

**HWANG-DBS (MALAYSIA) BERHAD**  
(Company no. 238969-K)

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 APRIL 2013**

|  |      |                              | (Restated)                   | (Restated)                  |
|--|------|------------------------------|------------------------------|-----------------------------|
|  | Note | As at<br>30-Apr-13<br>RM'000 | As at<br>31-Jul-12<br>RM'000 | As at<br>1-Aug-11<br>RM'000 |
| <b>Assets</b>  |      |                              |                              |                             |
| Cash and short term funds  |      | 1,005,000                    | 735,346                      | 683,265                     |
| Deposits and placements with banks and other financial institutions            |      | 27,527                       | 29,077                       | 177,571                     |
| Securities held-for-trading  | A8   | 98,538                       | 170,592                      | 338,425                     |
| Securities available-for-sale ("AFS")  | A9   | 1,500,759                    | 1,580,107                    | 1,193,899                   |
| Securities held-to-maturity  | A10  | 353,920                      | 399,921                      | 388,335                     |
| Loans, advances and financing  | A11  | 868,750                      | 685,237                      | 680,969                     |
| Clients' and brokers' balances   | A12  | 392,541                      | 179,126                      | 168,130                     |
| Derivative assets  | B10  | 14,003                       | 16,505                       | 26,734                      |
| Other assets   | A13  | 92,787                       | 69,661                       | 39,338                      |
| Statutory deposits with Central Banks  |      | 84,171                       | 72,811                       | 68,204                      |
| Tax recoverable  |      | 15,657                       | 12,403                       | 6,543                       |
| Deferred tax assets  |      | 4,707                        | 6,111                        | 10,155                      |
| Investment in an associate   |      | 4,221                        | 3,708                        | 3,624                       |
| Property, plant and equipment  |      | 52,325                       | 52,859                       | 53,878                      |
| Investment properties  |      | 52,351                       | 52,596                       | 52,839                      |
| Intangible assets  |      | 162,509                      | 162,509                      | 162,509                     |
| <b>Total assets</b>  |      | <b>4,729,766</b>             | <b>4,228,569</b>             | <b>4,054,418</b>            |
| <b>Liabilities</b>   |      |                              |                              |                             |
| Deposits from customers  | A14  | 774,618                      | 748,431                      | 820,043                     |
| Deposits and placements of banks and other financial institutions              | A15  | 1,900,486                    | 1,687,061                    | 1,581,036                   |
| Clients' and brokers' balances   |      | 410,118                      | 199,724                      | 186,725                     |
| Derivative liabilities   | B10  | 17,121                       | 22,106                       | 28,233                      |
| Other liabilities  | A16  | 231,830                      | 226,207                      | 164,858                     |
| Taxation   |      | 2,036                        | 1,962                        | 5,361                       |
| Deferred tax liabilities   |      | -                            | 370                          | 426                         |
| Borrowings   | A17  | 416,172                      | 390,492                      | 377,349                     |
| <b>Total liabilities</b>   |      | <b>3,752,381</b>             | <b>3,276,353</b>             | <b>3,164,031</b>            |
| <b>Equity</b>  |      |                              |                              |                             |
| Share capital  |      | 265,845                      | 265,845                      | 265,845                     |
| Reserves   |      | 693,994                      | 677,091                      | 621,796                     |
| Treasury shares, at cost   |      | (16,061)                     | (16,061)                     | (16,061)                    |
|  |      | 943,778                      | 926,875                      | 871,580                     |
| Non-controlling interests  |      | 33,607                       | 25,341                       | 18,807                      |
| <b>Total equity</b>  |      | <b>977,385</b>               | <b>952,216</b>               | <b>890,387</b>              |
| <b>Total liabilities and equity</b>  |      | <b>4,729,766</b>             | <b>4,228,569</b>             | <b>4,054,418</b>            |
| <b>Net assets per share attributable to equity holders of the Company (RM)</b> |      |                              |                              |                             |
|  |      | <b>3.70</b>                  | <b>3.63</b>                  | <b>3.42</b>                 |

*The condensed financial statements should be read in conjunction with the most recent audited financial statements for the financial year ended 31 July 2012.*

**HWANG-DBS (MALAYSIA) BERHAD**  
(Company no. 238969-K)

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2013**

|   |      | <u>Individual Quarter</u> |                | <u>Cumulative Quarter</u> |                |
|---|------|---------------------------|----------------|---------------------------|----------------|
|   |      | (Restated)                |                | (Restated)                |                |
|   |      | 3 months ended            | 3 months ended | 9 months ended            | 9 months ended |
|   | Note | 30-Apr-13                 | 30-Apr-12      | 30-Apr-13                 | 30-Apr-12      |
|   |      | RM'000                    | RM'000         | RM'000                    | RM'000         |
| <b>Operating revenue</b>  |      | <b>111,026</b>            | 109,957        | <b>335,329</b>            | 284,929        |
| Interest income   | A18  | 46,817                    | 43,251         | 140,908                   | 134,174        |
| Interest expense  | A19  | (26,096)                  | (23,801)       | (78,730)                  | (73,220)       |
| <b>Net interest income</b>  |      | <b>20,721</b>             | 19,450         | <b>62,178</b>             | 60,954         |
| Other operating income  | A20  | 65,938                    | 73,983         | 203,795                   | 176,688        |
|   |      | <b>86,659</b>             | 93,433         | <b>265,973</b>            | 237,642        |
| Other operating expenses  | A21  | (66,876)                  | (65,460)       | (202,508)                 | (165,080)      |
|   |      | <b>19,783</b>             | 27,973         | <b>63,465</b>             | 72,562         |
| (Allowance)/Write back of allowance for losses on:                            |      |                           |                |                           |                |
| - loans, advances and financing   | A22  | (2,336)                   | (1,664)        | (11,491)                  | (1,998)        |
| - clients' balances and receivables   | A23  | 82                        | 423            | 139                       | 775            |
|   |      | <b>17,529</b>             | 26,732         | <b>52,113</b>             | 71,339         |
| Share of results of an associate, net of tax                                  |      | 105                       | 130            | 505                       | (77)           |
| <b>Profit before taxation</b>   |      | <b>17,634</b>             | 26,862         | <b>52,618</b>             | 71,262         |
| Taxation  | B6   | (3,442)                   | (6,100)        | (11,967)                  | (17,698)       |
| <b>Profit for the financial period</b>  |      | <b>14,192</b>             | 20,762         | <b>40,651</b>             | 53,564         |
| <b>Attributable to:</b>   |      |                           |                |                           |                |
| Equity holders of the Company   |      | 11,351                    | 18,318         | 30,035                    | 47,951         |
| Non-controlling interests   |      | 2,841                     | 2,444          | 10,616                    | 5,613          |
|   |      | <b>14,192</b>             | 20,762         | <b>40,651</b>             | 53,564         |
| <b>Earnings per share attributable to equity holders of the Company (sen)</b> |      |                           |                |                           |                |
| - Basic   | B13  | 4.45                      | 7.18           | 11.77                     | 18.79          |

The condensed financial statements should be read in conjunction with the most recent audited financial statements for the financial year ended 31 July 2012.

**HWANG-DBS (MALAYSIA) BERHAD**  
(Company no. 238969-K)

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2013**

|  | <u>Individual Quarter</u> |                | <u>Cumulative Quarter</u> |                |
|--|---------------------------|----------------|---------------------------|----------------|
|  |                           | (Restated)     |                           | (Restated)     |
|  | 3 months ended            | 3 months ended | 9 months ended            | 9 months ended |
|  | 30-Apr-13                 | 30-Apr-12      | 30-Apr-13                 | 30-Apr-12      |
|  | RM'000                    | RM'000         | RM'000                    | RM'000         |
| <b>Profit for the financial period</b>                               | <b>14,192</b>             | <b>20,762</b>  | <b>40,651</b>             | <b>53,564</b>  |
| <b>Other comprehensive income for the financial period:</b>          |                           |                |                           |                |
| <i>Items that may be reclassified subsequently to profit or loss</i> |                           |                |                           |                |
| Currency translation differences arising from foreign operations     | (2,474)                   | (681)          | (2,770)                   | 2,182          |
| Securities AFS:  |                           |                |                           |                |
| - net change in fair value   | 7,112                     | 2,202          | 13,198                    | 6,121          |
| - net gain transferred to income statement on disposal               | (635)                     | (3,023)        | (1,504)                   | (6,327)        |
| Income tax relating to components of other comprehensive income      | (1,615)                   | 199            | (2,919)                   | 44             |
|  | <b>2,388</b>              | <b>(1,303)</b> | <b>6,005</b>              | <b>2,020</b>   |
| <b>Total comprehensive income for the financial period</b>           | <b>16,580</b>             | <b>19,459</b>  | <b>46,656</b>             | <b>55,584</b>  |
| <b>Attributable to:</b>  |                           |                |                           |                |
| Equity holders of the Company  | 13,739                    | 17,015         | 36,040                    | 49,971         |
| Non-controlling interests  | 2,841                     | 2,444          | 10,616                    | 5,613          |
|  | <b>16,580</b>             | <b>19,459</b>  | <b>46,656</b>             | <b>55,584</b>  |

*The condensed financial statements should be read in conjunction with the most recent audited financial statements for the financial year ended 31 July 2012.*

