beginning/end of financial year	200,000	200,000
Issued and fully paid:		
Ordinary shares of RM1.00 each		
At beginning/end of financial year	123,448	123,448

## 20 RESERVES

	The Group		The Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Retained profits	51,724	50,334	20,564	26,426
Statutory reserve	4,362	-	-	-
General reserve	543	543	-	-
	56,629	50,877	20,564	26,426

Subject to agreement with the tax authorities, the Company has tax credits under Section 108 of the Income Tax Act, 1967 to frank payment of dividends out of the Company's retained profits to the extent of RM266,650,029 (2008: RM273,372,423). In addition, the Company has tax exempt income of approximately RM465,953 (2008: RM465,953) available for future distribution of tax exempt dividends.

The statutory reserve is maintained in compliance with Section 36 of the Banking and Financial Institutions Act, 1989 and is not distributable as cash dividend.

## 21 TREASURY SHARES

### Treasury shares for ESOS scheme

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

FRS 132 – Financial Instruments: Presentation and Disclosure requires that if an entity reacquires its own equity instruments, those instruments shall be deducted from equity and are not recognised as a financial asset regardless of the reason for which they are reacquired.

In accordance with FRS 132 – Financial Instruments: Presentation and Disclosure, the shares purchased for the benefit of the ESOS holders are recorded as "Treasury Shares for ESOS Scheme" in the equity on the balance sheet. As at 30 June 2009, the number of shares held by the appointed trustee was 3,943,600 shares (2008: 3,630,100) at a carrying value of RM3,973,381 (2008: RM3,568,117) inclusive of transaction costs.

The ESOS options have not been granted as at the end of the financial year.

Notes to the Financial Statements  
for the financial year ended 30 June 2009

**22 INTEREST INCOME**

	The Group		The Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Loans and advances				
- Interest income other than recoveries from NPLs	5,240	4,286	-	-
Money at call and deposit placements with financial institutions	2,993	2,177	239	45
Others	2,775	2,613	-	-
	11,008	9,076	239	45
Interest suspended	(2,693)	(2,229)	-	-
	8,315	6,847	239	45

**23 INTEREST EXPENSE**

	The Group		The Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Deposits and placements of banks and other financial institutions	65	-	-	-
Deposits from customers	129	-	-	-
Borrowings	3,476	307	3,239	163
	3,670	307	3,239	163

**24 NON-INTEREST INCOME**

	The Group		The Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>Fee income</b>				
Brokerage income	32,864	37,163	-	-
Unit trust fee income	19,498	23,219	-	-
Commission from future contracts	1,304	967	-	-
Service charges and fees	228	208	-	-
Other fee income	882	513	-	-
	54,776	62,070	-	-
<b>Net income from securities</b>				
Net unrealised (loss)/gain on revaluation of securities held at fair value through profit or loss	(945)	119	13	-
Dividend income from:				
- securities held at fair value through profit or loss	1,041	507	-	-
- available-for-sale securities	44	49	-	-
- subsidiary companies	-	-	4,310	1,500
	140	675	4,323	1,500



Notes to the Financial Statements  
for the financial year ended 30 June 2009

**24 NON-INTEREST INCOME** *cont'd*

	The Group		The Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
<b>Other income</b>				
Gain on disposal of property and equipment	73	5	-	-
Other non-operating income	495	2,880	10	2,966
	568	2,885	10	2,966
	55,484	65,630	4,333	4,466

**25 OVERHEAD EXPENSES**

	The Group		The Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Personnel costs	27,218	22,177	439	488
Establishment costs	11,628	8,466	5	(35)
Marketing expenses	2,033	3,244	25	7
Administration and general expenses	7,083	8,540	923	796
	47,962	42,427	1,392	1,256

(i) Personnel costs comprise the following:

	The Group		The Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Salaries, bonus and allowances	19,515	18,175	324	383
Other employees benefits	7,703	4,002	115	105
	27,218	22,177	439	488

(ii) Establishment costs comprise the following:

	The Group		The Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Depreciation of property and equipment	1,534	1,424	-	-
Amortisation of intangible assets	372	166	-	-
Amortisation of prepaid lease payments	1	-	-	-
Rental of premises	3,755	2,371	-	-
Information technology expenses	3,834	2,750	-	-
Others	2,132	1,755	5	(35)
	11,628	8,466	5	(35)

Notes to the Financial Statements  
for the financial year ended 30 June 2009

**25 OVERHEAD EXPENSES *cont'd***

(iii) Marketing expenses comprise the following:

	The Group		The Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Advertisement and publicity	671	2,200	-	-
Travelling and accommodation	520	416	25	3
Others	842	628	-	4
	2,033	3,244	25	7

(iv) Administration and general expenses comprise the following:

	The Group		The Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Teletransmission expenses	465	866	2	3
Stationery and printing expenses	425	462	15	6
Professional fees	1,337	1,732	214	71
Stamp, postage and courier	353	277	9	2
Others	4,503	5,203	683	714
	7,083	8,540	923	796

The above expenditure includes the following statutory disclosures:

	The Group		The Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Directors' remuneration (Note 28)	2,854	3,886	381	372
Hire of equipment	242	295	-	-
Auditors' remuneration:				
- statutory audit	193	116	24	24
- other fees	25	59	5	5

**26 WRITEBACK OF LOSSES ON LOANS AND ADVANCES AND OTHER LOSSES**

	The Group	
	2009 RM'000	2008 RM'000
Allowance for losses on loans and advances:		
(a) Specific allowance		
- made during the financial year	1,085	-
- written back	(39)	(27)
(b) General allowance		
- made during the financial year	168	124
	1,214	97

Notes to the Financial Statements  
for the financial year ended 30 June 2009

**26 WRITEBACK OF LOSSES ON LOANS AND ADVANCES AND OTHER LOSSES *cont'd***

	The Group	
	2009 RM'000	2008 RM'000
Allowance for losses on clients' and brokers' balances:		
(a) Specific allowance		
- made during the financial year	-	531
- written back	(2,600)	(833)
(b) General allowance		
- made during the financial year	43	-
- written back	(118)	(8)
	(2,675)	(310)
	(1,461)	(213)

**27 IMPAIRMENT LOSS**

	The Group	
	2009 RM'000	2008 RM'000
Charge/(reversal) for the financial year		
- Goodwill	57,236	-
- Available-for-sale securities	-	(2,197)
	57,236	(2,197)

**28 DIRECTORS' REMUNERATION**

	The Group		The Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>Directors of the Company</b>				
Non-Executive:				
Salaries and other emoluments	81	64	81	65
Fees	424	407	300	307
	505	471	381	372

Notes to the Financial Statements  
for the financial year ended 30 June 2009

**28 DIRECTORS' REMUNERATION** *cont'd*

	The Group		The Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>Other Directors</b>				
Executive:				
Salaries and other emoluments	2,228	3,214	-	-
Benefits-in-kind	55	141	-	-
	2,283	3,355	-	-
Non-Executive:				
Fees	66	60	-	-
	66	60	-	-
	2,854	3,886	381	372

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

**29 TAXATION**

	The Group		The Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Malaysian income tax:				
- current year's charge	2,335	7,335	69	55
- overprovision in prior years	(1,364)	(2,402)	(988)	-
	971	4,933	(919)	55
Deferred tax (Note 10):				
Relating to origination and reversal of temporary differences	(57,053)	11	-	-
Relating to changes in tax rate	-	86	-	-
	(57,053)	97	-	-
	(56,082)	5,030	(919)	55

Notes to the Financial Statements  
for the financial year ended 30 June 2009

**29 TAXATION** *cont'd*

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

	The Group	
	2009 RM'000	2008 RM'000
(Loss)/Profit before taxation	(43,608)	32,153
Tax calculated at a rate of 25% (2008: 26%)	(10,902)	8,360
Tax effects of:		
- Income not subject to tax	(356)	(319)
- Expenses not deductible for tax purposes	15,750	425
- Previously unrecognised tax losses	(57,231)	(10)
- Tax savings from utilisation of brought forward losses	(2,302)	-
- Other temporary differences not recognised previously	323	(1,024)
- Overprovision in prior years	(1,364)	(2,402)
<b>Taxation</b>	<b>(56,082)</b>	<b>5,030</b>

	The Company	
	2009 RM'000	2008 RM'000
(Loss)/Profit before taxation	(59)	3,092
Tax calculated at a rate of 25% (2008: 26%)	(15)	804
Tax effects of:		
- Income not subject to tax	(3)	(793)
- Expenses not deductible for tax purposes	87	44
- Overprovision in prior years	(988)	-
<b>Taxation</b>	<b>(919)</b>	<b>55</b>

	The Group and The Company	
	2009 RM'000	2008 RM'000
<b>Tax losses</b>		
Tax losses for which the related tax credit has not been recognised in the financial statements	22,994	257,404
<b>Capital allowance</b>		
Deductible temporary differences and unutilised capital allowances for which the related tax credit has not been recognised in the financial statements	2,049	2,231

Notes to the Financial Statements  
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### 30 EARNINGS PER SHARE

The basic earnings per share has been calculated by dividing the net profit for the financial year of the Group by the number of ordinary shares in issue excluding the weighted average shares held by ESOS Trust during the financial year as follows:

	The Group	
	2009	2008
	RM'000	RM'000
Number of ordinary shares in issue	119,541	121,397
Net profit attributable to equity holders of the Company	12,474	27,123
Basic and fully diluted earnings per share (sen)	10.4	22.3

There is no diluted earnings per share as the Group have no category of dilutive potential ordinary shares.

