The Group firmly believes that integrity, excellence and commitment in its people, supported by a sound system of policies, practices and internal controls will help create long-term value for our Shareholders.

Corporate Governance

BOARD OF DIRECTORS

The Directors and Management of AmInvestment Group Berhad are committed to foster a corporate culture that emphasises good corporate governance. The Group acknowledges the importance of ensuring that the principles and best practices in corporate governance are applied consistently throughout the Group.

AmInvestment Group Berhad (AIGB) has complied with the Best Practices in Corporate Governance as set out in Part 2 of the Malaysian Code on Corporate Governance.

The Board's commitment is reflected in the conduct of regular Board meetings, the incorporation of various systems and processes to achieve an overall risk awareness culture and the establishment of relevant Board Committees, among others, to drive the Group towards achieving its overall mission, ***"To Be the Premier Investment Banking Group, Dynamic and Leading the Wave of Change"***.

Principle 1: Board's Conduct of Affairs

Our Shareholders depend on the Company's Board for strategic guidance and oversight of the Group's operations. The Board recognises its overriding responsibility to act diligently and progressively, in accordance with the law, in serving the interests of Shareholders, as well as its employees, customers and the community at large.

The roles and responsibilities of the Board include:

- Reviewing and approving the strategic business plans of the Group as a whole and that of the individual operating units. This encompasses the annual budget, medium term corporate plan, new investments/divestments as well as mergers and acquisitions.
- Overseeing the conduct of the business to ascertain its proper management including setting clear objectives and policies within which senior executives are to operate.
- Identifying and approving policies pertaining to the management of all risk categories including but not limited to credit, market, liquidity, operational, legal and reputational risks.
- Reviewing the adequacy and the integrity of internal controls and management information systems, including systems for compliance with applicable laws, rules, regulations, directives and guidelines.
- Serving as the ultimate approving authority for all significant financial expenditure.

Principle 2: Chairman and Managing Director

As AIGB is an investment holding company, it does not have a Chief Executive Officer. There is a clear division of responsibilities between the Chairman and the Chief Executive Officers of the major subsidiaries of the Company, to preserve the balance of power and authority. These two roles remain separate and distinct.

The Chairman is non-independent and non-executive. The Chairman plays an important leadership role within the Group and is involved in:

- Chairing the meetings of Shareholders and the Board;
- Monitoring the performance of the Board and the mix of skills and effectiveness of their individual contributions with the assistance of the Nomination Committee; and
- Maintaining ongoing dialogues with the Chief Executive Officers of the various major subsidiary companies and providing appropriate mentoring and guidance.

The Board delegates to the Managing Directors of the major subsidiaries, and through them and subject to their oversight, to other Senior Management, the authority and responsibility for managing the everyday affairs of the Group.

The Board monitors the Management and performance of the Managing Directors on behalf of the Shareholders.

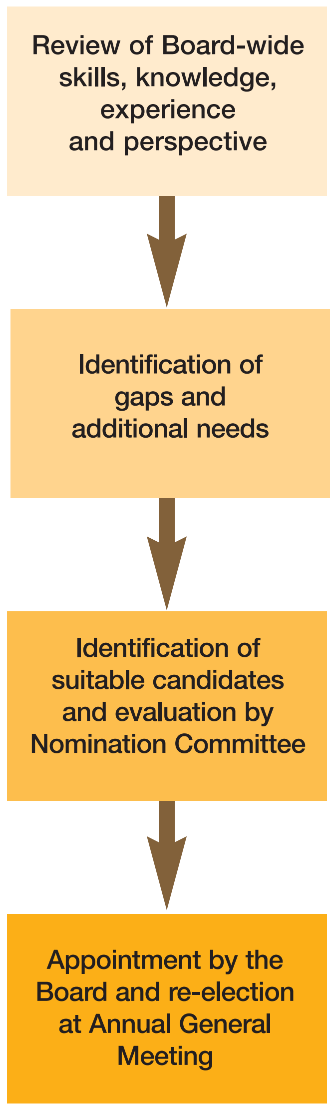
Good corporate governance not only embodies compliance to statutory requirements, but also creates the environment in which fairness, transparency, accountability and responsibility combine to foster integrity and professional conduct at every level of our organisation.

Principle 3: Board Composition, Selection and Appointment

The Board strives to achieve a balance of skills, knowledge, experience and perspective among its Directors.

The Board currently comprises eight (8) Directors of which four (4) are Independent Non-Executive Directors, providing a healthy Board balance.

SELECTION OF DIRECTORS



Appointment and Resignation
Y Bhg Prof Tan Sri Dato' Dr Mohd Rashdan Haji Baba recently retired as Independent Non-Executive Director of the Company and AmMerchant Bank. The Group has been fortunate in having an Independent Director of Prof Tan Sri Dato' Dr Mohd Rashdan's calibre for almost a decade, who has contributed significantly to the Group's success.

The Group welcomes the addition of a new Board member, Y Bhg Dato' Gan Nyap Liou, who has been appointed as a Director of the Company and AmMerchant Bank with effect from 15 June 2006.

Principle 4: Board Performance

Board Independence
The Independent Non-Executive Directors are from varied business backgrounds, and their experience enables them to exercise independent judgement and objective participation in the proceedings and decision-making processes of the Board.

The Directors participate fully in decision-making on key issues regarding the Company and its subsidiaries. The views of Independent Non-Executive Directors carry substantial weight in Board decisions. They fulfill their roles in ensuring that strategies proposed by the Management are fully discussed and examined as well as ensuring that the interest of Shareholders and Stakeholders of the Company are properly safeguarded.

Independence
The Board applies the criteria as specified under the Bursa Malaysia Listing Requirements to establish whether or not a Non-Executive Director may have a relationship with the AmInvestment Group of companies which could (or could be perceived to) affect their decision-making.

Senior Independent Non-Executive Director
In line with the recommendations stipulated in Part 2 of the Code on Corporate Governance, the Board has appointed Y Bhg Tan Sri Datuk Dr Aris Osman as the Senior Independent Non-Executive Director to whom any concerns on issues affecting the AmInvestment Group of companies may be conveyed.

Election at Next Annual General Meeting
The Company's Articles of Association permits the Board to appoint a person to be a Director of the Company at any time, but the person must seek election by Shareholders at the next Annual General Meeting.

Tenure
The Articles of Association provides that each Director must retire at least once in every three years at the Annual General Meeting, but are eligible for re-election.

Formalisation of Rights, Duties and Obligations
Once a Director is appointed, there are several key elements relating to the formalisation including:

- *Directors Code of Conduct*
  This code sets out that Directors will pursue the highest standards of ethical conduct.

- *Director's Deed*
  The Deed covers a number of issues including indemnity, Directors' and officers' liability insurance, the right to obtain independent advice and the requirements concerning confidential information.

- *Induction Training*
  New Directors take part in a formal induction programme which ensures that Directors meet with the AmInvestment Group executives and other key staff members and to familiarise themselves with the Group's governance framework, financial management and business operations.

  Each new Director receives a set of notes outlining the Director's responsibilities, terms of reference of the various Board Committees and regulatory guidelines. It also sets out details of scheduled Board and Committee meetings.

Selected Training Programmes Attended by Directors

Course Title/Trainer	Date Organised
Executive Workshop on Risk Management *(Dr Heinz Riehl via IBBM)*	18 July 2005
Executive Briefing on New Financial Reporting Standard *(Trainers from Ernst & Young)*	4 Jan 2006
Executive Workshop on Anti-Money Laundering and Corporate Fraud *(Mr Tan Sin Liang)*	18 Jan 2006
Executive Briefing on Islamic Banking *(Trainers from IIUM)*	18 April 2006

Board members are also encouraged to participate in seminars and conferences and continuous education programmes to keep abreast with the current developments in the investment banking industry. Arrangements are also made for them to attend the programmes organised by the Group's Organisational Development Department.

During the year, the Directors attended training courses related to corporate risk, management strategies and developments in the industry.

Performance Evaluation
Performance evaluations are conducted by the Nomination Committee and cover the Board, each Director and the Board Committees.

