

**682-X**

**ECM Libra Investment Bank Berhad  
(Incorporated in Malaysia)**

| <b>Contents</b>                    | <b>Page</b> |
|------------------------------------|-------------|
| Directors' report                  | 1 - 11      |
| Statement by directors             | 12          |
| Statutory declaration              | 12          |
| Independent auditors' report       | 13 - 14     |
| Statements of financial position   | 15 - 16     |
| Statements of comprehensive income | 17          |
| Statements of changes in equity    | 18 - 21     |
| Statements of cash flows           | 22 - 24     |
| Notes to the financial statements  | 25 - 92     |

**ECM Libra Investment Bank Berhad  
(Incorporated in Malaysia)**

**Directors' report**

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Bank for the financial year ended 31 January 2011.

**Principal activities**

The Bank is principally involved in dealing with securities and derivatives and is a Participating Organisation of Bursa Malaysia Securities Berhad ("Bursa Malaysia") and a Trading Participant of Bursa Malaysia Derivatives Berhad ("BMDB"). The Bank is also involved in the provision of corporate finance and other advisory services by virtue of its status as an investment bank. The subsidiaries are principally engaged in the provision of nominee services to clients.

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

**Results**

|                         | <b>Group<br/>RM'000</b> | <b>Bank<br/>RM'000</b> |
|-------------------------|-------------------------|------------------------|
| Net profit for the year | <u>63,748</u>           | <u>63,572</u>          |

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

**Dividends**

The Bank has paid an interim single-tier dividend of 3.74 sen per share amounting to RM19,174,767 in respect of financial year ended 31 January 2010.

The directors have declared an interim single-tier dividend of 6.20 sen per share on 513,000,000 ordinary shares, amounting to RM31,786,000 for the financial year ended 31 January 2011. The directors do not propose any final dividend for the financial year ended 31 January 2011.

**ECM Libra Investment Bank Berhad  
(Incorporated in Malaysia)**

**Directors**

The directors of the Bank in office since the date of the last report and at the date of this report are:

Dato' Mohd Ali bin Abd Samad

Datuk Kamarudin bin Md Ali

En Mahadzir bin Azizan

Mr Lim Kian Onn

Dato' Othman bin Abdullah

Mr Lum Sing Fai

Dato' Seri Kalimullah bin Masheerul Hassan (resigned on 1.7.2010)

In accordance with Article 60 of the Articles of Association of the Bank, Mr Lim Kian Onn and Mr Lum Sing Fai will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

**Directors' interests**

No director holding office at the end of the financial year had any beneficial interest in the ordinary shares/options of the Bank and/or related corporations during the financial year except for Mr Lim Kian Onn, Datuk Kamarudin bin Md Ali, En Mahadzir bin Azizan and Dato' Othman bin Abdullah whose beneficial interests are disclosed in the Register of Directors' Shareholdings of the holding company as provided for under Section 134 of the Companies Act 1965.

**Directors' benefits**

Since the end of the previous financial year, none of the directors of the Bank has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors shown in the financial statements or the fixed salary of a full time employee of the Bank or of a related company) by reason of a contract made by the Bank 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 Mr Lim Kian Onn 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 and/or the provision of services including but not limited to management and consultancy services, tenancies and/or the provision of treasury functions and the conduct of normal stockbroking business between the Bank and its related corporations or corporations in which Mr Lim Kian Onn is deemed to have interests.

There were no arrangements during and at the end of the financial year which had the object of enabling the directors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of the Bank or any other body corporate other than the share options granted pursuant to the Employees Share Option Scheme of the holding company.

**ECM Libra Investment Bank Berhad  
(Incorporated in Malaysia)**

**Corporate governance**

**A. Directors**

(i) The Board

The Bank is led by a proactive Board of Directors ("the Board") with a blend of good management and entrepreneurial skills, supported by independent directors who bring to the Board their different fields of training and experiences. The composition of the Board is set out in Page 2 of this report.

The Board is primarily entrusted with the responsibility of setting the goals and the direction of the Bank. The role and responsibilities of the Board broadly cover formulation of corporate policies and board strategies, overseeing and evaluating the conduct of the Bank's businesses, ensuring various control systems are in place as well as regularly evaluating such systems to ensure its integrity. The controls are necessary to minimise the risks associated with the businesses of the Bank.

The Board meets on a monthly basis and additionally as and when required, with a formal schedule of matters specifically reserved for its deliberation and decision. During the financial year under review, fourteen (14) Board meetings were held and all the directors have complied with the requirements in respect of Board meeting attendance as stipulated by Bank Negara Malaysia ("BNM"). All directors attended the said meetings except for Dato' Mohd Ali bin Abd Samad who attended thirteen (13) Board meetings. During the year under review, Dato' Seri Kalimullah bin Masheerul Hassan resigned on 1 July 2010.

The Board collectively reviews and approves all key proposals for implementation. Proposals are put to vote after careful deliberation and the Chairman of the meeting has a second or casting vote in the event of a tie in votes, except when only two directors are competent to vote on the question in issue.

The Board is updated on the Bank's affairs at Board meetings. On an ad-hoc basis, the Board members can and do obtain information on the Bank's activities from the management team. This is to enable the Board members to discharge their duties and responsibilities competently and in an informed manner. During the financial year under review, in addition to some Board members attending the Financial Institution Directors Education Programme ("FIDE"), individual Board members also attended external training courses such as Building Organisational Capability for Strategic Transformation, Building Audit Committees for Tomorrow, Banking Insights, 2nd Annual Corporate Governance Summit 2010 and IT Governance & Risk Management.

**ECM Libra Investment Bank Berhad  
(Incorporated in Malaysia)**

**Corporate governance (cont'd.)**

**A. Directors (cont'd.)**

(ii) Board Balance

For the financial year ended 31 January 2011, the Board comprised six (6) Directors, all of whom are non-executive. Of the non-executive directors, four (4) are independent. There is a clear division of responsibilities at the head of the Bank to ensure a balance of authority and power. The wide spectrum of knowledge, skills and experience of the Board members gives added strength to the leadership which is necessary for the effective stewardship of the Bank.

The Board recognises the importance and contribution of its independent non-executive directors. They represent the element of objectivity, impartiality and independent judgement of the Board. This ensures that there is adequate check and balance at the Board level. The four (4) independent directors of the Bank provide the Board with vast and varied exposure, expertise and broad business and commercial experience.

(iii) Board Committees

(a) Board Audit Committee ("BAC")

The BAC comprises the following members:

- Datuk Kamarudin bin Md Ali (Chairman, Independent Non-Executive)
- Dato' Othman bin Abdullah (Independent Non-Executive)
- Dato' Mohd Ali bin Abd Samad (Independent Non-Executive)

whose scopes of responsibilities are as follows:

1. Recommend the appointment/removal of external auditors, assess their objectivity, performance and independence; review their management letters and ensure recommendations are complied with on a timely basis; approve and ensure adequate checks and balances are in place if any non-audit services provided by the same audit firm, and have direct communication with the auditors at least twice annually.
2. Review the effectiveness of internal controls and risk management processes.
3. Ensure fair and transparent reporting and prompt publication of the financial statements.
4. Review all related party transactions and keep the Board informed of such transactions.

**ECM Libra Investment Bank Berhad  
(Incorporated in Malaysia)**

**Corporate governance (cont'd.)**

**A. Directors (cont'd.)**

(iii) Board Committees (cont'd)

(a) Board Audit Committee (“BAC”) (cont'd)

5. Oversee the function of internal audit; review its scope of audit programme and findings as well as recommend actions to be taken by management on audit findings, and appoint/transfer/dismissal of the Chief Internal Auditor including evaluation of his/her performance and compensation.

(b) Board Risk Management Committee (“BRMC”)

The BRMC comprises the following members:

- Dato’ Othman bin Abdullah (Chairman, Independent Non-Executive)
- Datuk Kamarudin bin Md Ali (Independent Non-Executive)
- En Mahadzir bin Azizan (Independent Non-Executive)

whose scopes of responsibilities are as follows:

1. Review and recommend risk management strategies, policies and risk tolerance for Board’s approval. This includes recommending to the Board the risk appetite that is consistent with the Bank’s overall business aims and desired risk profile;
2. Review and assess adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risk and the extent to which these are operating effectively;
3. Ensure infrastructure, resources and systems are in place for risk management i.e. ensure that the staff responsible for implementing risk management systems perform those duties independently of the Bank’s risk taking activities; and
4. Review Risk Management Department’s periodic reports on risk exposure, risk portfolio composition and risk management activities.

(c) Board Credit Committee (“BCC”)

The BCC comprises the following members:

- Mr Lim Kian Onn (Deputy Chairman, Non-Independent Non-Executive)
- En Mahadzir bin Azizan (Independent Non- Executive)
- Mr Lum Sing Fai (Non-Independent Non-Executive)

**ECM Libra Investment Bank Berhad  
(Incorporated in Malaysia)**

**Corporate governance (cont'd.)**

**A. Directors (cont'd.)**

(iii) Board Committees (cont'd)

(c) Board Credit Committee (“BCC”) (cont'd.)

whose scopes of responsibilities are as follows:

1. Review/approve the credit risk management policies as recommended by Credit Approval Executive Committee (“CAEC”) from time to time.
2. Review/concur/vary and/or veto credit applications approved by CAEC.
3. Review and approve all new products and services to be introduced by the Bank.
4. Oversee the credit risk management process of the Bank.

(d) Board Nomination Committee (“BNC”) and Board Remuneration Committee (“BRC”)

BNM had given approval to the Bank to avail on the services of the BNC and BRC at the holding company level.

**B. Internal Audit**

The internal audit functions are organised on a group basis while the department is established at the Bank. The core functions of Internal Audit are:

- (i) Perform an independent overview and appraisals of the Group activities with the emphasis on the core business activities, as a service to the management.
- (ii) Evaluate the quality and appropriateness of Group management's approach to risk and control in their framework objectives and the effectiveness of the risk management procedures.
- (iii) Assess the adequacy and effectiveness of systems of risk management and internal controls; giving opinion on the effectiveness of the internal controls implemented, mitigation of risks, continuity and reliability of information systems; and provide assurance that adequate controls are in place in safeguarding of assets.
- (iv) Detection of frauds, errors, omissions and other irregularities, uncover significant control weaknesses, assist the management to revise and strengthen the controls features to prevent recurrence and BNM and other regulators should be informed of the audit results, wherever necessary.

**ECM Libra Investment Bank Berhad  
(Incorporated in Malaysia)**

**Corporate governance (cont'd.)**

**B. Internal Audit (cont'd)**

- (v) Provide value added management audit service to the Group management in determining optimum utilisation of available resources to be economically, effectively and efficiently utilised and managed.
- (vi) Information system audit to ensure the control features in the Group's information systems and infrastructure are adequate.
- (vii) Evaluate whether the Group is in compliance with the policies and procedures, applicable laws, guidelines and directives issued by BNM and other regulators and relevant rules set by various associations.
- (viii) Play participative and consultative role in assisting the management to accomplish the Group's overall goals and objectives.
- (ix) Provides periodic reports to the BAC, reporting on the outcome of the audits conducted, effectiveness of the system of internal controls implemented and highlighting key control issues impacting the Group. This enables the BAC to execute its oversight function by forming an opinion on the adequacy of measures undertaken by management.

During the financial year ended 31 January 2011, the Internal Audit Department had carried out its duties, primarily in the Bank and Avenue Invest Berhad, a fellow subsidiary, covering business, financial, management, operational and IT areas. The International Standards for the Professional Practice of Internal Auditing, Bursa Malaysia rules (Rule 510) and Bank Negara Malaysia guidelines ("GP10") on internal audit functions are used as authoritative guiding principles for internal auditing procedures.

**C. Statement on Internal Control**

**Responsibility**

The Board is responsible for the Bank's system of internal control and for reviewing its adequacy and integrity. The Board recognises that the Bank's system of internal control is designed to manage and not eliminate the risk of failure to achieve the Bank's objectives. Hence, it can only provide reasonable and not absolute assurance against material misstatement of management and financial information or against financial losses and fraud.

**ECM Libra Investment Bank Berhad  
(Incorporated in Malaysia)**

**Corporate governance (cont'd.)**

**C. Statement on Internal Control (cont'd.)**

**Key Processes**

There is an on-going process for identifying, evaluating and managing the significant risks faced by the Bank throughout the financial year, and the said process is reviewed by the Board and accords with the Statement on Internal Control: Guidance for Directors of Public Listed Companies.

The Board has appointed the BAC and BRMC comprising independent directors to examine the effectiveness of the Bank's risk management policies, processes and infrastructure which are established to manage various types of risks and to ensure an effective internal audit function. This is accomplished through the review of the work of the Bank's Risk Management Department & Compliance Department and the Bank's Internal Audit Department, which focuses on areas of priority identified through risk assessment and in accordance with the plans approved by the BAC. The Bank's risk management comprises credit risk management, market risk management and operational risk management, and the department is headed by the Head of Risk Management. While business/operating units have the primary responsibility for managing specific risks assumed by them, Risk Management Department provides the central resource for developing tools and methodologies for the identification, quantification and management of the risks taken by the Bank as a whole.

In carrying out its responsibilities, the BAC relies on the support of Compliance Department and Internal Audit Department in providing assurance on the adequacy of internal controls. Compliance Department provides BAC periodic reports on conformance with relevant regulatory bodies and statutory requirements, whilst Bank's Internal Audit Department provides BAC with periodic reports highlighting on any non-compliance as well as recommendations and management action plans to improve the system of internal controls. On a quarterly basis, the BRMC receives risk management reports on the Bank's risk exposure, risk portfolio composition and assesses the risk management policies and framework with Risk Management Department.

**ECM Libra Investment Bank Berhad  
(Incorporated in Malaysia)**

**Corporate governance (cont'd.)**

**C. Statement on Internal Control (cont'd.)**

**Key Processes (cont'd.)**

The framework of the Bank's system of internal controls and key procedures includes:

- A management structure exists with clearly defined lines of responsibility and the appropriate levels of delegation.
- Key functions such as finance, taxation, treasury, human resources and legal matters are controlled centrally.
- The management determines the applicability of risk monitoring and reporting procedures and is responsible for the identification and evaluation of significant risks applicable to their areas of business together with the design and operation of suitable internal controls.
- Clear definitions of limits of authority and responsibilities have been approved by the Board and subject to regular reviews and enhancements.
- Policies and procedures with embedded internal controls are documented in a series of policies and procedures, which will be subjected to annual review for updating of any changes in operational processes or regulatory requirements. Business and Support units in the Bank must ensure compliance with the policies and procedures.
- Corporate values, which emphasise on ethical behaviour and quality services, are set out in the Bank's Employee Handbook.

On yearly basis, all the business units within the Bank draw up their business plans and budgets for the Board's approval and the performance is tracked on a monthly basis.

**Performance review for 2011**

For the current financial year, the Bank achieved a profit before taxation of RM84.4 million, an increase of 97% from the RM42.9 million recorded in the last financial year. The increase is largely contributed by higher trading and investment income of RM76.28 million as well as stable net brokerage fee of RM44.2 million and net interest income of RM28.5 million.

The Bank achieved a profit after tax of RM63.6 million for financial year ended 31 January 2011.

**ECM Libra Investment Bank Berhad  
(Incorporated in Malaysia)**

**Outlook for the next financial year**

Going forward, the Malaysian economy is expected to grow in 2011, underpinned by continued firm expansion in domestic demand amid moderating external demand. (Source: Bank Negara Malaysia)

The Bank anticipates that the investment banking landscape will remain challenging and competitive and therefore will focus on enhancing its capacity and capabilities for the next financial year. With its strong fundamentals and balance sheet, the Bank is expected to show satisfactory performance in the next financial year.

**Rating by rating agencies**

The Bank is not rated by any rating agency.

**Other statutory information**

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

- (a) Before the statements of comprehensive income and statements of financial position of the Group and the Bank were made out, the directors took reasonable steps:
  - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and financing and the making of provision for doubtful debts and financing and had satisfied themselves that all known bad debts and financing had been written off and that adequate provision had been made for doubtful debts and financing; and
  - (ii) to ensure that any current assets, other than debts and financing, which were unlikely to realise their book values as shown in the accounting records in the ordinary course of business had been written down to their estimated realisable values.
- (b) In the opinion of directors, the result of the operations of the Group and of Bank during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

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

- (a) The directors are not aware of any circumstances:
  - (i) which would render the amount written off for bad debts and financing or the amount of the provision for doubtful debts and financing inadequate to any material extent;
  - (ii) which would render the values attributed to current assets in the financial statements misleading; and
  - (iii) which had arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and the Bank misleading or inappropriate.

**ECM Libra Investment Bank Berhad  
(Incorporated in Malaysia)**

**Other statutory information (cont'd.)**

**(II) From the end of the financial year to the date of this report (cont'd.)**

- (b) In the opinion of the directors:
- (i) the results of the operations of the Group and the Bank for the financial year ended 31 January 2011 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
  - (ii) 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 Bank to meet their obligations as and when they fall due.

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

- (a) There are no charges on the assets of the Group and the Bank which had arisen since the end of the financial year to secure the liabilities of any other person.
- (b) There are no contingent liabilities which had arisen since the end of the financial year.
- (c) 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.

**Ultimate holding company**

The holding and ultimate holding company is ECM Libra Financial Group Berhad, a public limited company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

**Auditors**

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors.

Dato' Mohd Ali bin Abd Samad

Lim Kian Onn

682-X

**ECM Libra Investment Bank Berhad  
(Incorporated in Malaysia)**

**Statement by directors**

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

We, Dato' Mohd Ali bin Abd Samad and Lim Kian Onn, being two of the directors of ECM Libra Investment Bank Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 15 to 92 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia as modified by Bank Negara Malaysia's Guidelines so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 January 2011 and of their results and their cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors.

Dato' Mohd Ali bin Abd Samad

Lim Kian Onn

**Statutory declaration**

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

I, Martin Chu Leong Meng, being the officer primarily responsible for the financial management of ECM Libra Investment Bank Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 15 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 Martin Chu Leong Meng at  
Kuala Lumpur in the Federal Territory  
on 29 March 2011

Martin Chu Leong Meng

Before me,

682-X

**Independent auditors' report to the member of  
ECM Libra Investment Bank Berhad  
(Incorporated in Malaysia)**

**Report on the financial statements**

We have audited the financial statements of ECM Libra Investment Bank Berhad, which comprise the statements of financial position as at 31 January 2011 of the Group and of the Bank, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 15 to 92.

*Directors' responsibility for the financial statements*

The directors of the Bank are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards in Malaysia as modified by Bank Negara Malaysia's 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 Bank'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 Bank's internal control. An audit also includes evaluating the appropriateness of the 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.

682-X

**Independent auditors' report to the member of  
ECM Libra Investment Bank Berhad (cont'd.)  
(Incorporated in Malaysia)**

*Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards in Malaysia as modified by the Bank Negara Malaysia's Guidelines so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 January 2011 and of their financial performances 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 Bank and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Bank are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (c) The auditors' reports on the accounts of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

**Other matters**

This report is made solely to the member of the Bank, 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.