### 31 DIVIDENDS

	The Group and The Company			
	2009		2008	
	Gross per share	Amount of dividend net of tax	Gross per share	Amount of dividend net of tax
	Sen	RM'000	Sen	RM'000
Dividends recognised as distribution to equity holders:				
Final dividend	7.5	6,722	5.0	4,358

The dividends are paid on outstanding share capital excluding the treasury shares held for ESOS.

### 32 COMMITMENTS AND CONTINGENCIES

#### (a) Investment banking subsidiary company related commitments and contingencies

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

The commitments and contingencies constitute are as follows:

	The Group	
	2009	2008
	RM'000	RM'000
Any commitment that are unconditionally cancelled at anytime by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	327,475	247,231

Bank Negara Malaysia letter dated 18 March 2009 has allowed capital treatment on the undrawn portion of the credit facilities under Risk Weighted Capital Adequacy Framework to apply a 0% credit conversion factor (instead of 20%) on the undrawn portions of credit facilities with the original maturity of less than one year as a temporary measure to support lending activities of the banking industry. This measure is applicable until 31 December 2010.

#### (b) Other commitments and contingencies - unsecured

HLG Unit Trust Bhd, a wholly owned subsidiary of the Company, is the Manager of HLG Sectoral Funds ("Funds"), which comprises five (5) sector funds. The Company provided a guarantee to Universal Trustee (Malaysia) Berhad, the trustee of the Funds, that if any of the five sector funds falls below the minimum fund size of RM1 million, the Company would invest cash, equivalent to the shortfall, into the relevant fund.

Notes to the Financial Statements  
for the financial year ended 30 June 2009

**32 COMMITMENTS AND CONTINGENCIES** *cont'd*

**(b) Other commitments and contingencies - unsecured** *cont'd*

The size of each of the five funds was above the minimum of RM1 million as at 30 June 2009.

**33 CAPITAL COMMITMENTS**

	The Group	
	2009	2008
	RM'000	RM'000
Approved but not contracted for	1,388	-

The capital commitments are in respect of property and equipment.

**34 LEASE COMMITMENTS**

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

	The Group	
	2009	2008
	RM'000	RM'000
Less than one year	1,799	-
More than one year but less than five years	161	-

**35 CAPITAL ADEQUACY**

BNM guidelines require banking entities to maintain a certain minimum level of capital funds against the "risk-weighted" value of assets and certain commitments and contingencies. The capital funds of Hong Leong Investment Bank ("HLIB") as at 30 June 2009 met the minimum requirement.

The capital ratios of HLIB for year 2009 are computed based on BNM's Guidelines on Risk Weighted Capital Adequacy Framework (Basel II).

Previous year capital ratios are not presented as HLIB became a licensed financial institution effective 22 October 2008.

The capital adequacy ratios of HLIB are as follows:

	HLIB
	2009
	RM'000
<b>Tier-1 capital</b>	
Paid-up share capital	123,500
Other reserves	8,325
Less: Goodwill	(30,000)
Less: Deferred tax assets	(58,192)
<b>Total Tier-1 capital</b>	<b>43,633</b>

Notes to the Financial Statements  
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**35 CAPITAL ADEQUACY *cont'd***

The capital adequacy ratios of HLIB are as follows: *cont'd*

**Tier-2 capital**

Redeemable preference shares ("RPS")	1,631
Share premium on RPS	142,035
General allowance for bad and doubtful debts	1,304
<b>Total Tier-2 capital</b>	<b>144,970</b>
Eligible Tier-2 capital	43,633
Total Tier-1 and Tier-2 capital	87,266
Less: Investment in subsidiaries	(588)
<b>Total capital base</b>	<b>86,678</b>

**Capital ratios**

Core capital ratio	17.59%
Risk-weighted capital ratio	34.94%

**36 SIGNIFICANT RELATED PARTY TRANSACTIONS**

**(a) Related parties and relationship**

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

<b>Related parties</b>	<b>Relationship</b>
Hong Leong Company (Malaysia) Berhad ("HLCM")	Ultimate holding company
Hong Leong Financial Group Berhad ("HLFG")	Immediate holding company
Subsidiary companies of the Company as disclosed in Note 9	Subsidiaries
Subsidiary companies of HLCM	Subsidiaries of ultimate holding company
Subsidiary companies of HLFG	Subsidiaries of immediate holding company
Key management personnel	The key management personnel of the Group and the Company consists of: <ul style="list-style-type: none"> <li>- All Directors of the Company and its holding company</li> <li>- Key management personnel of the Company who are in charge of the Group</li> </ul>
Related parties of key management personnel (deemed as related to the Company)	(i) Close family members and dependents of key management personnel (ii) Entities that are controlled, jointly controlled or significant influenced by, or for which significant voting power in such entity resides with, directly or indirectly by key management personnel or its close family members



Notes to the Financial Statements  
for the financial year ended 30 June 2009

**36 SIGNIFICANT RELATED PARTY TRANSACTIONS** *cont'd*

**(b) Related party transactions**

<b>The Group</b>	Parent company RM'000	Other related companies RM'000	Key management personnel RM'000
<b>2009</b>			
<b>Income</b>			
Brokerage income	-	501	123
Interest on interbank placement	-	1,883	-
Fund management fee	-	654	-
	-	3,038	123
<b>Expenses</b>			
Rental	-	2,501	-
Interest on interbank placement	-	66	-
Management fee	197	963	-
Commission	-	6,179	-
Others	-	870	-
	197	10,579	-
<b>Amount due from</b>			
Current account	-	17,006	-
Interbank placement	-	202,260	-
Interest receivable on interbank placements	-	3	-
	-	219,269	-
<b>Amount due to</b>			
Others	4	709	-
	4	709	-

All the transactions above were transacted in the normal course of business of the Group and the Company on arm's length basis and on normal commercial terms.

Notes to the Financial Statements  
for the financial year ended 30 June 2009

**36 SIGNIFICANT RELATED PARTY TRANSACTIONS** *cont'd*

(b) **Related party transactions** *cont'd*

<b>The Company</b>	Parent company RM'000	Subsidiaries RM'000	Other related companies RM'000	Key management personnel RM'000
<b>2009</b>				
<b>Income</b>				
Interest on interbank placement	-	-	239	-
Dividend income	-	4,310	-	-
	-	4,310	239	-
<b>Expenses</b>				
Others	-	-	68	-
	-	-	68	-
<b>Amount due from</b>				
Current account	-	-	3,468	-
Interbank placement	-	-	1,200	-
Others	-	11,143	-	-
	-	11,143	4,668	-
<b>Amount due to</b>				
Others	2	-	103	-
	2	-	103	-

All the transactions above were transacted in the normal course of business of the Group and the Company on arm's length basis and on normal commercial terms.

<b>The Group</b>	Parent company RM'000	Other related companies RM'000	Key management personnel RM'000
<b>2008</b>			
<b>Income</b>			
Brokerage income	-	1,170	687
Interest on interbank placement	-	1,422	-
Fund management fee	-	1,085	-
	-	3,677	687

Notes to the Financial Statements  
for the financial year ended 30 June 2009

**36 SIGNIFICANT RELATED PARTY TRANSACTIONS** *cont'd*

(b) **Related party transactions** *cont'd*

<b>The Group</b>	Parent company RM'000	Other related companies RM'000	Key management personnel RM'000
<b>2008</b>			
<b>Expenses</b>			
Rental	-	2,289	-
Management fee	296	1,993	-
Commission	-	14,077	-
Others	-	1,260	-
	296	19,619	-
<b>Amount due from</b>			
Current account	-	12,794	-
Interbank placement	-	165,155	-
Others	-	5,944	-
	-	183,893	-
<b>Amount due to</b>			
Others	2	1,201	-
	2	1,201	-

All the transactions above were transacted in the normal course of business of the Group and the Company on arm's length basis and on normal commercial terms.

