

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 JULY 2012

	Note	As at 31-Jul-12 RM'000	As at 31-Jul-11 RM'000
Assets			
Cash and short term funds		973,933	885,629
Deposits and placements with banks and other financial institutions		31,380	179,812
Securities held-for-trading	A8	170,592	338,425
Securities available-for-sale ("AFS")	A9	1,580,107	1,193,899
Securities held-to-maturity	A10	399,921	388,335
Loans, advances and financing	A11	684,221	679,780
Clients' and brokers' balances	A12	179,097	168,102
Derivative assets	B10	16,505	26,734
Other assets	A13	69,648	39,307
Statutory deposits with Central Banks		72,811	68,204
Tax recoverable		12,695	6,543
Deferred tax assets		6,111	10,497
Investment in an associate		3,708	3,624
Property, plant and equipment		52,859	53,878
Investment properties		52,596	52,839
Intangible assets		162,509	162,509
Total assets		<u>4,468,693</u>	<u>4,258,117</u>
Liabilities			
Deposits from customers	A14	748,431	820,043
Deposits and placements of banks and other financial institutions	A15	1,687,061	1,581,036
Clients' and brokers' balances		199,724	186,725
Derivative liabilities	B10	22,106	28,233
Other liabilities	A16	467,097	369,463
Taxation		1,962	5,361
Deferred tax liabilities		370	426
Borrowings	A17	390,492	377,349
Total liabilities		<u>3,517,243</u>	<u>3,368,636</u>
Equity			
Share capital		265,845	265,845
Reserves		676,325	620,890
Treasury shares, at cost		<u>(16,061)</u>	<u>(16,061)</u>
		926,109	870,674
Non-controlling interests		<u>25,341</u>	<u>18,807</u>
Total equity		<u>951,450</u>	<u>889,481</u>
Total liabilities and equity		<u>4,468,693</u>	<u>4,258,117</u>
Net assets per share attributable to equity holders of the Company (RM)			
		<u>3.63</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 YEAR ENDED 31 JULY 2012

	Note	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
		3 months ended 31-Jul-12 RM'000	3 months ended 31-Jul-11 RM'000	12 months ended 31-Jul-12 RM'000	12 months ended 31-Jul-11 RM'000
Operating revenue		<u>113,029</u>	<u>95,580</u>	<u>397,958</u>	<u>399,333</u>
Interest income	A18	46,249	46,922	180,423	189,450
Interest expense	A19	<u>(25,011)</u>	<u>(24,169)</u>	<u>(98,231)</u>	<u>(92,341)</u>
Net interest income		21,238	22,753	82,192	97,109
Other operating income	A20	<u>71,874</u>	<u>53,522</u>	<u>248,562</u>	<u>233,299</u>
		93,112	76,275	330,754	330,408
Other operating expenses	A21	<u>(63,940)</u>	<u>(42,984)</u>	<u>(229,020)</u>	<u>(206,466)</u>
		29,172	33,291	101,734	123,942
(Allowance)/Write back of allowance for losses on:					
- loans, advances and financing	A22	(1,357)	(1,206)	(3,256)	(5,499)
- clients' balances and receivables	A23	<u>(288)</u>	<u>171</u>	<u>499</u>	<u>868</u>
		27,527	32,256	98,977	119,311
Share of results of an associate, net of tax		<u>161</u>	<u>163</u>	<u>84</u>	<u>340</u>
Profit before taxation		27,688	32,419	99,061	119,651
Taxation	B6	<u>(5,702)</u>	<u>(6,489)</u>	<u>(23,430)</u>	<u>(28,187)</u>
Profit for the financial year		21,986	25,930	75,631	91,464
Attributable to:					
Equity holders of the Company		18,893	24,444	66,925	86,614
Non-controlling interests		<u>3,093</u>	<u>1,486</u>	<u>8,706</u>	<u>4,850</u>
		21,986	25,930	75,631	91,464
Earnings per share attributable to equity holders of the Company (sen)					
- Basic	B13	<u>7.40</u>	<u>9.58</u>	<u>26.23</u>	<u>33.95</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 YEAR ENDED 31 JULY 2012