The framework used to assess the Directors is based on the expectation that they are performing their duties in a manner which should create and continue to build sustainable value for Shareholders and in accordance with duties and obligations imposed upon them under the law and guidelines issued by the regulatory authorities.

Principle 5: Access to Directors

The Management is able to consult the Directors as required on a regular basis. Management and Shareholders have access to Directors through the Chairman, Senior Independent Director and the Group Company Secretary.

Principle 6: Access to Information

All Directors have unrestricted access to information within the Group. The advice and services of the Group Company Secretary are readily available to the Board in matters of law, governance and compliance with statutory duties.

In order to assist the Directors in fulfilling their responsibilities, each Director has the right (with the prior approval of the Chairman) to seek independent professional advice regarding their responsibilities at the expense of the Group. In addition, the Board and each Committee, at the expense of the Group, may obtain professional advice they require to assist them in their work.

Board meetings are held monthly, wherein Board reports are circulated prior to the meetings, allowing the Directors to review further information that may be required. Additional Board meetings are convened whenever necessary. The Senior Management team of the subsidiaries are invited to attend Board Meetings to provide presentations and detailed explanations on matters that have been tabled.

Thirteen (13) Board Meetings were held during FY2006. The attendance of Board members at the meetings of the Board and the various Board Committees is summarised in the Table.

Group Company Secretary
The Group Company Secretary is in attendance at all Board meetings. He has been empowered by the Board to assist the Board in matters of law, governance and in complying with statutory duties, including compliance with the Bursa Malaysia Listing requirements.

Principle 7: Board Committees

The Board delegates certain responsibilities to the Board Committees. The Committees that assist the Board are as follows:

1. Nomination Committee
2. Remuneration Committee
3. Audit & Examination Committee
4. Risk Management Committee

The majority of the members of these four main Committees are Independent Directors. Committee performance is reviewed annually. Membership criteria are based on a Director's skills and experience, as well as his ability to add value to the Committee.

The Group Managing Director, the Chief Executive Officers and other Senior Management staff of the Group are invited to attend the relevant Committee meetings.

The Nomination Committee

- The Committee comprises the Chairman of the Company, a Non-Independent Non-Executive Director and three other Independent Non-Executive Directors of the Board.
- The Nomination Committee met three (3) times during FY2006.

The Committee is responsible for regularly reviewing the Board's structure, size and composition, as well as making recommendations to the Board on any changes that are deemed necessary. It reviews the performance of the Board, Committees and Directors. It also recommends the appointment of Directors to Committees of the Board as well as annually reviews the mix of skills, experience and competencies that Non-Executive Directors should bring to the Board.

With the growing complexities and challenges facing our industry, the Board plays a key role in setting the direction of the Group.

The attendance of Board members at the meetings of the Board and of the various Board Committees held during FY2006

	Board of Directors	Nomination Committee	Audit & Examination Committee	Remuneration Committee**
Y Bhg Tan Sri Dato' Azman Hashim	13/13 *(Chairman)*	1/1* *(Member effective 1 December 2005)*	N/A	N/A
Y Bhg Tan Sri Datuk Dr Aris Osman @ Othman	10/13	1/1* *(Member effective 1 December 2005, Committee Chairman)*	1/1* *(Member effective 1 December 2005, Committee Chairman)*	*(Member effective 11 March 2005)*
Y Bhg Tan Sri Datuk Clifford Francis Herbert	13/13	3/3	N/A	N/A
Y Bhg Dato' Izham Mahmud	13/13	1/1 *(Member effective 1 December 2005)*	4/4	*(Member effective 11 March 2005, Committee Chairman)*
Mr Cheah Tek Kuang	13/13	3/3	N/A	*(Member effective 1 December 2005)*
Mr Kok Tuck Cheong	12/13	N/A	N/A	N/A
Ms Pushpa Rajadurai	13/13	N/A	4/4	N/A
Y Bhg Prof Tan Sri Dato' Dr Mohd Rashdan Hj Baba *(Resigned w.e.f 30 September 2005)*	7/7*	1/1*	2/2*	N/A
Y Bhg Dato' Larry Gan Nyap Liou @ Gan Nyap Liow***	N/A	N/A	N/A	N/A

Notes:
* *Reflects the number of meetings held during the period the Director was appointed.*
** *As the Company is an investment holding company, there were no Remuneration Committee meetings held from April 2005 to March 2006. The operating subsidiary, AmMerchant Bank Berhad held three (3) meetings.*
*** *Appointed w.e.f on 15 June 2006 after financial year end.*

Principle 8: Procedures for Developing Remuneration Policies

The Remuneration Committee
All members of the Remuneration Committee are Non-Executive Directors.

The Committee is responsible for determining and recommending to the Board the framework for the remuneration of Directors.

Principle 9: Level and Mix of Remuneration

Directors' Remuneration
The Directors' remuneration is designed to ensure that the Group continues to attract and retain Directors with appropriate skills and experience to manage the Group successfully. The Board determines the remuneration of Non-Executive Directors of the Group with the interested Directors abstaining from discussions and vote with respect to their remuneration.

Principle 10: Risk Management

Risk Management Committee of Directors (RMCD)
As the Company is an investment holding company, the Risk Management Committee of Directors is established as Committees of the Boards of AmMerchant Bank Berhad and AmSecurities Sdn Bhd.

The Risk Management Committee comprising Non-Executive Directors is responsible for the review of risks in all aspects of the Group's investment banking business.

It is responsible for overseeing, monitoring and reviewing the Group's risk management, principles and policies, strategies, processes and controls, including credit, market, balance sheet operational risk and compliance. The Committee ensures that timely actions are taken in response to emerging risk issues.

The Risk Management Committee of Directors held the following number of meetings during FY2006:

Subsidiary	Number of RMCD Meetings Held
AmMerchant Bank Berhad	11
AmSecurities Sdn Bhd	3

Principle 11: Accountability

The Audit and Examination Committee
The Audit and Examination Committee (AEC) is responsible for the oversight and monitoring of:

- The Group's financial reporting accounting policies and controls;
- The work of the Group's Internal Audit;
- Compliance with regulatory requirements; and
- The appointment, evaluation and oversight of the external auditor.

It is the Board's policy that at least one member of the Committee shall have accounting/finance experience. The AEC meets regularly with the external auditors and the Group Internal Audit.

During the year, the number of meetings held by the AEC is as follows:

Subsidiary	Number of AEC Meetings Held
AmMerchant Bank Berhad	8
AmSecurities Sdn Bhd	4

Principle 12: Financial Controls

Statement on Internal Control

Responsibility Statement

The Board of Directors is responsible for the Group's system of internal control and its effectiveness, which is designed to ensure effective and efficient operations, internal control, including financial reporting and compliance with laws and regulations.

In establishing and reviewing the system of internal control, the Directors have considered the materiality of relevant risks, the likelihood of such a loss being incurred and the cost of control. Therefore, it follows that the system of internal control can only provide reasonable but not absolute assurance against the risk of material loss.

