

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 OCTOBER 2011

	Note	As at 31-Oct-11 RM'000	As at 31-Jul-11 RM'000
Assets			
Cash and short term funds		932,793	885,629
Deposits and placements with banks and other financial institutions		110,157	179,812
Securities held-for-trading	A8	172,121	338,425
Securities available-for-sale ("AFS")	A9	1,374,184	1,193,899
Securities held-to-maturity	A10	392,437	388,335
Loans, advances and financing	A11	705,516	679,780
Clients' and brokers' balances	A12	183,060	168,102
Derivative assets	B12	25,390	26,734
Other assets	A13	86,120	39,307
Statutory deposits with Central Banks		68,511	68,204
Tax recoverable		7,571	6,543
Deferred tax assets		9,878	10,497
Investment in an associate		3,340	3,624
Property, plant and equipment		53,412	53,878
Investment properties		52,778	52,839
Intangible assets		162,509	162,509
Total assets		<u>4,339,777</u>	<u>4,258,117</u>
Liabilities			
Deposits from customers	A14	931,775	820,043
Deposits and placements of banks and other financial institutions	A15	1,450,895	1,581,036
Clients' and brokers' balances		209,025	186,725
Derivative liabilities	B12	25,595	28,233
Other liabilities	A16	424,338	369,463
Taxation		1,419	5,361
Deferred tax liabilities		268	426
Borrowings	A17	392,144	377,349
Total liabilities		<u>3,435,459</u>	<u>3,368,636</u>
Equity			
Share capital		265,845	265,845
Reserves		636,504	620,890
Treasury shares, at cost		<u>(16,061)</u>	<u>(16,061)</u>
		886,288	870,674
Non-controlling interests		<u>18,030</u>	<u>18,807</u>
Total equity		<u>904,318</u>	<u>889,481</u>
Total liabilities and equity		<u>4,339,777</u>	<u>4,258,117</u>
Net assets per share attributable to equity holders of the Company (RM)			
		<u>3.47</u>	<u>3.41</u>

The condensed financial statements should be read in conjunction with the most recent audited financial statements for the financial year ended 31 July 2011.

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED INCOME STATEMENT
FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2011

	Note	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
		3 months ended 31-Oct-11 RM'000	3 months ended 31-Oct-10 RM'000	3 months ended 31-Oct-11 RM'000	3 months ended 31-Oct-10 RM'000
Operating revenue		<u>83,432</u>	<u>96,366</u>	<u>83,432</u>	<u>96,366</u>
Interest income	A18	45,416	47,980	45,416	47,980
Interest expense	A19	<u>(24,345)</u>	<u>(22,771)</u>	<u>(24,345)</u>	<u>(22,771)</u>
Net interest income		<u>21,071</u>	<u>25,209</u>	<u>21,071</u>	<u>25,209</u>
Other operating income	A20	<u>50,461</u>	<u>55,174</u>	<u>50,461</u>	<u>55,174</u>
		71,532	80,383	71,532	80,383
Other operating expenses	A21	<u>(49,121)</u>	<u>(49,053)</u>	<u>(49,121)</u>	<u>(49,053)</u>
		22,411	31,330	22,411	31,330
(Allowance)/Write back of allowance for losses on:					
- loans, advances and financing	A22	(1,110)	(1,505)	(1,110)	(1,505)
- clients' balances and receivables	A23	169	230	169	230
		21,470	30,055	21,470	30,055
Share of results of an associate, net of tax		<u>(284)</u>	<u>18</u>	<u>(284)</u>	<u>18</u>
Profit before taxation		<u>21,186</u>	<u>30,073</u>	<u>21,186</u>	<u>30,073</u>
Taxation	B6	<u>(5,606)</u>	<u>(7,508)</u>	<u>(5,606)</u>	<u>(7,508)</u>
Profit for the financial period		<u>15,580</u>	<u>22,565</u>	<u>15,580</u>	<u>22,565</u>
Attributable to:					
Equity holders of the Company		14,185	21,494	14,185	21,494
Non-controlling interests		<u>1,395</u>	<u>1,071</u>	<u>1,395</u>	<u>1,071</u>
		<u>15,580</u>	<u>22,565</u>	<u>15,580</u>	<u>22,565</u>
Earnings per share attributable to equity holders of the Company (sen)					
- Basic	B15	<u>5.56</u>	<u>8.42</u>	<u>5.56</u>	<u>8.42</u>

The condensed financial statements should be read in conjunction with the most recent audited financial statements for the financial year ended 31 July 2011.

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2011

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Oct-11 RM'000	3 months ended 31-Oct-10 RM'000	3 months ended 31-Oct-11 RM'000	3 months ended 31-Oct-10 RM'000
Profit for the financial period	15,580	22,565	15,580	22,565
Other comprehensive income for the financial period:				
Currency translation differences arising from foreign operations	3,706	(2,560)	3,706	(2,560)
Securities AFS:				
- net change in fair value	(3,034)	1,578	(3,034)	1,578
- net gain transferred to income statement on disposal	(23)	(652)	(23)	(652)
Income tax relating to components of other comprehensive income	780	(8)	780	(8)
	<u>1,429</u>	<u>(1,642)</u>	<u>1,429</u>	<u>(1,642)</u>
Total comprehensive income for the financial period	<u>17,009</u>	<u>20,923</u>	<u>17,009</u>	<u>20,923</u>
Attributable to:				
Equity holders of the Company	15,614	19,852	15,614	19,852
Non-controlling interests	1,395	1,071	1,395	1,071
	<u>17,009</u>	<u>20,923</u>	<u>17,009</u>	<u>20,923</u>

The condensed financial statements should be read in conjunction with the most recent audited financial statements for the financial year ended 31 July 2011.