Ernst & Young  
AF: 0039  
Chartered Accountants

Chan Hooi Lam  
No. 2844/02/12(J)  
Chartered Accountant

Kuala Lumpur, Malaysia  
29 March 2011

**ECM Libra Investment Bank Berhad**  
(Incorporated in Malaysia)

**Statements of financial position as at 31 January 2011**

|   | Note | Group            |                  | Bank             |                  |
|---|------|------------------|------------------|------------------|------------------|
|   |      | 2011<br>RM'000   | 2010<br>RM'000   | 2011<br>RM'000   | 2010<br>RM'000   |
| <b>Assets</b>   |      |                  |                  |                  |                  |
| Cash and short-term funds   | 3    | 389,669          | 588,949          | 389,500          | 588,709          |
| Deposits with financial institutions                              | 4    | 21,489           | 50,870           | 21,489           | 50,870           |
| Securities held-for-trading                                       | 5    | 353,818          | 301,911          | 353,818          | 301,911          |
| Securities available-for-sale                                     | 6    | 519,479          | 475,824          | 519,479          | 475,824          |
| Securities held-to-maturity                                       | 7    | 70,000           | 162,200          | 70,000           | 162,200          |
| Derivative financial assets                                       | 8    | 9,552            | 339              | 9,552            | 339              |
| Loans, advances and financing                                     | 9    | 649,880          | 323,485          | 649,880          | 323,485          |
| Trade receivables   | 10   | 482,122          | 289,550          | 482,122          | 289,550          |
| Other assets  | 11   | 15,602           | 14,759           | 15,593           | 14,758           |
| Statutory deposit with Bank Negara Malaysia                       | 12   | 8,834            | 4,073            | 8,834            | 4,073            |
| Investment in subsidiary companies                                | 13   | -                | -                | -                | -                |
| Amount owing by related companies                                 | 14   | -                | -                | -                | -                |
| Deferred tax assets   | 15   | 10,687           | 27,711           | 10,687           | 27,711           |
| Property, plant and equipment                                     | 16   | 25,534           | 17,116           | 25,534           | 17,116           |
| Intangible assets   | 17   | 52,500           | 52,500           | 52,500           | 52,500           |
| <b>Total assets</b>   |      | <b>2,609,166</b> | <b>2,309,287</b> | <b>2,608,988</b> | <b>2,309,046</b> |
| <b>Liabilities and equity</b>                                     |      |                  |                  |                  |                  |
| <b>Liabilities</b>  |      |                  |                  |                  |                  |
| Deposits from customers   | 18   | 1,075,123        | 991,177          | 1,079,365        | 995,205          |
| Deposits and placements of banks and other financial institutions | 19   | 201,008          | 250,646          | 201,008          | 250,646          |
| Trade payables  | 20   | 576,600          | 366,331          | 576,600          | 366,331          |
| Other liabilities   | 21   | 103,189          | 67,980           | 103,160          | 67,926           |
| Amount owing to related companies                                 | 14   | 234              | 244              | 234              | 244              |
| <b>Total liabilities</b>  |      | <b>1,956,154</b> | <b>1,676,378</b> | <b>1,960,367</b> | <b>1,680,352</b> |

682-X

**ECM Libra Investment Bank Berhad**  
**(Incorporated in Malaysia)**

**Statements of financial position as at 31 January 2011 (cont'd.)**

|   |             | <b>Group</b>     |                  | <b>Bank</b>      |                  |
|---|-------------|------------------|------------------|------------------|------------------|
|   | <b>Note</b> | <b>2011</b>      | <b>2010</b>      | <b>2011</b>      | <b>2010</b>      |
|   |             | <b>RM'000</b>    | <b>RM'000</b>    | <b>RM'000</b>    | <b>RM'000</b>    |
| <b>Equity attributable to equity holder of the Bank</b> |             |                  |                  |                  |                  |
| Share capital   | 22          | 513,000          | 513,000          | 513,000          | 513,000          |
| Reserves  | 23          | 140,012          | 119,909          | 135,621          | 115,694          |
| Shareholder's equity                                    |             | <u>653,012</u>   | <u>632,909</u>   | <u>648,621</u>   | <u>628,694</u>   |
| <b>Total equity and liabilities</b>                     |             | <u>2,609,166</u> | <u>2,309,287</u> | <u>2,608,988</u> | <u>2,309,046</u> |
| <b>Commitment and contingencies</b>                     | 38          | <u>317,193</u>   | <u>427,889</u>   | <u>317,193</u>   | <u>427,889</u>   |

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

**ECM Libra Investment Bank Berhad**  
(Incorporated in Malaysia)

**Statements of comprehensive income**  
**For the year ended 31 January 2011**

|  | Note | Group          |                | Bank           |                |
|--|------|----------------|----------------|----------------|----------------|
|  |      | 2011<br>RM'000 | 2010<br>RM'000 | 2011<br>RM'000 | 2010<br>RM'000 |
| Revenue  | 2.19 | 204,068        | 120,076        | 203,917        | 119,808        |
| Interest income  | 24   | 64,250         | 43,235         | 64,250         | 43,235         |
| Interest expense   | 25   | (35,688)       | (18,453)       | (35,795)       | (18,540)       |
| Net interest income  |      | 28,562         | 24,782         | 28,455         | 24,695         |
| Non-interest income  | 26   | 139,818        | 76,841         | 139,667        | 76,573         |
| Other non-operating income   | 27   | 5,343          | 3,112          | 5,343          | 3,112          |
| Net income   |      | 173,723        | 104,735        | 173,465        | 104,380        |
| Operating expenses   | 28   | (79,559)       | (60,563)       | (79,540)       | (60,546)       |
| Operating profit   |      | 94,164         | 44,172         | 93,925         | 43,834         |
| Allowance for losses on loans,<br>advances and financing           | 30   | (5,059)        | (1,077)        | (5,059)        | (1,077)        |
| Writeback of bad and doubtful<br>debts                             | 31   | 282            | 112            | 282            | 112            |
| Allowance for impairment loss                                      | 32   | (4,704)        | -              | (4,704)        | -              |
| Profit before tax  |      | 84,683         | 43,207         | 84,444         | 42,869         |
| Income tax expense   | 33   | (20,935)       | (4,600)        | (20,872)       | (4,519)        |
| Net profit for the year  |      | 63,748         | 38,607         | 63,572         | 38,350         |
| Other comprehensive income:  |      |                |                |                |                |
| Net (loss)/gain on available-for-sale<br>financial assets          |      | (15,393)       | 43,808         | (15,393)       | 43,808         |
| Income tax relating to components of<br>other comprehensive income |      | 3,848          | (10,952)       | 3,848          | (10,952)       |
| Other comprehensive income for the<br>year, net of tax             |      | (11,545)       | 32,856         | (11,545)       | 32,856         |
| Total comprehensive income for the year                            |      | 52,203         | 71,463         | 52,027         | 71,206         |
|  |      | <b>Sen</b>     | <b>Sen</b>     |                |                |
| Earnings per share ("EPS"):  |      |                |                |                |                |
| - basic  | 34   | 12.43          | 7.53           |                |                |
| - diluted  | 34   | 12.43          | 7.53           |                |                |

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

682-X

ECM Libra Investment Bank Berhad  
(Incorporated in Malaysia)

Statements of changes in equity  
For the year ended 31 January 2011

|   | Note  | <----- Non-distributable -----> |  |   | Distributable                  |                               | Total<br>RM'000 |
|---|-------|---------------------------------|--|---|--------------------------------|-------------------------------|-----------------|
|   |       | Share<br>capital<br>RM'000      | Available-<br>for-sale<br>revaluation<br>reserve<br>RM'000 | Equity<br>compensation<br>reserve<br>RM'000 | Statutory<br>reserve<br>RM'000 | Retained<br>profits<br>RM'000 |                 |
| <b>Group</b>                            |       |                                 |  |   |                                |                               |                 |
| As at 1 February 2010                   |       | 513,000                         | 11,779   | 926   | 33,934                         | 73,270                        | 632,909         |
| Total comprehensive income              |       | -                               | (11,545)   | -   | -                              | 63,748                        | 52,203          |
| Transactions with owner:                |       |                                 |  |   |                                |                               |                 |
| Arising from the holding company's ESOS |       |                                 |  |   |                                |                               |                 |
| vested during the year                  | 28    | -                               | -  | 128   | -                              | -                             | 128             |
| ESOS lapsed during the year             | 28    | -                               | -  | (442)                                       | -                              | -                             | (442)           |
| Transfer to statutory reserve           | 23(c) | -                               | -  | -   | 31,786                         | (31,786)                      | -               |
| Dividends                               | 35    | -                               | -  | -   | -                              | (31,786)                      | (31,786)        |
|   |       | -                               | -  | (314)                                       | 31,786                         | (63,572)                      | (32,100)        |
| As at 31 January 2011                   |       | 513,000                         | 234  | 612   | 65,720                         | 73,446                        | 653,012         |

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

682-X

ECM Libra Investment Bank Berhad  
(Incorporated in Malaysia)

Statements of changes in equity  
For the year ended 31 January 2011 (cont'd.)

|   |       | <----- Non-distributable -----> |  |   | Distributable                  |                               |                 |
|---|-------|---------------------------------|--|---|--------------------------------|-------------------------------|-----------------|
|   | Note  | Share<br>capital<br>RM'000      | Available-<br>for-sale<br>revaluation<br>reserve<br>RM'000 | Equity<br>compensation<br>reserve<br>RM'000 | Statutory<br>reserve<br>RM'000 | Retained<br>profits<br>RM'000 | Total<br>RM'000 |
| <b>Group</b>                            |       |                                 |  |   |                                |                               |                 |
| As at 1 February 2009                   |       |                                 |  |   |                                |                               |                 |
| - as previously reported                |       | 513,000                         | (21,077)   | 1,053                                       | 14,759                         | 69,136                        | 576,871         |
| - prior year adjustment                 | 42    | -                               | -  | -   | -                              | 3,877                         | 3,877           |
| As restated                             |       | 513,000                         | (21,077)   | 1,053                                       | 14,759                         | 73,013                        | 580,748         |
| Total comprehensive income              |       | -                               | 32,856   | -   | -                              | 38,607                        | 71,463          |
| Transactions with owner:                |       |                                 |  |   |                                |                               |                 |
| Arising from the holding company's ESOS |       |                                 |  |   |                                |                               |                 |
| granted during the year                 | 28    | -                               | -  | 213   | -                              | -                             | 213             |
| ESOS lapsed during the year             | 28    | -                               | -  | (340)                                       | -                              | -                             | (340)           |
| Transfer to statutory reserve           | 23(c) | -                               | -  | -   | 19,175                         | (19,175)                      | -               |
| Dividends                               | 35    | -                               | -  | -   | -                              | (19,175)                      | (19,175)        |
|   |       | -                               | -  | (127)                                       | 19,175                         | (38,350)                      | (19,302)        |
| As at 31 January 2010                   |       | 513,000                         | 11,779   | 926   | 33,934                         | 73,270                        | 632,909         |

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

682-X

**ECM Libra Investment Bank Berhad  
(Incorporated in Malaysia)**

**Statements of changes in equity  
For the year ended 31 January 2011**

|                                    |       | <----- Non-distributable -----> |  |   | Distributable                  |                               |                 |
|------------------------------------|-------|---------------------------------|--|---|--------------------------------|-------------------------------|-----------------|
|                                    | Note  | Share<br>capital<br>RM'000      | Available-<br>for-sale<br>revaluation<br>reserve<br>RM'000 | Equity<br>compensation<br>reserve<br>RM'000 | Statutory<br>reserve<br>RM'000 | Retained<br>profits<br>RM'000 | Total<br>RM'000 |
| <b>Bank</b>                        |       |                                 |  |   |                                |                               |                 |
| As at 1 February 2010              |       | 513,000                         | 11,779   | 926   | 33,934                         | 69,055                        | 628,694         |
| Total comprehensive income         |       | -                               | (11,545)   | -   | -                              | 63,572                        | 52,027          |
| Transactions with owner:           |       |                                 |  |   |                                |                               |                 |
| Arising from the holding company's |       |                                 |  |   |                                |                               |                 |
| ESOS vested during the year        | 28    | -                               | -  | 128   | -                              | -                             | 128             |
| ESOS lapsed during the year        | 28    | -                               | -  | (442)                                       | -                              | -                             | (442)           |
| Transfer to statutory reserve      | 23(c) | -                               | -  | -   | 31,786                         | (31,786)                      | -               |
| Dividends                          | 35    | -                               | -  | -   | -                              | (31,786)                      | (31,786)        |
|                                    |       | -                               | -  | (314)                                       | 31,786                         | (63,572)                      | (32,100)        |
| As at 31 January 2011              |       | <u>513,000</u>                  | <u>234</u>   | <u>612</u>                                  | <u>65,720</u>                  | <u>69,055</u>                 | <u>648,621</u>  |

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

682-X

**ECM Libra Investment Bank Berhad**  
(Incorporated in Malaysia)

**Statements of changes in equity**  
For the year ended 31 January 2011 (cont'd.)

|                                    |       | <----- Non-distributable -----> |  |   | Distributable                  |                               |                 |
|------------------------------------|-------|---------------------------------|--|---|--------------------------------|-------------------------------|-----------------|
|                                    | Note  | Share<br>capital<br>RM'000      | Available-<br>for-sale<br>revaluation<br>reserve<br>RM'000 | Equity<br>compensation<br>reserve<br>RM'000 | Statutory<br>reserve<br>RM'000 | Retained<br>profits<br>RM'000 | Total<br>RM'000 |
| <b>Bank</b>                        |       |                                 |  |   |                                |                               |                 |
| As at 1 February 2009              |       | 513,000                         | (21,077)   | 1,053                                       | 14,759                         | 69,055                        | 576,790         |
| Total comprehensive income         |       | -                               | 32,856   | -   | -                              | 38,350                        | 71,206          |
| Transactions with owner:           |       |                                 |  |   |                                |                               |                 |
| Arising from the holding company's |       |                                 |  |   |                                |                               |                 |
| ESOS vested during the year        | 28    | -                               | -  | 213   | -                              | -                             | 213             |
| ESOS lapsed during the year        | 28    | -                               | -  | (340)                                       | -                              | -                             | (340)           |
| Transfer to statutory reserve      | 23(c) | -                               | -  | -   | 19,175                         | (19,175)                      | -               |
| Dividends                          | 35    | -                               | -  | -   | -                              | (19,175)                      | (19,175)        |
|                                    |       | -                               | -  | (127)                                       | 19,175                         | (38,350)                      | (19,302)        |
| As at 31 January 2010              |       | <u>513,000</u>                  | <u>11,779</u>  | <u>926</u>                                  | <u>33,934</u>                  | <u>69,055</u>                 | <u>628,694</u>  |

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

**ECM Libra Investment Bank Berhad**  
(Incorporated in Malaysia)

**Statements of cash flows**  
**For the year ended 31 January 2011**

|  | Group          |                | Bank           |                |
|--|----------------|----------------|----------------|----------------|
|  | 2011<br>RM'000 | 2010<br>RM'000 | 2011<br>RM'000 | 2010<br>RM'000 |
| <b>Cash flows from operating activities</b>              |                |                |                |                |
| Profit before taxation                                   | 84,683         | 43,207         | 84,444         | 42,869         |
| Adjustments for:   |                |                |                |                |
| Depreciation of property, plant and equipment            | 3,872          | 3,946          | 3,872          | 3,946          |
| Interest income  | (64,250)       | (43,235)       | (64,250)       | (43,235)       |
| Interest expense   | 35,688         | 18,453         | 35,795         | 18,540         |
| Property, plant and equipment written off                | 1,833          | 1              | 1,833          | 1              |
| Net gain on disposal of:                                 |                |                |                |                |
| - securities held-for-trading                            | (14,287)       | (3,116)        | (14,287)       | (3,116)        |
| - securities available-for-sale                          | (58,127)       | (19,011)       | (58,127)       | (19,011)       |
| - derivatives  | (2,114)        | -              | (2,114)        | -              |
| Net unrealised gain on revaluation of:                   |                |                |                |                |
| - securities held-for-trading                            | (182)          | (729)          | (182)          | (729)          |
| - derivatives  | (1,569)        | (339)          | (1,569)        | (339)          |
| Dividend income  | (9,425)        | (3,244)        | (9,425)        | (3,244)        |
| Loss/(gain) on disposal of property, plant and equipment | 11             | (136)          | 11             | (136)          |
| Cost arising from ESOS                                   | (314)          | (127)          | (314)          | (127)          |
| Allowance for losses on loans, advances and financing    | 5,059          | 1,077          | 5,059          | 1,077          |
| Writeback of doubtful debts on trade receivables         | (282)          | (25)           | (282)          | (25)           |
| Allowance for impairment loss on investments             | 4,704          | -              | 4,704          | -              |
| Operating loss before working capital changes            | (14,700)       | (3,278)        | (14,832)       | (3,529)        |
| (Increase)/decrease in:                                  |                |                |                |                |
| Securities held-for-trading                              | (35,324)       | (289,253)      | (35,324)       | (289,253)      |
| Derivative financial instruments                         | (7,643)        | -              | (7,643)        | -              |
| Loans, advances and financing                            | (331,453)      | (77,269)       | (331,453)      | (77,269)       |
| Trade receivables  | (192,290)      | (167,438)      | (192,290)      | (167,438)      |
| Other receivables, deposits and prepayments              | (69)           | (130)          | (70)           | (140)          |
| Balance carried forward                                  | (581,479)      | (537,368)      | (581,612)      | (537,629)      |

**ECM Libra Investment Bank Berhad**  
(Incorporated in Malaysia)

**Statements of cash flows**

For the year ended 31 January 2011 (cont'd.)

|   | Group            |                  | Bank             |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2011<br>RM'000   | 2010<br>RM'000   | 2011<br>RM'000   | 2010<br>RM'000   |
| <b>Cash flows from operating activities</b>   |                  |                  |                  |                  |
| <b>(cont'd)</b>   |                  |                  |                  |                  |
| Balance brought forward   | (581,479)        | (537,368)        | (581,612)        | (537,629)        |
| (Increase)/decrease in:   |                  |                  |                  |                  |
| Statutory deposit with Bank Negara<br>Malaysia  | (4,761)          | (2,660)          | (4,761)          | (2,660)          |
| Amount owing by related companies   | -                | 7                | -                | -                |
| Increase/(decrease) in:   |                  |                  |                  |                  |
| Deposits from customers   | 83,946           | 385,234          | 84,160           | 389,262          |
| Deposits and placements of banks<br>and other financial institutions                            | (49,638)         | (45,358)         | (49,638)         | (45,358)         |
| Trade payables  | 210,269          | 159,962          | 210,269          | 159,962          |
| Other payables and accruals   | 20,974           | 9,354            | 20,979           | 9,416            |
| Amount owing to related companies   | (10)             | (1,821)          | (10)             | (1,813)          |
| Cash used in operations   | <u>(320,699)</u> | <u>(32,650)</u>  | <u>(320,613)</u> | <u>(28,820)</u>  |
| Tax refunded  | 100              | -                | 182              | -                |
| Net cash used in operating activities   | <u>(320,599)</u> | <u>(32,650)</u>  | <u>(320,431)</u> | <u>(28,820)</u>  |
| <b>Cash flows from investing activities</b>   |                  |                  |                  |                  |
| Dividend received   | 7,474            | 3,004            | 7,474            | 3,004            |
| Purchase of property, plant and<br>equipment  | (14,389)         | (2,722)          | (14,389)         | (2,722)          |
| Purchase of available-for-sale and<br>held-to-maturity securities, net of<br>proceeds from sale | 86,576           | (227,978)        | 86,576           | (227,855)        |
| Proceeds from sale of property,<br>plant and equipment  | 255              | 336              | 255              | 336              |
| Interest income received  | 65,253           | 41,318           | 65,253           | 41,318           |
| Net cash generated from/(used in)<br>investing activities                                       | <u>145,169</u>   | <u>(186,042)</u> | <u>145,169</u>   | <u>(185,919)</u> |

**ECM Libra Investment Bank Berhad**  
(Incorporated in Malaysia)

**Statements of cash flows**

For the year ended 31 January 2011 (cont'd.)

|   | <b>Group</b>     |                  | <b>Bank</b>      |                  |
|---|------------------|------------------|------------------|------------------|
|   | <b>2011</b>      | <b>2010</b>      | <b>2011</b>      | <b>2010</b>      |
|   | <b>RM'000</b>    | <b>RM'000</b>    | <b>RM'000</b>    | <b>RM'000</b>    |
| <b>Cash flows from financing activities</b>                                   |                  |                  |                  |                  |
| Placement of monies held in trust   | (52,657)         | (2,317)          | (52,657)         | (2,317)          |
| Interest paid   | (34,056)         | (17,182)         | (34,153)         | (17,269)         |
| Dividends paid  | (19,175)         | -                | (19,175)         | -                |
| Net cash used in financing activities   | <u>(105,888)</u> | <u>(19,499)</u>  | <u>(105,985)</u> | <u>(19,586)</u>  |
| <b>Net decrease in cash and cash equivalents</b>                              | (281,318)        | (238,191)        | (281,247)        | (234,325)        |
| <b>Cash and cash equivalents at beginning of year</b>                         | <u>516,898</u>   | <u>755,089</u>   | <u>516,658</u>   | <u>750,983</u>   |
| <b>Cash and cash equivalents at end of year</b>                               | <u>235,580</u>   | <u>516,898</u>   | <u>235,411</u>   | <u>516,658</u>   |
| <b>Cash and cash equivalents comprise:</b>                                    |                  |                  |                  |                  |
| <b>Cash and short-term funds (Note 3)</b>                                     | 389,669          | 588,949          | 389,500          | 588,709          |
| <b>Deposits with licensed financial institutions (Note 4)</b>                 | 21,489           | 50,870           | 21,489           | 50,870           |
| <b>Monies held in trust for clients and dealers' representatives (Note 3)</b> | <u>(175,578)</u> | <u>(122,921)</u> | <u>(175,578)</u> | <u>(122,921)</u> |
|   | <u>235,580</u>   | <u>516,898</u>   | <u>235,411</u>   | <u>516,658</u>   |

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

**ECM Libra Investment Bank Berhad  
(Incorporated in Malaysia)**

**Notes to the financial statements - 31 January 2011**

**1. Corporate information**

The Bank is principally involved in dealing with securities and derivatives and is a Participating Organisation of Bursa Malaysia Securities Berhad ("Bursa Malaysia") and a Trading Participant of Bursa Malaysia Derivatives Berhad ("BMDB"). The Bank is also involved in the provision of corporate finance and other advisory services by virtue of its status as an investment bank. The subsidiaries are principally engaged in the provision of nominee services to clients.

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

The holding and ultimate holding company is ECM Libra Financial Group Berhad, a public limited company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 25 February 2011.

**2. Significant accounting policies**

**2.1 Basis of preparation**

The financial statements of the Group and of the Bank have been prepared on a historical cost basis, unless otherwise disclosed in the notes to the financial statements and are in accordance with the provisions of Companies Act, 1965 and Financial Reporting Standards ("FRSs") in Malaysia, as modified by Bank Negara Malaysia ("BNM")'s Guidelines.