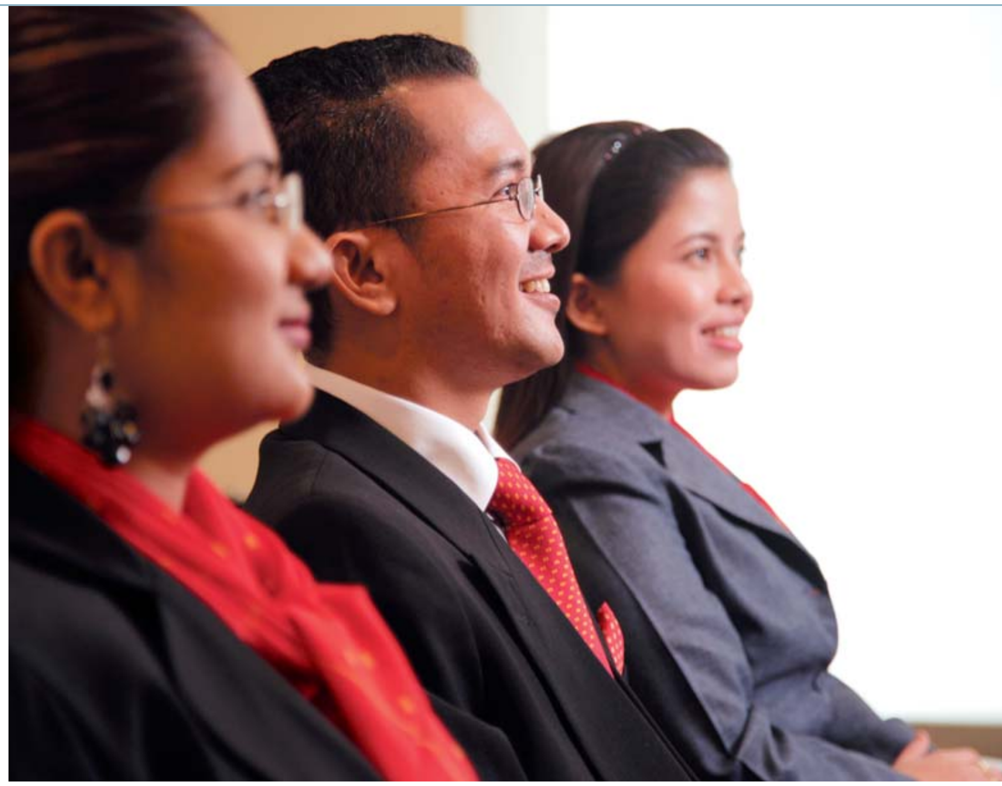
Management of Information

The Group is in strict adherence with the disclosure requirements of Bursa Malaysia as well as with relevant requirements of the Securities Industry Act, 1983. The Group's Code of Ethics and internal control procedures incorporates a policy on confidentiality of material information and corporate disclosures.

Internal Control Environment and Key Processes

The Group has adopted a co-ordinated and formalised approach to internal control and risk management. The AEC of the Board oversees the Group's financial statements and the work of the Group's Internal Audit Department.

The Group Internal Audit provides assurance that the design and operation of the risk and control framework across the Group is effective.



Audit and Examination Committee Report

Terms of Reference

The functions of the Committee are as follows:

(a) To provide assistance and to review and report to the Board in relation to:

i) Fulfilling the statutory and fiduciary responsibilities of the Company/Group; and

ii) Monitoring of the accounting and financial reporting practices of the Company/Group;

(b) To determine that the Company/Group has adequate established policies, procedures and guidelines, operating and internal controls, and that they are being complied with and are operating effectively in promoting efficiency and proper conduct and protecting the assets of the Company/Group;

(c) To serve as an independent and objective party in the review of the financial information of the Company/Group that is presented by Management to the Board and Shareholders;

(d) To review the quarterly results and year-end financial statements of the Company/Group and to ensure compliance with accounting standards and legal requirements;

(e) To review and approve the scope of audits, audit plans and audit reports of both the external and internal auditors;

(f) To evaluate the adequacy and effectiveness of the Management control systems of the Company/Group through the review of the reports of both the external and internal auditors that highlight internal accounting, organisational and operating control weaknesses and to determine that appropriate corrective actions are being taken by the Management;

(g) To ensure the adequacy of the scope, functions and resources of the internal audit functions and that they have the necessary authority to carry out their work;

(h) To ensure through discussions with the external and internal auditors, that no restrictions are being placed by Management and employees on the scope of their examinations;

(i) To direct and supervise any special project or investigation considered necessary;

(j) To prepare, when necessary, periodic reports to the Board summarising the work performed in fulfilling the Committee's primary responsibilities;

(k) To review any related party transactions and conflict of interest situations that may arise within the Company/Group including any transaction, procedure or course of conduct that raises questions of management integrity; and

(l) To review the annual appointment of external auditors, or letter of resignation from external auditors, to negotiate and approve the annual audit fees and/or special audit fees, and evaluate basis of billings therewith.

Summary of Key Activities

The following is a summary of the main activities carried out by the Committees during the year:

Internal Audit

- Reviewed and approved the Internal Audit Department's annual audit plan, including its resource and training needs.
- Reviewed the Internal Audit Department's methodology in assessing the risk levels of the various auditable areas and ensured that audit emphasis was given on critical risk areas.
- Monitored the progress of the Internal Audit Department in completing its audit plan and assessed the performance of the Department.
- Reviewed the adequacy and effectiveness of the system of controls, reporting and risk management to ensure there is a systematic methodology in identifying, assessing and mitigating risk areas.
- Reviewed reports of the Internal Audit Department (including internal investigations, Bank Negara Malaysia, external auditors and other external parties) and considered Management's

response and accordingly directed Management to take the necessary remedial action. The Committee also followed-up on major issues raised in the reports.

External Audit

- Reviewed the appointment of the external auditors and their independence and effectiveness.
- Reviewed their audit plan, annual audit fees and scope of work for audit and non-audit assignments.
- Reviewed the external auditor's results and report as well as the Management's consequent responses to the findings of the external auditors.

Financial Results

- Reviewed the quarterly results and financial statements of the Group before recommending them for approval to the Board of Directors.
- Reviewed the annual audited financial statements of the Group with the external auditors prior to submission to the Board for approval.
- Compliance with the following regulations was ensured:
  - Provisions of the Companies Act 1965 and the Banking and Financial Institutions Act 1989
  - The Listing requirements of Bursa Malaysia
  - Applicable accounting standards in Malaysia
  - Other relevant regulatory requirements

Related Party Transactions

- Reviewed related party transactions and the adequacy of the Group's procedures in identifying, monitoring, reporting and reviewing related party transactions.

Principle 13: Internal Audit

Internal Audit Function

The Internal Audit function operates under a charter from the AEC that gives it unrestricted access to review all activities of the Group. The Head of the Group Internal Audit reports to the AEC.

The AEC approves the annual audit work plan, and a risk-based audit approach is used to ensure that the higher risk activities in each business unit are audited each year. All audits are conducted in a manner that conforms to international auditing standards.

The audit function covers all major business groups and consists of five (5) main categories of work:

The Group Internal Audit Department plays an active role in ensuring compliance with the requirements of supervisory regulatory authorities. The Department also works collaboratively with the external auditor to ensure a comprehensive audit scope.

There is a robust process for ensuring prompt resolution of audit issues, which includes monthly reviews of progress by the Chairman of the AEC. The AEC also receives formal reports on significant issues until satisfactory action has been taken.

Planned audits	Systems development life-cycle review of major IT infrastructure projects	Special focus reviews	Mandatory audits	Ad-hoc reviews and special assignments
1	2	3	4	5

Among others, the audit plan covers reviews of the adequacy of the following:

- Risk management
- Quality of assets
- Operational controls
- Financial controls
- Customer service
- Compliance with laws and regulations
- Management efficiency
- Lending practices
- Information technology
- Data centres and network security

External Audit

Messrs. Ernst & Young (E & Y) is the Company's external statutory auditor and the auditor of its consolidated accounts for the preparation of this annual report. The external auditor performs independent audits in accordance with the Malaysian Accounting Standards, and reports directly to the AEC. The AEC also:

- Pre-approves all audit and non-audit services;
- Regularly reviews the independence of the external auditor; and
- Evaluates the effectiveness of the external auditor.

They are elected by the Shareholders of the Company annually.

Non-Audit Services
The external auditor may not provide services that are perceived to be in conflict with the role of the auditor. These include consulting advice and sub-contracting of operational activities normally undertaken by management, and engagements where the auditor may ultimately be required to express an opinion on its own work.

Specifically the policy:

- Limits the non-audit service that may be provided; and
- Requires that audit and permitted non-audit services must be pre-approved by the Audit Committee;

The AEC has reviewed the summary of the non-audit services provided by the external auditor in FY2006 and has confirmed that the provision of services is compatible with the general standard of independence for auditors.

Audit Fees
The total of the statutory and non-statutory audit fees for the AHB Group (excluding expenses and service tax) charged by E & Y in the financial year ended 31 March 2006 amounted to RM0.36 million.