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Jul-12 RM'000	3 months ended 31-Jul-11 RM'000	12 months ended 31-Jul-12 RM'000	12 months ended 31-Jul-11 RM'000
Profit for the financial year	21,986	25,930	75,631	91,464
Other comprehensive income for the financial year:				
Currency translation differences arising from foreign operations	3,406	286	5,588	(7,958)
Securities AFS:				
- net change in fair value	3,998	1,260	10,119	6,535
- net gain transferred to income statement on disposal	(1,111)	(2,460)	(7,438)	(4,696)
Income tax relating to components of other comprehensive income	(666)	(286)	(622)	(805)
	<u>5,627</u>	<u>(1,200)</u>	<u>7,647</u>	<u>(6,924)</u>
Total comprehensive income for the financial year	<u>27,613</u>	<u>24,730</u>	<u>83,278</u>	<u>84,540</u>
Attributable to:				
Equity holders of the Company	24,520	23,244	74,572	79,690
Non-controlling interests	3,093	1,486	8,706	4,850
	<u>27,613</u>	<u>24,730</u>	<u>83,278</u>	<u>84,540</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 YEAR ENDED 31 JULY 2012

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 year	-	-	-	-	-	-	-	66,925	66,925	8,706	75,631
Other comprehensive income for the financial year, net of tax	-	-	-	-	-	2,059	5,588	-	7,647	-	7,647
Total comprehensive income for the financial year	-	-	-	-	-	2,059	5,588	66,925	74,572	8,706	83,278
Transfer to statutory reserve	-	-	-	-	25,462	-	-	(25,462)	-	-	-
Final dividend for the financial year ended 31 July 2011	-	-	-	-	-	-	-	(9,569)	(9,569)	-	(9,569)
Interim dividend for the financial year ending 31 July 2012	-	-	-	-	-	-	-	(9,568)	(9,568)	-	(9,568)
Dividend paid by a subsidiary to non-controlling interests	-	-	-	-	-	-	-	-	-	(2,172)	(2,172)
At 31 July 2012	255,159	265,845	(16,061)	33,090	133,839	6,005	(11,896)	515,287	926,109	25,341	951,450
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 year	-	-	-	-	-	-	-	86,614	86,614	4,850	91,464
Other comprehensive income for the financial year, net of tax	-	-	-	-	-	1,034	(7,958)	-	(6,924)	-	(6,924)
Total comprehensive income for the financial year	-	-	-	-	-	1,034	(7,958)	86,614	79,690	4,850	84,540
Transfer to statutory reserve	-	-	-	-	28,245	-	-	(28,245)	-	-	-
Final dividend for the financial year ended 31 July 2010	-	-	-	-	-	-	-	(9,568)	(9,568)	-	(9,568)
Interim dividend for the financial year ended 31 July 2011	-	-	-	-	-	-	-	(9,569)	(9,569)	-	(9,569)
Dividend paid by a subsidiary to non-controlling interests	-	-	-	-	-	-	-	-	-	(1,762)	(1,762)
At 31 July 2011	255,159	265,845	(16,061)	33,090	108,377	3,946	(17,484)	492,961	870,674	18,807	889,481

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 YEAR ENDED 31 JULY 2012

	12 months ended 31-Jul-12 RM'000	12 months ended 31-Jul-11 RM'000
Operating activities		
Profit for the financial year	75,631	91,464
Adjustments for:		
Non-cash items	79,101	103,370
Non-operating items - investing	(86,681)	(65,594)
Non-operating items - financing	16,675	16,926
	84,726	146,166
Changes in working capital:		
Net changes in operating assets	289,837	48,580
Net changes in operating liabilities	98,144	285,151
	472,707	479,897
Interest paid	(75,872)	(74,650)
Taxation paid	(29,221)	(23,598)
Net operating cash flow	367,614	381,649
Investing activities		
Net purchase of securities	(371,310)	(635,809)
Interest received from securities	70,358	46,672
Dividends and income distributions received	7,566	6,772
Rental received	1,187	1,281
Other investments:		
- purchases	(62)	(53)
- proceeds from disposals	37	11
Property, plant and equipment:		
- purchases	(5,229)	(7,404)
- proceeds from disposals	97	344
Net investing cash flow	(297,356)	(588,186)
Financing activities		
Dividends paid	(19,137)	(19,137)
Dividend paid by a subsidiary to non-controlling interests	(2,172)	(1,762)
Interest paid	(16,682)	(17,619)
Net drawdown/(repayment) of borrowings	13,150	(31,700)
Net financing cash flow	(24,841)	(70,218)
Net change in cash and cash equivalents	45,417	(276,755)
Foreign exchange differences	948	(4,729)
Cash and cash equivalents at beginning of the financial year	580,880	862,364
Cash and cash equivalents at end of the financial year	627,245	580,880
Cash and cash equivalents at end of the financial year comprise:		
Cash and short term funds	627,245	580,880

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 YEAR ENDED 31 JULY 2012

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
Amendment 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
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments

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 year ended 31 July 2012 except for an insurance receipt of RM2.4 million in the first quarter of the financial year 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 year ended 31 July 2012 as compared with the prior financial year.