**2.2 Changes in accounting policies**

The accounting policies adopted are consistent with those of the previous years except for the adoption of the following FRSs, amendments to FRSs, IC Interpretation and Technical Release, which became effective on 1 January 2010:

FRS 7: Financial Instruments : Disclosures

FRS 8: Operating Segments

FRS 101: Presentation of Financial Statements (Revised)

FRS 123: Borrowing Costs

FRS 139: Financial Instruments : Recognition and Measurement

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

Amendments to FRS 2: Share-based payment – Vesting Conditions and Cancellations

Amendments to FRS 132: Financial Instruments: Presentation

**ECM Libra Investment Bank Berhad  
(Incorporated in Malaysia)**

**2. Significant accounting policies (cont'd.)**

**2.2 Changes in accounting policies (cont'd.)**

Amendments to FRS 139: Financial Instruments: Recognition and Measurement,  
FRS 7: Financial Instruments: Disclosures and IC Interpretation 9: Reassessment  
of Embedded Derivatives

Improvement to FRSs issued in 2009

IC Interpretation 9: Reassessment of Embedded Derivatives

IC Interpretation 10: Interim Financial Reporting and Impairment

IC Interpretation 11: FRS 2 - Group and Treasury Share Transactions

IC Interpretation 13: Customer Loyalty Programmes

IC Interpretation 14: FRS 119 - The Limit on a Defined Benefit Asset, Minimum Fundin  
Requirements and their Interaction

FRS 4: Insurance Contracts and TR i-3 Presentation of Financial Statements of  
Islamic Financial Institutions will also be effective for annual periods beginning on or  
after 1 January 2010. These FRSs are, however, not applicable to the Group and the  
Bank.

Adoption of the above standards and interpretations did not have any effect on the  
financial performance or position, presentation of financial information and disclosures  
of the Group and the Bank except for those discussed below:

*FRS 7: Financial Instruments: Disclosures*

Prior to 1 February 2010, information about financial instruments was disclosed in  
accordance with the requirements of FRS 132: *Financial Instruments: Disclosure and  
Presentation*. FRS 7 introduces new disclosures to improve the information about  
financial instruments. It requires the disclosure of qualitative and quantitative  
information about exposure to risks arising from financial instruments, including  
specified minimum disclosures about credit risk, liquidity risk and market risk,  
including sensitivity analysis to market risk.

The Group and the Bank have applied FRS 7 prospectively in accordance with the  
transitional provisions. Hence, the new disclosures have not been applied to the  
comparatives. The new disclosures are included throughout the Group's and the  
Bank's financial statements for the year ended 31 January 2011.

**ECM Libra Investment Bank Berhad  
(Incorporated in Malaysia)****2. Significant accounting policies (cont'd.)****2.2 Changes in accounting policies (cont'd.)****FRS 101: Presentation of Financial Statements (Revised)**

FRS 101 introduces changes in the presentation and disclosures of financial statements. The standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. The standard also introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group and the Bank have elected to present this statement as one single statement. These changes are only presentational in nature and does not have any impact on the financial results of the Group and the Bank.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the classification of items in the financial statements.

The revised FRS 101 also requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital (see Note 36).

The revised FRS 101 was adopted retrospectively by the Group and the Bank.

**FRS 139: Financial Instruments: Recognition and Measurement**

This standard establishes the principles for the recognition, derecognition and measurement of an entity's financial instruments. However, since the adoption of BNM's revised BNM/GP8 - Guidelines on Financial Reporting for Licensed Financial Institutions on 1 January 2005, certain principles in connection with the recognition, derecognition and measurement of financial instruments which are similar to those prescribed by FRS 139 have already been adopted by the Group and the Bank. Therefore, the adoption of FRS 139 on 1 January 2010 prospectively have resulted in changes in accounting policies mainly pertaining to the following:

**(a) Impairment of loans, advances and financing**

The Group and the Bank now assesses at the end of each reporting period whether there is any objective evidence that a loan or a group of loans is impaired, as a result of one or more events that have occurred after the initial recognition. Allowances for loan impairment are determined either via the individual assessment or collective assessment basis.

**ECM Libra Investment Bank Berhad  
(Incorporated in Malaysia)****2. Significant accounting policies (cont'd.)****2.2 Changes in accounting policies (cont'd.)****FRS 139: Financial Instruments: Recognition and Measurement (cont'd.)****(b) Interest income recognition**

Financial assets classified as held-to-maturity, available-for-sale and loans and receivables are measured at amortised cost using the effective interest method. Interest income on loans, advances and financing which were previously recognised on contractual interest rates are now recognised using effective interest rates. In addition, except for the trade receivables, interest-in-suspense is also no longer recognised on loans, advances and financing.

**(c) Classification of loans, advances and financing as impaired**

Loans are now classified as impaired when principal or interest or both are past due for more than 90 days or 3 months, or the outstanding amount has been in excess of the approved limit for three (3) months or less, and exhibit credit quality weaknesses or as soon as a default occurs for loans with repayments of principal or interest or both scheduled on intervals of 3 months or longer.

In the Amendments to FRS 139 listed above, the Malaysian Accounting Standards Board ("MASB") had included an additional transitional arrangement for entities in the financial sector, whereby Bank Negara Malaysia ("BNM") may prescribe an alternative base for collective assessment of impairment for banking institutions. This transitional arrangement is prescribed in BNM's guidelines on Classification and Impairment Provisions for Loans/Financing issued on 8 January 2010, whereby banking institutions are required to maintain collective assessment impairment allowance of at least 1.5% of total outstanding loans/financing, net of individual impairment allowance. The collective assessment impairment allowance of the Bank as at reporting date have been arrived at based on this transitional arrangement issued by BNM.

Further, the Amendments to FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures and IC Interpretation 9: Reassessment of Embedded Derivatives above allows for the reclassification of certain non-derivative financial assets classified as held-for-trading to either held-to-maturity, loans and receivables or available-for-sale, and permits the transfer of certain financial assets from available-for-sale to loans and receivables. The Bank has transferred unquoted shares of RM2,200,000 classified as held-to-maturity to available-for-sale.

**ECM Libra Investment Bank Berhad  
(Incorporated in Malaysia)**

**2. Significant accounting policies (cont'd.)**

**2.3 Standards issued but not yet effective**

The Group and the Bank have not adopted the following revised FRSs, IC Interpretations and Amendments to FRSs issued by the MASB but are not yet effective.

| <b>FRSs, amendments to FRSs and Interpretations</b>   | <b>Effective for<br/>financial<br/>periods<br/>beginning on<br/>or after</b> |
|---|--|
| Amendments to FRS 132: Classification of Rights Issue   | 1 March 2010   |
| FRS 1: First-time Adoption of Financial Reporting Standards   | 1 July 2010  |
| FRS 3: Business Combinations (Revised)  | 1 July 2010  |
| FRS 127: Consolidated and Separate Financial Statements   | 1 July 2010  |
| Amendments to FRS 2: Share-based Payment  | 1 July 2010  |
| Amendments to FRS 5: Non-current Assets Held for Sale<br>and Discontinued Operations                  | 1 July 2010  |
| Amendments to FRS 138: Intangible Assets  | 1 July 2010  |
| Amendments to IC Interpretation 9: Reassessment of<br>Embedded Derivatives                            | 1 July 2010  |
| IC Interpretation 12: Service Concession Arrangements   | 1 July 2010  |
| IC Interpretation 16: Hedges of a Net Investment in a Foreign Operation                               | 1 July 2010  |
| IC Interpretation 17: Distributions of Non-cash Assets to Owners                                      | 1 July 2010  |
| Amendments to FRS 1: Limited Exemption from Comparative FRS 7:<br>Disclosures for First-time Adopters | 1 January 2011   |
| Amendments to FRS 1: Additional Exemptions for First-time Adopters                                    | 1 January 2011   |
| Amendments to FRS 2: Group Cash-settled Share-based Payment<br>Transactions                           | 1 January 2011   |
| Amendments to FRS 7: Improving Disclosures about Financial<br>Instruments                             | 1 January 2011   |
| Amendments to FRSs contained in the document entitled<br>"Improvements to FRSs (2010)"                | 1 January 2011   |
| IC Interpretation 4: Determining Whether an Arrangement Contains<br>a Lease                           | 1 January 2011   |
| IC Interpretation 18: Transfers of Assets from Customers  | 1 January 2011   |
| IC Interpretation 19: Extinguishing Financial Liabilities with Equity<br>Instruments                  | 1 July 2011  |
| Amendments to IC Interpretation 14: Prepayments of a Minimum<br>Funding Requirement                   | 1 July 2011  |
| FRS 124: Related Party Transactions   | 1 January 2012   |
| IC Interpretation 15: Agreements for the Construction of Real Estate                                  | 1 January 2012   |
| Amendments to IC Interpretation 15: Agreements for Construction of<br>Real Estate                     | 1 January 2012   |

**ECM Libra Investment Bank Berhad  
(Incorporated in Malaysia)**

**2. Significant accounting policies (cont'd.)**

**2.3 Standards issued but not yet effective (cont'd.)**

Except for the changes in accounting policies arising from the adoption of the revised FRS 3 and the amendments to FRS 127, as well as the new disclosures required under the Amendments to FRS 7, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the revised FRS 3 and the amendments to FRS 127 are described below:

*Revised FRS 3: Business Combinations and Amendments to FRS 127:  
Consolidated and Separate Financial Statements*

The revised standards are effective for annual periods beginning on or after 1 July 2010. The revised FRS 3 introduces a number of changes in the accounting for business combinations occurring after 1 July 2010. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The Amendments to FRS 127 require that a change in the ownership interest of a subsidiary (without loss of control) to be accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments have been made to FRS 107: Statement of Cash Flows, FRS 112: Income Taxes, FRS 121: The Effects of Changes in Foreign Exchange Rates, FRS 128: Investments in Associates and FRS 131: Interests in Joint Ventures. The changes from revised FRS 3 and Amendments to FRS 127 will affect future acquisitions or loss of control and transactions with minority interests.

**2.4 Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Bank. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

**ECM Libra Investment Bank Berhad  
(Incorporated in Malaysia)****2. Significant accounting policies (cont'd.)****2.5 Foreign currency****(a) Functional and presentation currency**

The individual financial statements of each entity in the Group 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 (RM), which is also the Bank’s functional currency.

**(b) Foreign currency transactions**

Transactions in foreign currencies are measured in the respective functional currencies of the Bank and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group’s net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

**2.6 Property, plant and equipment**

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

**ECM Libra Investment Bank Berhad  
(Incorporated in Malaysia)**

**2. Significant accounting policies (cont'd.)**

**2.6 Property, plant and equipment (cont'd.)**

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

|   | % per annum |
|---|-------------|
| Building                                    | 2           |
| Furniture and fittings and office equipment | 10 - 20     |
| Computers                                   | 20 - 25     |
| Office renovation                           | 10 - 20     |
| Motor vehicles                              | 20          |

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

**ECM Libra Investment Bank Berhad  
(Incorporated in Malaysia)**

**2. Significant accounting policies (cont'd.)**

**2.7 Intangible assets**

**(a) Merchant bank license**

The intangible asset of the Group and the Bank relates to contribution to BNM for a merchant bank licence to transform the Bank from a universal broker into an investment bank. The merchant bank licence has indefinite useful life and is stated at cost less accumulated impairment losses.

Merchant bank licence is not amortised but tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired. Any impairment loss is recognised in income statement.

**2.8 Impairment of non-financial assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

**ECM Libra Investment Bank Berhad  
(Incorporated in Malaysia)****2. Significant accounting policies (cont'd.)****2.9 Subsidiaries**

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Bank's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

**2.10 Financial assets**

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Bank become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Bank determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

**(a) Financial assets at fair value through profit or loss**

Financial assets are classified as financial assets at fair value through profit or loss if they are held-for-trading or are designated as such upon initial recognition. Financial assets held-for-trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences on monetary items, interest and dividend income. Exchange differences on monetary items, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that is held primarily for trading purposes are presented as current whereas financial assets that is not held primarily for trading purposes are presented as current or non-current based on the settlement date.

**ECM Libra Investment Bank Berhad  
(Incorporated in Malaysia)**

**2. Significant accounting policies (cont'd.)**

**2.10 Financial assets (cont'd.)**

**(b) Loans and receivables**

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

**(c) Held-to-maturity investments**

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current.

**(d) Available-for-sale financial assets**

Available-for-sale are financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's and the Bank's right to receive payment is established.

**ECM Libra Investment Bank Berhad  
(Incorporated in Malaysia)****2. Significant accounting policies (cont'd.)****2.10 Financial assets (cont'd.)****(d) Available-for-sale financial assets (cont'd.)**

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Bank commit to purchase or sell the asset.

**2.11 Reclassification of financial assets**

The Group and the Bank may choose to reclassify non-derivative assets out from the held-for-trading category, in rare circumstances, where the financial assets are no longer held for the purpose of selling or repurchasing in the short term. In addition, the Group and the Bank may also choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Group and the Bank have the intention and ability to hold the financial asset for the foreseeable future or until maturity.

Reclassifications are made at fair value as at the reclassification date, whereby the fair value becomes the new cost or amortised cost, as applicable. Any fair value gains or losses previously recognised in the income statement are not reversed.

As at reporting date, the Group and the Bank have not made any such reclassifications of financial assets.

**2.12 Determination of fair value**

For financial instruments measured at fair value, the fair value is determined by reference to quoted market prices or by using valuation models. The fair values of financial instruments traded in active markets are based on their quoted market price or dealer price quotations. This includes listed equity securities and broker quotes from Bloomberg and Reuters.

**ECM Libra Investment Bank Berhad  
(Incorporated in Malaysia)****2. Significant accounting policies (cont'd.)****2.12 Determination of fair value (cont'd.)**

For all other financial instruments, fair value is determined using appropriate valuation techniques. In such cases, the fair values are estimated using option pricing models, and based on observable data in respect of similar financial instruments and using inputs (such as yield curves) existing as at reporting date. The Group and the Bank generally use widely recognised valuation models with market observable inputs for the determination of fair values.

**2.13 Offsetting of financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and to settle the liability simultaneously. This is not generally the case with master netting agreements and therefore, the related assets and liabilities are presented on a gross basis in the statement of financial position.

**2.14 Impairment of financial assets**

The Group and the Bank assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

**(a) Trade and other receivables and other financial assets carried at amortised cost**

Trade receivables are carried at anticipated realisable values. Impaired accounts are written off after taking into consideration the realisable values of collaterals, if any, when in the judgement of the management, there is no prospect of recovery.

Individual assessment impairment allowances for receivables are made for accounts which are considered doubtful or which have been classified as impaired, net of interest-in-suspense and after taking into consideration any collateral held by the Bank. Collective assessment impairment allowance is made if necessary based on historical loss experience based on a certain percentage of trade receivables (excluding outstanding purchase contracts which are not due for payment), net of individual assessment impairment allowances. When an account is classified as impaired, interest is suspended and is recognised on a cash basis for trade receivables. Interest-in-suspense forms part of the individual assessment impairment allowances.

Other receivables and other financial assets are carried at anticipated realisable values. Impaired accounts are written off after taking into consideration the realisable values of collaterals, if any, when in the opinion of the management, there is no prospect of recovery. An estimate is made for impairment provision based on review of all outstanding amounts as at reporting date.

**ECM Libra Investment Bank Berhad  
(Incorporated in Malaysia)**

**2. Significant accounting policies (cont'd.)**

**2.14 Impairment of financial assets (cont'd.)**

**(a) Trade and other receivables and other financial assets carried at amortised cost (cont'd.)**

In accordance with the Rules of Bursa Malaysia, clients' accounts are classified as non-performing under the following circumstances:

| <b>Types of account</b>    | <b>Criteria for classification as non-performing</b>   |
|----------------------------|--|
| Contra losses              | When the account remains outstanding for 16 calendar days or more from the date of contra transaction. |
| Overdue purchase contracts | When the account remains outstanding from T+3 market days onwards.                                     |
| Margin accounts            | When the value of collateral has fallen below 130% of the outstanding balance.                         |

**(b) Unquoted equity securities carried at cost**

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

**(c) Available-for-sale financial assets**

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

**ECM Libra Investment Bank Berhad  
(Incorporated in Malaysia)****2. Significant accounting policies (cont'd.)****2.14 Impairment of financial assets (cont'd.)****(c) Available-for-sale financial assets (cont'd.)**

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

**2.15 Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand and deposit placements maturing less than one month held for the purpose of meeting short term commitments and readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value, and excluding monies held in trust for clients and dealers' representatives.

**2.16 Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**2.17 Financial liabilities**

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, the Group and the Bank become a party to the contractual provisions of the financial instrument. Financial liabilities are measured at amortised cost. The Group and the Bank do not have any non-derivative financial liabilities designated at fair value through profit or loss. Financial liabilities measured at amortised cost include deposits from customers, deposits from banks and debt securities issued and other borrowed funds.

**ECM Libra Investment Bank Berhad  
(Incorporated in Malaysia)****2. Significant accounting policies (cont'd.)****2.17 Financial liabilities (cont'd.)**

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

**2.18 Employee benefits****(a) Defined contribution plans**

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The companies in the Group make contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

**(b) Employee share option plans**

Employees of the Group receive remuneration in the form of share options of the holding company as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted. This cost is recognised in profit or loss, with a corresponding increase in the employee share option reserve over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised at the beginning and end of that period.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. The employee share option reserve is transferred to retained earnings upon expiry of the share options. When the options are exercised, the employee share option reserve is transferred to capital reserve.

**ECM Libra Investment Bank Berhad  
(Incorporated in Malaysia)**

**2. Significant accounting policies (cont'd.)**

**2.19 Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognised:

- (a) Gross brokerage fee is recognised upon the execution of trade on behalf of clients, computed based on a pre-determined percentage of the contract value.
- (b) Margin income comprise margin interest income and rollover fees. Margin interest income is recognised on an effective interest method except where such margin account is considered non-performing in accordance with Schedule 7A of the Rules of Bursa Malaysia, in which case recognition of such interest is suspended. Subsequent to suspension, interest is recognised upon receipt until all arrears have been paid. Rollover fees are recognised on an accrual basis. Rollover fees from non-performing margin accounts will be suspended until the accounts are reclassified as performing.
- (c) Gains or losses on disposal of investments are recognised upon confirmation of transactions by the stockbrokers.
- (d) Underwriting, advisory, arrangement and placement fees are recognised as and when services are performed.
- (e) Other revenue earned by the Group are recognised on the following bases:
 

|                                     |   |  |
|-------------------------------------|---|--|
| Dividend income                     | - | when the right to receive payment is established.  |
| Management fee<br>and rental income | - | accrual basis by reference to the agreements entered.  |
| Other interest<br>income            | - | on an accrual basis unless collectibility is in doubt, in which case they are recognised on receipt basis. |

**2.20 Income tax**

**(a) Current tax**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

**ECM Libra Investment Bank Berhad  
(Incorporated in Malaysia)**

**2. Significant accounting policies (cont'd.)**

**2.20 Income tax (cont'd.)**

**(b) Deferred tax (cont'd.)**

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

**ECM Libra Investment Bank Berhad  
(Incorporated in Malaysia)****2. Significant accounting policies (cont'd.)****2.20 Income tax (cont'd.)****(b) Deferred tax (cont'd.)**

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**2.21 Share capital and share issuance expenses**

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Bank after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

**2.22 Significant accounting judgements and estimates**

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

**(a) Impairment of merchant bank license**

The Group determines whether merchant bank licence is impaired at least on an annual basis. This requires an estimation of the value-in-use of the CGU to which merchant bank licence are allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

**ECM Libra Investment Bank Berhad**  
(Incorporated in Malaysia)

**2. Significant accounting policies (cont'd.)**

**2.22 Significant accounting judgements and estimates (cont'd.)**

**(b) Classification of investments**

The Group classifies and accounts for its securities portfolio as follows:

- Securities held-for-trading, to be stated at fair value with gain or loss recognised in the income statement.
- Securities available-for-sale, to be stated at fair value or cost (where fair value cannot be determined with reasonable certainty) less any impairment loss. Fair value gains or losses are recognised in equity and impairment losses are recognised in the income statement.
- Securities held-to-maturity, to be stated at amortised cost, less any impairment losses. Amortisation and impairment losses are recognised in the income statement.