Non-Audit Services Fees
Non-audit fees charged by E & Y for the financial year ended 31 March 2006 (excluding expenses and service tax) amounted to RM0.14 million.

The non-audit fees are primarily related to the review of capital raising circulars in respect of the subordinated bonds raised by AmMerchant Bank.

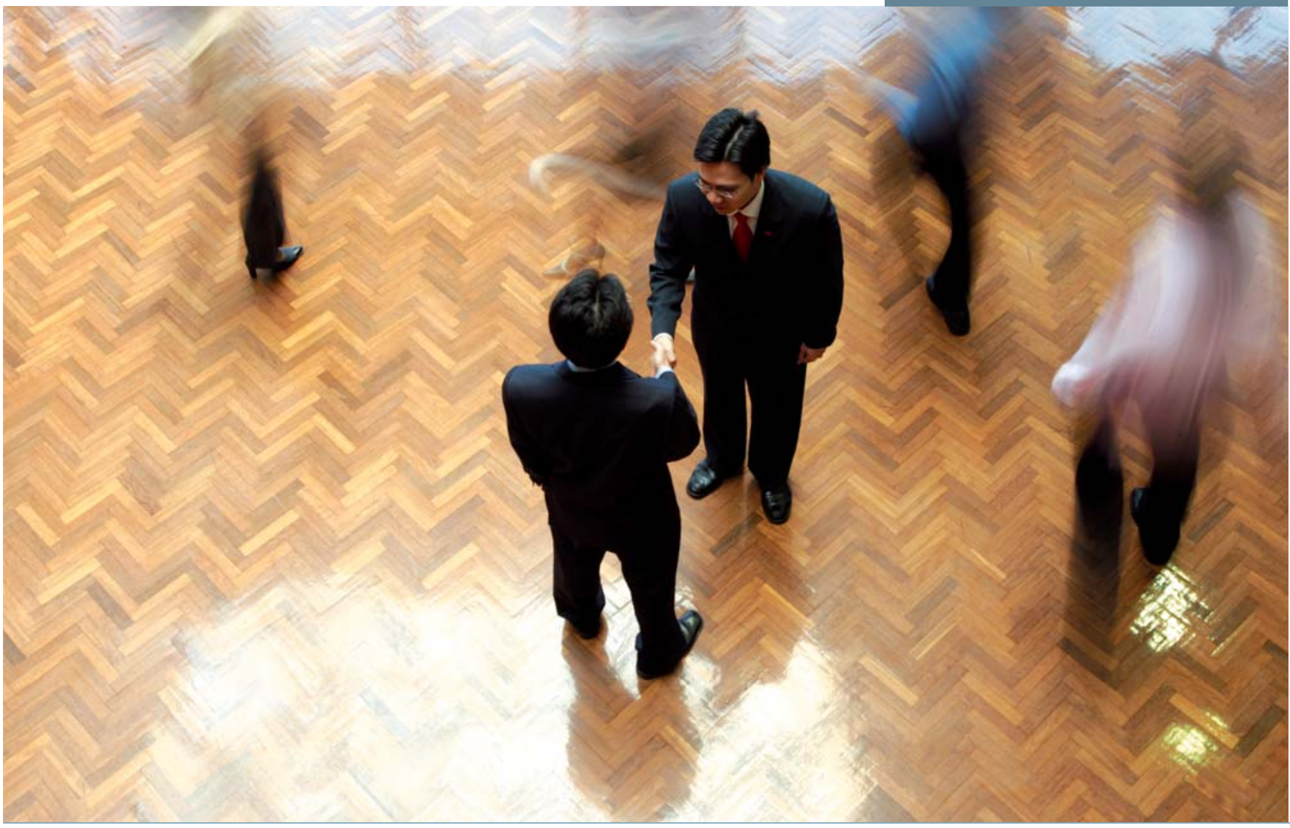
Responsibility Statement
The Board of Directors is required by the Companies Act, 1965, to prepare financial statements for each financial year which give a true and fair view of the Group and its state of affairs, results and cash flows at the end of the financial year.

Following discussions with the auditors, the Directors consider that:

- The appropriate accounting policies are consistently applied and supported by reasonable and prudent judgments, and that all accounting standards which they consider applicable have been followed during the preparation of the financial statements.
- The Group keeps accounting records which are disclosed with reasonable accuracy; and
- The financial statements comply with the Companies Act 1965.

The Board and Board Committees also have the general responsibility for taking such steps to safeguard the assets of the Group, and to detect and prevent fraud as well as other irregularities.

The Group is committed to ensuring it has appropriate policies and agreed practices to guide its actions.



Principle 14: Communication with Shareholders

Reaching Out To Shareholders and Investors

The Group believes in prompt disclosure to its Shareholders and investors of all price sensitive information to Shareholders as required under Bursa's Listing Rules in a timely manner. As part of the Group's active investor relations programmes to discuss long-term issues and obtain feedback, the Chairman, Directors and Management Personnel of the Group have always looked forward to holding discussions with analysts and Shareholders.

Communication with Shareholders

- The Board members attend the AGMs and EGMs where Shareholders present are given an informative review of corporate proposals, and the Group's financial performance for the year as well as prospects going forward.
- Shareholders are given an opportunity to raise questions or seek clarification from the Board on issues pertaining to resolutions to be passed. Shareholders have the right to vote on various resolutions related to company matters. If Shareholders are unable to attend a meeting, they can submit their proxies via post. External auditors are also present to assist the Directors in answering questions from Shareholders. The auditor can respond on any business item that concerns them in their capacity as auditor.
- Timely announcements are made to the public with regard to the Company's corporate proposals, financial results and other required announcements. Corporate and financial information on the AmBank Group is also made available to Shareholders and the general public through the AmBank Group website at ambg.com.my, which is updated regularly.

Alternatively, they may also obtain the Group's latest announcements via the Bursa Malaysia's website at http://announcements.bursamalaysia.com.

Senior Management personnel responsible for Investor Relations activities:

1. Mr Cheah Tek Kuang, Group Managing Director
2. Ms Amarjeet Kaur, Director, Group Corporate Services

During the year, the Company held investor briefings with its major institutional investors in Kuala Lumpur, Europe, United States, United Kingdom, Singapore, and Hong Kong to ensure that the investing community receive a balanced and complete view of the Group's performance and highlights of the business.

Investor Relations Calendar

2006

26 June 2006

CLSA
ASEAN Access Day
Singapore

6-8 June 2006

Merrill Lynch
The 10th Annual Global Emerging Markets One-On-One Forum
California, USA

10-12 May 2006

Citigroup
Financial Conference 2006
Singapore & Hong Kong

26 January 2006

BNP Paribas
Malaysia Corporate Day
Singapore

12-13 January 2006

Deutsche Bank
Annual Corporate Malaysia Conference
Singapore

2005

10-14 October 2005

Merrill Lynch
Merrill Lynch 8th AsiaPac Financial Services Investor Forum
London

27-28 June 2005

Citigroup
Citigroup Asean Corporate Days (Financial Institutions Investor Conference)
London & New York

7-9 June 2005

Merill Lynch
Global Emerging Markets One on One Investor Forum
California, USA

16-17 May 2005

Citigroup
Invitation to Financial Institutions Investor Conference
Singapore & Hong Kong

18-19 April

ABN Amro Asia Equity Research (M) Sdn Bhd
ABN Amro Malaysia Conference
Boston & New York

22-24 March 2005

CIMB
Invest Malaysia 2005
Kuala Lumpur

In maintaining our position as Malaysia's leading investment banking group, we constantly strive to be innovative in an industry that demands new and creative solutions for a diversified clientele.

Compliance with Bursa Malaysia Listing Requirements

Other Bursa Malaysia Compliance Information

1. Share Buy-back

The Company has not purchased any of its own shares during FY2006 and the preceding financial year.

2. Material Contracts

There were no material contracts (not being a contract entered into in the ordinary course of business) entered into by the Group which involved directors and shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year.

3. American Depository Receipt (ADR) or Global Depository Receipt (GDR)

The Company has not sponsored any ADR or GDR programme for the financial year ended 31 March 2006.