**HWANG-DBS (MALAYSIA) BERHAD**  
(Company no. 238969-K)

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2013**

**Attributable to Equity Holders of the Company**

|  | Attributable to Equity Holders of the Company        |                            |                              |                            |                                |                          |  |                               |                     |  |                           |
|--|--|----------------------------|------------------------------|----------------------------|--------------------------------|--------------------------|--|-------------------------------|---------------------|--|---------------------------|
|  | Issued and fully paid<br>ordinary shares of RM1 each |                            |                              |                            |                                |                          |  |                               |                     |  |                           |
|  | Number of<br>shares<br>'000                          | Nominal<br>value<br>RM'000 | Treasury<br>shares<br>RM'000 | Share<br>premium<br>RM'000 | Statutory<br>reserve<br>RM'000 | AFS<br>reserve<br>RM'000 | Foreign<br>exchange<br>reserve<br>RM'000 | Retained<br>profits<br>RM'000 | Sub-total<br>RM'000 | Non-<br>controlling<br>interests<br>RM'000 | Total<br>equity<br>RM'000 |
| At 1 August 2012   |  |                            |                              |                            |                                |                          |  |                               |                     |  |                           |
| - as previously reported   | 255,159  | 265,845                    | (16,061)                     | 33,090                     | 133,839                        | 6,005                    | (11,896)                                 | 515,287                       | 926,109             | 25,341                                     | 951,450                   |
| - effects of transition to MFRS framework                          | -  | -                          | -                            | -                          | -                              | -                        | -  | 766                           | 766                 | -  | 766                       |
| - as restated  | 255,159  | 265,845                    | (16,061)                     | 33,090                     | 133,839                        | 6,005                    | (11,896)                                 | 516,053                       | 926,875             | 25,341                                     | 952,216                   |
| Profit for the financial period                                    | -  | -                          | -                            | -                          | -                              | -                        | -  | 30,035                        | 30,035              | 10,616                                     | 40,651                    |
| Other comprehensive income for the financial period,<br>net of tax | -  | -                          | -                            | -                          | -                              | 8,775                    | (2,770)                                  | -                             | 6,005               | -  | 6,005                     |
| Total comprehensive income for the financial period                | -  | -                          | -                            | -                          | -                              | 8,775                    | (2,770)                                  | 30,035                        | 36,040              | 10,616                                     | 46,656                    |
| Final dividend for the financial year ended 31 July 2012           | -  | -                          | -                            | -                          | -                              | -                        | -  | (9,568)                       | (9,568)             | -  | (9,568)                   |
| Interim dividend for the financial year ending 31 July 2013        | -  | -                          | -                            | -                          | -                              | -                        | -  | (9,569)                       | (9,569)             | -  | (9,569)                   |
| Dividend paid by a subsidiary to non-controlling interests         | -  | -                          | -                            | -                          | -                              | -                        | -  | -                             | -                   | (2,350)                                    | (2,350)                   |
| <b>At 30 April 2013</b>  | <b>255,159</b>                                       | <b>265,845</b>             | <b>(16,061)</b>              | <b>33,090</b>              | <b>133,839</b>                 | <b>14,780</b>            | <b>(14,666)</b>                          | <b>526,951</b>                | <b>943,778</b>      | <b>33,607</b>                              | <b>977,385</b>            |
| At 1 August 2011   |  |                            |                              |                            |                                |                          |  |                               |                     |  |                           |
| - as previously reported   | 255,159  | 265,845                    | (16,061)                     | 33,090                     | 108,377                        | 3,946                    | (17,484)                                 | 492,961                       | 870,674             | 18,807                                     | 889,481                   |
| - effects of transition to MFRS framework                          | -  | -                          | -                            | -                          | -                              | -                        | -  | 906                           | 906                 | -  | 906                       |
| - as restated  | 255,159  | 265,845                    | (16,061)                     | 33,090                     | 108,377                        | 3,946                    | (17,484)                                 | 493,867                       | 871,580             | 18,807                                     | 890,387                   |
| Profit for the financial period                                    | -  | -                          | -                            | -                          | -                              | -                        | -  | 47,951                        | 47,951              | 5,613                                      | 53,564                    |
| Other comprehensive income for the financial period,<br>net of tax | -  | -                          | -                            | -                          | -                              | (162)                    | 2,182                                    | -                             | 2,020               | -  | 2,020                     |
| Total comprehensive income for the financial period                | -  | -                          | -                            | -                          | -                              | (162)                    | 2,182                                    | 47,951                        | 49,971              | 5,613                                      | 55,584                    |
| Final dividend for the financial year ended 31 July 2011           | -  | -                          | -                            | -                          | -                              | -                        | -  | (9,568)                       | (9,568)             | -  | (9,568)                   |
| Interim dividend for the financial year ended 31 July 2012         | -  | -                          | -                            | -                          | -                              | -                        | -  | (9,569)                       | (9,569)             | -  | (9,569)                   |
| Dividend paid by a subsidiary to non-controlling interests         | -  | -                          | -                            | -                          | -                              | -                        | -  | -                             | -                   | (2,172)                                    | (2,172)                   |
| <b>At 30 April 2012</b>  | <b>255,159</b>                                       | <b>265,845</b>             | <b>(16,061)</b>              | <b>33,090</b>              | <b>108,377</b>                 | <b>3,784</b>             | <b>(15,302)</b>                          | <b>522,681</b>                | <b>902,414</b>      | <b>22,248</b>                              | <b>924,662</b>            |

The condensed financial statements should be read in conjunction with the most recent audited financial statements for the financial year ended 31 July 2012.

**HWANG-DBS (MALAYSIA) BERHAD**  
(Company no. 238969-K)

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2013**

|   | 9 months<br>ended<br>30-Apr-13<br>RM'000 | (Restated)<br>9 months<br>ended<br>30-Apr-12<br>RM'000 |
|---|--|--|
| <b>Operating activities</b>   |  |  |
| Profit for the financial period   | 40,651                                   | 53,564   |
| <b>Adjustments for:</b>   |  |  |
| Non-cash items  | 95,976                                   | 68,715   |
| Non-operating items - investing   | (61,177)                                 | (63,635)   |
| Non-operating items - financing   | 13,724                                   | 12,373   |
|   | <u>89,174</u>                            | <u>71,017</u>  |
| <b>Changes in working capital:</b>  |  |  |
| Net changes in operating assets   | (371,021)                                | 263,947  |
| Net changes in operating liabilities                                      | 468,714                                  | (102,675)  |
|   | <u>186,867</u>                           | <u>232,289</u>   |
| Interest paid   | (61,289)                                 | (58,443)   |
| Taxation paid   | (17,003)                                 | (25,527)   |
| <b>Net operating cash flow</b>  | <u>108,575</u>                           | <u>148,319</u>   |
| <b>Investing activities</b>   |  |  |
| Net disposal/(purchase) of securities                                     | 122,974                                  | (199,174)  |
| Interest received from securities   | 59,777                                   | 56,092   |
| Dividends and income distributions received                               | 5,532                                    | 5,744  |
| Rental received   | 66                                       | 961  |
| Proceeds from disposal of an investment property                          | 110                                      | -  |
| Other investments:  |  |  |
| - purchases   | -  | (61)   |
| - proceeds from disposals   | -  | 37   |
| Property, plant and equipment:  |  |  |
| - purchases   | (5,026)                                  | (3,300)  |
| - proceeds from disposals   | 247                                      | 98   |
| <b>Net investing cash flow</b>  | <u>183,680</u>                           | <u>(139,603)</u>                                       |
| <b>Financing activities</b>   |  |  |
| Dividends paid  | (9,568)                                  | (9,568)  |
| Dividend paid by a subsidiary to non-controlling interests                | (2,350)                                  | (2,172)  |
| Interest paid   | (14,293)                                 | (9,421)  |
| Net drawdown/(repayment) of borrowings                                    | 26,250                                   | (26,000)   |
| <b>Net financing cash flow</b>  | <u>39</u>                                | <u>(47,161)</u>  |
| <b>Net change in cash and cash equivalents</b>                            | 292,294                                  | (38,445)   |
| Foreign exchange differences  | (429)                                    | (68)   |
| <b>Cash and cash equivalents at beginning of the financial period</b>     | <u>627,245</u>                           | <u>580,880</u>   |
| <b>Cash and cash equivalents at end of the financial period</b>           | <u>919,110</u>                           | <u>542,367</u>   |
| <b>Cash and cash equivalents at end of the financial period comprise:</b> |  |  |
| Cash and short term funds   | <u>919,110</u>                           | <u>542,367</u>   |

*The condensed financial statements should be read in conjunction with the most recent audited financial statements for the financial year ended 31 July 2012.*

**HWANG-DBS (MALAYSIA) BERHAD**  
(Company no. 238969-K)

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2013**

**A. Explanatory Notes in accordance with the Malaysian Financial Reporting Standard ("MFRS") 134, Interim Financial Reporting**

**A1 Basis of Preparation**

The interim financial report is unaudited and has been prepared in accordance with MFRS 134, Interim Financial Reporting and Chapter 9, Part K of the Bursa Malaysia Securities Berhad Main Market Listing Requirements. The interim financial report, which also complied with the International Accounting Standard ("IAS") 34, Interim Financial Reporting issued by the International Accounting Standards Board, should be read in conjunction with the most recent audited financial statements for the financial year ended 31 July 2012. The explanatory notes provide an explanation of events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 31 July 2012.

The Group has adopted the new MFRS framework effective for the accounting period commencing from 1 August 2012, with retrospective application of the relevant new/revised MFRS to 1 August 2011, which is the beginning of the earliest comparative period of the first MFRS-compliant financial statements of the Group (i.e. date of transition to MFRS framework), as if the MFRS framework has always been applied. This interim financial report is the Group's condensed financial statements for part of the period covered by the first MFRS-compliant annual financial statements of the Group for the financial year ending 31 July 2013. MFRS 1, First-time Adoption of MFRS has been applied.

In accordance with MFRS 1, an opening MFRS statement of financial position of the Group as at the date of transition to MFRS framework, i.e. 1 August 2011 has been prepared and presented in this interim financial report. Effects of changes in accounting policies arising from transition to MFRS framework are recognised directly in retained profits at the date of transition to MFRS framework. Comparative information presented have been restated to conform with the presentation for the current financial period. In addition, reconciliations of comparative equity and total comprehensive income have been included in this interim financial report, to explain for the effects of transition to MFRS framework on the reported financial position and financial performance of the Group for the corresponding financial period ended 30 April 2012 (refer to explanatory note A1(d)). There are no material adjustments made to comparative statement of cash flows of the Group for the financial period ended 30 April 2012.

The accounting policies and methods of computation adopted for this interim financial report are consistent with those adopted in the annual financial statements for the financial year ended 31 July 2012 except for the adoption of the following new/revised financial reporting standards and interpretations under the MFRS framework ("MFRSs") and observance of the Financial Reporting Standards Implementation Committee ("FRSIC) Consensus 18, Monies Held in Trust by Participating Organisations of Bursa Malaysia Securities Berhad ("Bursa Securities") issued by the Malaysian Institute of Accountants ("MIA"), that are effective for the Group for the financial year ending 31 July 2013:

| <u>MFRS</u>            | <u>Description</u>  |
|------------------------|---|
| Amendments to MFRS 1   | First-time Adoption on Fixed Dates and Hyperinflation               |
| Amendments to MFRS 7   | Financial Instruments: Disclosures on Transfers of Financial Assets |
| Amendments to MFRS 101 | Presentation of Items of Other Comprehensive Income                 |
| MFRS 124               | Related Party Disclosures   |
| MFRS 139               | Financial Instruments: Recognition and Measurement                  |

The transition to the MFRS framework and observance of FRSIC Consensus 18 do not give rise to any material financial effects to the Group, other than the effects and changes in accounting policies as disclosed below.

**(a) Amendments to MFRS 101, Presentation of Items of Other Comprehensive Income**

The Amendments to MFRS 101 requires entities to separate items presented as other comprehensive income in the statement of other comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future.

Following the adoption of Amendments to MFRS 101, other comprehensive income for the current and corresponding financial period has been classified accordingly in the consolidated statement of other comprehensive income.

**HWANG-DBS (MALAYSIA) BERHAD**  
(Company no. 238969-K)

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2013**

**A1 Basis of Preparation (cont'd)**

**(b) MFRS 139, Financial Instruments: Recognition and Measurement**

Prior to the transition to MFRS framework, the collective impairment allowance of the investment banking subsidiary was maintained at 1.5% of the total outstanding loans/financing, net of individual impairment allowance, as set out in the BNM Guidelines on Classification and Impairment Provisions for Loans/Financing.

Upon transition to MFRS framework, banking institutions are required to comply with the requirements of MFRS 139 and the revised BNM Guidelines on Classification and Impairment Provisions for Loans/Financing in determining collective impairment allowances. In accordance with MFRS 139, the investment banking subsidiary groups its loans/financing by similar credit risk characteristics and collective impairment allowance is made based on estimated loan loss rates, which are computed based on historical loan loss experience and periodically adjusted based on current observable data. Loans/Financing that have been individually assessed for impairment and found not to be individually impaired are to be grouped for collective assessment of impairment.