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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2012

A6 Debts and Equity Securities

There are no issuance, cancellations, repurchase, resale and repayments of debt and equity securities for the financial year ended 31 July 2012.

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 2011 was paid on 20 December 2011.

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 2012 was paid on 8 May 2012. (Previous financial year ended 31 July 2011: Interim dividend of 5.0 sen per ordinary share, less 25% income tax).

The directors now recommend the payment of a final dividend in respect of the financial year ended 31 July 2012 of 5.0 sen per ordinary share, less income tax at 25%, amounting to RM9,568,459 based on the issued and paid-up share capital (less treasury shares) of the Company as at 31 July 2012, which is subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company. This proposed dividend will be accounted for in the shareholders' equity as an appropriation of retained profits in the financial year ending 31 July 2013 when approved by the shareholders.

Total dividends for the financial year ended 31 July 2012 amounted to 10.0 sen per ordinary share, less income tax at 25%. (Previous financial year ended 31 July 2011: 10.0 sen per ordinary share, less income tax at 25%).

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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2012

A8 Securities Held-For-Trading

	As at 31-Jul-12 RM'000	As at 31-Jul-11 RM'000
At fair value:		
Quoted in Malaysia		
Shares, warrants and REITs	25,527	25,898
Unit trusts	12,210	14,032
	37,737	39,930
Unquoted		
Bankers' acceptances	-	144,445
Malaysian Government Securities	20,262	-
Malaysian Government Islamic Investment Issues	50,736	-
BNM Monetary Notes	-	51,869
Private debt securities	61,857	102,181
	170,592	338,425

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

	As at 31-Jul-12 RM'000	As at 31-Jul-11 RM'000
At fair value:		
Quoted in Malaysia		
REITs	14,807	5,089
Unit trusts	167,241	151,806
	182,048	156,895
Unquoted		
Malaysian Government Securities	61,652	-
Malaysian Government Sukuk	6,632	6,291
Malaysian Government Islamic Investment Issues	251,791	212,767
BNM Islamic Negotiable Notes	298,115	-
BNM Islamic Monetary Notes	-	98,894
Private and Islamic debt securities	779,379	713,769
Investment fund	-	4,793
At cost:		
Unquoted		
Shares	1,140	1,140
	1,580,757	1,194,549
Accumulated impairment loss	(650)	(650)
	1,580,107	1,193,899

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

A10 Securities Held-To-Maturity

	As at 31-Jul-12 RM'000	As at 31-Jul-11 RM'000
At amortised cost:		
Unquoted		
Private and Islamic debt securities	399,921	388,335

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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2012

A11 Loans, Advances and Financing

	As at 31-Jul-12 RM'000	As at 31-Jul-11 RM'000
(a) By Type		
Term loans		
- housing loans	15,290	7,975
- bridging loans	3,550	3,550
- syndicated term loans	125,131	122,742
- other term loans	514,449	450,568
Overdrafts	2,655	1,999
Share margin financing	201,562	253,631
Staff loans	364	-
Other financing	575	52
	863,576	840,517
Unearned interest	(156,398)	(137,922)
	707,178	702,595
Allowance for losses:		
- collective impairment	(11,436)	(12,393)
- individual impairment	(11,521)	(10,422)
Net loans, advances and financing	684,221	679,780
(b) By Type of Customer		
Domestic business enterprises		
- others	235,119	252,550
Individuals	274,260	243,189
Other domestic entities	111,627	156,734
Foreign business enterprises	10,379	8,782
Foreign individuals	75,793	41,340
	707,178	702,595
(c) By Geographical Distribution		
Malaysia	621,458	652,844
Cambodia	76,665	41,477
Hong Kong	7,527	7,841
Singapore	1,017	237
Other countries	511	196
	707,178	702,595
(d) By Interest Rate Sensitivity		
Fixed rate		
- other fixed rate loans/financing	551,488	548,289
- housing loans	15,290	7,975
Variable rate		
- base-lending rate plus	-	30,170
- cost-plus	140,400	116,161
	707,178	702,595

HWANG-DBS (MALAYSIA) BERHAD
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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2012

A11 Loans, Advances and Financing (cont'd)