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2011

	Attributable to Equity Holders of the Company										
	Issued and fully paid ordinary shares of RM1 each		Non-distributable					Distributable		Non- controlling interests	Total equity
	Number of shares '000	Nominal value RM'000	Treasury shares RM'000	Share premium RM'000	Statutory reserve RM'000	AFS reserve RM'000	Foreign exchange reserve RM'000	Retained profits RM'000	Sub-total RM'000		
At 1 August 2011	255,159	265,845	(16,061)	33,090	108,377	3,946	(17,484)	492,961	870,674	18,807	889,481
Profit for the financial period	-	-	-	-	-	-	-	14,185	14,185	1,395	15,580
Other comprehensive income for the financial period, net of tax	-	-	-	-	-	(2,277)	3,706	-	1,429	-	1,429
Total comprehensive income for the financial period	-	-	-	-	-	(2,277)	3,706	14,185	15,614	1,395	17,009
Dividend paid by a subsidiary to non-controlling interests	-	-	-	-	-	-	-	-	-	(2,172)	(2,172)
At 31 October 2011	255,159	265,845	(16,061)	33,090	108,377	1,669	(13,778)	507,146	886,288	18,030	904,318
At 1 August 2010	255,159	265,845	(16,061)	33,090	80,132	2,912	(9,526)	453,729	810,121	15,719	825,840
Profit for the financial period	-	-	-	-	-	-	-	21,494	21,494	1,071	22,565
Other comprehensive income for the financial period, net of tax	-	-	-	-	-	918	(2,560)	-	(1,642)	-	(1,642)
Total comprehensive income for the financial period	-	-	-	-	-	918	(2,560)	21,494	19,852	1,071	20,923
Dividend paid by a subsidiary to non-controlling interests	-	-	-	-	-	-	-	-	-	(1,763)	(1,763)
At 31 October 2010	255,159	265,845	(16,061)	33,090	80,132	3,830	(12,086)	475,223	829,973	15,027	845,000

The condensed financial statements should be read in conjunction with the most recent audited financial statements for the financial year ended 31 July 2011.

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2011

	3 months ended 31-Oct-11 RM'000	3 months ended 31-Oct-10 RM'000
Operating activities		
Profit for the financial period	15,580	22,565
Adjustments for:		
Non-cash items	18,991	24,446
Non-operating items - investing	(19,212)	(14,700)
Non-operating items - financing	4,356	4,293
	19,715	36,604
Changes in working capital:		
Net changes in operating assets	149,773	(106,941)
Net changes in operating liabilities	30,860	196,129
	200,348	125,792
Interest paid	(20,869)	(17,199)
Taxation paid	(9,326)	(3,413)
Net operating cash flow	170,153	105,180
Investing activities		
Net purchase of securities	(182,612)	(189,892)
Interest received from securities	20,204	14,529
Dividends and income distributions received	2,802	1,481
Rental received	320	320
Purchase of other investments	(61)	-
Proceeds from disposal of other investments	3	3
Property, plant and equipment		
- purchases	(1,311)	(2,224)
- proceeds from disposals	48	211
Net investing cash flow	(160,607)	(175,572)
Financing activities		
Dividend paid by a subsidiary to non-controlling interests	(2,172)	(1,763)
Interest paid	(2,261)	(3,904)
Net drawdown/(repayment) of borrowings	12,700	(6,500)
Net financing cash flow	8,267	(12,167)
Net change in cash and cash equivalents	17,813	(82,559)
Foreign exchange differences	943	(2,317)
Cash and cash equivalents at beginning of the financial period	580,880	862,364
Cash and cash equivalents at end of the financial period	599,636	777,488
Cash and cash equivalents at end of the financial period comprise:		
Cash and short term funds	599,636	777,488

The condensed financial statements should be read in conjunction with the most recent audited financial statements for the financial year ended 31 July 2011.

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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2011

A. Explanatory Notes in accordance with Financial Reporting Standard ("FRS") 134

A1 Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with Financial Reporting Standard ("FRS") 134 on "Interim Financial Reporting" and Chapter 9, Part K of the Bursa Malaysia Securities Berhad Main Market Listing Requirements. The interim financial report should be read in conjunction with the most recent audited financial statements for the financial year ended 31 July 2011. 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 2011.

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 2011 except for the adoption of the following new/revised Financial Reporting Standards and Interpretations ("FRSs") that are effective for the Group for the financial year ending 31 July 2012:

<u>FRS</u>	<u>Description</u>
Amendments to FRS 3	Business Combinations
Amendments to FRS 7	Financial Instruments: Disclosures
Amendments to FRS 101	Presentation of Financial Statements
Amendments to FRS 128	Investments in Associates
Amendments to FRS 132	Financial Instruments: Presentation
Amendments to FRS 134	Interim Financial Reporting
Amendments to FRS 139	Financial Instruments: Recognition and Measurement
IC Interpretation 4	Determining whether an Arrangement contains a Lease

The adoption of the above FRSs does not give rise to any material financial effects to the Group.

A2 Auditors' Report

The auditors' report of the most recent annual financial statements of the Group for the financial year ended 31 July 2011 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 31 October 2011 except for an insurance receipt of RM2.4 million arising from claim for losses sustained by the investment banking subsidiary in a prior financial year over an incident of unauthorised sale of shares by a former remisier's assistant.

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 31 October 2011 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 31 October 2011.

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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2011

A7 Dividends

No dividend has been paid since the end of the previous financial year. The Board of Directors has not declared or recommended the payment of dividend in respect of the current financial year ending 31 July 2012.