The transitional basis of collective impairment assessment as previously prescribed by BNM is only applicable to banking institutions in Malaysia and the change in accounting policy arising from removal of the transitional basis of collective impairment assessment upon transition to MFRS framework does not have any material financial effects on the investment banking subsidiary and the Group.

The effects of the change in accounting policy for the corresponding financial period ended 30 April 2012, which have been accounted for retrospectively in accordance with MFRS 1, are disclosed in explanatory note A1(d).

**(c) FRSIC Consensus 18, Monies Held in Trust by Participating Organisations of Bursa Securities**

FRSIC Consensus 18 was issued by MIA on 18 September 2012 as a best practice guidance in respect of accounting for monies held in trust by participating organisations of Bursa Securities. The consensus is that recognition of trust monies as part of a participating organisation's assets with corresponding liabilities is inappropriate based on the MFRS framework as the participating organisation does not have any control over the trust monies to obtain the future economic benefits embodied in the trust monies and does not have any contractual or statutory obligation to its clients on the money deposited in the trust account that would result in an outflow of resources from the participating organisation. FRSIC Consensus 18 is solely applicable to clients' trust monies held by participating organisations of Bursa Securities.

Following FRSIC Consensus 18, clients' monies held in trust by the investment banking subsidiary are no longer recognised as assets and similarly, no corresponding liabilities are accounted for in the statement of financial position of the Group. Previously, clients' monies held in trust by the investment banking subsidiary were accounted as assets and the corresponding liabilities were recognised in the statement of financial position of the Group.

The effects of the change in accounting policy for the corresponding financial period ended 30 April 2012, which have been accounted for retrospectively in accordance with MFRS 1, are disclosed in explanatory note A1(d).

**HWANG-DBS (MALAYSIA) BERHAD**  
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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2013**

**A1 Basis of Preparation (cont'd)**

**(d) Effects of Changes in Accounting Policies**

|   | <b>Effects of:</b>            |                                     |                           |                         |
|---|-------------------------------|-------------------------------------|---------------------------|-------------------------|
|   | <b>As previously reported</b> | <b>Transition to MFRS framework</b> | <b>FRSIC Consensus 18</b> | <b>As restated</b>      |
|   | <b>Dr./ (Cr.)</b>             | <b>Dr./ (Cr.)</b>                   | <b>Dr./ (Cr.)</b>         | <b>Dr./ (Cr.)</b>       |
|   | <b>RM'000</b>                 | <b>RM'000</b>                       | <b>RM'000</b>             | <b>RM'000</b>           |
| <b>(i) Reconciliation of equity</b>                                 |                               |                                     |                           |                         |
| <b>As at 30 April 2012</b>  |                               |                                     |                           |                         |
| Retained profits  | <u>(521,856)</u>              | <u>(825)</u>                        | <u>-</u>                  | <u>(522,681)</u>        |
| Cash and short term funds   | 870,207                       | -                                   | (236,518)                 | 633,689                 |
| Deposits and placements with banks and other financial institutions | 27,404                        | -                                   | (2,303)                   | 25,101                  |
| Loans, advances and financing                                       | 668,064                       | 1,090                               | -                         | 669,154                 |
| Clients' and brokers' balances (Dr.)                                | 189,556                       | 31                                  | 421                       | 190,008                 |
| Other assets  | 54,115                        | 16                                  | 1,965                     | 56,096                  |
| Deferred tax assets   | 10,924                        | (312)                               | -                         | 10,612                  |
| Other liabilities   | <u>(416,612)</u>              | <u>-</u>                            | <u>236,435</u>            | <u>(180,177)</u>        |
|   | <u><b>1,403,658</b></u>       | <u><b>825</b></u>                   | <u><b>-</b></u>           | <u><b>1,404,483</b></u> |
| <b>(ii) Reconciliation of total comprehensive income</b>            |                               |                                     |                           |                         |
| <b>9 months ended 30 April 2012</b>                                 |                               |                                     |                           |                         |
| Total comprehensive income  | <u>(55,665)</u>               | <u>81</u>                           | <u>-</u>                  | <u>(55,584)</u>         |
| Allowance/(Write back of allowance) for losses on:                  |                               |                                     |                           |                         |
| - loans, advances and financing                                     | 1,899                         | 99                                  | -                         | 1,998                   |
| - clients' balances and receivables                                 | (787)                         | 12                                  | -                         | (775)                   |
| Taxation  | <u>17,728</u>                 | <u>(30)</u>                         | <u>-</u>                  | <u>17,698</u>           |
|   | <u><b>18,840</b></u>          | <u><b>81</b></u>                    | <u><b>-</b></u>           | <u><b>18,921</b></u>    |
| <b>3 months ended 30 April 2012</b>                                 |                               |                                     |                           |                         |
| Total comprehensive income  | <u>(19,362)</u>               | <u>(97)</u>                         | <u>-</u>                  | <u>(19,459)</u>         |
| Allowance/(Write back of allowance) for losses on:                  |                               |                                     |                           |                         |
| - loans, advances and financing                                     | 1,778                         | (114)                               | -                         | 1,664                   |
| - clients' balances and receivables                                 | (408)                         | (15)                                | -                         | (423)                   |
| Taxation  | <u>6,068</u>                  | <u>32</u>                           | <u>-</u>                  | <u>6,100</u>            |
|   | <u><b>7,438</b></u>           | <u><b>(97)</b></u>                  | <u><b>-</b></u>           | <u><b>7,341</b></u>     |



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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2013**

**A2 Auditors' Report**

The auditors' report of the most recent annual financial statements of the Group for the financial year ended 31 July 2012 was not subject to any qualification.

**A3 Seasonal or Cyclical Factors**

The operations of the Group were not materially affected by any seasonal or cyclical factors except for the stockbroking operation which is dependent on the stock market performance.

**A4 Exceptional Items**

There are no exceptional items for the current quarter and financial period ended 30 April 2013.

**A5 Changes in Estimates**

There are no material changes in accounting estimates used in the preparation of the interim financial report for the current quarter and financial period ended 30 April 2013 as compared with the prior financial year.

**A6 Debts and Equity Securities**

There are no issuance, cancellations, repurchase, resale and repayments of debt and equity securities for the financial period ended 30 April 2013.

**A7 Dividends**

A final dividend of 5.0 sen per ordinary share, less 25% income tax, amounting to RM9,568,459 in respect of the previous financial year ended 31 July 2012 was paid on 20 December 2012.

An interim dividend of 5.0 sen per ordinary share, less 25% income tax, amounting to RM9,568,459 in respect of the current financial year ended 31 July 2013 was paid on 8 May 2013. (Previous financial year ended 31 July 2012: Interim dividend of 5.0 sen per ordinary share, less 25% income tax).

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2013**

**A8 Securities Held-For-Trading**

|  | As at<br>30-Apr-13<br>RM'000 | As at<br>31-Jul-12<br>RM'000 |
|--|------------------------------|------------------------------|
| <b>At fair value:</b>                          |                              |                              |
| <b>Quoted in Malaysia</b>                      |                              |                              |
| Shares, warrants and REITs                     | 18,329                       | 25,527                       |
| Unit trusts                                    | 10,607                       | 12,210                       |
|  | <u>28,936</u>                | <u>37,737</u>                |
| <b>Unquoted</b>                                |                              |                              |
| Malaysian Government Securities                | -                            | 20,262                       |
| Malaysian Government Islamic Investment Issues | -                            | 50,736                       |
| BNM Islamic Negotiable Notes                   | 49,889                       | -                            |
| Private debt securities                        | 19,713                       | 61,857                       |
|  | <u>98,538</u>                | <u>170,592</u>               |

**A9 Securities Available-For-Sale ("AFS")**

|  | As at<br>30-Apr-13<br>RM'000 | As at<br>31-Jul-12<br>RM'000 |
|--|------------------------------|------------------------------|
| <b>At fair value:</b>                          |                              |                              |
| <b>Quoted in Malaysia</b>                      |                              |                              |
| REITs  | 34,486                       | 14,807                       |
| Unit trusts                                    | 173,241                      | 167,241                      |
| <b>Quoted outside Malaysia</b>                 |                              |                              |
| REITs  | 34,159                       | -                            |
|  | <u>241,886</u>               | <u>182,048</u>               |
| <b>Unquoted</b>                                |                              |                              |
| Malaysian Government Securities                | 31,095                       | 61,652                       |
| Malaysian Government Sukuk                     | 6,516                        | 6,632                        |
| Malaysian Government Islamic Investment Issues | 211,961                      | 251,791                      |
| BNM Islamic Negotiable Notes                   | 209,014                      | 298,115                      |
| Private and Islamic debt securities            | 799,797                      | 779,379                      |
| <b>At cost:</b>                                |                              |                              |
| <b>Unquoted</b>                                |                              |                              |
| Shares   | 1,140                        | 1,140                        |
|  | <u>1,501,409</u>             | <u>1,580,757</u>             |
| Accumulated impairment loss                    | (650)                        | (650)                        |
|  | <u>1,500,759</u>             | <u>1,580,107</u>             |

Included in the securities AFS are investments in unit trust funds managed by a subsidiary, Hwang Investment Management Berhad at a carrying amount of RM122.0 million as at the end of the reporting period (At 31 July 2012: RM120.9 million).

**A10 Securities Held-To-Maturity**

|                                     | As at<br>30-Apr-13<br>RM'000 | As at<br>31-Jul-12<br>RM'000 |
|-------------------------------------|------------------------------|------------------------------|
| <b>At amortised cost:</b>           |                              |                              |
| <b>Unquoted</b>                     |                              |                              |
| Private and Islamic debt securities | 353,920                      | 399,921                      |

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2013**

**A11 Loans, Advances and Financing**

|   | As at<br>30-Apr-13<br>RM'000 | (Restated)<br>As at<br>31-Jul-12<br>RM'000 |
|---|------------------------------|--|
| <b>(a) By Type</b>                      |                              |  |
| Term loans                              |                              |  |
| - housing loans                         | 25,471                       | 15,290                                     |
| - bridging loans                        | -                            | 3,550                                      |
| - syndicated term loans                 | 203,774                      | 125,131                                    |
| - other term loans                      | 673,807                      | 514,449                                    |
| Overdrafts                              | 4,975                        | 2,655                                      |
| Share margin financing                  | 169,420                      | 201,562                                    |
| Staff loans                             | 554                          | 364  |
| Other financing                         | 3,450                        | 575  |
|   | <u>1,081,451</u>             | <u>863,576</u>                             |
| Unearned interest                       | (191,073)                    | (156,398)                                  |
|   | <u>890,378</u>               | <u>707,178</u>                             |
| Allowance for losses:                   |                              |  |
| - collective impairment                 | (14,007)                     | (10,420)                                   |
| - individual impairment                 | (7,621)                      | (11,521)                                   |
| Net loans, advances and financing       | <u>868,750</u>               | <u>685,237</u>                             |
| <b>(b) By Type of Customer</b>          |                              |  |
| Domestic business enterprises           |                              |  |
| - others                                | 347,095                      | 235,119                                    |
| Individuals                             | 324,767                      | 274,260                                    |
| Other domestic entities                 | 90,614                       | 111,627                                    |
| Foreign business enterprises            | 24,166                       | 10,379                                     |
| Foreign individuals                     | 103,736                      | 75,793                                     |
|   | <u>890,378</u>               | <u>707,178</u>                             |
| <b>(c) By Geographical Distribution</b> |                              |  |
| Malaysia                                | 762,531                      | 621,458                                    |
| Cambodia                                | 118,706                      | 76,665                                     |
| Hong Kong                               | 7,569                        | 7,527                                      |
| Singapore                               | 596                          | 1,017                                      |
| Other countries                         | 976                          | 511  |
|   | <u>890,378</u>               | <u>707,178</u>                             |
| <b>(d) By Interest Rate Sensitivity</b> |                              |  |
| Fixed rate                              |                              |  |
| - other fixed rate loans/financing      | 620,936                      | 551,488                                    |
| - housing loans                         | 25,471                       | 15,290                                     |
| Variable rate                           |                              |  |
| - cost-plus                             | 243,971                      | 140,400                                    |
|   | <u>890,378</u>               | <u>707,178</u>                             |