	As at 31-Jul-12 RM'000	As at 31-Jul-11 RM'000
(e) By Purpose		
Purchase of landed properties		
- residential	14,438	6,990
- non-residential	17,244	4,491
Construction	5,292	6,145
Real estates	2,873	1,515
Purchase of securities	277,707	346,506
Working capital	89,655	68,372
Personal use	204,044	189,178
Others	95,925	79,398
	<u>707,178</u>	<u>702,595</u>
(f) By Residual Contractual Maturity		
Within 1 year	305,846	376,166
1 year to 3 years	28,774	58,188
3 years to 5 years	94,300	23,631
Over 5 years	278,258	244,610
	<u>707,178</u>	<u>702,595</u>
(g) Impaired Loans, Advances and Financing by Purpose		
Purchase of landed properties		
- residential	14	18
Real estate	587	278
Purchase of securities	1,636	1,636
Working capital	8,344	7,280
Personal use	8,510	9,189
Others	93	-
	<u>19,184</u>	<u>18,401</u>
(h) Impaired Loans, Advances and Financing by Geographical Distribution		
Malaysia	16,185	17,375
Cambodia	2,999	1,026
	<u>19,184</u>	<u>18,401</u>
(i) Movements in Impaired Loans, Advances and Financing		
At beginning of the financial year	18,401	15,131
Classified as impaired	29,892	32,405
Reclassified as non-impaired	(22,616)	(18,871)
Amount recovered	(2,115)	(7,150)
Amount written off	(4,428)	(3,114)
Exchange differences	50	-
At end of the financial year	<u>19,184</u>	<u>18,401</u>
Gross impaired loans, advances and financing as a % of gross loans, advances and financing	<u>2.7%</u>	<u>2.6%</u>

HWANG-DBS (MALAYSIA) BERHAD
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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2012

A11 Loans, Advances and Financing (cont'd)

	As at 31-Jul-12 RM'000	As at 31-Jul-11 RM'000
(j) Movements in Allowance for Losses		
<u>Collective Impairment</u>		
At beginning of the financial year	12,393	9,217
Net allowance made	2,990	5,163
Amount written off	(3,980)	(1,963)
Exchange differences	33	(24)
At end of the financial year	11,436	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 year	10,422	9,440
Allowance made	1,221	6,013
Amount written back	(137)	(5,023)
Exchange differences	15	(8)
At end of the financial year	11,521	10,422

HWANG-DBS (MALAYSIA) BERHAD
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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2012

A12 Clients' and Brokers' Balances

	As at 31-Jul-12 RM'000	As at 31-Jul-11 RM'000
Clients' and brokers' balances, net of allowances for impairment of RM582,000 (At 31 July 2011: RM740,000)	<u>179,097</u>	<u>168,102</u>

A13 Other Assets

	As at 31-Jul-12 RM'000	As at 31-Jul-11 RM'000
Trade receivables, net of allowances for impairment of RM376,000 (At 31 July 2011: RM341,000)	44,100	8,620
Statutory deposit	150	150
Clearing Guarantee Fund	2,058	2,002
Clearing Fund	1,000	1,000
Other receivables, deposits and prepayments	19,357	24,590
Other investments	2,983	2,945
	<u>69,648</u>	<u>39,307</u>

A14 Deposits from Customers

	As at 31-Jul-12 RM'000	As at 31-Jul-11 RM'000
(a) By Type of Deposit		
Demand deposits	1,863	6,913
Savings deposits	2,954	2,120
Fixed deposits	735,474	805,521
Negotiable instruments of deposits	2,943	3,873
Other deposits	5,197	1,616
	<u>748,431</u>	<u>820,043</u>
(b) By Type of Customer		
Government and statutory bodies	37,103	140,389
Business enterprises	641,599	628,402
Individuals	56,028	47,296
Others	13,701	3,956
	<u>748,431</u>	<u>820,043</u>
(c) By Maturity Structure of Term Deposits		
Within 6 months	721,722	804,721
6 months to 1 year	21,892	6,289
	<u>743,614</u>	<u>811,010</u>

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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2012

A15 Deposits and Placements of Banks and Other Financial Institutions

	As at 31-Jul-12 RM'000	As at 31-Jul-11 RM'000
Licensed banks	255,183	88,604
Licensed investment banks	45,844	16,276
Other financial institutions	1,386,034	1,476,156
	<u>1,687,061</u>	<u>1,581,036</u>

A16 Other Liabilities

	As at 31-Jul-12 RM'000	As at 31-Jul-11 RM'000
Trade payables	108,931	45,175
Amounts due to clients and dealer's representatives	288,993	259,432
Other payables and accruals	69,173	64,856
	<u>467,097</u>	<u>369,463</u>

A17 Borrowings

(a) Total borrowings of the Group of RM390.5 million as at 31 July 2012 are unsecured of which RM153.7 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-Jul-12 RM'000	As at 31-Jul-11 RM'000
Short term borrowings		
Revolving credits	390,492	377,349
Long term borrowings	-	-
Total borrowings	<u>390,492</u>	<u>377,349</u>

(c) All borrowings are denominated in Ringgit Malaysia.