<b>The Company</b>	Parent company RM'000	Subsidiaries RM'000	Other related companies RM'000	Key management personnel RM'000
<b>2008</b>				
<b>Income</b>				
Dividend income	-	1,500	-	-
	-	1,500	-	-
<b>Expenses</b>				
Others	-	-	73	-
	-	-	73	-
<b>Amount due from</b>				
Current account	-	-	1,263	-
Interbank placement	-	-	22,000	-
	-	-	23,263	-

Notes to the Financial Statements  
for the financial year ended 30 June 2009

**36 SIGNIFICANT RELATED PARTY TRANSACTIONS *cont'd***

**(b) Related party transactions *cont'd***

The Group	Parent company RM'000	Subsidiaries RM'000	Other related companies RM'000	Key management personnel RM'000
<b>2008</b>				
<b>Amount due to</b>				
Others	2	-	25	-
	2	-	25	-

All the transactions above were transacted in the normal course of business of the Group and the Company on arm's length basis and on normal commercial terms.

**(c) Key management personnel**

**Key management compensation**

	The Group	
	2009 RM'000	2008 RM'000
Short-term employee benefits	2,044	3,007
Defined contribution plan	239	348
	2,283	3,355

**37 LITIGATION AGAINST THE COMPANY AND ITS SUBSIDIARY**

The Company and its wholly owned subsidiary, HLG Securities Sdn Bhd ("HLG Securities") were named as defendants in a Writ of Summons dated 21 March 2002 filed by Borneo Securities Holdings Sdn Bhd ("BSH") and served on HLG Securities on 15 April 2002.

BSH alleged that HLG Securities had breached the terms of the sale and purchase agreement dated 31 October 2000 ("SPA") between HLG Securities and BSH for HLG Securities' proposed acquisition of 100% equity interest in Borneo Securities Sdn Bhd for a total purchase consideration of RM88 million. The Company is of the view that the suit is baseless as the motion for the proposed acquisition was not approved by shareholders at the Extraordinary General Meeting of the Company held on 24 October 2001 and accordingly, the SPA was terminated.

There has been no development on the above as at end of the financial year.

**38 SEGMENTAL INFORMATION**

Segmental information is presented in respect of the Group's business segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

No analysis by geographical segments is presented as the Group's operations are substantially carried out in Malaysia.

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

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

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

Notes to the Financial Statements  
for the financial year ended 30 June 2009

**38 SEGMENTAL INFORMATION** *cont'd*

**Business segments**

The Group comprises the following main business segments:

Investment banking and stock broking	- Investment banking, stock and securities broking
Futures and options broking	- Futures and options broking
Fund management and unit trust management	- Fund and unit trust management and sale of unit trust
Investment holding and others	- Investment holdings and offshore investment holding

<b>The Group</b>	Investment banking and stock broking RM'000	Futures and options broking RM'000	Fund management and unit trust management RM'000	Investment holding and others RM'000	Elimination RM'000	Consolidated RM'000
<b>2009</b>						
<b>Revenue</b>						
External revenue	41,256	1,541	20,310	(2,978)	-	60,129
Inter-segment revenue	20,000	-	(10)	4,310	(24,300)	-
<b>Total revenue</b>	<b>61,256</b>	<b>1,541</b>	<b>20,300</b>	<b>1,332</b>	<b>(24,300)</b>	<b>60,129</b>
<b>Result</b>						
Segment results from operations	30,017	140	7,843	(72)	(24,300)	13,628
Impairment loss						(57,236)
Taxation						56,082
						<u>12,474</u>
<b>2009</b>						
<b>Assets</b>						
Segment assets	514,330	36,213	52,039	5,408	-	607,990
Other corporate assets						59,099
<b>Total assets</b>						<u>667,089</u>
<b>Liabilities</b>						
Segment liabilities	290,006	26,644	26,653	147,682		490,985
Other corporate liabilities						-
<b>Total liabilities</b>						<u>490,985</u>

Notes to the Financial Statements  
for the financial year ended 30 June 2009

38 SEGMENTAL INFORMATION *cont'd*

The Group	Investment banking and stock broking RM'000	Futures and options broking RM'000	Fund management and unit trust management RM'000	Investment holding and others RM'000	Elimination RM'000	Consolidated RM'000
<b>2009</b>						
<b>Other information</b>						
Capital expenditure	1,863	-	92	-	-	1,955
Depreciation of property and equipment	1,365	36	133	-	-	1,534
Amortisation of intangible assets	344	4	24	-	-	372
Amortisation of prepaid lease payment	1	-	-	-	-	1
Allowance for losses on loans and advances	1,214	-	-	-	-	1,214
Writeback of losses on clients' and brokers' balances	(2,675)	-	-	-	-	(2,675)
Impairment loss on goodwill	57,236	-	-	-	-	57,236
<b>2008</b>						
<b>Revenue</b>						
External revenue	46,945	1,128	24,138	(41)	-	72,170
Inter-segment revenue	599	-	(10)	4,434	(5,023)	-
Total revenue	47,544	1,128	24,128	4,393	(5,023)	72,170
<b>Result</b>						
Segment results from operations	21,509	(38)	9,811	3,098	(4,424)	29,956
Writeback of impairment loss						2,197
Taxation						(5,030)
						27,123
<b>Assets</b>						
Segment assets	294,947	109,937	38,112	27,911	-	470,907
Other corporate assets						2,265
Total consolidated assets						473,172
<b>Liabilities</b>						
Segment liabilities	168,568	83,025	25,136	25,350	-	302,079
Other corporate liabilities						336
Total consolidated liabilities						302,415

Notes to the Financial Statements  
for the financial year ended 30 June 2009

**38 SEGMENTAL INFORMATION** *cont'd*

The Group	Investment banking and stock broking RM'000	Futures and options broking RM'000	Fund management and unit trust management RM'000	Investment holding and others RM'000	Elimination RM'000	Consolidated RM'000
<b>2008</b>						
<b>Other information</b>						
Capital expenditure	2,738	80	212	-	-	3,030
Depreciation of property and equipment	1,260	29	135	-	-	1,424
Amortisation of intangible assets	152	3	11	-	-	166
Allowance for losses on loans and advances	97	-	-	-	-	97
Writeback of losses on clients' and brokers' balances	(310)	-	-	-	-	(310)

Segmental analysis by geographical location has not been prepared as the Group's operations are predominantly conducted in Malaysia.

**39 FINANCIAL INSTRUMENTS**

**Risk management objectives and policies**

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

**Credit Risk**

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks include credit assessment risk, settlement risk, margin finance default risk and concentration limit risk.

The Group has set out specific policies and guidelines on the extension of trading/credit limits to its salaried and commissioned dealer's representatives and clients. Specific requirements and/or parameters in accordance with regulatory requirements are set out for the granting of limits that provide for proper spread and control of the credit risks.

Clients' and brokers' balances are monitored on an ongoing basis via group-wide management reporting procedures. The investment banking business also adheres to the rules of Bursa Malaysia Securities Berhad on significant exposure to any individual customer or financial instrument.

**Market Risk**

Market risk is the risk of loss arising from adverse fluctuation in market prices, such as interest rates and share prices. The Company monitors its exposure on all equity securities held through its business activities and management is alerted on the financial impact of these risks with regard to risk concentration of the holding company and capital adequacy of Hong Leong Investment Bank.

The Company does not use any derivative financial instruments in managing market risk.

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Notes to the Financial Statements  
for the financial year ended 30 June 2009

**39 FINANCIAL INSTRUMENTS** *cont'd*

**Interest rate risk**

Interest rate risk refers to the volatility in net interest income as a result of changes in the levels of interest rates and shifts in the composition of the assets and liabilities. Interest rate risk exposure is identified, measured, monitored and controlled through limits and procedures set by the Asset and Liability Management Committee ('ALCO') to protect total net interest income from changes in market interest rates.

The Company has no substantial long term interest-bearing assets as at 30 June 2009 and the investment in financial assets is mainly short term in nature. Short term investments in financial assets are not held for speculative purposes but have been mostly placed in fixed deposits or money markets. It is the Company's practice to ensure that the rates obtained are competitive.

Interest rates on trade receivables are fixed or determined on a floating rate basis in accordance with loan arrangements with the various customers. It is the practice of the Company to ensure that the interest rates charged will not be lower than the prevailing market rates while complying with the provisions of the Money Lenders Ordinance, 1951.

The Company seeks to achieve a balance between certainty of funding and a flexible and cost-effective borrowing structure. The Company manages the funding requirements of its subsidiary companies and allocates funds in such a manner that all business units maintain optimum levels of liquidity for their operations, which is sufficient to meet the necessary regulatory requirements and without leaving the funding facilities unutilised.