4. Sanctions and/or Penalties

There were no sanctions and/or penalties imposed on the Company, directors or management by the relevant regulatory bodies during the financial year.

5. Profit Guarantees

During the financial year, there were no profit guarantees given by the Company.

6. Revaluation Policy

The Company has not revalued its landed properties and therefore has not adopted any revaluation policy at the date of this report.

7. Utilisation of Proceeds Raised from Corporate Proposals

During the financial year, the fund raising exercises undertaken by the Company and its subsidiary are as follows:

(a) The proceeds totalling RM294.781 million from the listing of the Company involving, inter alia, the issue of 210,558,000 shares by the Company at the issue price of RM1.40 per ordinary share were utilised as given in Table 1.

(b) On 30 October 2005, AmMerchant Bank Berhad issued RM200.0 million Subordinated Tier 2 Bonds, which qualifies as part of the capital funds, for the purpose of redeeming the Negotiable Subordinated Certificates of Deposit (NSCD) in part and to defray issuance expenses for the issue. This is illustrated in Table 2.

8. Options, Warrants or Convertible Securities

There were no warrants outstanding as at 31 March 2006.

Table 1: Utilisation of the Proceeds by AIGB

Description	Approved Utilisation (RM'000)	Actual Utilisation (RM'000)
Settlement of cash payment due to AMMB Holdings Berhad pursuant to the transfer of 100% of AmSecurities Holding Sdn Bhd to the Company	214,400	214,400
Payment of estimated listing expenses	9,000	4,200
Working capital	71,381	76,181[1]
Total proceeds	294,781	294,781

Note:

[1] *RM50.0 million of the proceeds allocated as working capital of AIGB was injected as share capital in AmMerchant Bank Berhad on 31 May 2005. The balance of RM26.2 million was allocated for utilisation as general working capital for the Group's operations.*

Table 2: Utilisation of Proceeds by AmMerchant Bank Berhad

Description	Utilisation (RM'000)
Part redemption of NSCD	199,335
Payment of issuance expenses	665
Total proceeds	**200,000**

9. Variation in Results

There was no profit forecast, projection or unaudited results made or announced for the financial year ended 31 March 2006.

10. Recurrent Related Party Transactions of a Revenue or Trading Nature

As the Company was only publicly listed on 18 May 2005, Bursa Malaysia had given the Company an extension of time of up to the next general meeting to seek new shareholders' mandates to allow the Group to enter into recurrent related party transactions of a revenue or trading nature.

Pursuant to paragraph 10.09(1)(b), Part E, Chapter 10 of the Listing Requirements of Bursa Malaysia, the details of the recurrent related party transactions conducted during the financial year ended 31 March 2006, which require ratification from Shareholders pursuant to Shareholders Mandates is set out in Table 3.

The Transacting Parties for all the Related Parties comprise AIGB and its subsidiaries.

Table 3: Details of Recurrent Related Party Transactions that Require Ratification from Shareholders Pursuant to Shareholders' Mandates

<table>
<tr><th>Related Parties</th><th>Nature of Transaction</th><th>Actual Value (RM'000)</th><th>Relationship with the Company</th></tr>
<tr><td>MCM Consulting Sdn Bhd</td><td rowspan="3">Purchase of software and hardware and provision of IT related services[1]</td><td>460</td><td rowspan="4">Companies in which a Director and major shareholder were deemed to have an interest</td></tr>
<tr><td>MCM Systems Sdn Bhd</td><td>496</td></tr>
<tr><td>MCM Horizon (formerly known as Blue Star Infotech (Malaysia) Sdn Bhd)</td><td>167</td></tr>
<tr><td>Harpers Travel (M) Sdn Bhd</td><td>Airline ticketing services</td><td>797</td></tr>
<tr><td>Computer System Advisers (M) Berhad</td><td>Purchase of software and hardware and provision of IT related services</td><td>1,146</td><td>Companies in which a Director was deemed to have an interest</td></tr>
</table>

Note:
[1] IT consultancy related services consist of, but are not limited to, the following services:
(a) design, development and customisation of software;
(b) integration, installation, implementation, testing and commissioning of the software in the designated systems;
(c) provision of maintenance services and upgrades to the existing mainframe related applications and the system;
(d) development, optimisation and implementation of the website; and
(e) provision of project management services.

Managing Risks

Our management philosophy provides our businesses with a balance between operating freedom and encouragement for innovation on the one hand and strict controls on risk limits and professional standards on the other.

Overview

As a leading investment bank, risk is an inherent part of our business. Global capital markets, by their nature, are prone to uncertainty and subject participants to a variety of risk. While the risk cannot be eliminated entirely, it can be managed to the greatest extent possible through an environment of strong internal control.

The Board provides leadership, oversees risk appetite and ensures that a robust risk and compliance culture prevails. However, as AIGB is an investment holding company, and the business operations are undertaken through its major operating subsidiaries, the Risk Management Committee of Directors and the Executive Risk Management Committee have been established in AmMerchant Bank Berhad to oversee the operations of the Bank and its subsidiaries.

Major Business Risks

As an investment banking group with business activities which include corporate advisory, origination of debt and equity capital market products, financing, trading and investment of financial instruments, and securities trading on behalf of clients, the business risks inherent can be broadly divided into:

(a) Market risk, which is the risk of loss associated with changes in the value of portfolios and financial instruments caused by movements in the market variables, such as interest rates, foreign exchange rates and equity prices.

(b) Funding risk, which is the risk that the Bank is not able to fund its day-to-day operations at a reasonable cost.

(c) Credit risk, which is the risk of loss due to the inability or unwillingness of a counterparty to meet its payment obligations.

(d) Operational risk, which is the risk of potential loss from a breakdown in internal processes and systems, deficiencies in people and management or operational failure arising from external events.

(e) Legal and regulatory risk, which is the risk of breaches of applicable laws and regulatory requirements, breaches of obligations of fidelity, unenforceability of counterparty obligations, and inappropriate documentation of contractual obligations.

Each of the business risks above has an implication on the Bank's financial condition and every transaction that the Bank undertakes is subject to, inter alia, the above mentioned risks.

To counter the business risks it faces, the Bank has put in place systems and measures in its risk management approach to manage uncertainties such that the deviations from the Bank's intended objectives are kept within acceptable levels.

The risk management process thus serves to identify, capture and analyse the risks assumed by the Bank at an early stage, continuously measure and monitor the risks and to set limits, policies and/or procedures to control them to ensure sustainable risk-taking and sufficient return.

The Risk Management Department

The Risk Management Department is made up of several units to provide a comprehensive coverage of all risks in the Bank. Their functions encompass research and analysis, risk exposure reporting, limit compliance monitoring, formulation of risk policies and risk assessment methodology, and formulation of the Bank's risk strategies.

Risk Management Goals

Risk Management Approach

The management approach towards the significant risks in our business are enumerated in the following paragraphs.

Market Risk Management

Changes in interest and foreign exchange rates, credit spreads and equity prizes, and increases in volatility can affect the value of financial instruments and may also affect customer-flow-related revenues and proprietary trading revenues. It may also affect the volume of debt and equity, underwriting and merger and acquisition transactions.

The primary objective of market risk management is to ensure that losses from market risk can be promptly arrested and risk positions are sufficiently liquid so as to enable the Bank to reduce its position without incurring potential loss that is beyond its sustainability.

Market Risk Management Structure

Market risk management is the responsibility of the Executive Risk Management Committee (ERMC) in charge of market risk. Its members and invitees include senior management of business and support units, such as the Treasury, Risk Management and Finance Departments.

Market risk policies as approved by the ERMC are implemented by the appropriate business units and, if necessary, are monitored and reported back to ERMC by the Treasury Department and/or Risk Management Department. The Committee reports to the Risk Management Committee of Directors (RMCD) on a quarterly basis on the market risk position and highlights major issues discussed.