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2013**

**A11 Loans, Advances and Financing (cont'd)**

|   | As at<br>30-Apr-13<br>RM'000 | (Restated)<br>As at<br>31-Jul-12<br>RM'000 |
|---|------------------------------|--|
| <b>(e) By Purpose</b>   |                              |  |
| Purchase of landed properties   |                              |  |
| - residential   | 23,870                       | 14,438                                     |
| - non-residential   | 22,380                       | 17,244                                     |
| Construction  | 6,749                        | 5,292                                      |
| Real estate   | 4,107                        | 2,873                                      |
| Purchase of securities  | 265,833                      | 277,707                                    |
| Working capital   | 111,543                      | 89,655                                     |
| Personal use  | 247,160                      | 204,044                                    |
| Mergers and acquisitions  | 80,857                       | -  |
| Others  | 127,879                      | 95,925                                     |
|   | <u>890,378</u>               | <u>707,178</u>                             |
| <b>(f) By Residual Contractual Maturity</b>   |                              |  |
| Within 1 year   | 339,329                      | 305,846                                    |
| 1 year to 3 years   | 38,719                       | 28,774                                     |
| 3 years to 5 years  | 100,773                      | 94,300                                     |
| Over 5 years  | 411,557                      | 278,258                                    |
|   | <u>890,378</u>               | <u>707,178</u>                             |
| <b>(g) Impaired Loans, Advances and Financing by Purpose</b>                                  |                              |  |
| Purchase of landed properties   |                              |  |
| - residential   | 574                          | 14   |
| Real estate   | 595                          | 587  |
| Purchase of securities  | -                            | 1,636                                      |
| Working capital   | 9,300                        | 8,344                                      |
| Personal use  | 6,887                        | 8,510                                      |
| Others  | 172                          | 93   |
|   | <u>17,528</u>                | <u>19,184</u>                              |
| <b>(h) Impaired Loans, Advances and Financing<br/>by Geographical Distribution</b>            |                              |  |
| Malaysia  | 11,520                       | 16,185                                     |
| Cambodia  | 6,008                        | 2,999                                      |
|   | <u>17,528</u>                | <u>19,184</u>                              |
| <b>(i) Movements in Impaired Loans, Advances and Financing</b>                                |                              |  |
| At beginning of the financial period/year   | 19,184                       | 18,401                                     |
| Classified as impaired  | 15,265                       | 29,892                                     |
| Reclassified as non-impaired  | (3,621)                      | (22,616)                                   |
| Amount recovered  | (725)                        | (2,115)                                    |
| Amount written off  | (12,506)                     | (4,428)                                    |
| Exchange differences  | (69)                         | 50   |
| At end of the financial period/year   | <u>17,528</u>                | <u>19,184</u>                              |
| Gross impaired loans, advances and financing<br>as a % of gross loans, advances and financing | <u>2.0%</u>                  | <u>2.7%</u>                                |

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2013**

**A11 Loans, Advances and Financing (cont'd)**

|  | (Restated) |
|--|------------|
|  | As at      |
|  | As at      |
|  | 30-Apr-13  |
|  | 31-Jul-12  |
|  | RM'000     |
|  | RM'000     |
| <b>(j) Movements in Allowance for Losses</b>                                       |            |
| <u>Collective Impairment</u>   |            |
| At beginning of the financial period/year  |            |
| - as previously reported   | 11,436     |
| - effects of transition to MFRS framework  | 12,393     |
| - as restated  | (1,016)    |
|  | (1,189)    |
|  | 10,420     |
| Net allowance made   | 5,675      |
| Amount written off   | 3,163      |
| Exchange differences   | (2,056)    |
|  | (32)       |
| At end of the financial period/year  | 33         |
|  | 14,007     |
|  | 10,420     |
| As a % of gross loans, advances and financing less individual impairment allowance |            |
|  | 1.6%       |
|  | 1.5%       |
| <u>Individual Impairment</u>   |            |
| At beginning of the financial period/year  | 11,521     |
| Allowance made   | 10,422     |
| Amount written back  | 6,564      |
| Amount written off   | 1,221      |
| Exchange differences   | (240)      |
|  | (137)      |
|  | (10,186)   |
|  | -          |
| At end of the financial period/year  | (38)       |
|  | 15         |
|  | 7,621      |
|  | 11,521     |

**HWANG-DBS (MALAYSIA) BERHAD**  
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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2013**

**A12 Clients' and Brokers' Balances**

|  | As at<br>30-Apr-13<br>RM'000 | (Restated)<br>As at<br>31-Jul-12<br>RM'000 |
|--|------------------------------|--|
| Clients' and brokers' balances, net of allowances for impairment of RM551,000 (At 31 July 2012: RM553,000) | <u>392,541</u>               | <u>179,126</u>                             |

**A13 Other Assets**

|   | As at<br>30-Apr-13<br>RM'000 | (Restated)<br>As at<br>31-Jul-12<br>RM'000 |
|---|------------------------------|--|
| Trade receivables, net of allowances for impairment of RM363,000 (At 31 July 2012: RM363,000) | 59,862                       | 44,113                                     |
| Statutory deposit   | -                            | 150  |
| Clearing Guarantee Fund   | 2,100                        | 2,058                                      |
| Clearing Fund   | 1,000                        | 1,000                                      |
| Other receivables, deposits and prepayments   | 26,844                       | 19,357                                     |
| Other investments   | 2,981                        | 2,983                                      |
|   | <u>92,787</u>                | <u>69,661</u>                              |

**A14 Deposits from Customers**

|   | As at<br>30-Apr-13<br>RM'000 | As at<br>31-Jul-12<br>RM'000 |
|---|------------------------------|------------------------------|
| <b>(a) By Type of Deposit</b>                     |                              |                              |
| Demand deposits                                   | 3,513                        | 1,863                        |
| Savings deposits                                  | 4,619                        | 2,954                        |
| Fixed deposits                                    | 758,528                      | 735,474                      |
| Negotiable instruments of deposits                | 4,226                        | 2,943                        |
| Other deposits                                    | 3,732                        | 5,197                        |
|   | <u>774,618</u>               | <u>748,431</u>               |
| <b>(b) By Type of Customer</b>                    |                              |                              |
| Government and statutory bodies                   | 280,322                      | 37,103                       |
| Business enterprises                              | 420,883                      | 641,599                      |
| Individuals                                       | 55,745                       | 56,028                       |
| Others  | 17,668                       | 13,701                       |
|   | <u>774,618</u>               | <u>748,431</u>               |
| <b>(c) By Maturity Structure of Term Deposits</b> |                              |                              |
| Within 6 months                                   | 588,039                      | 721,722                      |
| 6 months to 1 year                                | 178,447                      | 21,892                       |
|   | <u>766,486</u>               | <u>743,614</u>               |

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2013**

**A15 Deposits and Placements of Banks and Other Financial Institutions**

|                              | As at<br>30-Apr-13<br>RM'000 | As at<br>31-Jul-12<br>RM'000 |
|------------------------------|------------------------------|------------------------------|
| Licensed banks               | 216,873                      | 255,183                      |
| Licensed investment banks    | 39,835                       | 45,844                       |
| Central Banks                | 354,744                      | -                            |
| Other financial institutions | 1,289,034                    | 1,386,034                    |
|                              | <u>1,900,486</u>             | <u>1,687,061</u>             |

**A16 Other Liabilities**

|   | As at<br>30-Apr-13<br>RM'000 | (Restated)<br>As at<br>31-Jul-12<br>RM'000 |
|---|------------------------------|--|
| Trade payables                                      | 113,892                      | 108,931                                    |
| Amounts due to clients and dealer's representatives | 45,162                       | 48,103                                     |
| Dividend payable                                    | 9,569                        | -  |
| Other payables and accruals                         | 63,207                       | 69,173                                     |
|   | <u>231,830</u>               | <u>226,207</u>                             |

**A17 Borrowings**

(a) Total borrowings of the Group of RM416.2 million as at 30 April 2013 are unsecured of which RM187.2 million revolving credit lines are covered by corporate guarantees issued by the Company for a subsidiary.

(b) Analysis between short term and long term borrowings are as follows:

|                              | As at<br>30-Apr-13<br>RM'000 | As at<br>31-Jul-12<br>RM'000 |
|------------------------------|------------------------------|------------------------------|
| <b>Short term borrowings</b> |                              |                              |
| Revolving credits            | 416,172                      | 390,492                      |
| <b>Long term borrowings</b>  | -                            | -                            |
| <b>Total borrowings</b>      | <u>416,172</u>               | <u>390,492</u>               |

(c) All borrowings are denominated in Ringgit Malaysia.

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2013**

**A18 Interest Income**

|   | <u>Individual Quarter</u>                |  | <u>Cumulative Quarter</u>                |  |
|---|--|--|--|--|
|   | 3 months<br>ended<br>30-Apr-13<br>RM'000 | 3 months<br>ended<br>30-Apr-12<br>RM'000 | 9 months<br>ended<br>30-Apr-13<br>RM'000 | 9 months<br>ended<br>30-Apr-12<br>RM'000 |
| Loans, advances and financing                                       | 20,359                                   | 17,293                                   | 57,686                                   | 53,974                                   |
| Money at call and deposit placements<br>with financial institutions | 6,606                                    | 4,380                                    | 17,970                                   | 14,051                                   |
| Securities AFS  | 10,467                                   | 10,332                                   | 35,208                                   | 32,647                                   |
| Securities held-to-maturity   | 6,003                                    | 6,460                                    | 18,865                                   | 19,574                                   |
| Others  | 361                                      | 139                                      | 850                                      | 330                                      |
|   | <u>43,796</u>                            | <u>38,604</u>                            | <u>130,579</u>                           | <u>120,576</u>                           |
| Securities held-for-trading   | 1,444                                    | 2,455                                    | 4,823                                    | 6,551                                    |
| Derivative financial instruments                                    | 1,577                                    | 2,192                                    | 5,506                                    | 7,047                                    |
|   | <u>46,817</u>                            | <u>43,251</u>                            | <u>140,908</u>                           | <u>134,174</u>                           |