**(c) Deferred tax assets**

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available in the respective entity within the Group against which the losses and capital allowances can be utilised. Significant management judgement, which will be reviewed periodically, is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

**3. Cash and short-term funds**

|   | <b>Group</b>   |                | <b>Bank</b>    |                |
|---|----------------|----------------|----------------|----------------|
|   | <b>2011</b>    | <b>2010</b>    | <b>2011</b>    | <b>2010</b>    |
|   | <b>RM'000</b>  | <b>RM'000</b>  | <b>RM'000</b>  | <b>RM'000</b>  |
| Cash and balances with banks and other financial institutions   | 67,481         | 33,302         | 67,312         | 33,066         |
| Money at call and deposits placements maturing within one month | <u>322,188</u> | <u>555,647</u> | <u>322,188</u> | <u>555,643</u> |
|   | <u>389,669</u> | <u>588,949</u> | <u>389,500</u> | <u>588,709</u> |

Included in cash and short term funds are monies held in trust for clients and dealer's representatives as follows:

|   |                |                |                |                |
|---|----------------|----------------|----------------|----------------|
| Money at call and deposits placements maturing within one month | <u>175,578</u> | <u>122,921</u> | <u>175,578</u> | <u>122,921</u> |
|---|----------------|----------------|----------------|----------------|

**ECM Libra Investment Bank Berhad**  
**(Incorporated in Malaysia)**

**4. Deposits with financial institutions**

|                           | <b>Group</b>  |               | <b>Bank</b>   |               |
|---------------------------|---------------|---------------|---------------|---------------|
|                           | <b>2011</b>   | <b>2010</b>   | <b>2011</b>   | <b>2010</b>   |
|                           | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b> |
| Licensed banks            | 1,489         | 870           | 1,489         | 870           |
| Licensed investment banks | 20,000        | -             | 20,000        | -             |
| Bank Negara Malaysia      | -             | 50,000        | -             | 50,000        |
|                           | <u>21,489</u> | <u>50,870</u> | <u>21,489</u> | <u>50,870</u> |

Included in cash and short term funds are monies held in trust for clients and dealer's representatives as follows:

|  |            |          |            |          |
|--|------------|----------|------------|----------|
| Money at call and deposits<br>placements maturing after<br>one month | <u>636</u> | <u>-</u> | <u>636</u> | <u>-</u> |
|--|------------|----------|------------|----------|

**5. Securities held-for-trading**

|                            | <b>Group and Bank</b> |                |
|----------------------------|-----------------------|----------------|
|                            | <b>2011</b>           | <b>2010</b>    |
|                            | <b>RM'000</b>         | <b>RM'000</b>  |
| <b>At fair value</b>       |                       |                |
| Bankers' acceptances       | 304,060               | 298,712        |
| Bank Negara Malaysia Notes | 49,758                | -              |
| Quoted shares              | -                     | 3,199          |
|                            | <u>353,818</u>        | <u>301,911</u> |

**ECM Libra Investment Bank Berhad  
(Incorporated in Malaysia)**

**6. Securities available-for-sale**

|                                     | <b>Group and Bank</b> |                |
|-------------------------------------|-----------------------|----------------|
|                                     | <b>2011</b>           | <b>2010</b>    |
|                                     | <b>RM'000</b>         | <b>RM'000</b>  |
| <b>At fair value</b>                |                       |                |
| Malaysian Government Securities     | 70,973                | 35,160         |
| Cagamas bonds                       | 60,014                | 130,276        |
| Bank Negara Malaysia Notes          | 149,498               | -              |
| Quoted securities                   |                       |                |
| - Shares                            | 46,247                | 131,872        |
| - Warrants                          |                       |                |
| Unquoted securities                 |                       |                |
| - Private debt securities           | 195,251               | 178,516        |
| - Shares                            | 2,200                 | -              |
|                                     | <u>524,183</u>        | <u>475,824</u> |
| Less: Impairment loss on securities | (4,704)               | -              |
|                                     | <u>519,479</u>        | <u>475,824</u> |

The balance of securities that were reclassified out from held-for-trading to available-for-sale during a previous financial year:

|  | <b>Group and Bank</b> |               |
|--|-----------------------|---------------|
|  | <b>2011</b>           | <b>2010</b>   |
|  | <b>RM'000</b>         | <b>RM'000</b> |
| Carrying value as at beginning of financial year | 49,282                | 34,401        |
| Disposal of securities                           | (47,215)              | -             |
| (Loss)/gain on revaluation                       |                       |               |
| - recognised in AFS revaluation reserves         | (1,082)               | 14,881        |
| Deferred tax under-recognised                    | 2,941                 | -             |
| Carrying value as at end of financial year       | <u>3,926</u>          | <u>49,282</u> |

**7. Securities held-to-maturity**

|                                     | <b>Group and Bank</b> |                |
|-------------------------------------|-----------------------|----------------|
|                                     | <b>2011</b>           | <b>2010</b>    |
|                                     | <b>RM'000</b>         | <b>RM'000</b>  |
| <b>At cost</b>                      |                       |                |
| Unquoted securities                 |                       |                |
| Shares                              | -                     | 2,200          |
| Negotiable instrument deposits held | 70,000                | 160,000        |
|                                     | <u>70,000</u>         | <u>162,200</u> |

At 31 January 2011, current market value of securities held-to-maturity is equivalent to their carrying amount.

**ECM Libra Investment Bank Berhad**  
(Incorporated in Malaysia)

**8. Derivative financial assets**

|   | <b>Group and Bank</b> |               |
|---|-----------------------|---------------|
|   | <b>2011</b>           | <b>2010</b>   |
|   | <b>RM'000</b>         | <b>RM'000</b> |
| <b>Equity related contracts - Options</b> |                       |               |
| Notional amount                           | 55,244                | 33,033        |
| Fair value                                | 1,693                 | 339           |
| <b>Embedded derivatives</b>               |                       |               |
| Notional amount                           | 147,075               | -             |
| Fair value                                | 7,859                 | -             |
| Total                                     | 9,552                 | 339           |

**9. Loans, advances and financing**

|   | <b>Group and Bank</b> |               |
|---|-----------------------|---------------|
|   | <b>2011</b>           | <b>2010</b>   |
|   | <b>RM'000</b>         | <b>RM'000</b> |
| Share margin financing                  | 319,135               | 260,443       |
| Term loans                              | 276,004               | 68,159        |
| Revolving credit                        | 5,882                 | -             |
| Bridging loans                          | 59,035                | -             |
| Gross loans, advances and financing     | 660,056               | 328,602       |
| Less: Collective assessment allowance   | (10,176)              | -             |
| Less: General allowance                 | -                     | (5,117)       |
| Total net loans, advances and financing | 649,880               | 323,485       |

**Analysis of gross loans, advances and financing**

|   |         |         |
|---|---------|---------|
| <b>(i) By Economic Purpose</b>  |         |         |
| Purchase of securities  | 473,531 | 296,233 |
| Working capital   | 111,469 | 32,369  |
| Others  | 75,056  | -       |
| Gross loans, advances and financing                                       | 660,056 | 328,602 |
| <b>(ii) By Interest Rate Sensitivity</b>                                  |         |         |
| Fixed rate  |         |         |
| - Share margin financing, term loans, revolving credit and bridging loans | 660,056 | 328,602 |
| Gross loans, advances and financing                                       | 660,056 | 328,602 |
| <b>(iii) By Type of Customer</b>  |         |         |
| Domestic non-bank financial institutions                                  | 42,816  | -       |
| Domestic business enterprises   | 377,112 | 250,384 |
| Individuals   | 240,128 | 78,218  |
| Gross loans, advances and financing                                       | 660,056 | 328,602 |



**ECM Libra Investment Bank Berhad**  
**(Incorporated in Malaysia)**

**10. Trade receivables**

|                                       | <b>Group and Bank</b> |                |
|---------------------------------------|-----------------------|----------------|
|                                       | <b>2011</b>           | <b>2010</b>    |
|                                       | <b>RM'000</b>         | <b>RM'000</b>  |
| Amount owing by clients               | 217,143               | 154,732        |
| Amount owing by brokers               | 265,989               | 136,008        |
|                                       | <u>483,132</u>        | <u>290,740</u> |
| Less: Individual assessment allowance | 1,010                 | -              |
| General allowance                     | -                     | 259            |
| Specific allowance                    | -                     | 82             |
| Interest-in-suspense                  | -                     | 849            |
|                                       | <u>1,010</u>          | <u>1,190</u>   |
|                                       | <u>482,122</u>        | <u>289,550</u> |

The trade settlement for the amounts owing by clients and brokers is 3 market days according to the Fixed Delivery and Settlement System ("FDSS") trading rules of Bursa Malaysia.

Movements in the allowance for impaired accounts are as follows:

|   | <b>Group and Bank</b> |               |
|---|-----------------------|---------------|
|   | <b>2011</b>           | <b>2010</b>   |
|   | <b>RM'000</b>         | <b>RM'000</b> |
| (a) Collective assessment:                                      |                       |               |
| Balance at beginning of year                                    | -                     | -             |
| Effects of adopting FRS 139                                     | 259                   | -             |
| Restated opening balance  | <u>259</u>            | -             |
| Allowance written-back during the year (Note 31)                | <u>(259)</u>          | -             |
| Balance at end of year  | <u>-</u>              | <u>-</u>      |
| (b) Individual assessment:                                      |                       |               |
| Balance at beginning of year                                    | -                     | -             |
| Effects of adopting FRS 139                                     | 931                   | -             |
| Restated opening balance  | <u>931</u>            | -             |
| Allowance made during the year (including interest-in-suspense) | 79                    | -             |
| Balance at end of year  | <u>1,010</u>          | <u>-</u>      |
| (c) General allowance   |                       |               |
| Balance at beginning of year                                    | 259                   | 115           |
| Effects of adopting FRS 139                                     | <u>(259)</u>          | -             |
| Restated opening balance  | -                     | 115           |
| Allowance made during the year (Note 31)                        | -                     | 144           |
| Balance at end of year  | <u>-</u>              | <u>259</u>    |

**ECM Libra Investment Bank Berhad**  
(Incorporated in Malaysia)

**10. Trade receivables (cont'd.)**

|  | <b>Group and Bank</b> |               |
|--|-----------------------|---------------|
|  | <b>2011</b>           | <b>2010</b>   |
|  | <b>RM'000</b>         | <b>RM'000</b> |
| (d) Specific allowance                           |                       |               |
| Balance at beginning of year                     | 82                    | 251           |
| Effects of adopting FRS 139                      | (82)                  | -             |
| Restated opening balance                         | -                     | 251           |
| Allowance made during the year (Note 31)         | -                     | 229           |
| Allowance written-back during the year (Note 31) | -                     | (398)         |
| Balance at end of year                           | <u>-</u>              | <u>82</u>     |
| (e) Interest-in-suspense:                        |                       |               |
| Balance at beginning of year                     | 849                   | 933           |
| Effects of adopting FRS 139                      | (849)                 | -             |
| Restated opening balance                         | -                     | 933           |
| Written back during the year                     | -                     | (84)          |
| Balance at end of year                           | <u>-</u>              | <u>849</u>    |

The classification of non-performing accounts in accordance with Rule 1104.1, Schedule 7A of the Rules of Bursa Malaysia is as follows:

|   | <b>Group and Bank</b> |               |
|---|-----------------------|---------------|
|   | <b>2011</b>           | <b>2010</b>   |
|   | <b>RM'000</b>         | <b>RM'000</b> |
| Non-performing accounts, classified as doubtful | 133                   | 153           |
| Non-performing accounts, classified as bad      | 3,282                 | 4,738         |
| Total non-performing accounts                   | <u>3,415</u>          | <u>4,891</u>  |

**11. Other assets**

|                                       | <b>Group</b>  |               | <b>Bank</b>   |               |
|---------------------------------------|---------------|---------------|---------------|---------------|
|                                       | <b>2011</b>   | <b>2010</b>   | <b>2011</b>   | <b>2010</b>   |
|                                       | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b> |
| Interest receivable                   | 3,810         | 4,813         | 3,810         | 4,813         |
| Deposits                              | 4,691         | 4,474         | 4,691         | 4,474         |
| Tax recoverable                       | 3,682         | 1,905         | 3,673         | 1,904         |
| Other receivable and prepayments      | 5,850         | 5,978         | 5,850         | 5,978         |
|                                       | <u>18,033</u> | <u>17,170</u> | <u>18,024</u> | <u>17,169</u> |
| Less: Individual assessment allowance | (2,431)       | (2,411)       | (2,431)       | (2,411)       |
|                                       | <u>15,602</u> | <u>14,759</u> | <u>15,593</u> | <u>14,758</u> |

**ECM Libra Investment Bank Berhad**  
(Incorporated in Malaysia)

**12. Statutory deposit with Bank Negara Malaysia**

**Group and Bank**

The non-interest bearing statutory deposit is to be maintained by the Bank with BNM in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act, 1958 (revised 1994), the amount of which is determined as a set percentage of total eligible liabilities. As at the balance sheet date, the statutory deposit maintained with BNM is RM8,834,000 (2010: RM4,073,000).

**13. Investment in subsidiary companies**

|  | <b>Bank</b>        |                    |
|--|--------------------|--------------------|
|  | <b>2011</b>        | <b>2010</b>        |
|  | <b>RM'000</b>      | <b>RM'000</b>      |
| Unquoted shares in local corporations, at cost | <u>          *</u> | <u>          *</u> |

The details of the subsidiary companies, all incorporated in Malaysia, are as follows:

| <b>Name of company</b>             | <b>Effective percentage of ownership</b> |             | <b>Principal activities</b>                       |
|------------------------------------|--|-------------|---|
|                                    | <b>2011</b>                              | <b>2010</b> |   |
|                                    | <b>%</b>                                 | <b>%</b>    |   |
| <b>Direct subsidiaries</b>         |  |             |   |
| ECML Nominees (Tempatan) Sdn. Bhd. | 100                                      | 100         | Provision of nominee services for local clients   |
| ECML Nominees (Asing) Sdn. Bhd.    | 100                                      | 100         | Provision of nominee services for foreign clients |
| Avenue Kestrel Sdn. Bhd.           | 100                                      | 100         | Dormant   |

\* Denotes RM53.

**ECM Libra Investment Bank Berhad**  
(Incorporated in Malaysia)

**14. Amount owing by/(to) related companies**

|                                   | <b>Group and Bank</b> |               |
|-----------------------------------|-----------------------|---------------|
|                                   | <b>2011</b>           | <b>2010</b>   |
|                                   | <b>RM'000</b>         | <b>RM'000</b> |
| Amount owing by related companies | -                     | -             |
| Amount owing to related companies | (234)                 | (244)         |

The amounts owing by/(to) related companies represent payments made on behalf and advances, and are unsecured, interest free and repayable on demand.

**15. Deferred tax assets**

|  | <b>Group and Bank</b> |               |
|--|-----------------------|---------------|
|  | <b>2011</b>           | <b>2010</b>   |
|  | <b>RM'000</b>         | <b>RM'000</b> |
| At beginning of the financial year           | 27,711                | 43,182        |
| Recognised in the income statement (Note 33) | (20,872)              | (4,519)       |
| Recognised in reserves                       | 3,848                 | (10,952)      |
| At end of the financial year                 | <u>10,687</u>         | <u>27,711</u> |

All movements in deferred tax assets and liabilities have been recognised in the income statement except for those relating to AFS revaluation reserves, where the movement is recognised in equity. The components and movements of deferred tax assets and liabilities during the financial year are as follows:

|                                    | <b>Unused tax losses</b> | <b>AFS revaluation reserve</b> | <b>Other temporary differences</b> | <b>Total</b>  |
|------------------------------------|--------------------------|--------------------------------|------------------------------------|---------------|
|                                    | <b>RM'000</b>            | <b>RM'000</b>                  | <b>RM'000</b>                      | <b>RM'000</b> |
| <b>2011</b>                        |                          |                                |                                    |               |
| At beginning of the financial year | 29,185                   | (3,926)                        | 2,452                              | 27,711        |
| Recognised in income statement     | (22,756)                 | -                              | 1,884                              | (20,872)      |
| Recognised in equity               | -                        | 3,848                          | -                                  | 3,848         |
| At end of the financial year       | <u>6,429</u>             | <u>(78)</u>                    | <u>4,336</u>                       | <u>10,687</u> |

**ECM Libra Investment Bank Berhad  
(Incorporated in Malaysia)**

**15. Deferred tax assets (cont'd.)**

|                                    | <b>Unused tax<br/>losses<br/>RM'000</b> | <b>AFS<br/>revaluation<br/>reserve<br/>RM'000</b> | <b>Other<br/>temporary<br/>differences<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|------------------------------------|---|---|---|-------------------------|
| <b>2010</b>                        |   |   |   |                         |
| At beginning of the financial year | 36,156                                  | 7,026   | -   | 43,182                  |
| Recognised in income statement     | (6,971)                                 | -   | 2,452   | (4,519)                 |
| Recognised in equity               | -                                       | (10,952)  | -   | (10,952)                |
| At end of the financial year       | <u>29,185</u>                           | <u>(3,926)</u>                                    | <u>2,452</u>  | <u>27,711</u>           |

The unutilised tax losses of the Group is available indefinitely for offsetting against future taxable profits of the respective entities within the Group, subject to no substantial change in shareholdings of those entities under the Income Tax Act, 1967 and guidelines issued by the tax authority.

682-X

**ECM Libra Investment Bank Berhad  
(Incorporated in Malaysia)**

**16. Property, plant and equipment**

| <b>Group and Bank</b>               | <b>Freehold<br/>land<br/>RM'000</b> | <b>Building<br/>RM'000</b> | <b>Furniture and<br/>fittings and<br/>and office<br/>equipment<br/>RM'000</b> | <b>Computers<br/>RM'000</b> | <b>Office<br/>renovation<br/>RM'000</b> | <b>Motor<br/>vehicles<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|-------------------------------------|-------------------------------------|----------------------------|---|-----------------------------|---|--------------------------------------|-------------------------|
| <b>Cost</b>                         |                                     |                            |   |                             |   |                                      |                         |
| At 1 February 2010                  | 1,750                               | 6,782                      | 10,708  | 20,840                      | 11,112                                  | 2,407                                | 53,599                  |
| Additions                           | -                                   | -                          | 1,534   | 5,735                       | 7,120                                   | -                                    | 14,389                  |
| Write-off                           | -                                   | -                          | (5,994)   | (185)                       | (7,137)                                 | -                                    | (13,316)                |
| Disposals                           | -                                   | -                          | (108)   | (321)                       | -                                       | (380)                                | (809)                   |
| At 31 January 2011                  | <u>1,750</u>                        | <u>6,782</u>               | <u>6,140</u>  | <u>26,069</u>               | <u>11,095</u>                           | <u>2,027</u>                         | <u>53,863</u>           |
| <b>Accumulated depreciation</b>     |                                     |                            |   |                             |   |                                      |                         |
| At 1 February 2010                  | -                                   | 1,635                      | 9,470   | 17,819                      | 6,870                                   | 689                                  | 36,483                  |
| Charge during the<br>year (Note 28) | -                                   | 136                        | 591   | 1,974                       | 852                                     | 319                                  | 3,872                   |
| Write-off                           | -                                   | -                          | (5,723)   | (185)                       | (5,575)                                 | -                                    | (11,483)                |
| Disposals                           | -                                   | -                          | (108)   | (321)                       | -                                       | (114)                                | (543)                   |
| At 31 January 2011                  | <u>-</u>                            | <u>1,771</u>               | <u>4,230</u>  | <u>19,287</u>               | <u>2,147</u>                            | <u>894</u>                           | <u>28,329</u>           |
| <b>Net carrying amount</b>          |                                     |                            |   |                             |   |                                      |                         |
| At 31 January 2011                  | <u>1,750</u>                        | <u>5,011</u>               | <u>1,910</u>  | <u>6,782</u>                | <u>8,948</u>                            | <u>1,133</u>                         | <u>25,534</u>           |

682-X

**ECM Libra Investment Bank Berhad  
(Incorporated in Malaysia)**

**16. Property, plant and equipment (cont'd.)**

| <b>Group and Bank</b>               | <b>Freehold<br/>land<br/>RM'000</b> | <b>Building<br/>RM'000</b> | <b>Furniture and<br/>fittings and<br/>and office<br/>equipment<br/>RM'000</b> | <b>Computers<br/>RM'000</b> | <b>Office<br/>renovation<br/>RM'000</b> | <b>Motor<br/>vehicles<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|-------------------------------------|-------------------------------------|----------------------------|---|-----------------------------|---|--------------------------------------|-------------------------|
| <b>Cost</b>                         |                                     |                            |   |                             |   |                                      |                         |
| At 1 February 2009                  | 1,750                               | 6,782                      | 10,679  | 21,427                      | 10,804                                  | 1,567                                | 53,009                  |
| Additions                           | -                                   | -                          | 154   | 759                         | 314                                     | 1,495                                | 2,722                   |
| Write-off                           | -                                   | -                          | (77)  | (879)                       | -                                       | (5)                                  | (961)                   |
| Disposals                           | -                                   | -                          | (48)  | (467)                       | (6)                                     | (650)                                | (1,171)                 |
| At 31 January 2010                  | 1,750                               | 6,782                      | 10,708  | 20,840                      | 11,112                                  | 2,407                                | 53,599                  |
| <b>Accumulated<br/>depreciation</b> |                                     |                            |   |                             |   |                                      |                         |
| At 1 February 2009                  | -                                   | 1,499                      | 8,787   | 17,197                      | 6,135                                   | 850                                  | 34,468                  |
| Charge during the<br>year (Note 28) | -                                   | 136                        | 793   | 1,968                       | 737                                     | 312                                  | 3,946                   |
| Write-off                           | -                                   | -                          | (76)  | (879)                       | -                                       | (5)                                  | (960)                   |
| Disposals                           | -                                   | -                          | (34)  | (467)                       | (2)                                     | (468)                                | (971)                   |
| At 31 January 2010                  | -                                   | 1,635                      | 9,470   | 17,819                      | 6,870                                   | 689                                  | 36,483                  |
| <b>Net carrying amount</b>          |                                     |                            |   |                             |   |                                      |                         |
| At 31 January 2010                  | 1,750                               | 5,147                      | 1,238   | 3,021                       | 4,242                                   | 1,718                                | 17,116                  |

**ECM Libra Investment Bank Berhad  
(Incorporated in Malaysia)**

**17. Intangible assets**

|                              | <b>Group and Bank</b> |               |
|------------------------------|-----------------------|---------------|
|                              | <b>2011</b>           | <b>2010</b>   |
|                              | <b>RM'000</b>         | <b>RM'000</b> |
| <b>Merchant bank licence</b> |                       |               |
| At beginning/end of year     | <u>52,500</u>         | <u>52,500</u> |

The merchant bank licence represents contribution by the Bank to BNM to carry on merchant banking business and is considered to have indefinite useful life, which is not amortised and is assessed for impairment annually.