A final dividend of 5.0 sen gross per share, less income tax at 25% proposed for the previous financial year ended 31 July 2011 has been approved by the shareholders of the Company at the Nineteenth Annual General Meeting held on 24 November 2011. The dividend will be paid on 20 December 2011 to depositors registered in the Record of Depositors at the close of business on 2 December 2011.

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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2011

A8 Securities Held-For-Trading

	As at 31-Oct-11 RM'000	As at 31-Jul-11 RM'000
At fair value		
Quoted in Malaysia:		
Shares, warrants and REITs	19,722	25,898
Unit trusts	13,171	14,032
	<u>32,893</u>	<u>39,930</u>
Unquoted:		
Bankers' acceptances	-	144,445
BNM Monetary Notes	-	51,869
Private debt securities	139,228	102,181
	<u>172,121</u>	<u>338,425</u>

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

	As at 31-Oct-11 RM'000	As at 31-Jul-11 RM'000
At fair value		
Quoted in Malaysia:		
Shares, warrants and REITs	6,792	5,089
Unit trusts	151,278	151,806
	<u>158,070</u>	<u>156,895</u>
Unquoted:		
Malaysian Government Securities	20,691	-
Malaysian Government Sukuk	6,524	6,291
Malaysian Government Islamic Investment Issues	333,338	212,767
BNM Islamic Investment Issues	55,371	-
BNM Islamic Monetary Notes	99,607	98,894
Private and Islamic debt securities	694,841	713,769
Investment fund	5,252	4,793
At cost		
Unquoted:		
Shares	1,140	1,140
	<u>1,374,834</u>	<u>1,194,549</u>
Accumulated impairment loss	(650)	(650)
	<u>1,374,184</u>	<u>1,193,899</u>

Included in the securities AFS are investments in unit trust funds managed by a subsidiary, HwangDBS Investment Management Berhad at a carrying amount of RM119.9 million as at the end of the reporting period (At 31 July 2011: RM120.4 million).

A10 Securities Held-To-Maturity

	As at 31-Oct-11 RM'000	As at 31-Jul-11 RM'000
At amortised cost		
Unquoted		
Private and Islamic debt securities	<u>392,437</u>	<u>388,335</u>

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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2011

A11 Loans, Advances and Financing

	As at 31-Oct-11 RM'000	As at 31-Jul-11 RM'000
(a) By Type		
Term loans		
- housing loans	9,310	7,975
- bridging loans	3,550	3,550
- syndicated term loans	117,843	122,742
- other term loans	477,938	450,568
Overdrafts	2,144	1,999
Share margin financing	254,143	253,631
Staff loans	202	-
Other financing	50	52
	<u>865,180</u>	<u>840,517</u>
Unearned interest	<u>(137,121)</u>	<u>(137,922)</u>
	728,059	702,595
Allowance for losses:		
- collective impairment	(11,824)	(12,393)
- individual impairment	<u>(10,719)</u>	<u>(10,422)</u>
Net loans, advances and financing	<u>705,516</u>	<u>679,780</u>
(b) By Type of Customer		
Domestic non-bank financial institutions		
- others	312	-
Domestic business enterprises		
- others	257,904	252,550
Individuals	263,777	243,189
Other domestic entities	144,022	156,734
Foreign business enterprises	8,928	8,782
Foreign individuals	53,116	41,340
	<u>728,059</u>	<u>702,595</u>
(c) By Geographical Distribution		
Malaysia	666,322	652,844
Cambodia	53,899	41,477
Hong Kong	7,424	7,841
Singapore	215	237
Other countries	199	196
	<u>728,059</u>	<u>702,595</u>
(d) By Interest Rate Sensitivity		
Fixed rate		
- other fixed rate loans/financing	577,316	548,289
- housing loans	9,310	7,975
Variable rate		
- base-lending rate plus	30,156	30,170
- cost-plus	<u>111,277</u>	<u>116,161</u>
	<u>728,059</u>	<u>702,595</u>

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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2011

A11 Loans, Advances and Financing (cont'd)

	As at 31-Oct-11 RM'000	As at 31-Jul-11 RM'000
(e) By Purpose		
Purchase of landed properties		
- residential	8,604	6,990
- non-residential	7,163	4,491
Construction	6,443	6,145
Real estates	2,507	1,515
Purchase of securities	344,532	346,506
Working capital	90,753	68,372
Personal use	187,915	189,178
Others	80,142	79,398
	<u>728,059</u>	<u>702,595</u>
(f) By Residual Contractual Maturity		
Within 1 year	360,965	376,166
1 year to 3 years	73,419	58,188
3 years to 5 years	42,885	23,631
Over 5 years	250,790	244,610
	<u>728,059</u>	<u>702,595</u>
(g) Impaired Loans, Advances and Financing by Purpose		
Purchase of landed properties		
- residential	17	18
Real estate	349	278
Purchase of securities	1,636	1,636
Working capital	7,794	7,280
Personal use	7,019	9,189
	<u>16,815</u>	<u>18,401</u>
(h) Impaired Loans, Advances and Financing by Geographical Distribution		
Malaysia	15,147	17,375
Cambodia	1,668	1,026
	<u>16,815</u>	<u>18,401</u>
(i) Movements in Impaired Loans, Advances and Financing		
At beginning of the financial period	18,401	15,131
Classified as impaired	12,479	32,405
Reclassified as non-impaired	(11,373)	(18,871)
Amount recovered	(964)	(7,150)
Amount written off	(1,761)	(3,114)
Exchange differences	33	-
At end of the financial period	<u>16,815</u>	<u>18,401</u>
Gross impaired loans, advances and financing as a % of gross loans, advances and financing	<u>2.3%</u>	<u>2.6%</u>