**A19 Interest Expense**

|  | <u>Individual Quarter</u>                |  | <u>Cumulative Quarter</u>                |  |
|--|--|--|--|--|
|  | 3 months<br>ended<br>30-Apr-13<br>RM'000 | 3 months<br>ended<br>30-Apr-12<br>RM'000 | 9 months<br>ended<br>30-Apr-13<br>RM'000 | 9 months<br>ended<br>30-Apr-12<br>RM'000 |
| Deposits and placements of banks and other<br>financial institutions | (14,021)                                 | (12,653)                                 | (43,092)                                 | (36,619)                                 |
| Deposits from customers  | (5,757)                                  | (5,441)                                  | (16,443)                                 | (18,869)                                 |
| Borrowings   | (4,613)                                  | (3,964)                                  | (13,724)                                 | (12,373)                                 |
| Others   | (141)                                    | (131)                                    | (412)                                    | (467)                                    |
|  | <u>(24,532)</u>                          | <u>(22,189)</u>                          | <u>(73,671)</u>                          | <u>(68,328)</u>                          |
| Derivative financial instruments                                     | (1,564)                                  | (1,612)                                  | (5,059)                                  | (4,892)                                  |
|  | <u>(26,096)</u>                          | <u>(23,801)</u>                          | <u>(78,730)</u>                          | <u>(73,220)</u>                          |



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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2013**

**A20 Other Operating Income**

|  | <u>Individual Quarter</u> |                       | <u>Cumulative Quarter</u> |                       |
|--|---------------------------|-----------------------|---------------------------|-----------------------|
|  | <u>3 months ended</u>     | <u>3 months ended</u> | <u>9 months ended</u>     | <u>9 months ended</u> |
|  | <u>30-Apr-13</u>          | <u>30-Apr-12</u>      | <u>30-Apr-13</u>          | <u>30-Apr-12</u>      |
|  | <u>RM'000</u>             | <u>RM'000</u>         | <u>RM'000</u>             | <u>RM'000</u>         |
| <b>Fee and commission income:</b>                      |                           |                       |                           |                       |
| Brokerage  | 14,033                    | 17,007                | 37,799                    | 48,862                |
| Fund management and incentive fees                     | 23,555                    | 13,857                | 76,535                    | 42,279                |
| Advisory and arranger fees                             | 330                       | 1,436                 | 2,920                     | 2,460                 |
| Underwriting commission and placement income           | 715                       | 825                   | 1,569                     | 961                   |
| Rollover fees  | 482                       | 589                   | 1,784                     | 1,945                 |
| Other fees and commission                              | 2,346                     | 1,926                 | 6,806                     | 4,832                 |
|  | <u>41,461</u>             | <u>35,640</u>         | <u>127,413</u>            | <u>101,339</u>        |
| <b>Net gain/(loss) on securities held-for-trading:</b> |                           |                       |                           |                       |
| - net gain on disposal                                 | 4,417                     | 6,462                 | 8,431                     | 14,223                |
| - net unrealised (loss)/gain                           | (2,950)                   | 1,314                 | (3,216)                   | 5,923                 |
|  | <u>1,467</u>              | <u>7,776</u>          | <u>5,215</u>              | <u>20,146</u>         |
| <b>Net gain/(loss) on derivatives:</b>                 |                           |                       |                           |                       |
| - net loss on disposal                                 | (3,122)                   | (2,683)               | (9,492)                   | (5,928)               |
| - net unrealised gain                                  | 9,355                     | 3,315                 | 10,376                    | 7,588                 |
|  | <u>6,233</u>              | <u>632</u>            | <u>884</u>                | <u>1,660</u>          |
| <b>Net gain on securities AFS:</b>                     |                           |                       |                           |                       |
| - net gain on disposal                                 | 637                       | 2,868                 | 1,497                     | 5,613                 |
| <b>Gross dividends/income distributions:</b>           |                           |                       |                           |                       |
| - securities held-for-trading                          | 757                       | 722                   | 953                       | 1,621                 |
| - securities AFS                                       | 1,631                     | 1,206                 | 4,124                     | 3,377                 |
|  | <u>2,388</u>              | <u>1,928</u>          | <u>5,077</u>              | <u>4,998</u>          |
| <b>Other income:</b>                                   |                           |                       |                           |                       |
| Initial service charge                                 | 17,962                    | 21,280                | 54,752                    | 33,089                |
| Net foreign exchange (loss)/gain                       | (5,318)                   | 2,670                 | 5,469                     | 3,653                 |
| Rental Income  | 238                       | 515                   | 691                       | 1,544                 |
| Insurance claim  | -                         | -                     | -                         | 2,395                 |
| Others   | 870                       | 674                   | 2,797                     | 2,251                 |
|  | <u>13,752</u>             | <u>25,139</u>         | <u>63,709</u>             | <u>42,932</u>         |
| <b>Total</b>   | <u>65,938</u>             | <u>73,983</u>         | <u>203,795</u>            | <u>176,688</u>        |

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2013**

**A21 Other Operating Expenses**

|   | <u>Individual Quarter</u> |                        | <u>Cumulative Quarter</u> |                         |
|---|---------------------------|------------------------|---------------------------|-------------------------|
|   | <u>3 months ended</u>     | <u>3 months ended</u>  | <u>9 months ended</u>     | <u>9 months ended</u>   |
|   | <u>30-Apr-13</u>          | <u>30-Apr-12</u>       | <u>30-Apr-13</u>          | <u>30-Apr-12</u>        |
|   | <u>RM'000</u>             | <u>RM'000</u>          | <u>RM'000</u>             | <u>RM'000</u>           |
| <b>Personnel costs:</b>                             |                           |                        |                           |                         |
| - Salaries, allowances and bonus                    | (18,733)                  | (23,119)               | (59,366)                  | (64,500)                |
| - Contributions to defined contribution plans       | (3,068)                   | (3,052)                | (9,134)                   | (8,468)                 |
| - Others  | (6,783)                   | (5,229)                | (16,168)                  | (14,149)                |
|   | <u>(28,584)</u>           | <u>(31,400)</u>        | <u>(84,668)</u>           | <u>(87,117)</u>         |
| <b>Establishment related costs:</b>                 |                           |                        |                           |                         |
| - Depreciation                                      | (1,869)                   | (1,815)                | (5,538)                   | (5,675)                 |
| - Rental of premises                                | (1,310)                   | (1,222)                | (3,911)                   | (3,585)                 |
| - Rental of equipment                               | (633)                     | (689)                  | (1,959)                   | (2,019)                 |
| - Repairs and maintenance of premises and equipment | (355)                     | (382)                  | (1,386)                   | (1,258)                 |
| - Information technology expenses                   | (835)                     | (765)                  | (2,469)                   | (2,328)                 |
| - Others  | (1,143)                   | (1,166)                | (3,579)                   | (3,627)                 |
|   | <u>(6,145)</u>            | <u>(6,039)</u>         | <u>(18,842)</u>           | <u>(18,492)</u>         |
| <b>Promotion and marketing related expenses:</b>    |                           |                        |                           |                         |
| - Promotion and business development                | (2,689)                   | (1,760)                | (7,210)                   | (3,008)                 |
| - Travelling and accommodation                      | (201)                     | (175)                  | (733)                     | (520)                   |
| - Others  | (3,008)                   | (1,779)                | (8,318)                   | (4,982)                 |
|   | <u>(5,898)</u>            | <u>(3,714)</u>         | <u>(16,261)</u>           | <u>(8,510)</u>          |
| <b>Administrative and general expenses:</b>         |                           |                        |                           |                         |
| - Professional and consultancy fees                 | (1,012)                   | (514)                  | (2,686)                   | (2,156)                 |
| - Communication expenses                            | (2,124)                   | (1,773)                | (6,757)                   | (4,987)                 |
| - Incentives and commission                         | (19,256)                  | (18,387)               | (62,176)                  | (33,249)                |
| - Regulatory charges                                | (1,635)                   | (1,602)                | (4,452)                   | (4,529)                 |
| - Others  | (2,222)                   | (2,031)                | (6,666)                   | (6,040)                 |
|   | <u>(26,249)</u>           | <u>(24,307)</u>        | <u>(82,737)</u>           | <u>(50,961)</u>         |
| <b>Total</b>  | <u><b>(66,876)</b></u>    | <u><b>(65,460)</b></u> | <u><b>(202,508)</b></u>   | <u><b>(165,080)</b></u> |

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2013**

**A22 (Allowance)/Write Back of Allowance for Losses on Loans, Advances and Financing**

|                        | <u>Individual Quarter</u> |                | <u>Cumulative Quarter</u> |                |
|------------------------|---------------------------|----------------|---------------------------|----------------|
|                        | (Restated)                |                | (Restated)                |                |
|                        | 3 months                  | 3 months       | 9 months                  | 9 months       |
|                        | ended                     | ended          | ended                     | ended          |
|                        | 30-Apr-13                 | 30-Apr-12      | 30-Apr-13                 | 30-Apr-12      |
|                        | RM'000                    | RM'000         | RM'000                    | RM'000         |
| Individual impairment: |                           |                |                           |                |
| - made                 | (404)                     | (271)          | (6,564)                   | (703)          |
| - written back         | 192                       | 71             | 240                       | 123            |
|                        | (212)                     | (200)          | (6,324)                   | (580)          |
| Collective impairment: |                           |                |                           |                |
| - made                 | (2,329)                   | (1,571)        | (5,675)                   | (2,596)        |
| Bad debts:             |                           |                |                           |                |
| - recovered            | 334                       | 145            | 772                       | 1,476          |
| - written off          | (129)                     | (38)           | (264)                     | (298)          |
|                        | <u>(2,336)</u>            | <u>(1,664)</u> | <u>(11,491)</u>           | <u>(1,998)</u> |

**A23 (Allowance)/Write Back of Allowance for Losses on Clients' Balances and Receivables**

|                        | <u>Individual Quarter</u> |            | <u>Cumulative Quarter</u> |            |
|------------------------|---------------------------|------------|---------------------------|------------|
|                        | (Restated)                |            | (Restated)                |            |
|                        | 3 months                  | 3 months   | 9 months                  | 9 months   |
|                        | ended                     | ended      | ended                     | ended      |
|                        | 30-Apr-13                 | 30-Apr-12  | 30-Apr-13                 | 30-Apr-12  |
|                        | RM'000                    | RM'000     | RM'000                    | RM'000     |
| Individual impairment: |                           |            |                           |            |
| - made                 | (139)                     | (177)      | (191)                     | (171)      |
| - written back         | 143                       | 113        | 193                       | 280        |
|                        | 4                         | (64)       | 2                         | 109        |
| Bad debts:             |                           |            |                           |            |
| - recovered            | 78                        | 487        | 137                       | 666        |
|                        | <u>82</u>                 | <u>423</u> | <u>139</u>                | <u>775</u> |