During the financial year, the Bank assessed the recoverable amount of merchant bank licence, and determined that the merchant bank licence are sustainable based on the value in use calculation using cash flow projections of a five-year approved budget and a terminal value beyond the five-year period with an assumed growth rate of 5% in perpetuity at a discount rate of 8% (2010: 8%).

**18. Deposits from customers**

|                                 | <b>Group</b>     |                | <b>Bank</b>      |                |
|---------------------------------|------------------|----------------|------------------|----------------|
|                                 | <b>2011</b>      | <b>2010</b>    | <b>2011</b>      | <b>2010</b>    |
|                                 | <b>RM'000</b>    | <b>RM'000</b>  | <b>RM'000</b>    | <b>RM'000</b>  |
| <u>By type of deposits:</u>     |                  |                |                  |                |
| Fixed deposits                  | 1,071,457        | 988,177        | 1,075,698        | 992,205        |
| Negotiable instrument deposits  | 3,666            | 3,000          | 3,667            | 3,000          |
|                                 | <u>1,075,123</u> | <u>991,177</u> | <u>1,079,365</u> | <u>995,205</u> |
| <u>By type of customers:</u>    |                  |                |                  |                |
| Government and statutory bodies | 70,000           | 53,000         | 70,000           | 53,000         |
| Domestic business enterprises   | 202,230          | 174,525        | 206,472          | 178,553        |
| Individuals                     | 22,133           | 10,676         | 22,133           | 10,676         |
| Non-bank financial institutions | 780,760          | 752,976        | 780,760          | 752,976        |
|                                 | <u>1,075,123</u> | <u>991,177</u> | <u>1,079,365</u> | <u>995,205</u> |

**19. Deposits and placements of banks and other financial institutions**

|                           | <b>Group and Bank</b> |                |
|---------------------------|-----------------------|----------------|
|                           | <b>2011</b>           | <b>2010</b>    |
|                           | <b>RM'000</b>         | <b>RM'000</b>  |
| Licensed banks            | 201,008               | 180,646        |
| Licensed investment banks | -                     | 70,000         |
|                           | <u>201,008</u>        | <u>250,646</u> |

**ECM Libra Investment Bank Berhad  
(Incorporated in Malaysia)**

**20. Trade payables**

|                         | <b>Group and Bank</b> |                |
|-------------------------|-----------------------|----------------|
|                         | <b>2011</b>           | <b>2010</b>    |
|                         | <b>RM'000</b>         | <b>RM'000</b>  |
| Amount owing to clients | 178,563               | 92,680         |
| Amount owing to brokers | 248,295               | 172,840        |
| Client's trust monies   | 149,742               | 100,811        |
|                         | <u>576,600</u>        | <u>366,331</u> |

The trade settlement for the amounts owing to clients and brokers is 3 market days according to the Fixed Delivery and Settlement System ("FDSS") trading rules of Bursa Malaysia.

**21. Other liabilities**

|   | <b>Group</b>   |               | <b>Bank</b>    |               |
|---|----------------|---------------|----------------|---------------|
|   | <b>2011</b>    | <b>2010</b>   | <b>2011</b>    | <b>2010</b>   |
|   | <b>RM'000</b>  | <b>RM'000</b> | <b>RM'000</b>  | <b>RM'000</b> |
| Accruals and deposits received            | 12,213         | 16,162        | 12,184         | 16,133        |
| Remisiers' and dealers' trust<br>accounts | 19,531         | 14,691        | 19,531         | 14,691        |
| Other payables                            | 71,445         | 37,127        | 71,445         | 37,102        |
|   | <u>103,189</u> | <u>67,980</u> | <u>103,160</u> | <u>67,926</u> |

**22. Share capital**

| <b>Group and Bank</b>    | <b>Number of<br/>shares of RM1 each</b> |                  | <b>Amount</b>  |                |
|--------------------------|---|------------------|----------------|----------------|
|                          | <b>2011</b>                             | <b>2010</b>      | <b>2011</b>    | <b>2010</b>    |
|                          | <b>Units'000</b>                        | <b>Units'000</b> | <b>RM'000</b>  | <b>RM'000</b>  |
| Authorised               | <u>700,000</u>                          | <u>700,000</u>   | <u>700,000</u> | <u>700,000</u> |
| Issued and fully paid-up | <u>513,000</u>                          | <u>513,000</u>   | <u>513,000</u> | <u>513,000</u> |

**ECM Libra Investment Bank Berhad**  
(Incorporated in Malaysia)

**23. Reserves**

|  | Note | Group          |                | Bank           |                |
|--|------|----------------|----------------|----------------|----------------|
|  |      | 2011<br>RM'000 | 2010<br>RM'000 | 2011<br>RM'000 | 2010<br>RM'000 |
| Non-distributable:                     |      |                |                |                |                |
| Equity compensation reserve            | (a)  | 612            | 926            | 612            | 926            |
| Available-for-sale revaluation reserve | (b)  | 234            | 11,779         | 234            | 11,779         |
| Statutory reserve                      | (c)  | 65,720         | 33,934         | 65,720         | 33,934         |
| Distributable:                         |      |                |                |                |                |
| Retained profits                       | (d)  | 73,446         | 73,270         | 69,055         | 69,055         |
|  |      | <u>140,012</u> | <u>119,909</u> | <u>135,621</u> | <u>115,694</u> |

- (a) The equity compensation reserve relates to the Bank's share of Employees Share Option Scheme ("ESOS") costs arising from the ESOS of the holding company which was approved by the shareholders of the holding company on 1 December 2005 at an Extraordinary General Meeting.

The holding company's ESOS was implemented on 4 January 2008 and is to be in force for a period of 10 years from the date of implementation. The main features of the ESOS are disclosed in the audited financial statements of the holding company.

As at 31 January 2011, there had not been issuance of new shares as there had not been exercise of the ESOS options granted.

A summary of the movements in the number of ESOS granted to employees of the Bank are as follows:

|                              | 2011<br>Number of<br>share<br>options<br>'000 | 2010<br>Number of<br>share<br>options<br>'000 |
|------------------------------|---|---|
| At 1 February 2010/2009      | 15,572  | 13,826  |
| Granted                      | -   | 6,000   |
| Lapsed                       | (4,228)                                       | (4,254)                                       |
| As at 31 January             | <u>11,344</u>                                 | <u>15,572</u>                                 |
| Exercisable as at 31 January | <u>11,344</u>                                 | <u>12,572</u>                                 |

- (b) Available-for-sale revaluation reserve represents unrealised gains or losses arising from changes in fair values of securities classified as available-for-sale.
- (c) The statutory reserves are maintained in compliance with Section 36 of the Banking and Financial Institutions Act, 1989 and are not distributable as cash dividends.

**ECM Libra Investment Bank Berhad**  
(Incorporated in Malaysia)

**23. Reserves (cont'd.)**

- (d) In the past, Malaysian companies adopt the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transition period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Bank has elected for the irrevocable option to disregard the 108 balance as at 31 January 2009. Hence, the Bank will be able distribute dividends out of its entire retained earnings as at 31 January 2011 and 2010 under the single tier system.

**24. Interest income**

|  | <b>Group and Bank</b> |               |
|--|-----------------------|---------------|
|  | <b>2011</b>           | <b>2010</b>   |
|  | <b>RM'000</b>         | <b>RM'000</b> |
| Loans and advances   | 39,705                | 19,260        |
| Stockbroking clients   | 436                   | 957           |
| Short-term funds and deposits<br>with financial institutions | 10,721                | 11,839        |
| Securities:  |                       |               |
| - Available-for-sale   | 11,030                | 8,715         |
| - Held-to-maturity   | 899                   | 2,231         |
| Others   | 6                     | 5             |
|  | <u>62,797</u>         | <u>43,007</u> |
| Accretion of discounts<br>less amortisation of premium       | 1,453                 | 228           |
|  | <u>64,250</u>         | <u>43,235</u> |

**25. Interest expense**

|   | <b>Group</b>  |               | <b>Bank</b>   |               |
|---|---------------|---------------|---------------|---------------|
|   | <b>2011</b>   | <b>2010</b>   | <b>2011</b>   | <b>2010</b>   |
|   | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b> |
| Deposits from customers                                 | 32,698        | 17,772        | 32,805        | 17,859        |
| Deposits from banks and other<br>financial institutions | 2,990         | 670           | 2,990         | 670           |
| Others  | -             | 11            | -             | 11            |
|   | <u>35,688</u> | <u>18,453</u> | <u>35,795</u> | <u>18,540</u> |

**ECM Libra Investment Bank Berhad**  
(Incorporated in Malaysia)

**26. Non-interest income**

|   | Group                 |                      | Bank                  |                      |
|---|-----------------------|----------------------|-----------------------|----------------------|
|   | 2011<br>RM'000        | 2010<br>RM'000       | 2011<br>RM'000        | 2010<br>RM'000       |
| Fee income  |                       |                      |                       |                      |
| - Fees on loans and advances                        | 5,246                 | 4,925                | 5,246                 | 4,925                |
| - Corporate advisory fees                           | 925                   | 731                  | 925                   | 731                  |
| - Underwriting commissions                          | 1,288                 | -                    | 1,288                 | -                    |
| - Net brokerage fee                                 | 44,228                | 43,152               | 44,228                | 43,152               |
| - Other fee income                                  | 2,427                 | 1,594                | 2,276                 | 1,326                |
|   | <u>54,114</u>         | <u>50,402</u>        | <u>53,963</u>         | <u>50,134</u>        |
| Investment and trading income                       |                       |                      |                       |                      |
| Net gain arising from securities held-for-trading   |                       |                      |                       |                      |
| - Net gain on disposal                              | 14,287                | 3,116                | 14,287                | 3,116                |
| - Unrealised revaluation gain                       | 182                   | 729                  | 182                   | 729                  |
| - Gross dividend income                             | 29                    | 16                   | 29                    | 16                   |
|   | <u>14,498</u>         | <u>3,861</u>         | <u>14,498</u>         | <u>3,861</u>         |
| Net gain arising from securities available-for-sale |                       |                      |                       |                      |
| - Net gain on disposal                              | 58,127                | 19,011               | 58,127                | 19,011               |
| - Gross dividend income                             | 9,396                 | 3,228                | 9,396                 | 3,228                |
|   | <u>67,523</u>         | <u>22,239</u>        | <u>67,523</u>         | <u>22,239</u>        |
| Net gain arising from derivatives                   |                       |                      |                       |                      |
| - Net gain on disposal                              | 2,114                 | -                    | 2,114                 | -                    |
| - Unrealised revaluation gain                       | 1,569                 | 339                  | 1,569                 | 339                  |
|   | <u>3,683</u>          | <u>339</u>           | <u>3,683</u>          | <u>339</u>           |
| <b>Total non-interest income</b>                    | <b><u>139,818</u></b> | <b><u>76,841</u></b> | <b><u>139,667</u></b> | <b><u>76,573</u></b> |

**27. Other non-operating income**

|  | Group and Bank |                |
|--|----------------|----------------|
|  | 2011<br>RM'000 | 2010<br>RM'000 |
| Rental income  | 208            | 308            |
| (Loss)/gain on disposal of property, plant and equipment | (11)           | 136            |
| Gain on foreign exchange transactions                    | 3,703          | 1,630          |
| Others   | 1,443          | 1,038          |
|  | <u>5,343</u>   | <u>3,112</u>   |

**ECM Libra Investment Bank Berhad**  
(Incorporated in Malaysia)

**28. Operating expenses**

|  | <b>Group</b>         |                      | <b>Bank</b>          |                      |
|--|----------------------|----------------------|----------------------|----------------------|
|  | <b>2011</b>          | <b>2010</b>          | <b>2011</b>          | <b>2010</b>          |
|  | <b>RM'000</b>        | <b>RM'000</b>        | <b>RM'000</b>        | <b>RM'000</b>        |
| <u>Personnel expenses</u>                                  |                      |                      |                      |                      |
| Salaries, allowance and bonus                              | 39,165               | 32,062               | 39,165               | 32,062               |
| Cost arising from ESOS                                     | (314)                | (127)                | (314)                | (127)                |
| Other personnel costs                                      | 6,897                | 5,406                | 6,897                | 5,406                |
|  | <u>45,748</u>        | <u>37,341</u>        | <u>45,748</u>        | <u>37,341</u>        |
| <u>Establishment costs</u>                                 |                      |                      |                      |                      |
| Depreciation of property,<br>plant and equipment (Note 16) | 3,872                | 3,946                | 3,872                | 3,946                |
| Rental of premises   | 3,828                | 3,380                | 3,828                | 3,380                |
| Rental of network and equipment                            | 3,692                | 2,836                | 3,692                | 2,836                |
| Property, plant and equipment<br>written off               | 1,833                | 1                    | 1,833                | 1                    |
| Other establishment costs                                  | 4,762                | 2,315                | 4,762                | 2,315                |
|  | <u>17,987</u>        | <u>12,478</u>        | <u>17,987</u>        | <u>12,478</u>        |
| <u>Marketing and communication expenses</u>                |                      |                      |                      |                      |
| Advertising expenses                                       | 690                  | 1                    | 690                  | 1                    |
| Entertainment  | 1,271                | 751                  | 1,271                | 751                  |
| Other marketing expenses                                   | 27                   | -                    | 27                   | -                    |
|  | <u>1,988</u>         | <u>752</u>           | <u>1,988</u>         | <u>752</u>           |
| <u>Administrative and general expenses</u>                 |                      |                      |                      |                      |
| Audit fees   | 138                  | 138                  | 132                  | 132                  |
| Legal and professional fees                                | 1,356                | 349                  | 1,349                | 349                  |
| Licence fees   | 429                  | 391                  | 429                  | 391                  |
| Insurance  | 373                  | 392                  | 373                  | 392                  |
| Telecommunication expenses                                 | 582                  | 504                  | 582                  | 504                  |
| Travelling and accommodation                               | 380                  | 374                  | 380                  | 374                  |
| Others   | 10,578               | 7,844                | 10,572               | 7,833                |
|  | <u>13,836</u>        | <u>9,992</u>         | <u>13,817</u>        | <u>9,975</u>         |
| <b>Total operating expenses</b>                            | <b><u>79,559</u></b> | <b><u>60,563</u></b> | <b><u>79,540</u></b> | <b><u>60,546</u></b> |

**ECM Libra Investment Bank Berhad**  
(Incorporated in Malaysia)

**29. CEO and directors' remuneration**

|                          | Group          |                | Bank           |                |
|--------------------------|----------------|----------------|----------------|----------------|
|                          | 2011<br>RM'000 | 2010<br>RM'000 | 2011<br>RM'000 | 2010<br>RM'000 |
| Non-executive Directors: |                |                |                |                |
| Fees                     | 366            | 315            | 366            | 315            |
| Other remuneration       | 152            | 130            | 152            | 130            |
|                          | <u>518</u>     | <u>445</u>     | <u>518</u>     | <u>445</u>     |

The total remuneration of the directors of the Bank during the financial year fall within the following bands:

|                          | Number of directors |      |
|--------------------------|---------------------|------|
|                          | 2011                | 2010 |
| Non-executive directors: |                     |      |
| Below RM50,000           | 1                   | -    |
| RM50,000 to RM100,000    | 6                   | 7    |

**30. Allowance for losses on loans, advances and financing**

|   | Group and Bank |                |
|---|----------------|----------------|
|   | 2011<br>RM'000 | 2010<br>RM'000 |
| Collective assessment on loans, advances and financing: |                |                |
| - Provided during the financial year (Note 9(v))        | <u>5,059</u>   | <u>-</u>       |
| General allowance on loans, advances and financing:     |                |                |
| - Provided during the financial year (Note 9(v))        | <u>-</u>       | <u>1,077</u>   |
| Specific allowance on loans, advances and financing:    |                |                |
| - Provided during the financial year (Note 9(v))        | -              | 5,425          |
| - Written back during the financial year (Note 9(v))    | -              | (5,425)        |
|   | <u>-</u>       | <u>-</u>       |
|   | <u>5,059</u>   | <u>1,077</u>   |

**ECM Libra Investment Bank Berhad**  
**(Incorporated in Malaysia)**

**31. Write back of bad and doubtful debts**

|   | <b>Group and Bank</b> |               |
|---|-----------------------|---------------|
|   | <b>2011</b>           | <b>2010</b>   |
|   | <b>RM'000</b>         | <b>RM'000</b> |
| <b>Trade Receivables</b>                              |                       |               |
| Collective assessment allowance                       |                       |               |
| - Write back during the financial year (Note 10(a))   | (259)                 | -             |
| Individual assessment allowance                       |                       |               |
| - Provided during the financial year (Note 10(b))     | 36                    | -             |
| General allowance:                                    |                       |               |
| - Provided during the financial year (Note 10(c))     | -                     | 144           |
| Specific allowance:                                   |                       |               |
| - Provided during the financial year (Note 10(d))     | -                     | 229           |
| - Written back during the financial year (Note 10(d)) | -                     | (398)         |
|   | -                     | (169)         |
| Bad debts:  |                       |               |
| - Recovered   | (79)                  | (28)          |
|   | (302)                 | (53)          |
| <b>Other receivables</b>                              |                       |               |
| Individual assessment allowance:                      |                       |               |
| - Provided during the financial year                  | 20                    | -             |
| Bad debts:  |                       |               |
| - Recovered   | -                     | (59)          |
|   | 20                    | (59)          |
|   | (282)                 | (112)         |

682-X

**ECM Libra Investment Bank Berhad  
(Incorporated in Malaysia)**

**32. Provision for impairment loss**

|                                | <b>Group and Bank</b> |               |
|--------------------------------|-----------------------|---------------|
|                                | <b>2011</b>           | <b>2010</b>   |
|                                | <b>RM'000</b>         | <b>RM'000</b> |
| Provision for impairment loss: |                       |               |
| Private debt securities        |                       |               |
| - Available-for-sale           | <u>4,704</u>          | <u>-</u>      |

**33. Income tax expense**

|   | <b>Group</b>  |               | <b>Bank</b>   |               |
|---|---------------|---------------|---------------|---------------|
|   | <b>2011</b>   | <b>2010</b>   | <b>2011</b>   | <b>2010</b>   |
|   | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b> |
| Income tax:                                       |               |               |               |               |
| - Current year's provision                        | 63            | 88            | -             | -             |
| - Overprovision of tax in<br>prior years          | -             | (7)           | -             | -             |
|   | <u>63</u>     | <u>81</u>     | <u>-</u>      | <u>-</u>      |
| Deferred taxation:                                |               |               |               |               |
| - Recognised in the income<br>statement (Note 15) | 20,872        | 4,519         | 20,872        | 4,519         |
|   | <u>20,935</u> | <u>4,600</u>  | <u>20,872</u> | <u>4,519</u>  |

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

**ECM Libra Investment Bank Berhad**  
(Incorporated in Malaysia)

**33. Income tax expense (cont'd.)**

|  | Group          |                | Bank           |                |
|--|----------------|----------------|----------------|----------------|
|  | 2011<br>RM'000 | 2010<br>RM'000 | 2011<br>RM'000 | 2010<br>RM'000 |
| Profit before taxation                                   | <u>84,683</u>  | <u>43,207</u>  | <u>84,444</u>  | <u>42,869</u>  |
| Tax at Malaysian statutory rate of 25%<br>(2010: 25%)    | 21,171         | 10,802         | 21,111         | 10,717         |
| Tax effects of:  |                |                |                |                |
| Non-allowable expenses                                   | 854            | 414            | 851            | 411            |
| Non-taxable income                                       | (489)          | -              | (489)          | -              |
| Overprovision of tax in<br>prior years                   | -              | (7)            | -              | -              |
| (Over)/Under provision of deferred<br>tax in prior years | (601)          | 1,824          | (601)          | 1,824          |
| Deferred tax recognised<br>on unabsorbed tax losses      | -              | (6,190)        | -              | (6,190)        |
| Deferred tax recognised<br>on temporary differences      | -              | (2,243)        | -              | (2,243)        |
|  | <u>20,935</u>  | <u>4,600</u>   | <u>20,872</u>  | <u>4,519</u>   |

**34. Earning per ordinary share**

The basic and diluted earnings per ordinary share are calculated by dividing the Group's profit after taxation of RM63,748,000 (2010: RM38,607,000), by the weighted average number of ordinary shares in issue during the year of 513,000,000 (2010: 513,000,000).