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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2011

A11 Loans, Advances and Financing (cont'd)

	As at 31-Oct-11 RM'000	As at 31-Jul-11 RM'000
(j) Movements in Allowance for Losses		
<u>Collective Impairment</u>		
At beginning of the financial period	12,393	9,217
Net allowance made	1,000	5,163
Amount written off	(1,589)	(1,963)
Exchange differences	20	(24)
At end of the financial period	11,824	12,393
As a % of gross loans, advances and financing less individual impairment allowance	1.6%	1.8%
<u>Individual Impairment</u>		
At beginning of the financial period	10,422	9,440
Allowance made	285	6,013
Amount written back	-	(5,023)
Exchange differences	12	(8)
At end of the financial period	10,719	10,422

HWANG-DBS (MALAYSIA) BERHAD
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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2011

A12 Clients' and Brokers' Balances

	As at 31-Oct-11 RM'000	As at 31-Jul-11 RM'000
Clients' and brokers' balances, net of allowances for impairment of RM680,000 (At 31 July 2011: RM740,000)	<u>183,060</u>	<u>168,102</u>

A13 Other Assets

	As at 31-Oct-11 RM'000	As at 31-Jul-11 RM'000
Trade receivables, net of allowances for impairment of RM332,000 (At 31 July 2011: RM341,000)	61,877	8,620
Statutory deposit	150	150
Clearing Guarantee Fund	2,015	2,002
Clearing Fund	1,000	1,000
Other receivables, deposits and prepayments	18,073	24,590
Other investments	<u>3,005</u>	<u>2,945</u>
	<u>86,120</u>	<u>39,307</u>

A14 Deposits from Customers

	As at 31-Oct-11 RM'000	As at 31-Jul-11 RM'000
(a) By Type of Deposit		
Demand deposits	5,821	6,913
Savings deposits	3,737	2,120
Fixed deposits	915,269	805,521
Negotiable instruments of deposits	3,773	3,873
Other deposits	<u>3,175</u>	<u>1,616</u>
	<u>931,775</u>	<u>820,043</u>
(b) By Type of Customer		
Government and statutory bodies	170,377	140,389
Business enterprises	696,520	628,402
Individuals	60,792	47,296
Others	<u>4,086</u>	<u>3,956</u>
	<u>931,775</u>	<u>820,043</u>
(c) By Maturity Structure of Term Deposits		
Within 6 months	911,417	804,721
6 months to 1 year	<u>10,800</u>	<u>6,289</u>
	<u>922,217</u>	<u>811,010</u>

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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2011

A15 Deposits and Placements of Banks and Other Financial Institutions

	As at 31-Oct-11 RM'000	As at 31-Jul-11 RM'000
Licensed banks	210,822	88,604
Licensed investment banks	46,568	16,276
Other financial institutions	1,193,505	1,476,156
	<u>1,450,895</u>	<u>1,581,036</u>

A16 Other Liabilities

	As at 31-Oct-11 RM'000	As at 31-Jul-11 RM'000
Trade payables	73,552	45,175
Amounts due to clients and dealer's representatives	286,749	259,432
Other payables and accruals	64,037	64,856
	<u>424,338</u>	<u>369,463</u>

A17 Borrowings

(a) Total borrowings of the Group of RM392.1 million as at 31 October 2011 are unsecured of which RM157.4 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 31-Oct-11 RM'000	As at 31-Jul-11 RM'000
Short term borrowings		
Revolving credits	392,144	377,349
Long term borrowings	-	-
Total borrowings	<u>392,144</u>	<u>377,349</u>

(c) All borrowings are denominated in Ringgit Malaysia.

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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2011

A18 Interest Income

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Oct-11 RM'000	3 months ended 31-Oct-10 RM'000	3 months ended 31-Oct-11 RM'000	3 months ended 31-Oct-10 RM'000
Loans, advances and financing	18,716	21,597	18,716	21,597
Money at call and deposit placements with financial institutions	5,083	6,224	5,083	6,224
Securities AFS	10,595	5,271	10,595	5,271
Securities held-to-maturity	6,523	6,999	6,523	6,999
Others	89	127	89	127
	<u>41,006</u>	<u>40,218</u>	<u>41,006</u>	<u>40,218</u>
Securities held-for-trading	1,983	4,797	1,983	4,797
Derivative financial instruments	2,427	2,965	2,427	2,965
	<u>45,416</u>	<u>47,980</u>	<u>45,416</u>	<u>47,980</u>

Interest income earned on impaired loans, advances and financing of the Group of which impairment allowance has been made amounted to RM Nil for the current quarter and financial period ended 31 October 2011.

A19 Interest Expense

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Oct-11 RM'000	3 months ended 31-Oct-10 RM'000	3 months ended 31-Oct-11 RM'000	3 months ended 31-Oct-10 RM'000
Deposits and placements of banks and other financial institutions	(11,712)	(11,495)	(11,712)	(11,495)
Deposits from customers	(6,428)	(4,328)	(6,428)	(4,328)
Borrowings	(4,356)	(4,293)	(4,356)	(4,293)
Others	(182)	(211)	(182)	(211)
	<u>(22,678)</u>	<u>(20,327)</u>	<u>(22,678)</u>	<u>(20,327)</u>
Derivative financial instruments	(1,667)	(2,444)	(1,667)	(2,444)
	<u>(24,345)</u>	<u>(22,771)</u>	<u>(24,345)</u>	<u>(22,771)</u>