**Liquidity Risk**

Liquidity risk is the risk of financial loss arising from the inability to fund increases in assets and/or meet obligations as they fall due. Financial obligations arise from the withdrawal of deposits, funding of loans committed and repayment of borrowed funds. It is the Company's policy to ensure there is adequate liquidity across all business units to sustain ongoing operations, as well as sufficient liquidity to fund asset growth and strategic opportunities.

One of the tools for monitoring liquidity is the New Liquidity Framework ('NLF') as introduced by Bank Negara Malaysia. The NLF assesses liquidity based on the contractual and behavioural pattern of cash flow of assets, liabilities and off balance sheet commitments as well as taking into consideration the realisable cash value of eligible liquefiable securities.

**Operational Risk**

Operational risk is the risk of direct and indirect loss resulting from inadequate or failed internal processes and controls due to error, inefficiencies, omission and unauthorised access, including external events beyond the control of the Company. In order to reduce or mitigate these risks, the Company has established internal control mechanisms within the various levels of the organisation, which include the setting up of procedural and control systems by the various units to manage the day-to-day operational risk inherent in their respective business and functional areas.



Notes to the Financial Statements  
for the financial year ended 30 June 2009

39 FINANCIAL INSTRUMENTS *cont'd*

(a) Interest rate risk

The tables below summarise the Group's and the Company's exposure to interest rate risks. Included in the tables are the Group's and the Company's assets and liabilities at their full carrying amounts, categorised by the earlier of contractual repricing or maturity dates. As interest rates and yield curves change over time, the Group and the Company may be exposed to loss in earnings due to the effects of interest rates on the structure of the balance sheets. Sensitivity to interest rate arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liabilities funding.

The Group 2009 Assets	← Non-trading book →				Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	Non- interest sensitive RM'000			
	Cash and short term funds	255,784	-	-			
Deposits and placements with banks and other financial institutions	-	24	-	49	-	73	1.8
Securities held at fair value through profit or loss	-	-	-	-	6,443	6,443	-
Available-for-sale securities	-	-	-	2,445	-	2,445	-
Loans and advances							
- performing	31,112	52,481	-	(1,254) <sup>^</sup>	-	82,339	8.0
- non-performing	-	-	-	- <sup>^</sup>	-	-	-
Clients' and brokers' balances	-	-	-	145,762	-	145,762	-
Other receivables	-	-	-	13,854	-	13,854	-
Tax recoverable	-	-	-	644	-	644	-
Deferred tax assets	-	-	-	58,455	-	58,455	-
Prepaid lease payments	-	-	-	1,132	-	1,132	-
Property and equipment	-	-	-	4,750	-	4,750	-
Goodwill	-	-	-	32,823	-	32,823	-
Intangible assets	-	-	-	982	-	982	-
<b>Total assets</b>	<b>286,896</b>	<b>52,505</b>	<b>-</b>	<b>321,245</b>	<b>6,443</b>	<b>667,089</b>	
<b>Liabilities</b>							
Deposits and placements of other financial institutions	8,000	344	1,476	-	-	9,820	2.1
Clients' and brokers' balances	-	-	-	279,029	-	279,029	-
Payables and other liabilities	-	-	-	55,236	-	55,236	-
Borrowings	146,900	-	-	-	-	146,900	3.2
<b>Total liabilities</b>	<b>154,900</b>	<b>344</b>	<b>1,476</b>	<b>334,265</b>	<b>-</b>	<b>490,985</b>	
<b>Total interest rate sensitivity gap</b>	<b>131,996</b>	<b>52,161</b>	<b>(1,476)</b>				

<sup>^</sup> Includes specific allowances and general allowances amounting to RM3,775,000

Notes to the Financial Statements  
for the financial year ended 30 June 2009

39 FINANCIAL INSTRUMENTS *cont'd*

(a) Interest rate risk *cont'd*

The Group 2008 Assets	← Non-trading book →				Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	Non- interest sensitive RM'000			
Cash and short term funds	214,917	-	-	38,042	-	252,959	3.4
Deposits and placements with banks and other financial institutions	-	-	-	30	-	30	-
Securities held at fair value through profit or loss	-	-	-	-	7,034	7,034	-
Available-for-sale securities	-	-	-	2,445	-	2,445	-
Loans and advances							
- performing	-	38,387	-	(384) <sup>^</sup>	-	38,003	9.0
- non performing	-	-	-	- <sup>^</sup>	-	-	-
Clients' and brokers' balances	-	-	-	148,737	-	148,737	-
Other receivables	-	-	-	13,201	-	13,201	-
Tax recoverable	-	-	-	560	-	560	-
Deferred tax assets	-	-	-	1,330	-	1,330	-
Property and equipment	-	-	-	3,616	-	3,616	-
Goodwill	-	-	-	4,663	-	4,663	-
Intangible assets	-	-	-	594	-	594	-
<b>Total assets</b>	<b>214,917</b>	<b>38,387</b>	<b>-</b>	<b>212,834</b>	<b>7,034</b>	<b>473,172</b>	
<b>Liabilities</b>							
Clients' and brokers' balances	-	-	-	233,817	-	233,817	-
Payables and other liabilities	-	-	-	43,662	-	43,662	-
Provision for taxation	-	-	-	336	-	336	-
Borrowings	24,600	-	-	-	-	24,600	4.6
<b>Total liabilities</b>	<b>24,600</b>	<b>-</b>	<b>-</b>	<b>277,815</b>	<b>-</b>	<b>302,415</b>	
<b>Total interest rate sensitivity gap</b>	<b>190,317</b>	<b>38,387</b>	<b>-</b>				

<sup>^</sup> Includes specific allowances and general allowances amounting to RM745,000

Notes to the Financial Statements  
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39 FINANCIAL INSTRUMENTS *cont'd*

(a) Interest rate risk *cont'd*

The Company 2009 Assets	← Non-trading book →				Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	Non- interest sensitive RM'000			
Cash and short term funds	1,200	-	-	3,468	-	4,668	1.9
Securities held at fair value through profit or loss	-	-	-	-	342	342	-
Other receivables	-	-	-	11,148	-	11,148	-
Tax recoverable	-	-	-	1,363	-	1,363	-
Investment in subsidiary companies	-	-	-	270,189	-	270,189	-
<b>Total assets</b>	<b>1,200</b>	<b>-</b>	<b>-</b>	<b>286,168</b>	<b>342</b>	<b>287,710</b>	
<b>Liabilities</b>							
Payables and other liabilities	-	-	-	771	-	771	-
Borrowings	146,900	-	-	-	-	146,900	3.2
<b>Total liabilities</b>	<b>146,900</b>	<b>-</b>	<b>-</b>	<b>771</b>	<b>-</b>	<b>147,671</b>	
<b>Total interest rate sensitivity gap</b>	<b>(145,700)</b>	<b>-</b>	<b>-</b>				
<b>The Company 2008 Assets</b>							
Cash and short term funds	22,000	-	-	1,263	-	23,263	1.9
Securities held at fair value through profit or loss	-	-	-	-	229	229	-
Other receivables	-	-	-	20,221	-	20,221	-
Tax recoverable	-	-	-	519	-	519	-
Investment in subsidiary companies	-	-	-	147,189	-	147,189	-
<b>Total assets</b>	<b>22,000</b>	<b>-</b>	<b>-</b>	<b>169,192</b>	<b>229</b>	<b>191,421</b>	
<b>Liabilities</b>							
Payables and other liabilities	-	-	-	20,515	-	20,515	-
Borrowings	24,600	-	-	-	-	24,600	3.2
<b>Total liabilities</b>	<b>24,600</b>	<b>-</b>	<b>-</b>	<b>20,515</b>	<b>-</b>	<b>45,115</b>	
<b>Total interest rate sensitivity gap</b>	<b>(2,600)</b>	<b>-</b>	<b>-</b>				

Notes to the Financial Statements  
for the financial year ended 30 June 2009

**39 FINANCIAL INSTRUMENTS** *cont'd*

(b) **Credit risk**

The following table sets out the credit risk concentration of the Group by classes of financial asset:

<b>The Group 2009</b>	Short term funds and placements with financial institutions RM'000	Securities held at fair value through profit or loss RM'000	Available- for-sale securities RM'000	Loans and advances# RM'000	Clients' and brokers' balances# RM'000	Other financial assets* RM'000	On- balance sheet total RM'000	Credit related commitments and contingencies RM'000
Agriculture	-	-	-	3,008	-	-	3,008	-
Mining and quarrying	-	-	-	10,014	-	-	10,014	-
Construction	-	-	-	707	-	-	707	-
Real estate	-	6,101	-	-	-	-	6,101	-
General commerce	-	-	-	366	-	-	366	-
Finance, insurance and business services	317,445	342	2,445	-	-	8,723	328,955	-
Government and government agencies	15	-	-	-	-	644	659	-
Purchase of securities	-	-	-	67,994	145,812	-	213,806	327,475
Household	-	-	-	1,504	-	-	1,504	-
Others	-	-	-	-	-	5,131	5,131	-
	<b>317,460</b>	<b>6,443</b>	<b>2,445</b>	<b>83,593</b>	<b>145,812</b>	<b>14,498</b>	<b>570,251</b>	<b>327,475</b>