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A18 Interest Income

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Jul-12 RM'000	3 months ended 31-Jul-11 RM'000	12 months ended 31-Jul-12 RM'000	12 months ended 31-Jul-11 RM'000
Loans, advances and financing	19,057	19,883	73,031	82,985
Money at call and deposit placements with financial institutions	5,071	6,782	19,122	25,680
Securities AFS	12,328	8,142	44,975	24,428
Securities held-to-maturity	6,600	6,389	26,174	27,169
Others	138	99	468	570
	<u>43,194</u>	<u>41,295</u>	<u>163,770</u>	<u>160,832</u>
Securities held-for-trading	1,292	3,059	7,843	17,344
Derivative financial instruments	1,763	2,568	8,810	11,274
	<u>46,249</u>	<u>46,922</u>	<u>180,423</u>	<u>189,450</u>

During the financial year, there is no Interest income earned on impaired loans and receivables of the group of which impairment allowance has been made (2011: RM Nil).

A19 Interest Expense

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Jul-12 RM'000	3 months ended 31-Jul-11 RM'000	12 months ended 31-Jul-12 RM'000	12 months ended 31-Jul-11 RM'000
Deposits and placements of banks and other financial institutions	(13,147)	(12,497)	(49,766)	(47,307)
Deposits from customers	(5,802)	(5,319)	(24,671)	(18,595)
Borrowings	(4,302)	(4,258)	(16,675)	(16,927)
Others	(128)	(205)	(595)	(861)
	<u>(23,379)</u>	<u>(22,279)</u>	<u>(91,707)</u>	<u>(83,690)</u>
Derivative financial instruments	(1,632)	(1,890)	(6,524)	(8,651)
	<u>(25,011)</u>	<u>(24,169)</u>	<u>(98,231)</u>	<u>(92,341)</u>

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A20 Other Operating Income

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Jul-12 RM'000	3 months ended 31-Jul-11 RM'000	12 months ended 31-Jul-12 RM'000	12 months ended 31-Jul-11 RM'000
Fee and commission income:				
Brokerage	14,932	17,185	63,794	97,845
Fund management and incentive fees	16,333	12,996	58,612	49,246
Advisory and arranger fees	1,262	2,296	3,722	6,621
Underwriting commission and placement income	1,592	1,358	2,553	3,696
Rollover fees	393	454	2,338	2,239
Other fees and commission	2,385	2,040	7,217	7,431
	<u>36,897</u>	<u>36,329</u>	<u>138,236</u>	<u>167,078</u>
Net gain/(loss) on securities held-for-trading:				
- net gain on disposal	14,219	2,199	28,442	15,996
- net unrealised (loss)/gain	(6,869)	181	(946)	4,309
	<u>7,350</u>	<u>2,380</u>	<u>27,496</u>	<u>20,305</u>
Net gain/(loss) on derivatives:				
- net loss on disposal	(3,089)	(1,769)	(9,017)	(8,021)
- net unrealised gain	2,092	1,651	9,680	10,680
	<u>(997)</u>	<u>(118)</u>	<u>663</u>	<u>2,659</u>
Net gain on securities AFS:				
- net gain on disposal	1,013	2,443	6,626	4,955
Gross dividends/income distributions				
- securities held-for-trading	752	1,204	2,373	2,891
- securities AFS	2,042	2,063	5,419	4,494
	<u>2,794</u>	<u>3,267</u>	<u>7,792</u>	<u>7,385</u>
Other income:				
Initial service charge	18,736	6,916	51,825	20,323
Net foreign exchange gain	5,031	900	8,684	5,110
Rental Income	421	515	1,965	2,095
Insurance claim	-	-	2,395	-
Others	629	890	2,880	3,389
	<u>24,817</u>	<u>9,221</u>	<u>67,749</u>	<u>30,917</u>
Total	<u><u>71,874</u></u>	<u><u>53,522</u></u>	<u><u>248,562</u></u>	<u><u>233,299</u></u>