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A20 Other Operating Income

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Oct-11 RM'000	3 months ended 31-Oct-10 RM'000	3 months ended 31-Oct-11 RM'000	3 months ended 31-Oct-10 RM'000
Fee and commission income:				
Brokerage	17,432	24,034	17,432	24,034
Unit trust management and incentive fees	13,553	10,518	13,553	10,518
Advisory and arranger fees	420	1,218	420	1,218
Underwriting commission and placement income	90	199	90	199
Rollover fees	718	686	718	686
Service charges and fees	241	224	241	224
Other fees and commission	1,289	2,313	1,289	2,313
	<u>33,743</u>	<u>39,192</u>	<u>33,743</u>	<u>39,192</u>
Net gain on securities held-for-trading:				
- net gain on disposal	1,961	1,532	1,961	1,532
- net unrealised gain	1,718	4,739	1,718	4,739
	<u>3,679</u>	<u>6,271</u>	<u>3,679</u>	<u>6,271</u>
Net gain/(loss) on derivatives:				
- net loss on disposal	(1,630)	(2,040)	(1,630)	(2,040)
- net unrealised gain/(loss)	(222)	2,558	(222)	2,558
	<u>(1,852)</u>	<u>518</u>	<u>(1,852)</u>	<u>518</u>
Net gain on securities AFS:				
- net gain on disposal	34	870	34	870
Gross dividends/income distributions				
- securities held-for-trading	749	742	749	742
- securities AFS	1,293	645	1,293	645
	<u>2,042</u>	<u>1,387</u>	<u>2,042</u>	<u>1,387</u>
Other income:				
Initial service charge	5,936	4,077	5,936	4,077
Net foreign exchange gain	3,153	1,673	3,153	1,673
Rental Income	515	521	515	521
Others	3,211	665	3,211	665
	<u>12,815</u>	<u>6,936</u>	<u>12,815</u>	<u>6,936</u>
Total	<u><u>50,461</u></u>	<u><u>55,174</u></u>	<u><u>50,461</u></u>	<u><u>55,174</u></u>

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A21 Other Operating Expenses

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Oct-11 RM'000	3 months ended 31-Oct-10 RM'000	3 months ended 31-Oct-11 RM'000	3 months ended 31-Oct-10 RM'000
Personnel costs:				
- Salaries, allowances and bonus	(19,013)	(17,255)	(19,013)	(17,255)
- Contributions to a defined contribution plan	(2,495)	(2,252)	(2,495)	(2,252)
- Others	(5,240)	(5,138)	(5,240)	(5,138)
	<u>(26,748)</u>	<u>(24,645)</u>	<u>(26,748)</u>	<u>(24,645)</u>
Establishment related costs:				
- Depreciation	(1,967)	(2,017)	(1,967)	(2,017)
- Rental of premises	(1,191)	(1,187)	(1,191)	(1,187)
- Rental of equipment	(645)	(694)	(645)	(694)
- Repairs and maintenance of premises and equipment	(544)	(357)	(544)	(357)
- Information technology expenses	(817)	(868)	(817)	(868)
- Others	(1,213)	(1,063)	(1,213)	(1,063)
	<u>(6,377)</u>	<u>(6,186)</u>	<u>(6,377)</u>	<u>(6,186)</u>
Promotion and marketing related expenses:				
- Promotion and business development	(718)	(4,429)	(718)	(4,429)
- Travelling and accommodation	(189)	(174)	(189)	(174)
- Others	(1,750)	(1,574)	(1,750)	(1,574)
	<u>(2,657)</u>	<u>(6,177)</u>	<u>(2,657)</u>	<u>(6,177)</u>
Administrative and general expenses:				
- Professional and consultancy fees	(770)	(709)	(770)	(709)
- Communication expenses	(1,526)	(1,297)	(1,526)	(1,297)
- Incentives and commission	(7,525)	(6,329)	(7,525)	(6,329)
- Regulatory charges	(1,508)	(1,852)	(1,508)	(1,852)
- Others	(2,010)	(1,858)	(2,010)	(1,858)
	<u>(13,339)</u>	<u>(12,045)</u>	<u>(13,339)</u>	<u>(12,045)</u>
Total	<u>(49,121)</u>	<u>(49,053)</u>	<u>(49,121)</u>	<u>(49,053)</u>

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

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Oct-11 RM'000	3 months ended 31-Oct-10 RM'000	3 months ended 31-Oct-11 RM'000	3 months ended 31-Oct-10 RM'000
Individual impairment:				
- made	(285)	(674)	(285)	(674)
- written back	-	-	-	-
	(285)	(674)	(285)	(674)
Collective impairment:				
- made	(1,000)	(588)	(1,000)	(588)
Bad debts:				
- recovered	346	37	346	37
- written off	(171)	(280)	(171)	(280)
	<u>(1,110)</u>	<u>(1,505)</u>	<u>(1,110)</u>	<u>(1,505)</u>

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

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Oct-11 RM'000	3 months ended 31-Oct-10 RM'000	3 months ended 31-Oct-11 RM'000	3 months ended 31-Oct-10 RM'000
Individual impairment:				
- made	(86)	(136)	(86)	(136)
- written back	121	113	121	113
	35	(23)	35	(23)
Collective impairment:				
- written back/(made)	34	(20)	34	(20)
Bad debts:				
- recovered	100	273	100	273
	<u>169</u>	<u>230</u>	<u>169</u>	<u>230</u>

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A24 Commitments and Contingencies

The commitments and contingencies and the related counterparty credit risk of the Group are as follows:

	As at 31-Oct-11			As at 31-Jul-11		
	Principal amount RM'000	Credit equivalent amount* RM'000	Risk- weighted amount RM'000	Principal amount RM'000	Credit equivalent amount* RM'000	Risk- weighted amount RM'000
Contingencies						
Direct credit substitutes	12,500	12,500	2,500	12,500	12,500	2,500
Commitments						
Forward asset purchases	-	-	-	5,246	5,246	1,049
Commitments to extend credits with maturity of ⁽¹⁾ :						
- up to 1 year	404,210	2,000	2,000	426,042	5,000	5,000
- over 1 year	35,114	20,209	9,557	27,779	17,321	5,889
	<u>439,324</u>	<u>22,209</u>	<u>11,557</u>	<u>459,067</u>	<u>27,567</u>	<u>11,938</u>
Derivative financial instruments						
Foreign exchange related contracts:						
- up to 1 year	880,654	21,812	11,021	956,356	28,375	15,533
- over 1 year to 5 years	285,123	28,809	6,744	280,246	30,232	7,180
Interest rate related contracts:						
- up to 1 year	1,995,000	653	146	1,835,000	985	212
- over 1 year to 5 years	2,188,000	16,075	5,373	2,713,000	15,661	5,992
	<u>5,348,777</u>	<u>67,349</u>	<u>23,284</u>	<u>5,784,602</u>	<u>75,253</u>	<u>28,917</u>
Total	<u>5,800,601</u>	<u>102,058</u>	<u>37,341</u>	<u>6,256,169</u>	<u>115,320</u>	<u>43,355</u>

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

⁽¹⁾ 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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A25 Other Commitments

	As at 31-Oct-11 RM'000	As at 31-Jul-11 RM'000
Capital expenditure commitments	19,897	20,566
Non-cancellable operating lease commitments	7,011	8,095
	26,908	28,661

A26 Capital Adequacy

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

The capital adequacy ratios of the investment banking subsidiary, HDBSIB are computed in accordance with the Risk-Weighted Capital Adequacy Framework (Basel II - Risk-Weighted Assets Computation) issued by Bank Negara Malaysia. HDBSIB adopts the Standardised Approach for credit and market risks, and the Basic Indicator Approach for operational risk.

	As at 31-Oct-11 RM'000	As at 31-Jul-11 RM'000
<u>Tier I capital</u>		
Issued and fully paid share capital	500,000	500,000
Retained profits	187,655	213,905
Statutory reserve	108,377	108,377
Total Tier I capital	796,032	822,282
Less: Goodwill	(110,002)	(110,002)
Eligible Tier I capital	686,030	712,280
<u>Tier II capital</u>		
Collective impairment allowances	6,505	6,605
Total Tier II capital	6,505	6,605
Total capital	692,535	718,885
Less: Investment in subsidiaries	(3,081)	(3,081)
Other deductions	(407)	(418)
Capital base	689,047	715,386
Before deducting proposed dividend:		
Core capital ratio	33.0%	34.7%
Risk-weighted capital ratio	33.2%	34.9%
After deducting proposed dividend:		
Core capital ratio	33.0%	33.5%
Risk-weighted capital ratio	33.2%	33.6%

(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:

	As at 31-Oct-11	As at 31-Jul-11
Solvency ratio	90.1%	94.1%

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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 capital markets, corporate banking, corporate finance advisory, equity capital market services and treasury and market activities
- (iii) Commercial banking - commercial banking activities
- (iv) Investment management - management of unit trust funds and provision of fund management services
- (v) Moneylending - moneylending activities
- (vi) Others - include investment holding and other non-core operations of the Group

The segmental information are as follows:

	Stock- broking RM'000	Investment banking RM'000	Commercial banking RM'000	Investment manage- ment RM'000	Money- lending RM'000	Others RM'000	Inter- segment elimination RM'000	Group RM'000
3 months ended 31 October 2011								
Revenue								
External revenue *	27,769	20,304	1,833	19,637	11,507	2,382	-	83,432
Inter-segment revenue	-	469	-	-	-	39,611	(40,080)	-
Total revenue	27,769	20,773	1,833	19,637	11,507	41,993	(40,080)	83,432
Net interest income/(expense)	6,368	6,687	1,637	311	8,536	(2,468)	-	21,071
Other operating income	23,600	3,535	137	19,871	1,088	41,954	(39,724)	50,461
	29,968	10,222	1,774	20,182	9,624	39,486	(39,724)	71,532
Other operating expense	(22,068)	(4,552)	(1,233)	(16,077)	(2,893)	(4,393)	2,095	(49,121)
	7,900	5,670	541	4,105	6,731	35,093	(37,629)	22,411
(Allowance)/Write back of allowance for losses on:								
- loans, advances and financing	(8)	74	(390)	-	(729)	-	(57)	(1,110)
- clients' balances and receivables	160	9	-	-	-	(1)	1	169
Segment profit/(loss)	8,052	5,753	151	4,105	6,002	35,092	(37,685)	21,470
Share of results of an associate, net of tax								(284)
Profit before taxation								21,186
3 months ended 31 October 2010								
Revenue								
External revenue *	33,809	27,917	851	14,842	16,725	2,222	-	96,366
Inter-segment revenue	-	461	-	12	-	29,483	(29,956)	-
Total revenue	33,809	28,378	851	14,854	16,725	31,705	(29,956)	96,366
Net interest income/(expense)	6,577	7,591	679	130	12,718	(2,486)	-	25,209
Other operating income	27,918	7,175	69	15,001	2,218	32,278	(29,485)	55,174
	34,495	14,766	748	15,131	14,936	29,792	(29,485)	80,383
Other operating expense	(25,426)	(4,903)	(912)	(11,990)	(3,538)	(4,121)	1,837	(49,053)
	9,069	9,863	(164)	3,141	11,398	25,671	(27,648)	31,330
(Allowance)/Write back of allowance for losses on:								
- loans, advances and financing	67	(67)	(58)	-	(1,424)	-	(23)	(1,505)
- clients' balances and receivables	222	8	-	-	-	-	-	230
Segment profit/(loss)	9,358	9,804	(222)	3,141	9,974	25,671	(27,671)	30,055
Share of results of an associate, net of tax								18
Profit before taxation								30,073

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

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A28 Valuation of Property, Plant and Equipment

Not applicable.