# Excludes general allowance of RM1,304,000

\* Other financial assets comprise of other receivables and tax recoverable

Notes to the Financial Statements  
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**39 FINANCIAL INSTRUMENTS** *cont'd*

(b) **Credit risk** *cont'd*

<b>The Group 2008</b>	Short term funds and placements with financial institutions RM'000	Securities held at fair value through profit or loss RM'000	Available- for-sale securities RM'000	Loans and advances# RM'000	Clients' and brokers' balances# RM'000	Other financial assets* RM'000	On- balance sheet total RM'000	Credit related commitments and contingencies RM'000
Real estate	-	6,804	-	-	-	-	6,804	-
Finance, insurance and business services	252,989	230	2,445	-	-	2,000	257,664	-
Government and government agencies	-	-	-	-	-	560	560	-
Purchase of securities	-	-	-	38,387	148,862	-	187,249	247,231
Others	-	-	-	-	-	11,201	11,201	-
	252,989	7,034	2,445	38,387	148,862	13,761	463,478	247,231

# Excludes general allowance of RM509,000

\* Other financial assets comprise of other receivables and tax recoverable

Notes to the Financial Statements  
for the financial year ended 30 June 2009

**39 FINANCIAL INSTRUMENTS** *cont'd*

**(b) Credit risk** *cont'd*

The following table sets out the credit risk concentration of the Company by classes of financial assets:

<b>The Company 2009</b>	Short term funds and placements with financial institutions  RM'000	Securities held at fair value through profit or loss  RM'000	Other financial assets*  RM'000	On-balance sheet total  RM'000
Finance, insurance and business services	4,668	342	-	5,010
Government and government agencies	-	-	1,363	1,363
Others	-	-	5	5
	<b>4,668</b>	<b>342</b>	<b>1,368</b>	<b>6,378</b>
<b>The Company 2008</b>				
Finance, insurance and business services	23,263	229	-	23,492
Government and government agencies	-	-	519	519
Others	-	-	217	217
	<b>23,263</b>	<b>229</b>	<b>736</b>	<b>24,228</b>

\* Other financial assets comprise of other receivables and tax recoverable

**(c) Fair value of financial instruments**

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

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

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

***Short term funds and placements with financial institutions***

For deposits and placements with banks and other financial institutions with maturities of less than six months, the carrying value is a reasonable estimate of fair value. For deposits and placements with maturities six months and above, estimated fair value is based on discounted cash flows using prevailing money market interest rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.

***Securities held at fair value through profit or loss and available-for-sale***

The estimated fair value is generally based on quoted and observable market prices. Where there is no ready market in certain securities, the Group and the Company will establish the fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

Notes to the Financial Statements  
for the financial year ended 30 June 2009

**39 FINANCIAL INSTRUMENTS** *cont'd*

(c) **Fair value of financial instruments** *cont'd*

***Loans and advances***

For floating rate loans, the carrying value is generally a reasonable estimate of fair value. For fixed rate loans, the fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of loans with similar credit risks and maturities.

The fair values of non-performing floating and fixed rate loans are represented by their carrying value, net of specific allowance, being the expected recoverable amount.

***Clients' and brokers' balances***

The carrying amount as at balance sheet date approximate fair values due to relatively short term maturity of these financial instruments.

***Other assets and liabilities***

The carrying value less any estimated allowance for financial assets and liabilities included in 'other assets and liabilities' are assumed to approximate their fair values as these items are not materially sensitive to the shift in market interest rates.

***Deposits and placements of other financial institutions***

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

***Credit related commitment and contingencies***

The net fair value of these items was not calculated as estimated fair values are not readily ascertainable. These financial instruments generally relate to credit risks and attract fees in line with market prices for similar arrangements. They are not presently sold nor traded. The fair value may be represented by the present value of fees expected to be received less associated costs.

The above mentioned range of methodologies and assumptions had been used in deriving the fair values of the Group and Company's financial instruments at balance sheet date. The total fair value of each financial instrument approximates the total carrying value.

In addition, fair value information for non-financial assets and liabilities are excluded as they do not fall within the scope of FRS 132 which requires the fair value information to be disclosed. These include other receivables, tax recoverable, investment in subsidiary companies, deferred tax assets, prepaid lease payments, property and equipment, goodwill and intangible assets.

**40 EQUITY COMPENSATION BENEFITS**

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

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

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

Notes to the Financial Statements  
for the financial year ended 30 June 2009

**40 EQUITY COMPENSATION BENEFITS** *cont'd*

**Executive Share Option Scheme (“ESOS” or “Scheme”)** *cont'd*

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

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

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

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

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

There were no options granted during the financial year.

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

	The Group and The Company			
	2009		2008	
	Number of trust shares held  '000	Market value  RM'000	Number of trust shares held  '000	Market value  RM'000
At 1 July	3,630	4,175	3,285	4,435
Shares purchased	314	361	345	466
At 30 June	3,944	4,536	3,630	4,901



Notes to the Financial Statements  
for the financial year ended 30 June 2009

#### 41 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group and the Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Group's and the Company's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are outlined below:

**(a) Allowance for losses on loans and advances**

The Group makes allowance for losses on loans and advances based on assessment of recoverability. Whilst management is guided by the relevant BNM guidelines, management makes judgement on the future and other key factors in respect of the recovery of loans and advances. Among the factors considered are the Group's aggregate exposure to the borrowers, the net realisable value of the underlying collateral value, the viability of the customer's business model, the capacity to generate sufficient cash flow to service debt obligations and the aggregate amount and ranking of all other creditor claims.

**(b) Impairment of goodwill**

The Group perform an impairment review on an annual basis to ensure that the carrying value of the goodwill does not exceed its recoverable amount from the CGU to which the goodwill is allocated. The recoverable amount represents the present value of the estimated future cash flows expected to arise from continuing operations. Therefore, in arriving at the recoverable amount, management exercise judgement in estimating the future cash flows, growth rate and discount rate.

#### 42 BUSINESS COMBINATIONS

**(i) Acquisition of SBB Securities Sdn. Bhd. (now known as RC Holdings Sdn Bhd)**

On 22 October 2008, HLIB acquired 100% of the total issued share capital of SBBS from SBB Capital Markets Sdn Bhd ("SCMSB"). The acquisition was satisfied by cash consideration amounting to RM74,064,336.

The assets and liabilities arising from the acquisition are as follows:

	At fair value RM'000
Cash and short term funds	46,247
Clients' and brokers' balances	28,274
Other receivables	1,008
Property and equipment	1,459
Prepaid lease payments	1,133
Deferred tax assets	72
	78,193
Clients' and brokers' balances	(16,049)
Payables and other liabilities	(8,294)
	53,850
Goodwill on acquisition	20,214
Purchase consideration	74,064
Cash and cash equivalents acquired	(46,247)
Cash outflow on acquisitions	27,817

Notes to the Financial Statements  
for the financial year ended 30 June 2009

**42 BUSINESS COMBINATIONS** *cont'd*

(i) **Acquisition of SBB Securities Sdn. Bhd. (now known as RC Holdings Sdn Bhd)** *cont'd*

The goodwill is attributable to the license which is expected to benefit the Group after the acquisition of SBBS. The license is not separately recognised as it cannot be measured reliably.

The acquisition had contributed net loss of RM865,675 during the financial year. If the acquisition had occurred on 1 July 2008, the acquired business would have contributed net profit of RM3,269,902 to the Group.

(ii) **Acquisition of Southern Investment Bank Berhad ("SIBB")**

On 31 January 2009, HLIB acquired the identified assets and liabilities of SIBB from SIBB. The acquisition was satisfied by cash consideration amounting to RM48,152,576.

The assets and liabilities arising from the acquisition are as follows:

	At fair value RM'000
Loans and advances	31,393
Property and equipment	16
Intangible assets	43
	31,452
Deposits from customers	(603)
Deposits and placements of other financial institutions	(47,796)
Payables and other liabilities	(83)
Net assets acquired	(17,030)
Goodwill acquired	65,182
Purchase consideration	48,152
Cash and cash equivalents acquired	-
Cash outflow on acquisitions	48,152

The goodwill is attributable to the license which is expected to benefit the Group after the acquisition of SIBB. The license is not separately recognised as it cannot be measured reliably.