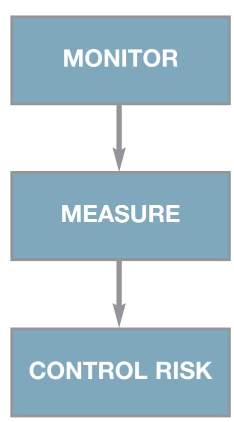
Risk Management Method

The market risk of the trading and non-trading portfolio is managed separately. The duration-weighted-gap value-at-risk (DWG VAR) approach is used to compute market risk exposure for non-trading portfolio and parametric value-at-risk (parametric VAR) as well as sensitivity analysis is used to compute risk exposure for trading portfolio.

The market risk exposure of trading and non-trading activities is primarily controlled through a series of limits. Stop loss, parametric VAR and position sensitivity limits govern the trading activities while the DWG VAR limits govern the non-trading positions.

Each relevant business desk is assigned month-to-date, quarter-to-date and year-to-date stop loss limits based on the business profitability budget. VAR limits are used to control the size of risk positions to ensure they are within sustainable capacity of the Bank. Approved by the Board of Directors of the Bank, these limit structures align specific risk-taking activities with the overall risk appetite of the Bank and of its individual business units.

To complement the VAR, the Bank has a set of scenario analyses that serve as indicators of the change in portfolio value under various potential market conditions such as shifts in currency rates, general equity prices and interest rates, as well as the shift in the yield curve.



Funding Risk Management

Funding risk is the risk that the Bank will not be able to fund its day-to-day operations at a reasonable cost. Liquidity could be affected by inability to access long term or short term deposits, repurchase or security-lending markets or draw under credit facilities, whether due to factors specific to the Bank or to general market conditions. In addition, the amount and timing of uncertain events, such as unfunded commitments and contingencies, could adversely affect cash requirements and liquidity.

The primary objective of the funding risk management framework is to ensure the availability of sufficient funds at a reasonable cost to honour all financial commitments as they fall due. It also ensures optimal funding structure and balance of the key funding risk management objectives, which include diversification of funding sources, customer base and maturity period.

Risk Management Process

Monitor and review the performance of the risk management process:

- Review effectiveness of mitigating measures or controls
- Tracking of incidences and losses
- Review feedback from internal reports and take appropriate action

Identify what, why and how risks can arise:

- Nature of risk
- Circumstances
- Causes
- Potential contributing factors

Analyse and evaluate risks:

- Analyse and measure risk exposures using impact and probability analysis
- Establish priorities
- Compare risk exposure with the Bank's risk appetite

A feedback mechanism which is a means to ensure control over the management of risks:

- Escalation of identified risks, issues, variations or trends
- Periodical reporting on exposures and action plans

Measures or treatments to control or mitigate the identified risks:

- Measures or treatments to mitigate the identified risks (develop risk controls, policies and methodologies)
- Action plan (preventive, defective, corrective)

Funding Risk Management Structure

Funding risk management is the responsibility of the ERMC in charge of funding risk. Its members and invitees include senior management of business and support units, such as the Treasury, Risk Management and Finance departments.

Funding risk policies approved by the ERMC are implemented by the appropriate business units and if necessary monitored and reported back to the ERMC by the Treasury Department and/or Risk Management Department. The ERMC reports to the RMCD on a quarterly basis on the funding risk position of the Bank and highlights major issues discussed.

Funding Risk Management Method

The ongoing funding risk management is based on the following key strategies:

(i) Management of cash-flow, through maintenance of adequate cash and liquefiable assets over and above what is required by BNM in their cash flow maturity mismatch framework.

(ii) Scenario analysis, with new business, changes in portfolio as well as stress scenarios based on historical experience of large withdrawals.

(iii) Diversification and stabilisation of liabilities through management of funding sources, diversification of customer deposit base and inter-bank exposures.

The measures utilised for funding risk management is varied and ranges from daily to monthly monitoring and reporting. These include weekly cash flows, monitoring of depositors and relevant key ratios, and monthly reporting to the ERMC on the measures as well as breaches of limits, if any.

We continuously adapt our approach to managing risks to suit the changing economic environment.

Overall Risk Governance Framework and Objectives

BOARD OF DIRECTORS	Approves the risk management strategies and the engagement of new products or activities and establishes the broad risk tolerance level.			
RISK MANAGEMENT COMMITTEE DIRECTORS	• Independent from management and comprises only non-executive directors, chaired by an independent director.	• Reviews senior management's activities and ensures that risk management processes are implemented and functioning.	• Ensures that risks at all levels are managed effectively and that risk tolerance levels are effectively enforced.	• Reviews high-level risk exposures and resultant management decisions.
THE EXECUTIVE RISK MANAGEMENT COMMITTEES	• Implements the risk strategy and capital allocation decisions of the Board.	• Reviews risk exposures of the Bank and environment, and sets appropriate risk positioning strategy.	• Assesses the Bank's ability to accommodate risks under normal/stress scenarios, reviews compliance with constraints set and assesses risk-return profile.	• Evaluates and approves recommendations made by the risk management and business units.

RISK MANAGEMENT DEPARTMENT

- Central platform for which risks throughout the Bank can be aggregated for overview on a portfolio basis.
- Sets and standardises risk measurement methodology to enable comparability.
- Acts as a central resource for evaluating risks to assist the management, business and operating units.
- Recommends the means to control or minimise risks on a portfolio basis.

MARKET AND FUNDING RISK MANAGEMENT COMMITTEE	CREDIT, STRATEGIC & CAPITAL RISK MANAGEMENT COMMITTEE	OPERATIONAL & LEGAL RISK MANAGEMENT COMMITTEE

MANAGEMENT OBJECTIVES

Market Risk

- Ensures that losses from market risk can be promptly attended to.
- Ensures that risk positions are sufficiently liquid so that the Bank may reduce its position without incurring potential loss beyond sustainability.

Funding Risk

- Ensures availability of sufficient funds at reasonable cost to honor all financial commitments.
- Ensures an optimal funding structure and diversification of funding sources, customer base, and maturity period.

Credit Risk

- Ensures that exposure to credit risk is always kept within the Bank's capability and financial capacity to withstand potential future losses.
- Ensures that net income generated is commensurate with the risks taken.

Strategic Risk

- Ensures that corporate strategic goals set by the Group are matched with an appropriate risk appetite and capital base.

Capital Risk

- Manages capital resources.
- Maintains a strong capital base to drive and support the Group's business developments, whilst ensuring shareholders' returns are optimised.

Operational Risk

- Systematically identifies the critical potential points to minimise risk arising from people/failed internal processes/external events on daily operations.
- Assesses the potential cost to minimise the risk impact through mitigating measures and policies.

Legal/Regulatory Risk

- Ensures that there is no regulatory or legal breach of conduct or applicable laws.
- Ensures that standard policies and procedures are complied with.
- Inculcates a standardised compliance culture across the Group.

Credit Risk Management

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its payment obligations. Exposure to credit risk arises primarily from lending activities and, to a lesser extent, pre-settlement and settlement exposures of sales and trading activities.

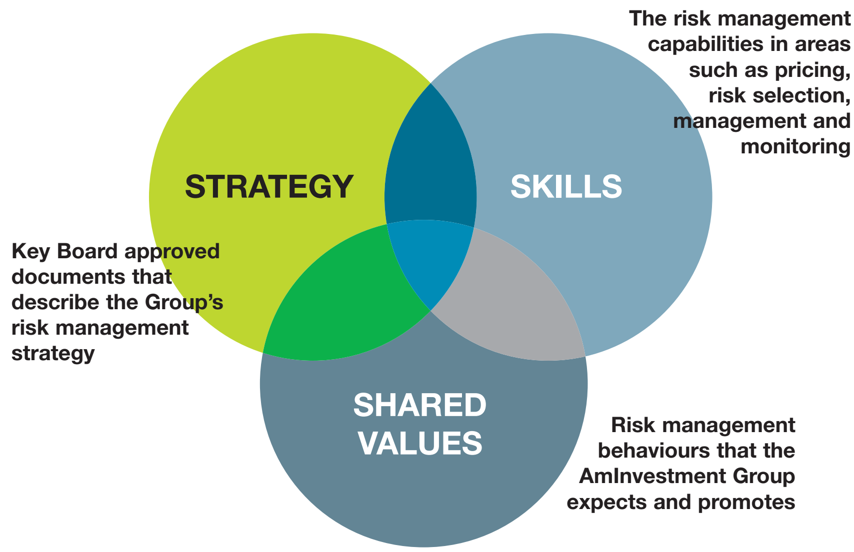
The primary objective of credit risk management framework is to ensure that exposure to credit risk is always kept within the Bank's capability and financial capacity to withstand potential future losses.