A29 Subsequent Events

There are no material events subsequent to the end of the financial period ended 31 October 2011.

A30 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 31 October 2011.

A31 Changes in Contingent Liabilities or Contingent Assets

Please refer to explanatory note A24.

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

B1 Review of Performance of the Company and its Principal Subsidiaries

Operating revenue of the Group for the first quarter ended 31 October 2011 of RM83.4 million lagged behind RM96.4 million recorded for the previous corresponding financial period. The reduction in operating revenue is mainly attributed to the lower revenue generated by the investment banking subsidiary and moneylending subsidiary, partially offset by the higher revenue from the fund management subsidiary. The operating revenue for the current financial period under review is impacted by the lower stockbroking brokerage income in line with lower value traded by the investment banking subsidiary and decrease in interest income derived from loans portfolios, compounded by the unfavourable effects arising from foreign exchange trading activities. These were, however, partially mitigated by the increase in fund management fees and gains from securities trading for the current financial period.

For the first three months of the financial year ending 31 July 2012, the Group reported a lower pretax profit of RM21.2 million in comparison to RM30.1 million recorded in the previous corresponding financial period primarily as a result of the reduction in stockbroking brokerage income, lower marked-to-market gain on securities held-for-trading portfolio, lower net interest income due to narrowing of interest margin as well as net loss incurred on derivatives, the effects of which are partially cushioned by net foreign exchange gain and an insurance receipt by the investment banking subsidiary during the current financial period under review.

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

Compared to the fourth quarter ended 31 July 2011, the pretax profit of the Group for the current quarter ended 31 October 2011 is 35% lower at RM21.2 million against RM32.4 million recorded in the preceding quarter mainly due to decrease in net realised gain on securities portfolio, lower net interest income from moneylending activities, lower advisory fee income and higher personnel costs, partially offset by net gain on foreign exchange and an insurance receipt by the investment banking subsidiary during the current quarter under review.

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B3 Commentary

(a) Current Year's Prospects

The challenging external environments due to the continued uncertainties in the Eurozone and US have resulted in increased volatility in the global economies and financial markets. This will impact the economic growth momentum in Malaysia and the Group's performance.

The local stock market activities have deteriorated in the past months as the Eurozone crisis weighed down investors' sentiments. Going forward, the trading activities in the local bourse are expected to remain volatile with higher investors' risk aversion in view of the uncertain global outlook. With trading interest still susceptible to external factors and the Group's stockbroking business sensitive to the level of market activities, the performance of its stockbroking division is expected to remain volatile in the near to medium term.

Given the volatility in the global financial markets, the sentiment in the domestic capital markets has been one of cautiousness, especially among our target SME market. Competition within the investment banking industry is slowly intensifying; both for customers and human talent. Nevertheless the Group's investment banking division remains focused on engaging its target market segments to capitalise on business opportunities to increase its fee-based and money market activities.

The Group's conventional and Islamic asset management activities, as well as its commercial banking and moneylending businesses are expanding as planned.

The Group will continue to adopt prudent risk management and business strategies to meet the challenges ahead as well as enhancing its systems infrastructure and developing its human capital.

(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.

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B6 Taxation

The analysis of the tax expense for the current quarter and financial period ended 31 October 2011 are as follows:

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Oct-11 RM'000	3 months ended 31-Oct-10 RM'000	3 months ended 31-Oct-11 RM'000	3 months ended 31-Oct-10 RM'000
In respect of the current financial period:				
Malaysian income tax	(4,089)	(9,713)	(4,089)	(9,713)
Foreign income tax	(18)	(9)	(18)	(9)
Deferred tax	(1,246)	2,214	(1,246)	2,214
	<u>(5,353)</u>	<u>(7,508)</u>	<u>(5,353)</u>	<u>(7,508)</u>
In respect of prior financial years:				
Malaysian income tax	(253)	-	(253)	-
	<u>(5,606)</u>	<u>(7,508)</u>	<u>(5,606)</u>	<u>(7,508)</u>

The effective tax rate for the current quarter and financial period ended 31 October 2011 is higher than the statutory tax rate mainly due to certain expenses which are not deductible for tax purposes and the under provision for taxation in respect of prior financial years, partially offset by certain income, which are not subject to tax.

B7 Sale of Unquoted Investments and/or Properties

There are no disposal of unquoted investments and properties for the current quarter and financial period ended 31 October 2011.

B8 Purchase and Sales of Quoted Securities

- (a) There are no purchase and disposal of quoted securities by the Group other than the investment banking subsidiary, HDBSIB during the current quarter and financial period ended 31 October 2011.
- (b) Total investments in quoted securities held by the Group other than HDBSIB as at 31 October 2011 are as follows:

	RM'000
(i) At cost	<u>784</u>
(ii) At book value	<u>529</u>
(iii) At market value	<u>529</u>

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B9 Status of Corporate Proposals

There are no corporate proposals announced but not completed as at date of this announcement.

B10 Group Borrowings and Debt Securities

Please refer to explanatory note A17.