**43 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**

(a) **Formation of investment bank**

On 19 October 2007, the Company and its wholly owned subsidiary Hong Leong Investment Bank Berhad (formerly known as HLG Credit Bhd and HLG Credit Sdn Bhd) ("HLIB"), SBB Capital Markets Sdn Bhd and CIMB Bank Berhad had entered into a conditional Share Sale Agreement for the Company to acquire the entire equity interest of RC Holdings Sdn Bhd (formerly known as SBB Securities Sdn Bhd) ("SBBS").

On the same date, HLG Capital submitted an application to Bank Negara Malaysia and Minister of Finance in relation to the proposed acquisition of identified assets and liabilities of Southern Investment Bank Berhad ("SIBB").

On 13 June 2008, the Company announced inter alia that the Company and HLIB entered into a conditional agreement with SIBB and CIMB Bank Berhad in respect of the abovementioned proposed acquisition of SIBB Assets & Liabilities, which was approved by Minister of Finance.

The above said proposed acquisitions were approved by the shareholders of the Company at the Extraordinary General Meeting of the Company held on 9 July 2008. The proposed acquisition of SBBS was completed on 22 October 2008.

Notes to the Financial Statements  
for the financial year ended 30 June 2009

**43 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR *cont'd***

**(a) Formation of investment bank *cont'd***

On 24 October, 2008, HLIB entered into a Business Transfer Agreement with SBBS for the transfer of its business to HLIB.

Pursuant to a Vesting Order dated 3rd November, 2008 and an Order dated 10th December, 2008 granted by the High Court of Malaya, the business of SBBS was vested in HLIB with effect from 31st January, 2009. The proposed acquisition of SIBB Assets & Liabilities was also completed on 31 January 2009.

On 24 October 2008, HLIB entered into a business transfer agreement with HLG Securities Sdn Bhd ("HLGS") to transfer its entire securities business to HLIB. On 31 January 2009, pursuant to the order of the High Court of Malaya, which was obtained on 12 December 2008, HLGS's entire securities business was vested to HLIB in accordance with the terms and conditions of the business transfer agreement entered into between the Bank and HLGS.

The internal reorganisation exercise undertaken by HLG Capital involving the transfer of the entire businesses of SBBS and HLGS to HLIB was completed on 31 January 2009.

Following from there, HLIB was granted a Capital Markets Services Licence by the Securities Commission and an Investment Bank Licence by Bank Negara Malaysia, both effective on 31 January 2009, enabling HLIB to provide a range of investment banking products and services.

**(b) Proposed rights issue and issuance of share capital**

On 19 January 2009, the Company announced its proposal to undertake the following:

- a renounceable rights issue of up to 123,448,334 new ordinary shares of RM1.00 each ("Rights Share(s)") in HLG Capital at an indicative issue price of RM1.00 per Rights Share on the basis of one (1) Rights Share for every one (1) existing ordinary shares of RM1.00 each ("HLGC Shares" or "Shares") held in HLG Capital ("Proposed Rights Issue");
- increase in the authorised share capital of HLG Capital from RM200,000,000 comprising 200,000,000 Shares to RM500,000,000 comprising 500,000,000 Shares ("Proposed Increase"); and
- amendment to the Memorandum of Association of HLG Capital ("Proposed Amendment").

On 25 May 2009, the Company announced that the issue price of the Rights Shares had been fixed at RM1.00 per Rights Share ("Rights Issue Price"). The Rights Issue Price was arrived at after taking into consideration the weighted average market price of HLGC Shares for the past five (5) market days up to and including 22 May 2009 (being the market day immediately preceding the price fixing date of 25 May 2009) of approximately RM1.0903.

The theoretical ex-rights price based on the above was approximately RM1.045 ("TERP"). The Rights Issue Price represented a discount of 4.5 sen or approximately 4.31% over the TERP.

At the Extraordinary General Meeting of the Company held on 31 July 2009, the shareholders approved the Proposed Rights Issue, Proposed Increase and Proposed Amendment.

**44 SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR**

On 30 July 2009, the Securities Commission approved HLIB's application for a Variation of Regulated Activity for Capital Markets Services Licence to include Corporate Finance and advisory activities pursuant to the Capital Markets and Services Act, 2007 subject to the fulfilment of the following conditions:

- (1) HLIB shall incorporate the audit of Corporate Finance and Advisory department ("CFAD") in the Internal Audit Plan for the Year 2009 and table the revised Internal Audit Plan to its Audit Committee within 1 month from the commencement of corporate finance activities;
- (2) All key personnel in the CFAD are required to be licensed as Capital Markets Representatives to carry out the regulated activity of advising on corporate finance and dealing in securities restricted to underwriting; and

Notes to the Financial Statements  
for the financial year ended 30 June 2009

**44 SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR *cont'd***

- (3) All key personnel in the CFAD who are involved in the trading of debt securities instruments are required to be a member of Persatuan Pasaran Kewangan Malaysia (PPKM).

With the fulfilment of the above conditions, HLIB will be able to commence Corporate Finance and advisory activities.

**45 COMPARATIVES**

Certain comparative figures have been reclassified to conform with current year's presentation pursuant to the adoption of BNM's Revised Guidelines on Financial Reporting for Licensed Institutions ("BNM/GP8"). The restatement of certain comparatives are shown below:

	As previously reported RM'000	Reclassification of accounts per BNM/GP8 RM'000	As restated RM'000
<b>Consolidated Income Statement for year ended 30 June 2008</b>			
Interest income	-	6,847	6,847
Interest expense	-	(307)	(307)
Non-interest income	-	65,630	65,630
Overhead expenses	-	(42,427)	(42,427)
Allowance for losses on loans and advances	-	(97)	(97)
Writeback of losses on clients' and brokers' balances	-	310	310
Impairment loss	-	2,197	2,197
Operating income	115,040	(115,040)	-
Other operating income	5,445	(5,445)	-
Personnel cost	(22,177)	22,177	-
Other operating expenses	(65,374)	65,374	-
Finance cost	(781)	781	-
Profit before taxation	32,153	-	32,153
Taxation	(5,030)	-	(5,030)
Net profit for the financial year	27,123	-	27,123

Notes to the Financial Statements  
for the financial year ended 30 June 2009

45 COMPARATIVES *cont'd*

	As previously reported RM'000	Reclassification of accounts per BNM/GP8 RM'000	As restated RM'000
<b>Consolidated Balance Sheet as at 30 June 2008</b>			
<b>Assets</b>			
Property and equipment	3,616	-	3,616
Other investments	2,445	(2,445)	-
Intangible assets	594	-	594
Goodwill	4,663	-	4,663
Deferred tax assets	1,330	-	1,330
Trade receivables	111,300	(111,300)	-
Tax recoverable	560	-	560
Other receivables	79,367	(66,166)	13,201
Manager's stocks and promotional items	9,274	(9,274)	-
Marketable securities	7,034	(7,034)	-
Cash and short term funds	252,989	(30)	252,959
Securities held at fair value through profit or loss	-	7,034	7,034
Available-for-sale securities	-	2,445	2,445
Deposits and placements with bank and other financial institution	-	30	30
Clients' and brokers' balances	-	148,737	148,737
Loans and advances	-	38,003	38,003
	473,172	-	473,172
<b>Equity and liabilities Equity</b>			
Share Capital	123,448	-	123,448
Shares held by ESOS	(3,568)	-	(3,568)
Reserves	50,877	-	50,877
<b>Liabilities</b>			
Provision for retirement benefits	1,011	(1,011)	-
Short term borrowings	24,600	(24,600)	-
Trust accounts	94,746	(94,746)	-
Trade payables	163,959	(163,959)	-
Other payables	17,763	(17,763)	-
Taxation	336	-	336
Borrowings	-	24,600	24,600
Clients' and brokers' balances	-	233,817	233,817
Payables and other liabilities	-	43,662	43,662
	473,172	-	473,172

46 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were authorised for issue by the Board of Directors of the Company in accordance with a resolution of the Directors on 31 July 2009.

## Statement by Directors

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

We, Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman and Choong Yee How, two of the Directors of HLG Capital Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 34 to 92 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2009 and of the results of their operations for the year ended on that date; and the cash flows of the Group and the Company for the year then ended on that date, in accordance with the provisions of the Companies Act, 1965, the MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities and Bank Negara Malaysia Guidelines.

On behalf of the Board.

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

**Choong Yee How**

Kuala Lumpur  
25 August 2009

## Statutory Declaration

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

I, Chew Seong Aun, the officer primarily responsible for the financial management of HLG Capital Berhad, do solemnly and sincerely declare that the financial statements set out on pages 34 to 92 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.