Credit Risk Management Structure
Credit risk management comes within the purview of the ERMC in charge of credit risk. Its members and invitees include senior management of business and support units, such as the lending relationship departments, credit evaluation unit and Risk Management Department.

An independent evaluation unit performs credit assessment on new exposures, grade existing and new borrowers and ensures the compliance with all relevant guidelines and policies.

Risk management is of paramount importance in our day-to-day operations. Consequently, we devote significant resources, including investment in personnel and technology to the measurement, analysis and management of risk.

Our Risk Management Culture



Major credit/loan approvals within approved policies are made by the Credit and Commitments Committee with exceptions escalated to the Executive Committee of Directors. These include the approval of new loans as well as revisions to the terms and conditions of existing loans.

Credit Risk Management Method
Credit risk is quantified based on expected default frequencies and expected losses on default form its portfolio of loans and off-balance sheet credit commitments. Expected default frequencies are calibrated to the internal rating model while loan loss estimates are based on past portfolio default experiences.

Apart from recommendations of the evaluation and risk management units, lending activities are guided by internal credit policies and guidelines that are approved by the Board.

Within these policies, name limits restrict total exposure allowed to corporate groups according to their level of creditworthiness, while sector limits ensure that total credit exposure to each economic sector is within prudent thresholds.

These limits are monitored and reported to the senior management regularly. The pricing of credit exposure is also guided by benchmark return guidelines to ensure minimum returns that compensate for the risk taken, operating expenses and the cost of capital.

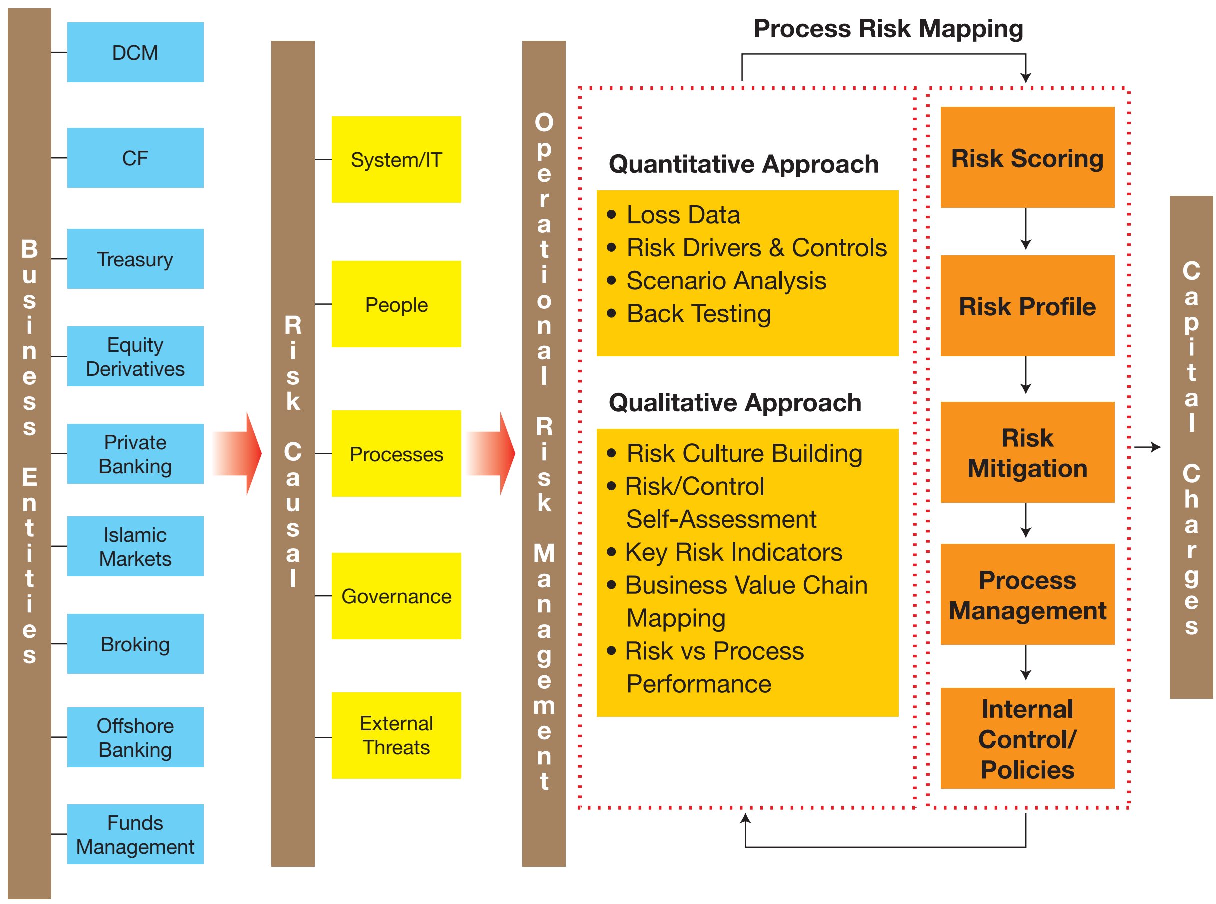
In order to further enhance the overall quality of loan exposures, the Board also endorses a credit portfolio management strategy designed to achieve a desired ideal portfolio risk tolerance level and sector distribution over the next few years. These portfolio management strategies include minimum credit rating targets from new facilities which are a more aggressive approach towards reducing existing high-risk exposures and exposures to certain sectors.

Strategic Risk

The strategic risk at the Bank's corporate level, is the risk of not achieving the Bank's corporate strategic goals, which also includes various risks associated with pursuing and executing corporate exercises with regards to:

- Mergers and acquisitions/ divestments;
- Corporate restructuring;
- Strategic alliances with external parties; and
- Fund raising

Operational Risk Management Approach



The issue of strategic risk is addressed by having Board involvement in setting strategic goals where the Board is regularly updated on matters affecting corporate strategy implementation and corporate projects/transactions. There is a also a formal due diligence and verification processes, including taxation, legal, finance, treasury and regulatory sign-offs and execution of confidentiality agreements. The implementation of these projects is undertaken through the establishment of a project management office, steering committees, prompt resolution of implementation issues, and reporting and tracking of the projects.

Capital Risk Management

The Bank continues to rely on retained earnings to enlarge its capital resources to drive the business growth. It is the Bank's policy to maintain a strong capital base to support the development of its businesses, and ensure that the shareholders' returns are optimised.

The Group Corporate Services department oversees the capital adequacy position of the Bank to ensure compliance with the requirements of BNM and to take prompt action to address projected or actual capital deficiency. The capital position is reviewed on a quarterly basis, taking into account the levels and trends of material risks, the assumptions used in the capital assessment measurement system, sufficiency of capital amount against the various risks and its compliance with established adequacy goals and future capital requirements based on the Bank's reported risk profile.

Operational Risk Management

Operational risk is the risk arising from inadequate or failed internal processes, people and systems or from external events on the Bank's day-to-day operations that are executed to attain its business objectives, which restrict or prevent such objectives from being achieved.