B11 Disclosure of Realised and Unrealised Profits or Losses

	As at 31-Oct-11 RM'000	As at 31-Jul-11 RM'000
Total retained profits of the Company and its subsidiaries:		
- realised	506,790	491,858
- unrealised	9,744	10,961
	<u>516,534</u>	<u>502,819</u>
Total share of accumulated losses of associate:		
- realised	(1,598)	(1,314)
	<u>514,936</u>	<u>501,505</u>
Consolidation adjustments	(7,790)	(8,544)
Total Group retained profits	<u>507,146</u>	<u>492,961</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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B12 Disclosure of Derivatives

- (a) The derivative assets and derivative liabilities held by the Group as at the end of the reporting period are as follows:

	As at 31-Oct-11		As at 31-Jul-11	
	Fair value		Fair value	
	Derivative assets RM'000	Derivative liabilities RM'000	Derivative assets RM'000	Derivative liabilities RM'000
Foreign exchange related contracts:				
- currency forwards	777	(4,422)	940	(4,598)
- currency swaps	5,810	(921)	4,981	(742)
- currency options	2	(2)	1	(1)
- cross currency interest rate swaps	11,356	(10,398)	14,912	(13,817)
Interest rate related contracts:				
- futures contracts	524	(17,359)	219	(15,487)
- interest rate swaps	7,445	(9,852)	5,900	(9,075)
	<u>25,914</u>	<u>(42,954)</u>	<u>26,953</u>	<u>(43,720)</u>
Less:				
Fair value of futures contracts included in other assets	(524)	17,359	(219)	15,487
	<u>25,390</u>	<u>(25,595)</u>	<u>26,734</u>	<u>(28,233)</u>

- (b) Disclosure of gains/losses arising from fair value changes of financial liabilities

	Current quarter and financial period ended 31-Oct-11 RM'000
Net unrealised gain arising from fair value changes: Derivative liabilities	<u><u>766</u></u>

Derivatives are initially recognised at fair values on the date on which derivative contracts are entered into and are subsequently remeasured at their fair values. Fair values of derivatives are determined based on quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. Derivatives are classified as assets when their fair values are positive and as liabilities when their fair values are negative.

The net unrealised gain on derivative liabilities for the current quarter and financial period ended 31 October 2011 arose from changes in fair value of derivatives as a result of favourable movements in market interest rates and/or foreign exchange rates affecting the fair value of derivative liabilities compared to the previous financial year ended 31 July 2011.

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B12 Disclosure of Derivatives (cont'd)

- (c) The principal amount and fair value of derivatives held by the Group at 31 October 2011 classified by the remaining periods to maturity are as follows:

Type of Derivatives	Margin requirement RM'000	1 year or less RM'000	> 1 to 3 years RM'000	> 3 years RM'000	Total RM'000
(a) Principal amount					
Foreign exchange related contracts					
- currency forwards	-	325,714	-	-	325,714
- currency swaps	-	426,711	-	-	426,711
- currency options	-	789	-	-	789
- cross currency interest rate swaps	-	127,440	216,950	68,173	412,563
Interest rate related contracts					
- futures contracts	2,732	1,830,000	1,235,000	-	3,065,000
- interest rate swaps	-	165,000	953,000	-	1,118,000
	2,732	2,875,654	2,404,950	68,173	5,348,777

Type of Derivatives		1 year or less RM'000	> 1 to 3 years RM'000	> 3 years RM'000	Total RM'000
(b) Fair value					
Foreign exchange related contracts					
- currency forwards		(3,645)	-	-	(3,645)
- currency swaps		4,889	-	-	4,889
- currency options		-	-	-	-
- cross currency interest rate swaps		5,088	1,619	(5,749)	958
Interest rate related contracts					
- futures contracts		(10,853)	(5,982)	-	(16,835)
- interest rate swaps		293	(2,700)	-	(2,407)
		(4,228)	(7,063)	(5,749)	(17,040)

- (d) 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 period, the amount of credit risk of the Group, measured in terms of the cost to replace profitable contracts is RM25.9 million (At 31 July 2011: RM27.0 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 RM193.3 million (At 31 July 2011: RM442.4 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.

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B12 Disclosure of Derivatives (cont'd)

- (e) 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.

B13 Changes in Material Litigation

There are no changes to the status of material litigation since the end of the last annual reporting period except for a claim filed by a client in May 2000 against HDBSIB for damages of RM130 million wherein the client alleged collusion to defraud him and mental suffering after HDBSIB commenced legal action against him in May 1998 to recover an outstanding sum of RM8.46 million. The client's claim against HDBSIB had been consolidated with HDBSIB's claim against the client. The High Court has dismissed the client's claim against HDBSIB and allowed HDBSIB's claim against the client on 23 March 2010. The client has filed an appeal against the High Court's decision in dismissing the client's claim against HDBSIB and in allowing HDBSIB's claim against the client. No hearing date has yet been fixed for the client's appeal. Meanwhile, the client had been adjudicated bankrupt on 31 October 2011 pursuant to a petition filed by HDBSIB.

B14 Dividends

Please refer to explanatory note A7.

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B15 Earnings Per Share Attributable to Equity Holders of the Company

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Oct-11	3 months ended 31-Oct-10	3 months ended 31-Oct-11	3 months ended 31-Oct-10
Profit for the financial period attributable to equity holders of the Company (RM'000)	<u>14,185</u>	<u>21,494</u>	<u>14,185</u>	<u>21,494</u>
Weighted average number of ordinary shares in issue ('000)	<u>255,159</u>	<u>255,159</u>	<u>255,159</u>	<u>255,159</u>
Basic earnings per share (sen)	<u>5.56</u>	<u>8.42</u>	<u>5.56</u>	<u>8.42</u>

There were no dilutive potential ordinary shares in issue as at 31 October 2011 and 31 October 2010.

By Order of the Board

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

**Penang
8 December 2011**