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2013**

**A24 Commitments and Contingencies**

The commitments and contingencies and the related risk-weighted exposures of the Group are as follows:

|  | <b>As at<br/>30-Apr-13</b>             |   |   | <b>As at<br/>31-Jul-12</b>             |   |   |
|--|--|---|---|--|---|---|
|  | <b>Principal<br/>amount<br/>RM'000</b> | <b>Credit<br/>equivalent<br/>amount*<br/>RM'000</b> | <b>Risk-<br/>weighted<br/>amount<br/>RM'000</b> | <b>Principal<br/>amount<br/>RM'000</b> | <b>Credit<br/>equivalent<br/>amount*<br/>RM'000</b> | <b>Risk-<br/>weighted<br/>amount<br/>RM'000</b> |
| <b>Contingencies</b>   |  |   |   |  |   |   |
| Direct credit substitutes  | -                                      | -   | -   | 5,000                                  | 5,000   | 1,000   |
| <b>Commitments</b>   |  |   |   |  |   |   |
| Forward asset purchases  | -                                      | -   | -   | 10,328                                 | 10,328  | 5,164   |
| Obligations under underwriting agreement                           | -                                      | -   | -   | 10,000                                 | 5,000   | 5,000   |
| Commitments to extend credits with<br>maturity of <sup>(1)</sup> : |  |   |   |  |   |   |
| - up to 1 year   | 365,893                                | 6,663   | 6,663   | 468,107                                | 24,000  | 24,000  |
| - over 1 year  | 14,974                                 | 9,974   | 7,487   | 14,605                                 | 11,772  | 7,303   |
|  | <b>380,867</b>                         | <b>16,637</b>                                       | <b>14,150</b>                                   | <b>503,040</b>                         | <b>51,100</b>                                       | <b>41,467</b>                                   |
| <b>Derivative financial instruments</b>                            |  |   |   |  |   |   |
| Foreign exchange related contracts:                                |  |   |   |  |   |   |
| - up to 1 year   | 2,327,685                              | 30,734  | 14,848  | 1,220,649                              | 32,444  | 13,734  |
| - over 1 year to 5 years   | 536,355                                | 61,528  | 17,758  | 170,361                                | 16,149  | 3,230   |
| Interest rate related contracts:                                   |  |   |   |  |   |   |
| - up to 1 year   | 663,000                                | 642   | 363   | 2,460,000                              | 4,249   | 970   |
| - over 1 year to 5 years   | 100,000                                | 4,341   | 2,170   | 253,000                                | 2,069   | 1,909   |
|  | <b>3,627,040</b>                       | <b>97,245</b>                                       | <b>35,139</b>                                   | <b>4,104,010</b>                       | <b>54,911</b>                                       | <b>19,843</b>                                   |
| <b>Total</b>   | <b>4,007,907</b>                       | <b>113,882</b>                                      | <b>49,289</b>                                   | <b>4,612,050</b>                       | <b>111,011</b>                                      | <b>62,310</b>                                   |

\* The credit equivalent amounts in respect of commitments and contingencies of the investment banking subsidiary and moneylending subsidiary are arrived at using the credit conversion factors as specified by Bank Negara Malaysia.

<sup>(1)</sup> Included in the commitments to extend credits are loan commitments of the commercial banking subsidiary, of which the credit equivalent amount and risk-weighted amount are computed in accordance with the relevant guidelines issued by the National Bank of Cambodia.

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2013**

**A25 Other Commitments**

|   | As at<br>30-Apr-13<br>RM'000 | As at<br>31-Jul-12<br>RM'000 |
|---|------------------------------|------------------------------|
| Capital expenditure commitments             | 14,613                       | 19,942                       |
| Non-cancellable operating lease commitments | 6,182                        | 8,155                        |
|   | <u>20,795</u>                | <u>28,097</u>                |

**A26 Capital Adequacy**

(i) HwangDBS Investment Bank Berhad ("HDBSIB")

With effect from January 2013, the investment banking subsidiary, HDBSIB is required to comply with the revised Capital Adequacy Framework, as set out in the Capital Adequacy Framework (Basel II - Risk-Weighted Assets) and Capital Adequacy Framework (Capital Components) issued by Bank Negara Malaysia at both entity and consolidated levels. HDBSIB adopts the Standardised Approach for credit and market risks, and the Basic Indicator Approach for operational risk.

The capital components and capital adequacy ratios of HDBSIB and the investment banking group, which are computed in accordance with the revised Capital Adequacy Framework, are as follows:

|  | Investment<br>Banking Group<br>As at<br>30-Apr-13<br>RM'000 | HDBSIB<br>As at<br>30-Apr-13<br>RM'000 |
|--|---|--|
| <b><u>Common Equity Tier I (CET 1) Capital</u></b> |   |  |
| Issued and fully paid ordinary shares              | 500,000   | 500,000                                |
| Retained profits                                   | 202,415   | 199,016                                |
| AFS reserve  | 6,005   | 6,005                                  |
| Statutory reserve                                  | 133,839   | 133,839                                |
|  | <u>842,259</u>  | <u>838,860</u>                         |
| Less: Regulatory adjustments                       | (168,650)   | (168,650)                              |
| CET 1 Capital                                      | 673,609   | 670,210                                |
| <b><u>Additional Tier 1 Capital</u></b>            |   |  |
| Non-controlling interests                          | 202   | -                                      |
| Tier 1 Capital                                     | <u>673,811</u>  | <u>670,210</u>                         |
| <b><u>Tier 2 Capital</u></b>                       |   |  |
| Non-controlling interests                          | 47  | -                                      |
| Collective impairment allowances                   | 5,744   | 5,744                                  |
| Less: Regulatory adjustments                       | -   | (399)                                  |
| Tier 2 Capital                                     | <u>5,791</u>  | <u>5,345</u>                           |
| <b>Total Capital</b>                               | <u>679,602</u>  | <u>675,555</u>                         |
| CET1 Capital ratio                                 | 29.5%   | 29.5%                                  |
| Tier 1 Capital ratio                               | 29.5%   | 29.5%                                  |
| Total Capital ratio                                | <u>29.8%</u>  | <u>29.7%</u>                           |

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2013**

**A26 Capital Adequacy (cont'd)**

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

The capital adequacy ratios of HDBSIB as at the previous financial year end, which were computed in accordance with Risk-Weighted Capital Adequacy Framework (Basel II - Risk-Weighted Assets Computation) issued by BNM, are as follows:

|  | (Restated)<br><b>As at<br/>31-Jul-12<br/>RM'000</b> |
|--|---|
| <b><u>Tier I capital</u></b>               |   |
| Issued and fully paid share capital        | 500,000   |
| Retained profits                           | 218,670   |
| Statutory reserve                          | 133,839   |
| Total Tier I capital                       | 852,509   |
| Less: Goodwill                             | (110,002)   |
| Eligible Tier I capital                    | 742,507   |
| <b><u>Tier II capital</u></b>              |   |
| Collective impairment allowances           | 4,511   |
| Total Tier II capital                      | 4,511   |
| Total capital                              | 747,018   |
| Less: Investment in subsidiaries           | (3,081)   |
| Other deductions                           | (248)   |
| <b>Capital base</b>                        | 743,689   |
| <b>Before deducting proposed dividend:</b> |   |
| Core capital ratio                         | 36.0%   |
| Risk-weighted capital ratio                | 36.0%   |
| <b>After deducting proposed dividend:</b>  |   |
| Core capital ratio                         | 34.9%   |
| Risk-weighted capital ratio                | 35.0%   |

There is no comparative figures in respect of the capital adequacy ratios of the investment banking group as at the previous financial year end.

(ii) HwangDBS Commercial Bank Plc ("HDCB")

The solvency ratio of HDCB, which is the regulatory capital adequacy ratio as prescribed by the National Bank of Cambodia, is computed based on the net worth of HDCB divided by its risk-weighted assets and items not recognised in the statement of financial position. The solvency ratio of HDCB is as follows:

|                | <b>As at<br/>30-Apr-13</b> | <b>As at<br/>31-Jul-12</b> |
|----------------|----------------------------|----------------------------|
| Solvency ratio | 64.1%                      | 82.9%                      |

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2013**

**A27 Segmental Information**

The Group is organised into the following operating segments:

- (i) Stockbroking - stockbroking, share margin financing and dealing in securities
- (ii) Investment banking - debt and equity capital market services, corporate banking, corporate finance advisory and treasury and market activities
- (iii) Investment management - management of unit trust funds and provision of fund management services
- (iv) Moneylending - moneylending activities
- (v) Commercial banking - commercial banking activities
- (vi) Others - include investment holding and other non-core operations of the Group

The segmental information are as follows:

|   | Stock-<br>broking<br>RM'000 | Investment<br>banking<br>RM'000 | Investment<br>manage-<br>ment<br>RM'000 | Money-<br>lending<br>RM'000 | Commercial<br>banking<br>RM'000 | Others<br>RM'000 | Inter-<br>segment<br>elimination<br>RM'000 | Group<br>RM'000 |
|---|-----------------------------|---------------------------------|---|-----------------------------|---------------------------------|------------------|--|-----------------|
| <b>9 months ended 30 April 2013</b>                                 |                             |                                 |   |                             |                                 |                  |  |                 |
| <b>Revenue</b>  |                             |                                 |   |                             |                                 |                  |  |                 |
| External revenue *  | 63,995                      | 91,341                          | 132,784                                 | 33,710                      | 8,458                           | 5,041            | -  | 335,329         |
| Inter-segment revenue   | -                           | 1,244                           | (176)                                   | -                           | -                               | 38,885           | (39,953)                                   | -               |
| Total revenue   | <u>63,995</u>               | <u>92,585</u>                   | <u>132,608</u>                          | <u>33,710</u>               | <u>8,458</u>                    | <u>43,926</u>    | <u>(39,953)</u>                            | <u>335,329</u>  |
| Net interest income/(expense)                                       | 16,464                      | 21,152                          | 1,595                                   | 23,657                      | 6,728                           | (7,418)          | -  | 62,178          |
| Other operating income  | 43,757                      | 17,364                          | 132,825                                 | 4,648                       | 711                             | 43,849           | (39,359)                                   | 203,795         |
|   | 60,221                      | 38,516                          | 134,420                                 | 28,305                      | 7,439                           | 36,431           | (39,359)                                   | 265,973         |
| Other operating expenses  | (62,600)                    | (16,099)                        | (105,435)                               | (6,798)                     | (5,725)                         | (12,138)         | 6,287                                      | (202,508)       |
|   | (2,379)                     | 22,417                          | 28,985                                  | 21,507                      | 1,714                           | 24,293           | (33,072)                                   | 63,465          |
| (Allowance)/Write back of allowance<br>for losses on:               |                             |                                 |   |                             |                                 |                  |  |                 |
| - loans, advances and financing                                     | 386                         | (1,619)                         | -                                       | (7,900)                     | (2,322)                         | -                | (36)                                       | (11,491)        |
| - clients' balances and receivables                                 | 139                         | -                               | -                                       | -                           | -                               | (4)              | 4  | 139             |
| Write back of impairment allowance on<br>investment in a subsidiary | 318                         | -                               | -                                       | -                           | -                               | -                | (318)                                      | -               |
| <b>Segment profit/(loss)</b>  | <u>(1,536)</u>              | <u>20,798</u>                   | <u>28,985</u>                           | <u>13,607</u>               | <u>(608)</u>                    | <u>24,289</u>    | <u>(33,422)</u>                            | <u>52,113</u>   |
| Share of results of an associate,<br>net of tax                     |                             |                                 |   |                             |                                 |                  |  | 505             |
| <b>Profit before taxation</b>                                       |                             |                                 |   |                             |                                 |                  |  | <u>52,618</u>   |