**35. Dividends**

The Bank has paid an interim single-tier dividend of 3.74 sen per share amounting to RM19,174,767 in respect of financial year ended 31 January 2010.

The Directors have declared an interim single-tier dividend of 6.20 sen per share on 513,000,000 ordinary shares, amounting to RM31,786,000 for the financial year ended 31 January 2011. The Directors do not propose any final dividend for the financial year ended 31 January 2011.

**ECM Libra Investment Bank Berhad**  
**(Incorporated in Malaysia)**

**36. Capital adequacy and capital management**

- (a) The capital base and risk-weighted assets ('RWA') as set out below are disclosed in accordance with the Risk-Weighted Capital Adequacy Framework (Basel II) issued by Bank Negara Malaysia.

|   | <b>2011</b>   | <b>2010</b>  |
|---|---------------|--------------|
|   | %             | %            |
| <b><u>Before deducting proposed dividends</u></b> |               |              |
| Core capital ratio                                | 81.83         | 57.76        |
| Risk-weighted capital ratio                       | <u>83.14</u>  | <u>58.26</u> |
| <b><u>After deducting proposed dividends</u></b>  |               |              |
| Core capital ratio                                | 81.83%        | 57.76        |
| Risk-weighted capital ratio                       | <u>83.14%</u> | <u>58.26</u> |

The capital adequacy ratios of the Group consist of capital base and risk-weighted assets derived from balances of the Bank only.

With effect from 1 January 2008, the capital adequacy ratios of the Bank are computed in accordance with Bank Negara Malaysia's revised Risk-Weighted Capital Adequacy Framework (RWCAR-Basel II). The Bank have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk. The minimum regulatory capital adequacy requirement is 8% (2010: 8%) for the risk-weighted capital ratio.

**Capital management process**

The Bank has in place an Internal Capital Adequacy Assessment Process (ICAAP) which is largely conceptualised from the BNM's Concept Paper on ICAAP (Basel II - Pillar 2). The computation of the internal RWCR requirement is derived from using a simple aggregation approach and stress testing methodologies that is in line with the nature and complexity of the Bank's business operations. The application of ICAAP is based on stress test methodologies underpinned by the following structured approach:

- i) assess the capital buffer requirements over a short-term period under a stressed event
- ii) address major risks not addressed under Pillar 1
- iii) assess the capital buffer requirements based on the business activities generated under the Bank's Business Plans, usually over a period of 1 to 3 years

**ECM Libra Investment Bank Berhad**  
(Incorporated in Malaysia)

**36. Capital adequacy and capital management (cont'd.)**

(b) The components of Tier I and Tier II Capital of the Bank are as follows:

|   | <b>Bank</b>    |                  |
|---|----------------|------------------|
|   | <b>2011</b>    | <b>2010</b>      |
|   | <b>RM'000</b>  | <b>RM'000</b>    |
| <b><u>Tier 1 Capital</u></b>  |                |                  |
| Paid-up share capital   | 513,000        | 513,000          |
| Retained profits  | 69,055         | 69,055           |
| Statutory reserve   | 65,720         | 33,934           |
| Other reserves  | 612            | 926              |
|   | <u>648,387</u> | <u>616,915</u>   |
| Less: Deferred tax assets*  | (10,765)       | (31,637)         |
| <b>Total Tier 1 Capital (a)</b>   | <u>637,622</u> | <u>585,278</u>   |
| <b><u>Tier 2 Capital</u></b>  |                |                  |
| Collective assessment/general allowance for loans, advances and financing | 10,176         | 5,117            |
| <b>Total Tier 2 Capital (b)</b>   | <u>10,176</u>  | <u>5,117</u>     |
| <b>Total capital (a) + (b)</b>  | 647,798        | 590,395          |
| Less: Investment in subsidiaries  | -              | -                |
| <b>Capital base</b>   | <u>647,798</u> | <u>590,395</u>   |
| <b>Total risk-weighted assets</b>   | <u>779,192</u> | <u>1,013,343</u> |
| * Excludes deferred tax on AFS reserve.                                   |                |                  |
|   | <b>2011</b>    | <b>2010</b>      |
|   | <b>%</b>       | <b>%</b>         |
| Core capital ratio  | 81.83          | 57.76            |
| Risk-weighted capital ratio   | <u>83.14</u>   | <u>58.26</u>     |

(c) The breakdown of risk-weighted assets by each major risk category is as follows:

|                  | <b>Bank</b>    |                  |
|------------------|----------------|------------------|
|                  | <b>2011</b>    | <b>2010</b>      |
|                  | <b>RM'000</b>  | <b>RM'000</b>    |
| Credit risk      | 401,250        | 464,471          |
| Market risk      | 182,207        | 366,302          |
| Operational risk | 195,735        | 182,570          |
|                  | <u>779,192</u> | <u>1,013,343</u> |

Detailed information on the risk exposures above, as prescribed under BNM's Risk-Weighted Capital Adequacy Framework (Basel II) - Disclosure Requirements (Pillar 3) is presented in the Pillar 3 disclosures and is published in the Bank's website, [http://www.ecmlibra.com/Investor\\_Relations\\_FinResults.asp](http://www.ecmlibra.com/Investor_Relations_FinResults.asp).

**ECM Libra Investment Bank Berhad**  
(Incorporated in Malaysia)

**37. Commitments**

|   | <b>Group and Bank</b> |               |
|---|-----------------------|---------------|
|   | <b>2011</b>           | <b>2010</b>   |
|   | <b>RM'000</b>         | <b>RM'000</b> |
| <b>Capital Commitments</b>                          |                       |               |
| Approved and contracted for:                        |                       |               |
| Purchase of property, plant and equipment           | 5,722                 | 1,716         |
|   | <u>5,722</u>          | <u>1,716</u>  |
| <b>Non-cancellation operating lease commitments</b> |                       |               |
| Future minimum rentals payable:                     |                       |               |
| Not more than 1 year                                | 1,901                 | 2,355         |
| Later than 1 year and not later than 5 years        | 2,316                 | 807           |
|   | <u>4,217</u>          | <u>3,162</u>  |

**38. Commitments and contingencies**

|  | <b>Group and Bank</b> |                   |                 |
|--|-----------------------|-------------------|-----------------|
|  | <b>Nominal</b>        | <b>* Credit</b>   | <b>Risk-</b>    |
|  | <b>amount</b>         | <b>equivalent</b> | <b>weighted</b> |
|  | <b>RM'000</b>         | <b>amount</b>     | <b>amount</b>   |
|  | <b>RM'000</b>         | <b>RM'000</b>     | <b>RM'000</b>   |
| <b>As at 31 January 2011</b>                                     |                       |                   |                 |
| Commitments to extend credits with maturity of less than 1 year: |                       |                   |                 |
| - margin facilities  | 269,365               | 53,873            | 46,872          |
| - other term loan facilities                                     | 47,828                | 9,566             | 9,566           |
|  | <u>317,193</u>        | <u>63,439</u>     | <u>56,438</u>   |
| <b>As at 31 January 2010</b>                                     |                       |                   |                 |
| Commitments to extend credits with maturity of less than 1 year: |                       |                   |                 |
| - margin facilities  | 310,037               | 62,007            | 55,781          |
| - other term loan facilities                                     | 117,852               | 23,571            | 23,571          |
|  | <u>427,889</u>        | <u>85,578</u>     | <u>79,352</u>   |

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

**ECM Libra Investment Bank Berhad**  
(Incorporated in Malaysia)

**39. Significant related party transactions**

- (a) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Bank had the following transactions with related parties during the financial year:

|   | <b>Group and Bank</b> |               |
|---|-----------------------|---------------|
|   | <b>2011</b>           | <b>2010</b>   |
|   | <b>RM'000</b>         | <b>RM'000</b> |
| Transactions with a company in which a director and shareholder of the holding company has interest in: |                       |               |
| - Project management fees   | 263                   | 263           |
| - Interest expenses payable   | 311                   | 453           |
| - Purchase of computer software   | 519                   | -             |
|   | <u>519</u>            | <u>-</u>      |

The directors of the Bank are of the opinion that the above transactions have been entered into in the normal course of business and had been established under terms that are no less favourable than those arranged with independent third parties.

- (b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

|                              | <b>Group</b>  |               | <b>Bank</b>   |               |
|------------------------------|---------------|---------------|---------------|---------------|
|                              | <b>2011</b>   | <b>2010</b>   | <b>2011</b>   | <b>2010</b>   |
|                              | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b> |
| Fees and meeting allowances  | 518           | 445           | 518           | 445           |
| Short-term employee benefits | 2,078         | 2,869         | 2,078         | 2,869         |
| Defined contribution plan    | 257           | 275           | 257           | 275           |
| Share-based payment          | 128           | 213           | 128           | 213           |
|                              | <u>2,981</u>  | <u>3,802</u>  | <u>2,981</u>  | <u>3,802</u>  |

Included in the total key management personnel are:

|                                      | <b>Group</b>  |               | <b>Bank</b>   |               |
|--------------------------------------|---------------|---------------|---------------|---------------|
|                                      | <b>2011</b>   | <b>2010</b>   | <b>2011</b>   | <b>2010</b>   |
|                                      | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b> |
| Directors' remuneration<br>(Note 29) | 443           | 445           | 443           | 445           |
|                                      | <u>443</u>    | <u>445</u>    | <u>443</u>    | <u>445</u>    |

**ECM Libra Investment Bank Berhad  
(Incorporated in Malaysia)**

**39. Significant related party transactions (cont'd.)**

- (c) Credit transactions and exposures with connected party

|   | <b>Group and Bank</b> |               |
|---|-----------------------|---------------|
|   | <b>RM'000</b>         | <b>RM'000</b> |
| Outstanding credit exposures with connected parties               | <u>50,000</u>         | <u>10,014</u> |
| Percentage of outstanding credit exposures with connected parties |                       |               |
| - as a proportion of total credit exposures                       | 5.1%                  | 0.7%          |
| - which is non-performing or in default                           | -                     | -             |

The above disclosure on Credit Transactions and Exposures with Connected Parties is presented in accordance with para 9.1 of Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties, which became effective on 1 January 2008.

**40. Financial risk management objectives and policies**

**Overview**

The Group's business activities involve the use of financial instruments. These activities expose the Group to a variety of financial risks, mainly credit risk, market risk and liquidity risk.

The Group's financial risks are managed by the Board of Directors, through the Board Risk Management Committee ("BRMC") which oversees the establishment of enterprise-wide risk management policies and processes.

**Credit Risk**

Credit risk is the risk of loss arising from the actual or perceived declining credit quality and actual default of an obligor or counterparty.

Risk Governance

The Board has appointed the Board Credit Committee ("BCC") to oversee all aspects of credit risk management in the Bank with the support of the Credit Approval Executive Committee ("CAEC"). The BCC comprising key board members who have the veto power to reject credits or modify the terms of credits that have been approved by the CAEC. It reviews and approves credit risk management policies as recommended by CAEC.

The CAEC is tasked to formulate credit risk management policies, review and approve credit applications in accordance with the Bank's prescribed approval limits as laid down by the BCC. The CAEC is represented by members of senior management of the Bank including the Head of Credit Control Department ("CCD").

**ECM Libra Investment Bank Berhad  
(Incorporated in Malaysia)**

**40. Financial instruments (cont'd.)**

**Credit Risk (cont'd.)**

Risk Management Approach

(a) Lending to Retail Consumers and Small and Medium Enterprises ("SMEs")

The credit granting to retail consumers and SMEs is individually underwritten, which amongst others, includes the assessment of the historical repayment track record, the current repayment capacity of the customer and types of facilities including the collaterals offered. The credit approving authority has the responsibility to ensure that credit risk is properly assessed and all crucial credit information of the customer, facility type and collaterals offered is included in the loan application.

(b) Lending to Corporate and Institutional Customers

Credit granting to corporate and institutional customers is individually underwritten. Credit officers identify and assess the credit risks of large corporate or institutional customers, or customer groups, taking into consideration their financial and business profiles, industry and economic factors, or other credit support such as equity options.

(c) Credit Risk from Trading and Investment Activities

The management of the credit risk arising from the Group's trading or investing its surplus funds is primarily via the setting of specific trading limits including instrument type and counterparty limits which are specifically approved by the Board. In addition, the Group has in place various management action triggers and related guidelines under the Credit Risk Management Framework to avoid undue concentration of credit risk.

(d) Counterparty Credit Risk on Derivative Financial Instruments

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Group and the Bank has a gain in a contract.

There have been no changes since the end of the previous financial year in respect of the following:

- i) the types of derivative financial contracts entered into and the rationale for entering into such contracts, as well as the expected benefits accruing from these contracts;
- ii) the risk management policies in place for mitigating and controlling the risks associated with these financial derivative contracts; and
- iii) the related accounting policies.

**ECM Libra Investment Bank Berhad  
(Incorporated in Malaysia)**

**40. Financial risk management objectives and policies (cont'd.)**

**Credit Risk (cont'd.)**

Risk Management Approach (cont'd.)

(d) Counterparty Credit Risk on Derivative Financial Instruments (cont'd.)

As at 31 January 2011, the amount of credit risk in the Group and the Bank, measured in terms of the cost to replace the profitable contracts was RM202,319,000 (31 January 2010: RM33,033,000). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices. Derivative financial instruments at their contractual and fair value amounts are as follows:

| <b>Group and Bank</b>   | <b>2011</b>                           |                              |
|---|---------------------------------------|------------------------------|
|   | <b>Notional<br/>Amount<br/>RM'000</b> | <b>Fair value<br/>RM'000</b> |
| Equity related contracts, options purchased<br>and embedded derivatives | 202,319                               | 9,552                        |

(e) Independent Credit Assessment

Independent credit assessments are performed on large credits to complement risk identification as well as to evaluate the quality of credit appraisals and the competency of credit personnel. Internal risk management reports are presented to the BRMC, containing information on economic trends across major portfolios, quality of credit portfolios, results of independent credit review, results of the risk profiling conducted, significant credit exposures to connected parties and credit concentration by economic sectors and by large single customers.

(i) Credit Risk Exposures and Credit Risk Concentration

The following table presents the Group's exposure to credit risk of financial assets before the effect of credit risk mitigation, broken down by the relevant category and class of financial asset against the relevant industry and maturity. For on-balance sheet exposures, the maximum exposure to credit risk equals their carrying amounts. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit granted to customers.

A concentration of credit risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic and other conditions.

**ECM Libra Investment Bank Berhad**  
**(Incorporated in Malaysia)**

**40. Financial risk management objectives and policies (cont'd.)**

**Credit Risk (cont'd.)**

(i) Credit Risk Exposures and Credit Risk Concentration (cont'd.)

By class of financial instrument

| <b>Group<br/>2011</b>                           | <b>Government<br/>and Central<br/>Banks<br/>RM'000</b> | <b>Financial<br/>Services<br/>RM'000</b> | <b>Transport<br/>and<br/>Business<br/>Services<br/>RM'000</b> | <b>Agriculture,<br/>Manufacturing,<br/>Wholesale &amp;<br/>Retail Trade<br/>RM'000</b> | <b>Construction<br/>&amp; Real<br/>Estate<br/>RM'000</b> | <b>Residential<br/>Mortgages<br/>RM'000</b> | <b>Purchase of<br/>Securities<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|---|--|--|---|--|--|---|--|-------------------------|
| <b>On-Balance Sheet Financial Assets</b>        |  |  |   |  |  |   |  |                         |
| Cash and short-term funds                       | 64,954   | 324,715                                  | -   | -  | -  | -   | -  | 389,669                 |
| Deposits with financial institutions            | -  | 21,489                                   | -   | -  | -  | -   | -  | 21,489                  |
| Securities held-for-trading                     | 49,758   | 304,060                                  | -   | -  | -  | -   | -  | 353,818                 |
| Securities available-for-sale                   | 250,872  | 102,773                                  | 13,104  | 10,560   | 115,479  | 26,691                                      | -  | 519,479                 |
| Securities held-to-maturity                     | -  | 70,000                                   | -   | -  | -  | -   | -  | 70,000                  |
| Derivative financial assets                     | -  | -  | -   | 1,651  | 7,901  | -   | -  | 9,552                   |
| Gross loans, advances and financing             | -  | 42,815                                   | 106,313   | 195,745  | 75,055   | -   | 240,128                                      | 660,056                 |
| Statutory deposits with Bank<br>Negara Malaysia | 8,834  | -  | -   | -  | -  | -   | -  | 8,834                   |
| Trade receivables                               | -  | 265,989                                  | -   | -  | -  | -   | 216,133                                      | 482,122                 |
| <b>Total</b>                                    | <b>374,418</b>   | <b>1,131,841</b>                         | <b>119,417</b>  | <b>207,956</b>   | <b>198,435</b>   | <b>26,691</b>                               | <b>456,261</b>                               | <b>2,515,019</b>        |
| <b>Commitments and contingencies</b>            |  |  |   |  |  |   |  |                         |
| Commitments (credit equivalent amount)          | -  | 4,000                                    | 803   | 810  | -  | -   | 57,826                                       | 63,439                  |
| <b>Total</b>                                    | <b>374,418</b>   | <b>1,135,841</b>                         | <b>120,220</b>  | <b>208,766</b>   | <b>198,435</b>   | <b>26,691</b>                               | <b>514,087</b>                               | <b>2,578,458</b>        |

**ECM Libra Investment Bank Berhad**  
(Incorporated in Malaysia)

**40. Financial risk management objectives and policies (cont'd.)**

(i) Credit Risk Exposures and Credit Risk Concentration (cont'd.)

By class of financial instrument (cont'd.)

| <b>Bank<br/>2011</b>                            | <b>Government<br/>and Central<br/>Banks<br/>RM'000</b> | <b>Financial<br/>Services<br/>RM'000</b> | <b>Transport<br/>and<br/>Business<br/>Services<br/>RM'000</b> | <b>Agriculture,<br/>Manufacturing,<br/>Wholesale &amp;<br/>Retail Trade<br/>RM'000</b> | <b>Construction<br/>&amp; Real<br/>Estate<br/>RM'000</b> | <b>Residential<br/>Mortgages<br/>RM'000</b> | <b>Purchase of<br/>Securities<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|---|--|--|---|--|--|---|--|-------------------------|
| <b>On-Balance Sheet Financial Assets</b>        |  |  |   |  |  |   |  |                         |
| Cash and short-term funds                       | 64,954   | 324,546                                  | -   | -  | -  | -   | -  | 389,500                 |
| Deposits with financial institutions            | -  | 21,489                                   | -   | -  | -  | -   | -  | 21,489                  |
| Securities held-for-trading                     | 49,758   | 304,060                                  | -   | -  | -  | -   | -  | 353,818                 |
| Securities available-for-sale                   | 250,872  | 102,773                                  | 13,104  | 10,560   | 115,479  | 26,691                                      | -  | 519,479                 |
| Securities held-to-maturity                     | -  | 70,000                                   | -   | -  | -  | -   | -  | 70,000                  |
| Derivative financial assets                     | -  | -  | -   | 1,651  | 7,901  | -   | -  | 9,552                   |
| Gross loans, advances and financing             | -  | 42,815                                   | 106,313   | 195,745  | 75,055   | -   | 240,128                                      | 660,056                 |
| Statutory deposits with Bank<br>Negara Malaysia | 8,834  | -  | -   | -  | -  | -   | -  | 8,834                   |
| Trade receivables                               | -  | 265,989                                  | -   | -  | -  | -   | 216,133                                      | 482,122                 |
| <b>Total</b>                                    | <b>374,418</b>   | <b>1,131,672</b>                         | <b>119,417</b>  | <b>207,956</b>   | <b>198,435</b>   | <b>26,691</b>                               | <b>456,261</b>                               | <b>2,514,850</b>        |
| <b>Commitments and contingencies</b>            |  |  |   |  |  |   |  |                         |
| Commitments (credit equivalent amount)          | -  | 4,000                                    | 803   | 810  | -  | -   | 57,826                                       | 63,439                  |
| <b>Total</b>                                    | <b>374,418</b>   | <b>1,135,672</b>                         | <b>120,220</b>  | <b>208,766</b>   | <b>198,435</b>   | <b>26,691</b>                               | <b>514,087</b>                               | <b>2,578,289</b>        |

**ECM Libra Investment Bank Berhad  
(Incorporated in Malaysia)**

**40. Financial risk management objectives and policies (cont'd.)**

**Credit Risk (cont'd.)**

(i) Credit Risk Exposures and Credit Risk Concentration (cont'd.)

All our loans and financing are secured by collaterals in cash, shares or properties.

(ii) Credit Quality of Gross Loans and Advances

Gross loans, advances and financing are analysed as follows:

|                               | <b>Group and<br/>Bank<br/>2011<br/>RM'000</b> |
|-------------------------------|---|
| Neither past due nor impaired | 660,056                                       |
| Past due but not impaired     | -   |
| Impaired/Non-performing       | -   |
|                               | <u>660,056</u>                                |

(a) Neither Past Due Nor Impaired

Gross loans, advances and financing which are neither past due nor impaired are analysed as follows:

|                             | <b>Group and<br/>Bank<br/>2011<br/>RM'000</b> |
|-----------------------------|---|
| Retail loans / financing    | 240,128                                       |
| Corporate loans / financing | 419,928                                       |
|                             | <u>660,056</u>                                |

(b) Past Due But Not Impaired

Past due but not impaired loans are loans where the customer has failed to make a principal or interest payment when contractually due, and includes loans, advances and financing which are due one or more days after the contractual due date but less than (3) months.