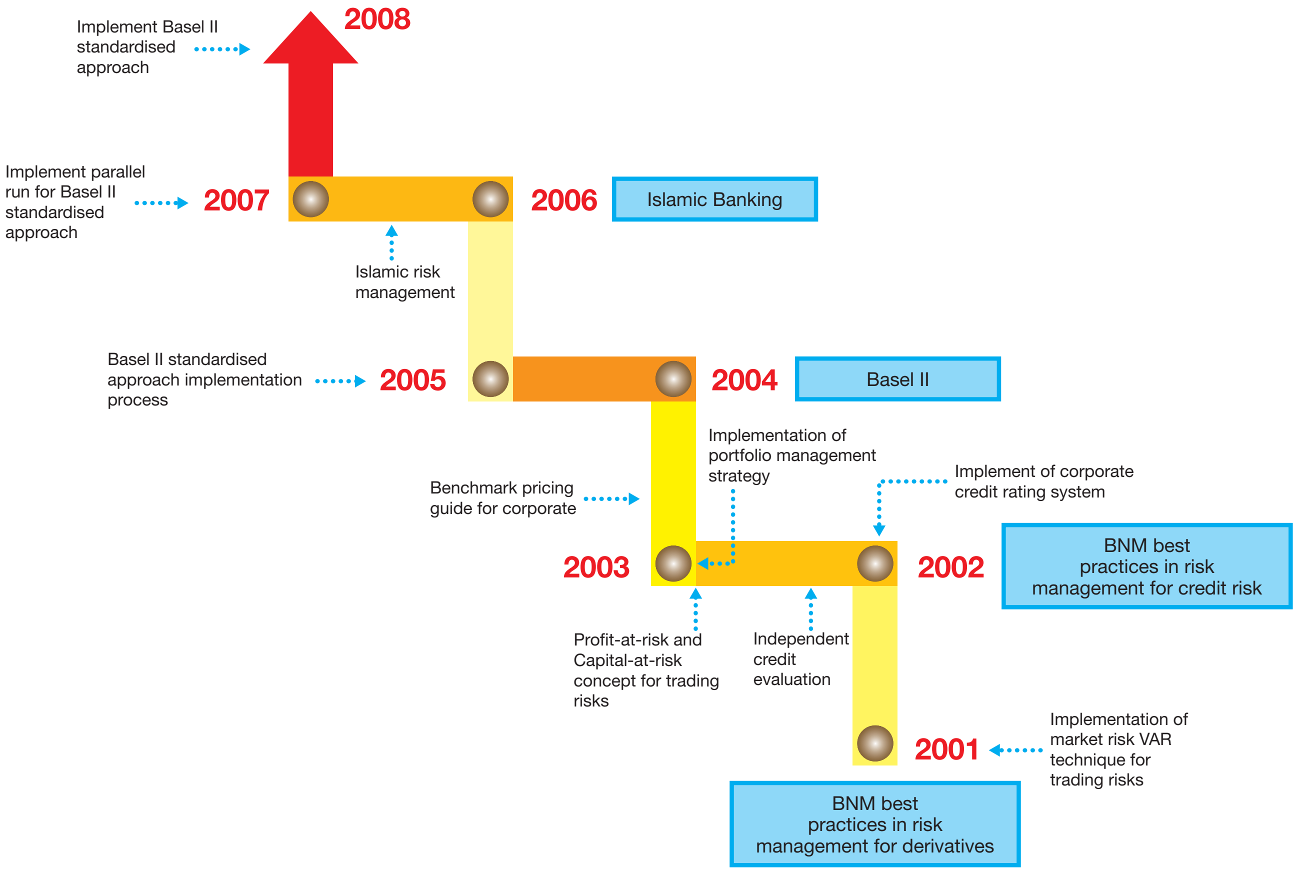
Operational risk management is the discipline of systematically identifying the critical potential points and causes of failure, assessing the potential cost and minimising the impact of such risk through the initiation of risk mitigating measures and policies.

Operational Risk Management Structure

Operational risk management is the responsibility of the Operational and Legal Risk Management Committee (OLRC) in charge of operational risk. Its members include senior management of the operational and support units.

Operational risk policies approved by the OLRC will be implemented by the various departments and monitored and reported back to the OLRC by the Risk Management Department. The OLRC reviews the adequacy of controls to manage operational risks based on the assessment performed on each operating unit. On a quarterly basis, the OLRC will report to the RMCD.

Risk Management: Yearly Developments and Initiatives



Operational Risk Management Method

The Bank minimises operational risk by putting in place appropriate policies, internal controls and procedures, as well as maintaining back-up procedures for key activities and undertaking contingency planning. These are supported by independent reviews conducted by the Internal Audit Department.

The primary responsibility for managing operational risk rests with each operating department. Nevertheless, the execution of risk management methodology is supported and guided by the Risk Management Department whose function is to define minimum standards, policies and methodologies, monitor compliance, and identify as well as report on Bank-wide risk exposures. The operating departments are responsible for assessing their operational risks and reviewing controls instituted periodically to ensure that the measures introduced continue to be relevant and appropriate.

Business Continuity

Our Business Continuity Management (BCM) places importance on building up the organisational resilience and capability to safeguard the interest of the Group's stakeholders as well as its brand and reputation against the various adverse events that may potentially threaten the operations. The placement of BCM framework on a Group-wide basis provides guidance in adopting a standard approach to formulating the continuity strategy and assistance in understanding and applying BCM principles.

The BCM identifies resources such as systems, work space and premises, facilities and communications that are required in ensuring the continuation of critical business operations in the event of an interruption. The BCM programme will also enhance the capability of existing continuity plans and disaster discovery centre in the established areas such as information technology and treasury.

Reputational Risk

We recognise that maintaining our reputation among clients, investors, regulators and the general public is an important aspect of minimising legal and operational risk. Maintaining our reputation depends on a large number of factors, including the selection of our clients and the conduct of our business activities. We seek to maintain our reputation by screening potential clients and by conducting our business activities in accordance with high ethical standards.

The Bank has implemented a Product Approval Programme to ensure that all risks inherent in new products/financing packages and related business activities are identified, and measures to minimise these risks are put in place, before the launch of the products. All new products require the sign-off of the respective risk control units, including Risk Management, Legal, Finance and the Internal Audit, as well as approval by the Board.

Legal and Regulatory Risk Management

Legal risks arise from potential breaches of applicable laws and regulatory requirements, unenforceability of contracts, lawsuits, or adverse judgment which may lead to the incurrence of losses, disrupt or otherwise resulting in financial and reputation risks. Legal risk is managed by internal legal counsel as well as the OLRC, and, where necessary, in consultation with external legal counsel, to ensure that such risk is minimised.

A key building block that forms part of any successful financial group is its ability to recognise and address regulatory risk. The Bank firmly believes in conformance with the regulatory requirements and thus continues to inculcate a compliance culture across all levels of staff. The Compliance Department undertakes this task by ensuring that appropriate measures are introduced and applied accordingly.

Amongst the measures introduced are monitoring and reporting, training, providing advice and disseminating information. A process is in place to standardise compliance practices across the Bank.

The Compliance Monitoring and Reporting System is essentially a mechanism through which businesses monitor their compliance to rules and regulations. This process, which requires regular self-assessment by staff, provides management with the assurance that staff are aware and comply with regulatory requirements. The process culminates with monthly, quarterly and exception reporting that is carried out on-line.

Compliance awareness training is conducted on a regular basis to ensure that our staff keep abreast with banking, securities and anti-money laundering laws as well as other regulatory developments. The training programme helps staff develop their skills to identify compliance issues as well as cultivate good corporate ethics.

The Compliance Department also provides advice on regulatory matters and measures to be implemented by the Bank to facilitate compliance with rules and regulations. To further promote understanding, the Department conducts briefings, disseminates information as well as leads coordination efforts.

The Compliance Repository, an online resource tool, continues to provide staff with easy access to rules and regulations through various search modes.

Compliance with BASEL II

To further enhance the Risk Management processes, the Bank has embarked on an Integrated Risk Management Project to ensure compliance with Basel II. Phase 1 of the Project involved a diagnostic/gap analysis covering credit, market and operational risk and the formulation of a functional blueprint as well as implementation roadmap.

Phase 2 of the Project involves system implementation of the standardised approach for credit risk and a review of the existing policy and processes.

Plans Going Forward

The economy is undergoing structural changes and shorter business cycles. Furthermore, the speed of information flows has also resulted in a more volatile business environment. In view of this, the Bank will continue to strengthen its risk management systems and processes.