**9 months ended 30 April 2012 (Restated)**

|   |               |               |               |               |              |               |                 |                |
|---|---------------|---------------|---------------|---------------|--------------|---------------|-----------------|----------------|
| <b>Revenue</b>  |               |               |               |               |              |               |                 |                |
| External revenue *                                    | 83,954        | 80,055        | 76,100        | 32,809        | 5,993        | 6,018         | -               | 284,929        |
| Inter-segment revenue                                 | -             | 1,354         | 43            | -             | -            | 43,380        | (44,777)        | -              |
| Total revenue   | <u>83,954</u> | <u>81,409</u> | <u>76,143</u> | <u>32,809</u> | <u>5,993</u> | <u>49,398</u> | <u>(44,777)</u> | <u>284,929</u> |
| Net interest income/(expense)                         | 18,221        | 19,282        | 1,051         | 24,384        | 5,341        | (7,325)       | -               | 60,954         |
| Other operating income                                | 74,408        | 21,957        | 77,036        | 3,547         | 396          | 49,326        | (49,982)        | 176,688        |
|   | 92,629        | 41,239        | 78,087        | 27,931        | 5,737        | 42,001        | (49,982)        | 237,642        |
| Other operating expenses                              | (68,835)      | (15,166)      | (62,065)      | (7,887)       | (4,268)      | (12,987)      | 6,128           | (165,080)      |
|   | 23,794        | 26,073        | 16,022        | 20,044        | 1,469        | 29,014        | (43,854)        | 72,562         |
| (Allowance)/Write back of allowance<br>for losses on: |               |               |               |               |              |               |                 |                |
| - loans, advances and financing                       | 472           | (43)          | -             | (1,462)       | (936)        | -             | (29)            | (1,998)        |
| - clients' balances and receivables                   | 763           | 12            | -             | -             | -            | (4)           | 4               | 775            |
| <b>Segment profit/(loss)</b>                          | <u>25,029</u> | <u>26,042</u> | <u>16,022</u> | <u>18,582</u> | <u>533</u>   | <u>29,010</u> | <u>(43,879)</u> | <u>71,339</u>  |
| Share of results of an associate,<br>net of tax       |               |               |               |               |              |               |                 | (77)           |
| <b>Profit before taxation</b>                         |               |               |               |               |              |               |                 | <u>71,262</u>  |

\* External revenue of the Group comprises all types of revenue derived from stockbroking, investment banking, commercial banking, moneylending and investment management activities, rental income from property investment and reimbursement of research expenses.

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2013**

**A28 Subsequent Events**

There are no material events subsequent to the end of the financial period ended 30 April 2013.

**A29 Changes in the Composition of the Group**

There are no changes in the composition of the Group for the current quarter and financial period ended 30 April 2013.

**A30 Changes in Contingent Liabilities or Contingent Assets**

Please refer to explanatory note A24.



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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2013**

**B. Explanatory Notes in accordance with Chapter 9, Part K of the Bursa Malaysia Securities Berhad Main Market Listing Requirements**

**B1 Analysis of the Performance of the Operating Segments of the Group**

Operating revenue of the Group of RM335.3 million for the nine months ended 30 April 2013 is 18% higher compared to the RM284.9 million recorded in the corresponding financial period last year. Increase in income generated from investment management activities and net gain arising from foreign exchange transactions coupled with higher interest income from treasury and lending activities have collectively contributed to the growth in operating revenue for the current financial period. The increase in operating revenue is however, partly offset by the reduction in brokerage income and lower gains arising from securities and derivatives trading activities for the same period. There is no significant change in operating revenue of the Group for the current quarter under review at RM111.0 million compared to RM110.0 million recorded in the previous corresponding quarter.

Pretax profit of the Group for the financial period ended 30 April 2013 slid 26% to RM52.6 million from RM71.3 million posted in the previous corresponding financial period. On a quarterly basis, pretax profit of the Group for the current quarter under review of RM17.6 million is 34% lower relative to RM26.9 million recorded in the corresponding quarter last year.

The Group attributed the reduction in profitability for the current financial period to higher loan loss provisioning, corresponding increase in commission expense in line with increase in investment management activities, lower net gain for its securities and derivatives portfolio coupled with increased promotion and marketing related expenses, which eroded the effects of revenue growth for the current financial period. Pretax profit is lower for the current quarter under review following unfavourable effects of foreign exchange, lower brokerage income and reduction in net gain on securities held-for-trading, partly cushioned by increase in income from investment management activities and increase in net unrealised gain on derivatives portfolio.

The performance of the Group's key operating segments are analysed as follows:

**(a) Stockbroking**

The stockbroking segment reported a pretax profit of RM0.6 million for the current quarter, as compared to the pretax profit of RM6.4 million posted in the previous corresponding quarter. Period-to-date, the stockbroking segment incurred a pretax loss of RM1.5 million, in contrast to a pretax profit of RM25.0 million for the nine months ended 30 April 2012.

The financial performance of the segment is negatively affected by the reduction in brokerage income on the back of lower value traded. Bursa value traded for the nine months ended 30 April 2013 is down to RM296.5 billion from RM314.5 billion in the previous corresponding financial period. In addition, lower net gain on securities held-for-trading, higher marketing related expenses as well as absence of dividend income of RM6.2 million from the nominees subsidiaries and absence of insurance claim of RM2.4 million in the current financial period, partly mitigated by reduction in personnel costs, have also further impacted the performance of the segment. Similarly, the lower pretax profit for the current quarter is mainly attributed to the decline in both brokerage income and net gain arising from securities trading activities, coupled with higher marketing related expenses, partially offset by lower personnel costs for the current quarter.

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**B1 Analysis of the Performance of the Operating Segments of the Group (cont'd)**

(b) Investment banking

For the nine months ended 30 April 2013, the investment banking segment registered a pretax profit of RM20.8 million, which is 20% lower compared to the pretax profit of RM26.0 million for the previous corresponding financial period. Pretax profit of the segment for the third quarter of financial year 2013 contracted by 44% to RM6.3 million from RM11.4 million recorded in the previous corresponding financial quarter.

The lower profitability of the investment banking segment for the current financial period under review is primarily linked to marked-to-market loss on securities portfolio, higher net loss incurred on disposal of derivative contracts and lower net gain arising from disposal of securities, partially offset by increase in net gain arising from foreign exchange and higher unrealised gain on derivatives portfolio. On a quarter-to-quarter basis, the lower pretax profit is mainly attributable to net loss incurred on foreign exchange and unrealised loss on securities portfolio, partly cushioned by increased unrealised gain on derivatives portfolio and higher net gain arising from disposal of securities.

(c) Investment management

For the current quarter ended 30 April 2013, the investment management segment posted a marginally higher pretax profit of RM7.3 million compared to the pretax profit of RM6.8 million recorded in the previous corresponding quarter. The cumulative pretax profit of the segment for the current financial period under review increased significantly from RM16.0 million recorded in the previous corresponding financial period to RM29.0 million.

Increase in fund management fee, incentive fee and initial service charge, net of agents' commission expense are the key drivers of the increased earnings of the segment, supported by enlarged net assets value of funds managed of RM20.3 billion as at 30 April 2013 (As at 30 April 2012: RM13.2 billion). These were, however, partially negated by higher level of personnel costs and marketing related expenses for the current financial period under review. Higher pretax profit for the current quarter ended 30 April 2013 is largely contributed by increase in fund management fee, net of agents' commission expense, partly offset by lower initial service charge as well as higher personnel costs and marketing related expenses for the current quarter under review.

(d) Moneylending

The moneylending segment posted a pretax profit of RM6.4 million in the third quarter of financial year 2013, which surpassed the pretax profit of RM5.6 million in the previous corresponding quarter by 13%. Notwithstanding this, the pretax profit of the segment for the nine months ended 30 April 2013 is lower at RM13.6 million compared to RM18.6 million posted in the previous corresponding financial period.

The moneylending segment attributed the lower pretax profit to higher loan loss provisioning and reduction in net interest income, partly offset by lower personnel costs for the current financial period. For the current quarter under review, the higher pretax profit is mainly due to reduction in personnel costs, increase in net interest income and fee income, partly offset by higher loan loss provisioning.

(e) Commercial banking

The commercial banking segment recorded a pretax loss of RM0.6 million for the current financial period ended 30 April 2013 against the pretax profit of RM0.5 million for the previous corresponding financial period. The segment posted a pretax profit of RM0.2 million in the current quarter under review while achieved a breakeven results in the previous corresponding quarter last year. The segment recorded increase in net interest income in the current quarter and financial period ended 30 April 2013. However, the positive contributions from higher income generated is adversely impacted by increased loan loss provisioning and higher personnel costs for the same period.

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2013**

**B2 Material Change in Profit Before Taxation for the Current Quarter compared with the Immediate Preceding Quarter**

The pretax profit of the Group of RM17.6 million for the current quarter under review has declined by 7% compared to the pretax profit of RM18.9 million recorded in the preceding second quarter ended 31 January 2013. Reduction in incentive fee from investment management activities and net loss on foreign exchange have led to a lower earnings for the current quarter, partly cushioned by the increase in unrealised gain on derivatives portfolio, lower loan loss provisioning, higher brokerage income and increased initial service charge for the same period.

**B3 Commentary**

**(a) Current Year's Prospects**

The Malaysian economic fundamentals are expected to remain resilient on the back of sound fiscal policy, strong domestic activities and spinoff effects from the Government's Economic Transformation Programmes. However, there are still signs of uncertainties in the external front and threats of continued recession in the euro zone could weigh down on the growth momentum in the country.

The stockbroking and investment banking businesses will continue to remain competitive. The outlook for the stockbroking activities is more promising with trading interest in the financial markets expected to return post-election. The investment banking division will continue to focus on its target markets to seek business opportunities and increase its fee-based and money market activities.

The investment management segment is expected to continue its growth momentum and will focus on increasing its funds under management portfolio, launch new funds, explore new markets abroad and will continue to strengthen its system infrastructure and distribution channels.

The growth in the Group's commercial banking business will be driven by expansion of its loans and deposits portfolios through its extended distribution network targeting the wide customer base and the SME market, whilst the consumer financing activities will strive to grow its loan portfolio amidst an increasingly competitive and challenging operating landscape.

Barring any adverse developments, the Board of Directors is of the view that the Group will turn in satisfactory performance in the remaining quarter of the financial year ending 31 July 2013.

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2013**

**B3 Commentary (cont'd)**

**(b) Progress and Steps to Achieve Revenue or Profit Estimate, Forecast, Projection and Internal Targets Previously Announced**

Not applicable.

**B4 Statement of the Board of Directors' Opinion on Achievability of Revenue or Profit Estimate, Forecast, Projection and Internal Targets Previously Announced**

Not applicable.

**B5 Profit Forecast and Profit Guarantee**

Not applicable.