As at 31 January 2011, there are no balances which are past due but not impaired.

**ECM Libra Investment Bank Berhad  
(Incorporated in Malaysia)**

**40. Financial risk management objectives and policies (cont'd.)**

**Credit Risk (cont'd.)**

(ii) Credit Quality of Gross Loans and Advances (cont'd.)

(c) Impaired loans

For all loans that are considered individually significant, the Group assesses on a case-by-case basis at each reporting date whether there is any objective evidence that a loan is impaired. The criteria that the Group use to determine that there is objective evidence of impairment include:

- (a) the principal or interest or both is past due for more than 90 days or 3 months;
- (b) the amount is past due or the outstanding amount has been in excess of the approved limit for 90 days or 3 months or less, whereby the facility or borrower exhibits credit quality weaknesses arising from the Bank's internal credit risk rating assessment exercise; or
- (c) for loan facilities with repayments of principal or interest or both that is scheduled on intervals of 3 months or longer, the loan is classified as impaired as soon as a default occurs unless there are strong mitigating factors. However, should the facility remains past due for a further 90 days or 3 months, the loan and financing is immediately classified as impaired.

As at 31 January 2011, there are no impaired loans.

(d) Rescheduled / restructured loans, advances and financing

Rescheduling/restructuring loans and financing include extended payment arrangements, and the modification and deferral of payments.

At 31 January 2011, the outstanding amount of restructured loans is RM9,970,951.

(iii) Impairment of Private Debt Securities

The Group determines that there is objective evidence of impairment of private debt securities when a default occurs upon a breach of contractual repayment schedule or a rating downgrade may be considered as impaired. However, securities that are rated by external rating agencies shall be immediately classified as impaired when it has been rated as "D" (RAM, MARC or its equivalent).

**ECM Libra Investment Bank Berhad**  
(Incorporated in Malaysia)

**40. Financial risk management objectives and policies (cont'd.)**

**Credit Risk (cont'd.)**

(ii) Credit Quality of Financial Investments (cont'd.)

Set out below are analyses of rated financial investments analysed by ratings from external credit ratings agencies:

| Group and Bank | Financial Assets Placements with financial institutions* |               | Financial Assets Held-for-trading |                | Financial Investments Available-for-sale |                | Financial Investments Held-to-maturity |               | Total            |
|----------------|--|---------------|-----------------------------------|----------------|--|----------------|--|---------------|------------------|
|                | At amortised cost  | At fair value | At amortised cost                 | At fair value  | At amortised cost                        | At fair value  | At amortised cost                      | At fair value |                  |
| 2011           | RM'000   | RM'000        | RM'000                            | RM'000         | RM'000                                   | RM'000         | RM'000                                 | RM'000        | RM'000           |
| AAA+ to AA-    | 153,777  | -             | -                                 | 304,060        | -  | 165,475        | 70,000                                 | -             | 693,312          |
| A+ to A-       | 20,000   | -             | -                                 | -              | -  | 28,705         | -                                      | -             | 48,705           |
| Not rated      | 64,900   | -             | -                                 | 49,758         | -  | 220,471        | -                                      | -             | 335,129          |
| Unrated        | 105,000  | -             | -                                 | -              | -  | 104,828        | -                                      | -             | 209,828          |
|                | <u>343,677</u>   | <u>-</u>      | <u>-</u>                          | <u>353,818</u> | <u>-</u>                                 | <u>519,479</u> | <u>70,000</u>                          | <u>-</u>      | <u>1,286,974</u> |

\* Comprise money at call and deposits placed

**ECM Libra Investment Bank Berhad  
(Incorporated in Malaysia)****40. Financial risk management objectives and policies (cont'd.)****Market Risk**

Market risk is the risk of losses in on and off-balance-sheet positions arising from movements in market prices. Market risk is the risk that the Bank's earnings and capital, or its ability to meet its business objectives, will be adversely affected by movements in market rates or prices such as interest rates, foreign exchange rates, equity prices and/or credit spreads.

Risk Governance

The Group Risk Management Department ("GRMD") supports the BRMC in market risk management oversight. The GRMD reviews the Group's market risk framework and policies, aligns market risk management with business strategies and planning, and recommends actions to ensure that the market risks remain within established risk tolerance. The market risk of the Group is identified into traded market risk and non-traded market risk.

Types of Market Risk

## (i) Traded Market Risk

Traded market risk, primarily the interest rate risk and credit spread risk, exists in the Group's trading book positions held for the purpose of benefiting from short-term price movements, which are conducted primarily by the treasury operations.

*Risk Measurement Approach*

The Group's traded market risk framework comprises market risk policies and practices, delegation of authority, market risk limits and valuation methodologies. The Group's traded market risk for its interest-sensitive fixed income instruments is measured by the present value of a one basis point change ("PV01") and is monitored independently by the GRMD on a daily basis against approved market risk limits. In addition, Treasury Back-Office Department is also responsible to monitor and report on limit excesses and the daily mark-to-market valuation of fixed income securities. The market risk limits are determined after taking into account the risk appetite and the risk-return relationship and are periodically reviewed by BARMC. Changes to market risk limits must be approved by ALCO/the Board. The trading book positions and limits are regularly reported to the BARMC.

*Analysis of Traded Market Risk Exposures*

During the year, the Group's traded market risk exposures on fixed income securities as measured by PV01, averaged at RM10,000. The composition of the Group's trading portfolio is as set out in Note 5 to the financial statements.

**ECM Libra Investment Bank Berhad  
(Incorporated in Malaysia)**

**40. Financial risk management objectives and policies (cont'd.)**

**Market Risk (cont'd.)**

Types of Market Risk (cont'd.)

(ii) Equity risk

Market risk on equities is the potential loss in the value of the investment in shares and interest-in-shares due to the changes in market price. This market risk is being monitored using Value-at-Risk ("VaR"). VaR refers to the maximum loss not exceeded with a given probability defined as the confidence level over a given period of time.

*Risk Measurement Approach*

The Group's risk management department monitors and manages market risk exposure via stress testing, in addition to reviewing and analysing its treasury trading strategy, positions and activities vis-à-vis changes in the financial market, monitoring limit usage, assessing limit adequacy, and verifying transaction prices.

*Analysis of Equity Instruments Risk Exposures*

|               | <b>2011</b>   |
|---------------|---------------|
|               | <b>RM'mil</b> |
| Book value    | 31            |
| Value-at-Risk | 4             |

(iii) Non-Traded Market Risk

The Group's core non-traded market risks are interest rate risk in the banking book and foreign exchange risk.

(a) Interest Rate Risk

Interest rate risk ("IRR") emanates from the repricing mismatches of the Group's banking assets and liabilities and also from the Group's investments of their surplus funds.

*Risk Measurement Approach*

Balance sheet management under the purview of ALCO includes risk management of the potential change in earnings and capital arising from the effect of movements in interest rates on the structured banking book of the Bank/Group. To achieve this, ALCO uses various tools including interest rate gap analysis. Simulating a parallel yield curve shift, this measurement is sometimes known as Earnings-at-Risk ("EAR") and specific tolerance limit has been set to monitor this market risk exposure.

**ECM Libra Investment Bank Berhad  
(Incorporated in Malaysia)**

**40. Financial risk management objectives and policies (cont'd.)**

**Market Risk (cont'd.)**

(iii) Non-Traded Market Risk (cont'd.)

(a) Interest rate risk

The tables below summarise the Group's exposure to interest rate risks. The assets and liabilities at carrying amount are categorised by the earlier of contractual repricing or maturity dates as follows:

| Group   | -----Non-trading book-----> |                              |                               |                           |                            |                                      | Trading<br>book<br>RM '000 | Total<br>RM '000 | Effective<br>interest<br>rate |
|---|-----------------------------|------------------------------|-------------------------------|---------------------------|----------------------------|--------------------------------------|----------------------------|------------------|-------------------------------|
|   | Up to 1<br>month<br>RM '000 | > 1 - 3<br>months<br>RM '000 | > 3 - 12<br>months<br>RM '000 | 1 - 5<br>years<br>RM '000 | Over 5<br>years<br>RM '000 | Non-interest<br>sensitive<br>RM '000 |                            |                  |                               |
| <b>As at 31 January 2011</b>                    |                             |                              |                               |                           |                            |                                      |                            |                  |                               |
| <b>Assets</b>                                   |                             |                              |                               |                           |                            |                                      |                            |                  |                               |
| Cash and short-term funds                       | 322,357                     | -                            | -                             | -                         | -                          | 67,312                               | -                          | 389,669          | 2.70%                         |
| Deposits with financial institutions            | -                           | 20,849                       | 640                           | -                         | -                          | -                                    | -                          | 21,489           | 2.88%                         |
| Securities held-for-trading                     | -                           | -                            | -                             | -                         | -                          | -                                    | 353,818                    | 353,818          | -                             |
| Securities available-for-sale                   | 4,703                       | 154,505                      | 38,469                        | 194,067                   | 83,990                     | (2,503) **                           | 46,248                     | 519,479          | 4.88%                         |
| Securities held-to-maturity                     | 20,000                      | 50,000                       | -                             | -                         | -                          | -                                    | -                          | 70,000           | 2.97%                         |
| Derivative financial assets                     | -                           | -                            | -                             | -                         | -                          | -                                    | 9,552                      | 9,552            | -                             |
| Loan, advances and financing                    |                             |                              |                               |                           |                            |                                      |                            |                  |                               |
| - Performing                                    | 129,445                     | 209,923                      | 320,688                       | -                         | -                          | (10,176) *                           | -                          | 649,880          | 8.21%                         |
| Statutory deposits with<br>Bank Negara Malaysia | -                           | -                            | -                             | -                         | -                          | 8,834                                | -                          | 8,834            | -                             |
| Trade receivables                               | 5,718                       | -                            | -                             | -                         | -                          | 476,404                              | -                          | 482,122          | 9.00%                         |
| Other assets ^                                  | -                           | -                            | -                             | -                         | -                          | 104,323                              | -                          | 104,323          | -                             |
| <b>Total assets</b>                             | <b>482,223</b>              | <b>435,277</b>               | <b>359,797</b>                | <b>194,067</b>            | <b>83,990</b>              | <b>644,194</b>                       | <b>409,618</b>             | <b>2,609,166</b> |                               |

^ Other assets include other assets, property, plant and equipment, intangible assets, deferred tax assets as disclosed in the consolidated statement of financial position.

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

\*\* The negative balance is inclusive of net impairment loss on securities .

**ECM Libra Investment Bank Berhad**  
(Incorporated in Malaysia)

**40. Financial risk management objectives and policies (cont'd.)**

**Market Risk (cont'd.)**

(iii) Non-Traded Market Risk (cont'd.)

(a) Interest rate risk (cont'd.)

| Group   | -----Non-trading book-----> |                              |                               |                           |                            |                                      | Trading book<br>RM '000 | Total<br>RM '000 | Effective<br>interest<br>rate |
|---|-----------------------------|------------------------------|-------------------------------|---------------------------|----------------------------|--------------------------------------|-------------------------|------------------|-------------------------------|
|   | Up to 1<br>month<br>RM '000 | > 1 - 3<br>months<br>RM '000 | > 3 - 12<br>months<br>RM '000 | 1 - 5<br>years<br>RM '000 | Over 5<br>years<br>RM '000 | Non-interest<br>sensitive<br>RM '000 |                         |                  |                               |
| <b>As at 31 January 2011</b>  |                             |                              |                               |                           |                            |                                      |                         |                  |                               |
| <b>Liabilities and equity</b>   |                             |                              |                               |                           |                            |                                      |                         |                  |                               |
| <b>Liabilities</b>  |                             |                              |                               |                           |                            |                                      |                         |                  |                               |
| Deposits from customers   | 816,379                     | 147,890                      | 110,854                       | -                         | -                          | -                                    | -                       | 1,075,123        | 3.02%                         |
| Deposits and placements of<br>banks and other financial<br>institutions | 85,000                      | 106,008                      | 10,000                        | -                         | -                          | -                                    | -                       | 201,008          | 2.98%                         |
| Trade payables  | -                           | -                            | -                             | -                         | -                          | 576,600                              | -                       | 576,600          | -                             |
| Other liabilities #   | -                           | -                            | -                             | -                         | -                          | 103,423                              | -                       | 103,423          | -                             |
| <b>Total liabilities</b>  | <b>901,379</b>              | <b>253,898</b>               | <b>120,854</b>                | <b>-</b>                  | <b>-</b>                   | <b>680,023</b>                       | <b>-</b>                | <b>1,956,154</b> |                               |
| Shareholder's equity  | -                           | -                            | -                             | -                         | -                          | 653,012                              | -                       | 653,012          | -                             |
| <b>Total equity and liabilities</b>                                     | <b>901,379</b>              | <b>253,898</b>               | <b>120,854</b>                | <b>-</b>                  | <b>-</b>                   | <b>1,333,035</b>                     | <b>-</b>                | <b>2,609,166</b> |                               |
| On-balance sheet interest<br>sensitivity gap                            | (419,156)                   | 181,379                      | 238,943                       | 194,067                   | 83,990                     | (688,841)                            | 409,618                 | -                |                               |
| Off-balance sheet interest<br>sensitivity gap                           | -                           | -                            | -                             | -                         | -                          | -                                    | -                       | -                |                               |
| <b>Total interest sensitivity gap</b>                                   | <b>(419,156)</b>            | <b>181,379</b>               | <b>238,943</b>                | <b>194,067</b>            | <b>83,990</b>              | <b>(688,841)</b>                     | <b>409,618</b>          | <b>-</b>         |                               |

# Other liabilities include other liabilities and provision for taxation as disclosed in the consolidated statement of financial position.

**ECM Libra Investment Bank Berhad  
(Incorporated in Malaysia)**

**40. Financial risk management objectives and policies (cont'd.)**

**Market Risk (cont'd.)**

(iii) Non-Traded Market Risk (cont'd.)

(a) Interest rate risk (cont'd.)

The tables below summarise the Group's exposure to interest rate risks. The assets and liabilities at carrying amount are categorised by the earlier of contractual repricing or maturity dates as follows:

| Group                                | <-----Non-trading book-----> |                           |                            |                        |                         |                                   | Trading book<br>RM '000 | Total<br>RM '000 | Effective interest rate |
|--------------------------------------|------------------------------|---------------------------|----------------------------|------------------------|-------------------------|-----------------------------------|-------------------------|------------------|-------------------------|
|                                      | Up to 1 month<br>RM '000     | > 1 - 3 months<br>RM '000 | > 3 - 12 months<br>RM '000 | 1 - 5 years<br>RM '000 | Over 5 years<br>RM '000 | Non-interest sensitive<br>RM '000 |                         |                  |                         |
| <b>As at 31 January 2010</b>         |                              |                           |                            |                        |                         |                                   |                         |                  |                         |
| <b>Assets</b>                        |                              |                           |                            |                        |                         |                                   |                         |                  |                         |
| Cash and short-term funds            | 555,648                      | -                         | -                          | -                      | -                       | 33,301                            | -                       | 588,949          | 2.02%                   |
| Deposits with financial institutions | -                            | 50,167                    | 660                        | 43                     | -                       | -                                 | -                       | 50,870           | 2.07%                   |
| Securities held-for-trading          | -                            | -                         | -                          | -                      | -                       | -                                 | 301,911                 | 301,911          | -                       |
| Securities available-for-sale        | 70,000                       | 9,972                     | 130,118                    | 91,154                 | 42,708                  | -                                 | 131,872                 | 475,824          | 3.60%                   |
| Securities held-to-maturity          | 30,000                       | 130,000                   | -                          | -                      | -                       | 2,200                             | -                       | 162,200          | 2.20%                   |
| Derivative financial assets          | -                            | -                         | -                          | -                      | -                       | -                                 | 339                     | 339              | -                       |
| Loan, advances and financing         |                              |                           |                            |                        |                         |                                   |                         |                  |                         |
| - Performing                         | 260,626                      | 116                       | 49,451                     | 18,409                 | -                       | (5,117) *                         | -                       | 323,485          | 8.06%                   |
| Statutory deposits with              |                              |                           |                            |                        |                         |                                   |                         |                  |                         |
| Bank Negara Malaysia                 | -                            | -                         | -                          | -                      | -                       | 4,073                             | -                       | 4,073            | -                       |
| Trade receivables                    | 7,296                        | -                         | -                          | -                      | -                       | 282,254                           | -                       | 289,550          | 9.00%                   |
| Other assets ^                       | -                            | -                         | -                          | -                      | -                       | 112,086                           | -                       | 112,086          | -                       |
| <b>Total assets</b>                  | <b>923,570</b>               | <b>190,255</b>            | <b>180,229</b>             | <b>109,606</b>         | <b>42,708</b>           | <b>428,797</b>                    | <b>434,122</b>          | <b>2,309,287</b> |                         |

^ Other assets include other assets, property, plant and equipment, intangible assets, deferred tax assets as disclosed in the consolidated statement of financial position.

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

**ECM Libra Investment Bank Berhad  
(Incorporated in Malaysia)**

**40. Financial risk management objectives and policies (cont'd.)**

**Market Risk (cont'd.)**

(iii) Non-Traded Market Risk (cont'd.)

(a) Interest rate risk (cont'd.)

| Group   | -----Non-trading book-----> |                              |                               |                           |                            |                                      | Trading book<br>RM '000 | Total<br>RM '000 | Effective<br>interest<br>rate |
|---|-----------------------------|------------------------------|-------------------------------|---------------------------|----------------------------|--------------------------------------|-------------------------|------------------|-------------------------------|
|   | Up to 1<br>month<br>RM '000 | > 1 - 3<br>months<br>RM '000 | > 3 - 12<br>months<br>RM '000 | 1 - 5<br>years<br>RM '000 | Over 5<br>years<br>RM '000 | Non-interest<br>sensitive<br>RM '000 |                         |                  |                               |
| <b>As at 31 January 2010</b>  |                             |                              |                               |                           |                            |                                      |                         |                  |                               |
| <b>Liabilities and equity</b>   |                             |                              |                               |                           |                            |                                      |                         |                  |                               |
| <b>Liabilities</b>  |                             |                              |                               |                           |                            |                                      |                         |                  |                               |
| Deposits from customers   | 643,418                     | 197,311                      | 150,448                       | -                         | -                          | -                                    | -                       | 991,177          | 2.19%                         |
| Deposits and placements of<br>banks and other financial<br>institutions | 130,000                     | 100,646                      | 20,000                        | -                         | -                          | -                                    | -                       | 250,646          | 2.19%                         |
| Trade payables  | -                           | -                            | -                             | -                         | -                          | 366,331                              | -                       | 366,331          | -                             |
| Other liabilities #   | -                           | -                            | -                             | -                         | -                          | 68,224                               | -                       | 68,224           | -                             |
| <b>Total liabilities</b>  | <b>773,418</b>              | <b>297,957</b>               | <b>170,448</b>                | <b>-</b>                  | <b>-</b>                   | <b>434,555</b>                       | <b>-</b>                | <b>1,676,378</b> |                               |
| Shareholder's equity  | -                           | -                            | -                             | -                         | -                          | 632,909                              | -                       | 632,909          | -                             |
| <b>Total equity and liabilities</b>                                     | <b>773,418</b>              | <b>297,957</b>               | <b>170,448</b>                | <b>-</b>                  | <b>-</b>                   | <b>1,067,464</b>                     | <b>-</b>                | <b>2,309,287</b> |                               |
| On-balance sheet interest<br>sensitivity gap                            | 150,152                     | (107,702)                    | 9,781                         | 109,606                   | 42,708                     | (638,667)                            | 434,122                 | -                |                               |
| Off-balance sheet interest<br>sensitivity gap                           | -                           | -                            | -                             | -                         | -                          | -                                    | -                       | -                |                               |
| <b>Total interest sensitivity gap</b>                                   | <b>150,152</b>              | <b>(107,702)</b>             | <b>9,781</b>                  | <b>109,606</b>            | <b>42,708</b>              | <b>(638,667)</b>                     | <b>434,122</b>          | <b>-</b>         |                               |

# Other liabilities include other liabilities and provision for taxation as disclosed in the consolidated statement of financial position.

**ECM Libra Investment Bank Berhad  
(Incorporated in Malaysia)**

**40. Financial risk management objectives and policies (cont'd.)**

**Market Risk (cont'd.)**

(iii) Non-Traded Market Risk (cont'd.)

(a) Interest rate risk (cont'd.)