Subscribed and solemnly declared by    )  
the abovenamed Chew Seong Aun at        )  
Kuala Lumpur in Wilayah Persekutuan    )  
on 25 August 2009                            )                           Chew Seong Aun

Before me,  
**Tan Seok Kett**  
Commissioner for Oaths

## Independent Auditors' Report

to the members of HLG Capital Berhad  
(Incorporated in Malaysia)

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of HLG Capital Berhad, which comprise the balance sheets as at 30 June 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 year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 34 to 92.

#### 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 Companies Act, 1965 the MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities and Bank Negara Malaysia Guidelines. This responsibility includes: designing, implementing and maintaining internal control 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 control 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the Companies Act, 1965, the MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities and Bank Negara Malaysia Guidelines so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2009 and of their financial performance and cash flows for the year then ended.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

**Independent Auditors' Report  
to the members of HLG Capital Berhad  
(Incorporated in Malaysia)**

**OTHER MATTERS**

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

**PricewaterhouseCoopers**  
(No. AF: 1146)  
Chartered Accountants

**Soo Hoo Khoon Yean**  
(No. 2682/10/09 (J))  
Chartered Accountant

Kuala Lumpur  
25 August 2009



## Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Eighteenth Annual General Meeting of HLG Capital Berhad (“the Company”) will be held at the Theatre, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Wednesday, 28 October 2009 at 11.00 a.m. in order:

1. To lay before the meeting the audited financial statements together with the reports of the Directors and Auditors thereon for the year ended 30 June 2009.
2. To approve the payment of Directors’ fees of RM360,000 for the year ended 30 June 2009 (2008 : RM307,104), to be divided amongst the Directors in such manner as the Directors may determine. **(Resolution 1)**
3. To re-elect the following retiring Directors:-
  - (a) YBhg Dato’ Ahmad Fuaad bin Mohd Dahalan **(Resolution 2)**
  - (b) Mr Quek Kon Sean **(Resolution 3)**
4. To pass the following motion as an ordinary resolution:-
 

“**THAT** YBhg Tan Sri Dato’ Seri Khalid Ahmad bin Sulaiman, a Director who retires in compliance with Section 129 of the Companies Act, 1965, be and is hereby re-appointed a Director of the Company to hold office until the conclusion of the next Annual General Meeting.” **(Resolution 4)**
5. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and authorise the Directors to fix their remuneration. **(Resolution 5)**

### SPECIAL BUSINESS

As a special business, to consider and, if thought fit, pass the following motions as Ordinary Resolutions:-

6. **Authority To Directors To Issue Shares**

“**THAT** pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby empowered to issue shares in the Company, at any time and from time to time, and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution in any one financial year does not exceed 10% of the issued capital of the Company for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company.” **(Resolution 6)**
7. **Proposed Shareholders’ Mandate on Recurrent Related Party Transactions of a Revenue or Trading Nature with Hong Leong Company (Malaysia) Berhad (“HLCM”) and Persons Connected with HLCM**

“**THAT** approval be and is hereby given for the Company and/or its subsidiaries to enter into any of the transactions falling within the types of recurrent related party transactions of a revenue or trading nature as disclosed in Section 2.3(A) and (C) of the Company’s Circular to Shareholders dated 6 October 2009 (“the Circular”) with HLCM and persons connected with HLCM, as set out in Appendix II of the Circular provided that such transactions are undertaken in the ordinary course of business, on arm’s length basis and on commercial terms which are not more favourable to the related party than those generally available to and/or from the public and are not, in the Company’s opinion, detrimental to the minority shareholders; **AND THAT** the Directors of the Company be and are hereby authorised to complete and to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution.

AND THAT such approval shall continue to be in force until:

  - (a) the conclusion of the next Annual General Meeting (“AGM”) of the Company at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or
  - (b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or
  - (c) revoked or varied by resolution passed by the shareholders in general meeting, whichever is the earlier.” **(Resolution 7)**

## Notice of Annual General Meeting

### 8. Proposed Shareholders' Mandate on Recurrent Related Party Transactions of a Revenue or Trading Nature with Tower Real Estate Investment Trust ("Tower REIT")

"THAT approval be and is hereby given for the Company and/or its subsidiaries to enter into any of the transactions falling within the types of recurrent related party transactions of a revenue or trading nature as disclosed in Section 2.3(B) of the Company's Circular to Shareholders dated 6 October 2009 with Tower REIT provided that such transactions are undertaken in the ordinary course of business, on arm's length basis and on commercial terms which are not more favourable to the related party than those generally available to and/or from the public and are not, in the Company's opinion, detrimental to the minority shareholders; AND THAT the Directors of the Company be and are hereby authorised to complete and to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution.

AND THAT such approval shall continue to be in force until:

- (a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or
- (b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or
- (c) revoked or varied by resolution passed by the shareholders in general meeting, whichever is the earlier."

**(Resolution 8)**

### 9. Proposed Shareholders' Mandate on Recurrent Related Party Transactions of a Revenue or Trading Nature with Hong Leong Investment Holdings Pte Ltd ("HLIH") and Persons Connected with HLIH

"THAT approval be and is hereby given for the Company and/or its subsidiaries to enter into any of the transactions falling within the types of recurrent related party transactions of a revenue or trading nature as disclosed in Section 2.3(D) of the Company's Circular to Shareholders dated 6 October 2009 ("the Circular") with HLIH and persons connected with HLIH, as set out in Section 2.2(iii) of the Circular provided that such transactions are undertaken in the ordinary course of business, on arm's length basis and on commercial terms which are not more favourable to the related party than those generally available to and/or from the public and are not, in the Company's opinion, detrimental to the minority shareholders; AND THAT the Directors of the Company be and are hereby authorised to complete and to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution.

AND THAT such approval shall continue to be in force until:

- (a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or
- (b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or
- (c) revoked or varied by resolution passed by the shareholders in general meeting, whichever is the earlier."

**(Resolution 9)**

10. To consider any other business of which due notice shall have been given.

By Order of the Board

**CHRISTINE MOH SUAT MOI** (MAICSA No. 7005095)  
Secretary

Kuala Lumpur  
6 October 2009

## Notice of Annual General Meeting

### NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. A member who is an authorised nominee may appoint not more than two proxies in respect of each securities account it holds.
2. The Form of Proxy must be deposited at the Registered Office of the Company at Level 8, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than 48 hours before the time and date of the meeting or adjourned meeting.

### SPECIAL BUSINESS

#### 3. Ordinary Resolution 6 on Authority to Directors to Issue Shares

The proposed Ordinary Resolution, if passed, will give a renewed mandate to the Directors of the Company to issue ordinary shares of the Company from time to time provided that the aggregate number of shares issued pursuant to this resolution in any one financial year does not exceed 10% of the issued capital of the Company for the time being ("Renewed Mandate"). The Renewed Mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting ("AGM") of the Company.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last AGM held on 30 October 2008 and which will lapse at the conclusion of the Eighteenth AGM.

The Renewed Mandate will enable the Directors to take swift action in case of a need for corporate exercises or in the event business opportunities arise which involve the issue of new shares, and to avoid delay and cost in convening general meetings to approve such issue of shares.

#### 4. Ordinary Resolutions 7 to 9 on Recurrent Related Party Transactions of a Revenue or Trading Nature

The proposed Ordinary Resolutions, if passed, will empower the Company and/or its subsidiaries ("HLGC Group") to enter into recurrent related party transactions of a revenue or trading nature which are necessary for HLGC Group's day-to-day operations, subject to the transactions being in the ordinary course of business and on terms which are not more favourable to the related parties than those generally available to the public and are not, in the Company's opinion, detrimental to the minority shareholders of the Company.

Detailed information on the Proposed Shareholders' Mandate is set out in the Circular to Shareholders dated 6 October 2009 which is dispatched together with the Company's 2009 Annual Report.

## Statement Accompanying Notice of Annual General Meeting (Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements)

- Details of individuals who are standing for election as Directors

No individual is seeking election as a Director at the forthcoming Eighteenth AGM of the Company.