**B6 Taxation**

The analysis of the tax expense for the current quarter and financial period ended 30 April 2013 are as follows:

|   | <u>Individual Quarter</u> |                       | <u>Cumulative Quarter</u> |                        |
|---|---------------------------|-----------------------|---------------------------|------------------------|
|   |                           | (Restated)            |                           | (Restated)             |
|   | 3 months ended            | 3 months ended        | 9 months ended            | 9 months ended         |
|   | 30-Apr-13                 | 30-Apr-12             | 30-Apr-13                 | 30-Apr-12              |
|   | RM'000                    | RM'000                | RM'000                    | RM'000                 |
| In respect of the current financial period: |                           |                       |                           |                        |
| Malaysian income tax                        | (4,109)                   | (9,821)               | (12,910)                  | (19,762)               |
| Foreign income tax                          | (32)                      | (21)                  | (85)                      | (60)                   |
| Deferred tax                                | 221                       | 3,526                 | 550                       | 2,161                  |
|   | <u>(3,920)</u>            | <u>(6,316)</u>        | <u>(12,445)</u>           | <u>(17,661)</u>        |
| In respect of prior financial years:        |                           |                       |                           |                        |
| Malaysian income tax                        | (870)                     | 1,718                 | (870)                     | 1,465                  |
| Deferred tax                                | 1,348                     | (1,502)               | 1,348                     | (1,502)                |
|   | <u>478</u>                | <u>216</u>            | <u>478</u>                | <u>(37)</u>            |
|   | <u><u>(3,442)</u></u>     | <u><u>(6,100)</u></u> | <u><u>(11,967)</u></u>    | <u><u>(17,698)</u></u> |

The effective tax rate for the current quarter and financial period ended 30 April 2013 is lower than the statutory tax rate mainly due to certain income which are not subject to tax, partially offset by certain expenses which are not deductible for tax purposes.

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2013**

**B7 Status of Corporate Proposals**

There are no corporate proposals announced but not completed as at date of this announcement except for the following:

- (a) On 31 January 2013, the Company announced that the following wholly-owned dormant subsidiaries of the Company have commenced member's voluntary winding-up pursuant to Section 254(1)(b) of the Companies Act, 1965:
- (i) HwangDBS Custodian Services Sdn. Bhd. ("HCS")
  - (ii) HDM Management Services Sdn. Bhd. ("HMS")
  - (iii) HDM Research & Publication Sdn. Bhd. ("R&P")

The member's voluntary winding-up of HCS, HMS and R&P will not have any material effect on the net assets, gearing ratios and earnings per share of the Group for the financial year ending 31 July 2013.

- (b) On 15 April 2013, the Company obtained permission from Bank Negara Malaysia via its letter dated 12 April 2013 for the Company to commence preliminary negotiations with AMMB Holdings Berhad and Affin Holdings Berhad for the potential disposal of its equity interest in its wholly-owned investment banking subsidiary, HwangDBS Investment Bank Berhad. BNM's approval to commence negotiations is valid for a period of 6 months.

During the current quarter ended 30 April 2013, the Company also commenced preliminary negotiations with AMMB Holdings Berhad and Affin Holdings Berhad for the potential disposal of its equity interests in other financial services businesses of the Group.

**B8 Group Borrowings and Debt Securities**

Please refer to explanatory note A17.

**B9 Disclosure of Realised and Unrealised Profits or Losses**

|   | As at<br>30-Apr-13<br>RM'000 | (Restated)<br>As at<br>31-Jul-12<br>RM'000 |
|---|------------------------------|--|
| Total retained profits of the Company and its subsidiaries: |                              |  |
| - realised  | 542,602                      | 524,596                                    |
| - unrealised  | 9,215                        | 8,070                                      |
|   | <u>551,817</u>               | <u>532,666</u>                             |
| Total share of accumulated losses of associate:             |                              |  |
| - realised  | (725)                        | (1,230)                                    |
|   | <u>551,092</u>               | <u>531,436</u>                             |
| Consolidation adjustments                                   | (24,141)                     | (15,383)                                   |
| Total Group retained profits                                | <u><u>526,951</u></u>        | <u><u>516,053</u></u>                      |

The disclosure of realised and unrealised profits or losses is made in accordance with the directives issued by Bursa Malaysia Securities Berhad ("Bursa Securities") and the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures pursuant to Bursa Securities Listing Requirements, issued by the Malaysian Institute of Accountants.

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2013**

**B10 Disclosure of Derivatives**

(a) The derivative financial instruments held by the Group as at the end of the reporting period are as follows:

|   | <b>As at<br/>30-Apr-13</b>   |                                   | <b>As at<br/>31-Jul-12</b>   |                                   |
|---|------------------------------|-----------------------------------|------------------------------|-----------------------------------|
|   | <b>Fair value</b>            |                                   | <b>Fair value</b>            |                                   |
|   | <b>Derivative<br/>assets</b> | <b>Derivative<br/>liabilities</b> | <b>Derivative<br/>assets</b> | <b>Derivative<br/>liabilities</b> |
|   | <b>RM'000</b>                | <b>RM'000</b>                     | <b>RM'000</b>                | <b>RM'000</b>                     |
| Foreign exchange related contracts:                         |                              |                                   |                              |                                   |
| - currency forwards   | 1,394                        | (4,315)                           | 2,186                        | (2,150)                           |
| - currency swaps  | 6,043                        | (1,621)                           | 6,435                        | (3,458)                           |
| - currency options  | 1                            | (1)                               | 10                           | (10)                              |
| - cross currency interest rate swaps                        | 5,731                        | (9,733)                           | 4,188                        | (10,364)                          |
| Interest rate related contracts:                            |                              |                                   |                              |                                   |
| - futures contracts   | 517                          | (118)                             | 640                          | (10,322)                          |
| - interest rate swaps                                       | 834                          | (1,451)                           | 3,686                        | (6,124)                           |
|   | <b>14,520</b>                | <b>(17,239)</b>                   | <b>17,145</b>                | <b>(32,428)</b>                   |
| Less:   |                              |                                   |                              |                                   |
| Fair value of futures contracts included<br>in other assets | <b>(517)</b>                 | <b>118</b>                        | <b>(640)</b>                 | <b>10,322</b>                     |
|   | <b>14,003</b>                | <b>(17,121)</b>                   | <b>16,505</b>                | <b>(22,106)</b>                   |

(b) The principal amount and fair value of derivatives held by the Group at 30 April 2013 classified by the remaining periods to maturity are as follows:

| <b>Type of Derivatives</b>                | <b>Cash<br/>requirement<br/>RM'000</b> | <b>1 year<br/>or less<br/>RM'000</b> | <b>&gt; 1 to 3<br/>years<br/>RM'000</b> | <b>&gt; 3 years<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|---|--|--------------------------------------|---|--------------------------------|-------------------------|
| <b>(i) Principal amount</b>               |  |                                      |   |                                |                         |
| <b>Foreign exchange related contracts</b> |  |                                      |   |                                |                         |
| - currency forwards                       | -                                      | 795,273                              | 18,204                                  | -                              | 813,477                 |
| - currency swaps                          | -                                      | 1,407,177                            | 18,198                                  | -                              | 1,425,375               |
| - currency options                        | -                                      | 454                                  | -                                       | -                              | 454                     |
| - cross currency interest rate swaps      | 5,901                                  | 124,781                              | 129,865                                 | 370,088                        | 624,734                 |
| <b>Interest rate related contracts</b>    |  |                                      |   |                                |                         |
| - futures contracts                       | 205                                    | 205,000                              | -                                       | -                              | 205,000                 |
| - interest rate swaps                     | -                                      | 458,000                              | -                                       | 100,000                        | 558,000                 |
|   | <b>6,106</b>                           | <b>2,990,685</b>                     | <b>166,267</b>                          | <b>470,088</b>                 | <b>3,627,040</b>        |

| <b>Type of Derivatives</b>                | <b>1 year<br/>or less<br/>RM'000</b> | <b>&gt; 1 to 3<br/>years<br/>RM'000</b> | <b>&gt; 3 years<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|---|--------------------------------------|---|--------------------------------|-------------------------|
| <b>(ii) Fair value</b>                    |                                      |   |                                |                         |
| <b>Foreign exchange related contracts</b> |                                      |   |                                |                         |
| - currency forwards                       | (2,688)                              | (233)                                   | -                              | (2,921)                 |
| - currency swaps                          | 4,194                                | 228                                     | -                              | 4,422                   |
| - currency options                        | -                                    | -                                       | -                              | -                       |
| - cross currency interest rate swaps      | 3,993                                | (6,498)                                 | (1,497)                        | (4,002)                 |
| <b>Interest rate related contracts</b>    |                                      |   |                                |                         |
| - futures contracts                       | 399                                  | -                                       | -                              | 399                     |
| - interest rate swaps                     | (955)                                | -                                       | 338                            | (617)                   |
|   | <b>4,943</b>                         | <b>(6,503)</b>                          | <b>(1,159)</b>                 | <b>(2,719)</b>          |

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**B10 Disclosure of Derivatives (cont'd)**

- (c) The financial risks associated with derivatives are as follows:

Credit risk

Derivative contracts are subject to credit risk, which refers to the potential risk of financial loss arising from defaults by counterparties in meeting their obligations. As at the end of the reporting , the amount of credit risk of the Group, measured in terms of the cost to replace profitable contracts is RM14.5 million (At 31 July 2012: RM17.1 million). The amount will increase or decrease over the contracted periods, mainly as a function of movements in market rates and time.

Market risk

Market risk is the risk of loss arising from changes in market interest rates, foreign exchange rates and equity prices underlying derivative contracts. The contractual amounts of derivatives only provide a measure of the Group's involvement in the respective type of derivatives and do not represent the amount subject to risk. As at the end of the reporting period, the net exposure of the Group to market risk, which were not hedged amounted to RM132.3 million (At 31 July 2012: RM216.9 million).

Liquidity risk

Liquidity risk is defined as the risk of the Group encountering difficulties in fulfilling its current or future payment obligations in full at the maturity date of derivatives.

- (d) There have been no changes since the end of the previous financial year in respect of the following:
- (i) the types of derivative contracts entered into, the rationale for entering into such contracts and the expected benefits accruing from these contracts;
  - (ii) the risk management policies in place for mitigating and controlling the risks associated with these derivative contracts; and
  - (iii) related accounting policies.

**B11 Changes in Material Litigation**

There are no changes to the status of material litigation since the date of the last annual statement of financial position except for a claim filed by a client of HDBSIB in July 2002 against HDBSIB for damages of RM10 million. The client alleged that HDBSIB had defamed him by wrongfully reporting him to Bursa Securities as a defaulter. The client filed an appeal on 21 September 2010 after the High Court dismissed the client's claim on 14 September 2010. The Court of Appeal dismissed the client's appeal with costs on 5 December 2012.

**B12 Dividends**

Please refer to explanatory note A7.

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2013**

**B13 Earnings Per Share Attributable to Equity Holders of the Company**

|  | <u>Individual Quarter</u> |                | <u>Cumulative Quarter</u> |                |
|--|---------------------------|----------------|---------------------------|----------------|
|  |                           | (Restated)     |                           | (Restated)     |
|  | 3 months ended            | 3 months ended | 9 months ended            | 9 months ended |
|  | 30-Apr-13                 | 30-Apr-12      | 30-Apr-13                 | 30-Apr-12      |
| Profit for the financial year attributable to equity holders of the Company (RM'000) | <u>11,351</u>             | 18,318         | <u>30,035</u>             | 47,951         |
| Weighted average number of ordinary shares in issue ('000)                           | <u>255,159</u>            | 255,159        | <u>255,159</u>            | 255,159        |
| <b>Basic earnings per share (sen)</b>  | <u><u>4.45</u></u>        | <u>7.18</u>    | <u><u>11.77</u></u>       | <u>18.79</u>   |

There were no dilutive potential ordinary shares in issue as at 30 April 2013 and 30 April 2012.

**By Order of the Board**

**Chen Mun Peng**  
**Tan Lee Peng**  
**Company Secretaries**

**Penang**  
**12 June 2013**