**Bank**

<-----Non-trading book----->

| <b>As at 31 January 2011</b>                 | <b>Up to 1<br/>month<br/>RM '000</b> | <b>&gt; 1 - 3<br/>months<br/>RM '000</b> | <b>&gt; 3 - 12<br/>months<br/>RM '000</b> | <b>1 - 5<br/>years<br/>RM '000</b> | <b>Over 5<br/>years<br/>RM '000</b> | <b>Non-interest<br/>sensitive<br/>RM '000</b> | <b>Trading<br/>book<br/>RM '000</b> | <b>Total<br/>RM '000</b> | <b>Effective<br/>interest<br/>rate</b> |
|--|--------------------------------------|--|---|------------------------------------|-------------------------------------|---|-------------------------------------|--------------------------|--|
| <b>Assets</b>                                |                                      |  |   |                                    |                                     |   |                                     |                          |  |
| Cash and short-term funds                    | 322,188                              | -  | -   | -                                  | -                                   | 67,312  | -                                   | 389,500                  | 2.70%                                  |
| Deposits with financial institutions         | -                                    | 20,849                                   | 640                                       | -                                  | -                                   | -   | -                                   | 21,489                   | 2.88%                                  |
| Securities held-for-trading                  | -                                    | -  | -   | -                                  | -                                   | -   | 353,818                             | 353,818                  | -                                      |
| Securities available-for-sale                | 4,703                                | 154,505                                  | 38,469                                    | 194,067                            | 83,990                              | (2,503) **                                    | 46,248                              | 519,479                  | 4.88%                                  |
| Securities held-to-maturity                  | 20,000                               | 50,000                                   | -   | -                                  | -                                   | -   | -                                   | 70,000                   | 2.97%                                  |
| Derivative financial assets                  | -                                    | -  | -   | -                                  | -                                   | -   | 9,552                               | 9,552                    | -                                      |
| Loan, advances and financing                 |                                      |  |   |                                    |                                     |   |                                     |                          |  |
| - Performing                                 | 129,445                              | 209,923                                  | 320,688                                   | -                                  | -                                   | (10,176) *                                    | -                                   | 649,880                  | 8.21%                                  |
| Statutory deposits with Bank Negara Malaysia | -                                    | -  | -   | -                                  | -                                   | 8,834   | -                                   | 8,834                    | -                                      |
| Trade receivables                            | 5,718                                | -  | -   | -                                  | -                                   | 476,404                                       | -                                   | 482,122                  | 9.00%                                  |
| Other assets ^                               | -                                    | -  | -   | -                                  | -                                   | 104,314                                       | -                                   | 104,314                  | -                                      |
| <b>Total assets</b>                          | <b>482,054</b>                       | <b>435,277</b>                           | <b>359,797</b>                            | <b>194,067</b>                     | <b>83,990</b>                       | <b>644,185</b>                                | <b>409,618</b>                      | <b>2,608,988</b>         |  |

^ Other assets include other assets, property, plant and equipment, intangible assets, deferred tax assets as disclosed in the statement of financial

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

\*\* The negative balance represents net impairment loss on securities .

682-X

**ECM Libra Investment Bank Berhad  
(Incorporated in Malaysia)**

**40. Financial risk management objectives and policies (cont'd.)**

**Market Risk (cont'd.)**

(iii) Non-Traded Market Risk (cont'd.)

(a) Interest rate risk (cont'd.)

**Bank**

<-----Non-trading book----->

| <b>As at 31 January 2011</b>   | <b>Up to 1<br/>month<br/>RM '000</b> | <b>&gt; 1 - 3<br/>months<br/>RM '000</b> | <b>&gt; 3 - 12<br/>months<br/>RM '000</b> | <b>1 - 5<br/>years<br/>RM '000</b> | <b>Over 5<br/>years<br/>RM '000</b> | <b>Non-interest<br/>sensitive<br/>RM '000</b> | <b>Trading<br/>book<br/>RM '000</b> | <b>Total<br/>RM '000</b> | <b>Effective<br/>interest<br/>rate</b> |
|--|--------------------------------------|--|---|------------------------------------|-------------------------------------|---|-------------------------------------|--------------------------|--|
| <b>Liabilities and equity</b>  |                                      |  |   |                                    |                                     |   |                                     |                          |  |
| <b>Liabilities</b>   |                                      |  |   |                                    |                                     |   |                                     |                          |  |
| Deposits from customers  | 820,621                              | 147,890                                  | 110,854                                   | -                                  | -                                   | -   | -                                   | 1,079,365                | 3.02%                                  |
| Deposits and placements of banks<br>and other financial institutions | 85,000                               | 106,008                                  | 10,000                                    | -                                  | -                                   | -   | -                                   | 201,008                  | 2.98%                                  |
| Trade payables   | -                                    | -  | -   | -                                  | -                                   | 576,600                                       | -                                   | 576,600                  | -                                      |
| Other liabilities #  | -                                    | -  | -   | -                                  | -                                   | 103,393                                       | -                                   | 103,393                  | -                                      |
| <b>Total liabilities</b>   | <b>905,621</b>                       | <b>253,898</b>                           | <b>120,854</b>                            | <b>-</b>                           | <b>-</b>                            | <b>679,993</b>                                | <b>-</b>                            | <b>1,960,366</b>         |  |
| Shareholder's equity   | -                                    | -  | -   | -                                  | -                                   | 648,622                                       | -                                   | 648,622                  | -                                      |
| <b>Total equity and liabilities</b>                                  | <b>905,621</b>                       | <b>253,898</b>                           | <b>120,854</b>                            | <b>-</b>                           | <b>-</b>                            | <b>1,328,615</b>                              | <b>-</b>                            | <b>2,608,988</b>         |  |
| On-balance sheet interest<br>sensitivity gap                         | (423,567)                            | 181,379                                  | 238,943                                   | 194,067                            | 83,990                              | (684,430)                                     | 409,618                             | -                        |  |
| Off-balance sheet interest<br>sensitivity gap                        | -                                    | -  | -   | -                                  | -                                   | -   | -                                   | -                        |  |
| <b>Total interest sensitivity gap</b>                                | <b>(423,567)</b>                     | <b>181,379</b>                           | <b>238,943</b>                            | <b>194,067</b>                     | <b>83,990</b>                       | <b>(684,430)</b>                              | <b>409,618</b>                      | <b>-</b>                 |  |

# Other liabilities include other liabilities and amount owing to related companies as disclosed in the statement of financial position.

**ECM Libra Investment Bank Berhad  
(Incorporated in Malaysia)**

**40. Financial risk management objectives and policies (cont'd.)**

**Market Risk (cont'd.)**

(iii) Non-Traded Market Risk (cont'd.)

(a) Interest rate risk (cont'd.)

**Bank**

<-----Non-trading book----->

| As at 31 January 2010                           | Up to 1<br>month<br>RM '000 | > 1 - 3<br>months<br>RM '000 | > 3 - 12<br>months<br>RM '000 | 1 - 5<br>years<br>RM '000 | Over 5<br>years<br>RM '000 | Non-interest<br>sensitive<br>RM '000 | Trading<br>book<br>RM '000 | Total<br>RM '000 | Effective<br>interest<br>rate |
|---|-----------------------------|------------------------------|-------------------------------|---------------------------|----------------------------|--------------------------------------|----------------------------|------------------|-------------------------------|
| <b>Assets</b>                                   |                             |                              |                               |                           |                            |                                      |                            |                  |                               |
| Cash and short-term funds                       | 555,643                     | -                            | -                             | -                         | -                          | 33,066                               | -                          | 588,709          | 2.02%                         |
| Deposits with financial<br>institutions         | -                           | 50,167                       | 660                           | 43                        | -                          | -                                    | -                          | 50,870           | 2.07%                         |
| Securities held-for-trading                     | -                           | -                            | -                             | -                         | -                          | -                                    | 301,911                    | 301,911          | -                             |
| Securities available-for-sale                   | 70,000                      | 9,972                        | 130,118                       | 91,154                    | 42,708                     | -                                    | 131,872                    | 475,824          | 3.60%                         |
| Securities held-to-maturity                     | 30,000                      | 130,000                      | -                             | -                         | -                          | 2,200                                | -                          | 162,200          | 2.20%                         |
| Derivative financial assets                     | -                           | -                            | -                             | -                         | -                          | -                                    | 339                        | 339              | -                             |
| Loan, advances and financing<br>- Performing    | 260,626                     | 116                          | 49,451                        | 18,409                    | -                          | (5,117) *                            | -                          | 323,485          | 8.06%                         |
| Statutory deposits with Bank<br>Negara Malaysia | -                           | -                            | -                             | -                         | -                          | 4,073                                | -                          | 4,073            | -                             |
| Trade receivables                               | 7,296                       | -                            | -                             | -                         | -                          | 282,254                              | -                          | 289,550          | 9.00%                         |
| Other assets ^                                  | -                           | -                            | -                             | -                         | -                          | 112,085                              | -                          | 112,085          | -                             |
| <b>Total assets</b>                             | <b>923,565</b>              | <b>190,255</b>               | <b>180,229</b>                | <b>109,606</b>            | <b>42,708</b>              | <b>428,561</b>                       | <b>434,122</b>             | <b>2,309,046</b> |                               |

^ Other assets include other assets, property, plant and equipment, intangible assets, deferred tax assets as disclosed in the statement of financial

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

682-X

**ECM Libra Investment Bank Berhad  
(Incorporated in Malaysia)**

**40. Financial risk management objectives and policies (cont'd.)**

**Market Risk (cont'd.)**

(iii) Non-Traded Market Risk (cont'd.)

(a) Interest rate risk (cont'd.)

**Bank**

<-----Non-trading book----->

| <b>As at 31 January 2010</b>   | <b>Up to 1<br/>month<br/>RM '000</b> | <b>&gt; 1 - 3<br/>months<br/>RM '000</b> | <b>&gt; 3 - 12<br/>months<br/>RM '000</b> | <b>1 - 5<br/>years<br/>RM '000</b> | <b>Over 5<br/>years<br/>RM '000</b> | <b>Non-interest<br/>sensitive<br/>RM '000</b> | <b>Trading<br/>book<br/>RM '000</b> | <b>Total<br/>RM '000</b> | <b>Effective<br/>interest<br/>rate</b> |
|--|--------------------------------------|--|---|------------------------------------|-------------------------------------|---|-------------------------------------|--------------------------|--|
| <b>Liabilities and equity</b>  |                                      |  |   |                                    |                                     |   |                                     |                          |  |
| <b>Liabilities</b>   |                                      |  |   |                                    |                                     |   |                                     |                          |  |
| Deposits from customers  | 647,446                              | 197,311                                  | 150,448                                   | -                                  | -                                   | -   | -                                   | 995,205                  | 2.19%                                  |
| Deposits and placements of banks<br>and other financial institutions | 130,000                              | 100,646                                  | 20,000                                    | -                                  | -                                   | -   | -                                   | 250,646                  | 2.19%                                  |
| Trade payables   | -                                    | -  | -   | -                                  | -                                   | 366,331                                       | -                                   | 366,331                  | -                                      |
| Other liabilities #  | -                                    | -  | -   | -                                  | -                                   | 68,170  | -                                   | 68,170                   | -                                      |
| <b>Total liabilities</b>   | <b>777,446</b>                       | <b>297,957</b>                           | <b>170,448</b>                            | <b>-</b>                           | <b>-</b>                            | <b>434,501</b>                                | <b>-</b>                            | <b>1,680,352</b>         |  |
| Shareholder's equity   | -                                    | -  | -   | -                                  | -                                   | 628,694                                       | -                                   | 628,694                  | -                                      |
| <b>Total equity and liabilities</b>                                  | <b>777,446</b>                       | <b>297,957</b>                           | <b>170,448</b>                            | <b>-</b>                           | <b>-</b>                            | <b>1,063,195</b>                              | <b>-</b>                            | <b>2,309,046</b>         |  |
| On-balance sheet interest<br>sensitivity gap                         | 146,119                              | (107,702)                                | 9,781                                     | 109,606                            | 42,708                              | (634,634)                                     | 434,122                             | -                        |  |
| Off-balance sheet interest<br>sensitivity gap                        | -                                    | -  | -   | -                                  | -                                   | -   | -                                   | -                        |  |
| <b>Total interest sensitivity gap</b>                                | <b>146,119</b>                       | <b>(107,702)</b>                         | <b>9,781</b>                              | <b>109,606</b>                     | <b>42,708</b>                       | <b>(634,634)</b>                              | <b>434,122</b>                      | <b>-</b>                 |  |

# Other liabilities include other liabilities and amount owing to related companies as disclosed in the statement of financial position.

**ECM Libra Investment Bank Berhad  
(Incorporated in Malaysia)****40. Financial risk management objectives and policies (cont'd.)****Market Risk (cont'd.)****(a) Interest Rate Risk (cont'd.)**

The reported amounts do not take into account actions that would be taken by treasury operations or business units to mitigate the impact of this interest rate risk. In reality, treasury operations seek to proactively change the interest rate risk profile to minimise losses and maximise net revenues. The projection assumes that interest rates of all maturities move by the same amount and, therefore, do not reflect the potential impact on the net interest income ("NII") and economic value of equity ("EVE") of some rates changing while others remain unchanged. The projection also assume a constant balance sheet position and that all positions run to maturity.

**Liquidity and Funding Risk**

Liquidity risk is the risk that the Group is unable to maintain sufficient liquid assets to meet their financial commitments and obligations when they fall due or securing the funding requirements at excessive cost. Funding risk is the risk that the Group does not have sufficiently stable and diverse sources of funding or the funding structure is inefficient.

**Risk Governance**

The BRMC supported by the ALCO is the primary party responsible for liquidity management based on guidelines. Liquidity policies and frameworks are reviewed by the GRMD and approved by the BRMC prior to implementation.

**Risk Management Approach**

Liquidity risk management is aligned with the New Liquidity Framework issued by Bank Negara Malaysia ("BNM"), and is measured and is managed on a projected cash flow basis. In addition to ensuring the compliance with the New Liquidity Framework, the Group maintains a liquidity compliance buffer to meet any unexpected cash outflows.

The day-to-day funding management is undertaken by the treasury operations and this includes the maintenance of a portfolio of highly liquid assets that can be easily liquidated as protection against any unforeseen interruption to cash flow and the replenishment of funds as they matured or are borrowed by customers. The Group holds a sizeable balance of Malaysian Government Securities amounting to RM71.0 million of its portfolio of securities.

**ECM Libra Investment Bank Berhad  
(Incorporated in Malaysia)****40. Financial risk management objectives and policies (cont'd.)****Liquidity and Funding Risk (cont'd.)**Risk Management Approach (cont'd.)

The Group's liquidity and funding position are supported by the Group's significant customer deposit base, accompanied by funding from wholesale markets. The Group's retail deposit base comprises short term and fixed deposits. The Group's reputation, earnings generation capacity, financial and capital strength including offering of competitive deposit rates are core attributes to preserve depositors' confidence and ensure liquidity. The Group accesses the wholesale markets through the issuance of certificate of deposits and the taking of money market deposits to meet short-term obligations and to maintain its presence in the local money markets.

The primary tools for monitoring liquidity is the maturity mismatch analysis, assessment on the concentration of funding, the availability of unencumbered assets and the use of market-wide information to identify possible liquidity problems. Liquidity positions are reported to the BRMC on a quarterly basis and in Ringgit Malaysia.

Contingency funding plans are in place to identify early warning signals of a liquidity problem. The contingency funding plans also set out the crisis escalation process as well as the various strategies to be employed to preserve liquidity including an orderly communication channel during a liquidity problem. A liquidity stress test programme is in place to ensure liquidity stress tests are systematically performed to determine the cash flow mismatches under the "Bank Specific Liquidity Crisis" and "General Market Liquidity Crisis" scenarios and the possible source of funding to meet the shortfalls during a liquidity crisis.

**ECM Libra Investment Bank Berhad  
(Incorporated in Malaysia)**

**40. Financial risk management objectives and policies (cont'd.)**

**Liquidity and Funding Risk (cont'd.)**

Risk Management Approach (cont'd.)

(a) Maturity analysis of financial liabilities and off-balance sheet commitments on an undiscounted basis

The following tables show the contractual undiscounted cash flows payable for financial liabilities and off-balance sheet commitments by remaining contractual maturities. The financial liabilities in the tables below will not agree to the balances reported in the statements of financial position as the tables incorporate all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows.

| <b>Group<br/>2011</b>                                    | <b>Up to<br/>7 Days<br/>RM'000</b> | <b>&gt; 7 Days -<br/>1 Month<br/>RM'000</b> | <b>&gt; 1 - 3<br/>Months<br/>RM'000</b> | <b>&gt; 3 - 6<br/>Months<br/>RM'000</b> | <b>&gt; 6 - 12<br/>Months<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|--|------------------------------------|---|---|---|--|-------------------------|
| Deposits from customers                                  | 350,393                            | 535,109                                     | 223,740                                 | 182,841                                 | 124,001                                  | 1,416,084               |
| Deposits from banks                                      | 15,362                             | 82,236                                      | 146,743                                 | -                                       | 37,978                                   | 282,319                 |
| <b>Total Liabilities</b>                                 | <b>365,755</b>                     | <b>617,345</b>                              | <b>370,483</b>                          | <b>182,841</b>                          | <b>161,979</b>                           | <b>1,698,403</b>        |
| Loan commitments   | 269,373                            | 20,000                                      | 9,050                                   | 18,770                                  | -  | 317,193                 |
| <b>Total off-balance sheet items</b>                     | <b>269,373</b>                     | <b>20,000</b>                               | <b>9,050</b>                            | <b>18,770</b>                           | <b>-</b>                                 | <b>317,193</b>          |
| <b>Total Liabilities and<br/>Off-balance Sheet Items</b> | <b>635,128</b>                     | <b>637,345</b>                              | <b>379,533</b>                          | <b>201,611</b>                          | <b>161,979</b>                           | <b>2,015,596</b>        |

**ECM Libra Investment Bank Berhad  
(Incorporated in Malaysia)**

**40. Financial risk management objectives and policies (cont'd.)**

**Liquidity and Funding Risk(cont'd.)**

Risk Management Approach (cont'd.)

(a) Maturity analysis of financial liabilities and off-balance sheet commitments on an undiscounted basis (cont'd.)

| <b>Bank<br/>2011</b>                                     | <b>Up to<br/>7 Days<br/>RM'000</b> | <b>&gt; 7 Days -<br/>1 Month<br/>RM'000</b> | <b>&gt; 1 - 3<br/>Months<br/>RM'000</b> | <b>&gt; 3 - 6<br/>Months<br/>RM'000</b> | <b>&gt; 6 - 12<br/>Months<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|--|------------------------------------|---|---|---|--|-------------------------|
| Deposits from customers                                  | 350,580                            | 535,109                                     | 223,740                                 | 182,841                                 | 124,002                                  | 1,416,272               |
| Deposits from banks                                      | 15,362                             | 82,236                                      | 146,743                                 | -                                       | 37,978                                   | 282,319                 |
| <b>Total Liabilities</b>                                 | <b>365,942</b>                     | <b>617,345</b>                              | <b>370,483</b>                          | <b>182,841</b>                          | <b>161,980</b>                           | <b>1,698,591</b>        |
| Loan commitments   | 269,373                            | 20,000                                      | 9,050                                   | 18,770                                  | -  | 317,193                 |
| <b>Total off-balance sheet items</b>                     | <b>269,373</b>                     | <b>20,000</b>                               | <b>9,050</b>                            | <b>18,770</b>                           | <b>-</b>                                 | <b>317,193</b>          |
| <b>Total Liabilities and<br/>Off-balance Sheet Items</b> | <b>635,315</b>                     | <b>637,345</b>                              | <b>379,533</b>                          | <b>201,611</b>                          | <b>161,980</b>                           | <b>2,015,784</b>        |

**ECM Libra Investment Bank Berhad  
(Incorporated in Malaysia)**

**40. Financial risk management objectives and policies (cont'd.)**

**Operational Risk**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This risk is managed by the Group in accordance with the Group's operational risk management framework with established operational risk management processes. To manage and control operational risk, the Group places great emphasis on the importance of proper monitoring and reporting of business units' adherence to established risk policies, procedures and limits by independent control and support units, oversight provided by the management and the Board of Directors, and independent assessment of the adequacy and reliability of the risk management processes by the BRMC.

The Group's operational risk management processes include establishment of system of internal controls, identification and assessment of operational risk inherent in new and existing products, processes and systems, regular disaster recovery and business continuity planning and simulations and self-assessment audit.

**41. Fair value of financial assets and liabilities**

The carrying amounts of financial assets and liabilities of the Group and of the Bank at the balance sheet date approximated their fair values.

The methods and assumptions used by management to determine fair values of financial instruments other than those whose carrying amounts reasonably approximate their fair values are as follows:

**(i) Securities held-for-trading, securities available-for-sale and securities held-to-maturity**

The estimated fair values are generally based on quoted and observable market prices. Where such quoted or observable market prices are not available, the fair values are estimated using pricing models, discounted cash flow techniques or net tangible asset backing of the investee where applicable. Where the discounted cash flow technique is used, the expected future cash flows are discounted using market interest rates for similar instruments.

**(ii) Cash and cash equivalents, trade, loan and other receivables, trade and other payables, deposits from customers and deposits and placements of banks and other financial institutions**

The carrying amounts approximate fair value because of the short maturity of these instruments.

**42. Prior year adjustments**

The Group restated the opening balances of previous year's opening retained profits to adjust the carrying amount of its other liabilities of prior years. The adjustment was made to reverse provisions made in the past after it is confirmed that they are no longer required.