## Other Information

### 1. MATERIAL CONTRACTS

There were no material contracts (not being contracts entered into in the ordinary course of business) which had been entered into by the Company and its subsidiaries involving the interest of Directors and major shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year pursuant to Item 21, Part A, Appendix 9C of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

### 2. ANALYSIS OF SHAREHOLDINGS AS AT 28 AUGUST 2009

Authorised share capital	: RM500,000,000
Issued & paid-up capital	: RM123,448,334
Class of shares	: Ordinary shares of RM1.00 each
Voting rights	
– on show of hands	: 1 vote
– on a poll	: 1 vote for each share held

#### Distribution Schedule Of Shareholders As At 28 August 2009

Size of Holdings	No. of Shareholders	%	No. of Shares	%
Less than 100	54	1.73	2,147	0.00
100 – 1,000	882	28.30	833,708	0.67
1,001 – 10,000	1,826	58.58	7,599,405	6.16
10,001 – 100,000	323	10.36	9,562,928	7.75
100,001 – less than 5% of issued shares	31	1.00	12,859,601	10.42
5% and above of issued shares	1	0.03	92,590,545	75.00
	3,117	100.00	123,448,334	100.00

#### List Of Thirty Largest Shareholders As At 28 August 2009

Name of Shareholders	No. of Shares	%
1. Assets Nominees (Tempatan) Sdn Bhd - Hong Leong Financial Group Berhad	92,590,545	75.00
2. AmTrustee Berhad - Exempt AN for HLG Capital Berhad (ESOS)	3,943,600	3.19
3. Citigroup Nominees (Asing) Sdn Bhd - Truffle Hound Global Value LLC	1,092,000	0.88
4. Quek Siow Leng	835,000	0.68
5. Chong Thuah Realty Sdn Bhd	780,900	0.63
6. Lim & Tan Securities Pte Ltd	700,000	0.57
7. Pacific & Orient Insurance Co Berhad	647,000	0.52
8. DB (Malaysia) Nominee (Asing) Sdn Bhd - Kwek Leng Hai	500,000	0.41
9. Citigroup Nominees (Asing) Sdn Bhd - Exempt AN for Citibank NA, Singapore (Julius Baer)	469,900	0.38
10. Tan Liew Cheun	465,000	0.38
11. Low Poh Weng	343,800	0.28
12. Wong Wooi Choon @ Philip Wong	300,000	0.24
13. Lee Sek Tah	270,000	0.22
14. Too Ah Boa @ Toh Ah Bak	234,300	0.19

## Other Information

### 2. ANALYSIS OF SHAREHOLDINGS AS AT 28 AUGUST 2009 *cont'd*

#### List Of Thirty Largest Shareholders As At 28 August 2009 *cont'd*

Name of Shareholders	No. of Shares	%
15. Omar Bin Zolkifli	220,068	0.18
16. N Kanakambal A/P Doraisamy	189,900	0.15
17. Irene Yap Yin Fei	178,700	0.15
18. Ooi Hock Eng	162,000	0.13
19. Tam Sook Wan	156,700	0.13
20. Liew Swee Mio @ Liew Hoi Foo	150,000	0.12
21. Life Enterprise Sdn Bhd	147,400	0.12
22. HDM Nominees (Tempatan) Sdn Bhd - Rabeah Bt Othman	138,333	0.11
23. AllianceGroup Nominees (Asing) Sdn Bhd - Lim Hun Swee	130,000	0.11
24. Tan Kwang How	120,000	0.10
25. HSBC Nominees (Asing) Sdn Bhd - Kwek Leng San	119,000	0.10
26. Ng Tiong Pung	115,600	0.09
27. Tan Buck Soon	110,000	0.09
28. HLG Nominee (Tempatan) Sdn Bhd - Electroscoc Coletra Sdn Bhd	109,000	0.09
29. Public Nominees (Tempatan) Sdn Bhd - Teoh Ewe Jin	102,000	0.08
30. RHB Capital Nominees (Tempatan) Sdn Bhd - Chua Seng Yong	101,000	0.08
	105,421,746	85.40

#### Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 28 August 2009 are as follows:-

Shareholders	Direct		Indirect	
	No. of shares	%	No. of shares	%
Hong Leong Financial Group Berhad	92,590,545	75.00	-	-
Tan Sri Quek Leng Chan			92,590,545 **	75.00
Hong Leong Company (Malaysia) Berhad			92,590,545 *	75.00
HL Holdings Sdn Bhd			92,590,545 **	75.00
Kwek Holdings Pte Ltd			92,590,545 **	75.00
Kwek Leng Beng			92,590,545 **	75.00
Hong Realty (Private) Limited			92,590,545 **	75.00
Hong Leong Investment Holdings Pte Ltd			92,590,545 **	75.00
Davos Investment Holdings Private Limited			92,590,545 **	75.00
Kwek Leng Kee			92,590,545 **	75.00
Quek Leng Chye			92,590,545 **	75.00
Guoco Assets Sdn Bhd			92,590,545 *	75.00
Guoco Group Limited			92,590,545 *	75.00
GuoLine Overseas Limited			92,590,545 *	75.00
GuoLine Capital Assets Limited			92,590,545 *	75.00

## Other Information

### 2. ANALYSIS OF SHAREHOLDINGS AS AT 28 AUGUST 2009 *cont'd*

#### Substantial Shareholders *cont'd*

- \* Held through Hong Leong Financial Group Berhad  
 \*\* Held through Hong Leong Company (Malaysia) Berhad

### 3. DIRECTORS' INTERESTS AS AT 28 AUGUST 2009

Subsequent to the financial year end, there is no change, as at 28 August 2009, to the Directors' interests in the ordinary shares/options/convertible bonds of the Company and/or its related corporations (other than wholly-owned subsidiaries), appearing in the Directors' Report on pages 26 to 30 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 except for the changes set out below:

	No. of ordinary shares	%
<b>Indirect Interest</b>		
<b>YBhg Tan Sri Quek Leng Chan in:</b>		
GuocoLand Limited	603,070,309	67.95
GuocoLeisure Limited	769,074,211	56.22
Hong Leong Industries Berhad	194,861,037	71.45

### 4. IMPOSITION OF SANCTIONS/PENALTIES

Bursa Malaysia had on 17 December 2008 imposed a fine of RM60,000 on HLG Futures Sdn Bhd ("HLGF") for breaches of Rules of Bursa Derivatives and Rules of Bursa Derivatives Clearing.

The Board of Directors of HLG Capital Berhad and management of HLGFB have taken serious note of these breaches and have taken immediate remedial actions to ensure that these breaches do not recur.

### 5. LIST OF PROPERTIES

Location	Tenure	Description of property held	Gross area (Sq-ft)	Appox. age (Years)	Net book value (RM'000)	Date of acquisition
1. 51-53, Persiaran Greenhill 30450 Ipoh, Perak	Freehold & leasehold -999 years	Branch premises	4793	15	1,992	31/12/1993

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**FORM OF PROXY**

I/We \_\_\_\_\_

of \_\_\_\_\_

being a member/members of HLG Capital Berhad, hereby appoint \_\_\_\_\_

of \_\_\_\_\_

or failing him/her \_\_\_\_\_

of \_\_\_\_\_

or failing him/her, the Chairman of the meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Eighteenth Annual General Meeting of the Company to be held at the Theatre, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Wednesday, 28 October 2009 at 11.00 a.m. and at any adjournment thereof.

My/Our proxy/proxies is/are to vote either on a show of hands or on a poll as indicated below with an "X":

RESOLUTIONS	FOR	AGAINST
1. To approve the payment of Directors' fees		
2. To re-elect YBhg Dato' Ahmad Fuaad bin Mohd Dahalan as a Director		
3. To re-elect Mr Quek Kon Sean as a Director		
4. To re-appoint YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman as a Director pursuant to Section 129 of the Companies Act, 1965		
5. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and authorise the Directors to fix their remuneration		
<b>Special Business</b>		
6. To approve the ordinary resolution on authority to Directors to issue shares		
7. To approve the Proposed Shareholders' Mandate on recurrent related party transactions of a revenue or trading nature with Hong Leong Company (Malaysia) Berhad ("HLCM") and Persons Connected with HLCM		
8. To approve the Proposed Shareholders' Mandate on recurrent related party transactions of a revenue or trading nature with Tower Real Estate Investment Trust		
9. To approve the Proposed Shareholders' Mandate on recurrent related party transactions of a revenue or trading nature with Hong Leong Investment Holdings Pte Ltd ("HLIH") and Persons Connected with HLIH		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2009

Number of shares held \_\_\_\_\_

Signature of Member \_\_\_\_\_

**Notes:-**

- If you wish to appoint other person(s) to be your proxy, insert the name(s) and address(es) of the person(s) desired in the space so provided.
- If there is no indication as to how you wish your vote(s) to be cast, the proxy will vote or abstain from voting at his/her discretion.
- A proxy need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
- A member shall not be entitled to appoint more than two proxies to attend and vote at the same meeting. Where two proxies are appointed, the proportions of shareholdings to be represented by each proxy must be specified in order for the appointments to be valid (please refer to note 7 below). Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- In the case where a member is a corporation, this Form of Proxy must be executed under its Common Seal or under the hand of its Attorney.
- All Forms of Proxy must be duly executed and deposited at the Registered Office of the Company at Level 8, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than 48 hours before the time for holding the meeting or adjourned meeting.
- In the event two (2) proxies are appointed, please fill in the ensuing section:

Name of Proxies	% of shareholdings to be represented