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A21 Other Operating Expenses

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Jul-12 RM'000	3 months ended 31-Jul-11 RM'000	12 months ended 31-Jul-12 RM'000	12 months ended 31-Jul-11 RM'000
Personnel costs:				
- Salaries, allowances and bonus	(21,091)	(10,407)	(85,591)	(71,882)
- Contributions to a defined contribution plan	(2,913)	(1,346)	(11,381)	(9,117)
- Others	(5,265)	(5,878)	(19,414)	(21,735)
	<u>(29,269)</u>	<u>(17,631)</u>	<u>(116,386)</u>	<u>(102,734)</u>
Establishment related costs:				
- Depreciation	(1,776)	(2,143)	(7,451)	(8,335)
- Rental of premises	(1,243)	(1,199)	(4,828)	(4,806)
- Rental of equipment	(660)	(669)	(2,679)	(2,726)
- Repairs and maintenance of premises and equipment	(425)	(425)	(1,683)	(1,520)
- Information technology expenses	(816)	(641)	(3,144)	(3,205)
- Others	(1,265)	(1,173)	(4,892)	(4,430)
	<u>(6,185)</u>	<u>(6,250)</u>	<u>(24,677)</u>	<u>(25,022)</u>
Promotion and marketing related expenses:				
- Promotion and business development	(1,257)	(1,268)	(4,265)	(16,119)
- Travelling and accommodation	(193)	(217)	(713)	(743)
- Others	(2,229)	(2,417)	(7,211)	(7,483)
	<u>(3,679)</u>	<u>(3,902)</u>	<u>(12,189)</u>	<u>(24,345)</u>
Administrative and general expenses:				
- Professional and consultancy fees	(1,131)	(1,036)	(3,287)	(3,462)
- Communication expenses	(1,957)	(1,365)	(6,944)	(5,450)
- Incentives and commission	(17,930)	(9,024)	(51,179)	(29,203)
- Regulatory charges	(1,569)	(1,617)	(6,098)	(7,859)
- Others	(2,220)	(2,159)	(8,260)	(8,391)
	<u>(24,807)</u>	<u>(15,201)</u>	<u>(75,768)</u>	<u>(54,365)</u>
Total	<u>(63,940)</u>	<u>(42,984)</u>	<u>(229,020)</u>	<u>(206,466)</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-Jul-12 RM'000	3 months ended 31-Jul-11 RM'000	12 months ended 31-Jul-12 RM'000	12 months ended 31-Jul-11 RM'000
Individual impairment:				
- made	(518)	(5,060)	(1,221)	(6,013)
- written back	14	5,000	137	5,023
	(504)	(60)	(1,084)	(990)
Collective impairment:				
- made	(493)	(2,589)	(2,990)	(5,163)
Bad debts:				
- recovered	(210)	1,681	1,266	1,805
- written off	(150)	(238)	(448)	(1,151)
	<u>(1,357)</u>	<u>(1,206)</u>	<u>(3,256)</u>	<u>(5,499)</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-Jul-12 RM'000	3 months ended 31-Jul-11 RM'000	12 months ended 31-Jul-12 RM'000	12 months ended 31-Jul-11 RM'000
Individual impairment:				
- made	(386)	(76)	(508)	(269)
- written back	67	32	298	311
	(319)	(44)	(210)	42
Collective impairment:				
- (made)/written back	5	2	17	(24)
Bad debts:				
- recovered	26	213	692	850
	<u>(288)</u>	<u>171</u>	<u>499</u>	<u>868</u>

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A24 Commitments and Contingencies

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

	As at 31-Jul-12			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	5,000	5,000	1,000	12,500	12,500	2,500
Commitments						
Forward asset purchases	10,328	10,328	5,164	5,246	5,246	1,049
Obligations under underwriting agreement	10,000	5,000	5,000	-	-	-
Commitments to extend credits with maturity of ⁽¹⁾ :						
- up to 1 year	468,107	24,000	24,000	426,042	5,000	5,000
- over 1 year	14,605	11,772	7,303	27,779	17,321	5,889
	<u>503,040</u>	<u>51,100</u>	<u>41,467</u>	<u>459,067</u>	<u>27,567</u>	<u>11,938</u>
Derivative financial instruments						
Foreign exchange related contracts:						
- up to 1 year	1,220,649	32,444	13,734	956,356	28,375	15,533
- over 1 year to 5 years	170,361	16,149	3,230	280,246	30,232	7,180
Interest rate related contracts:						
- up to 1 year	2,460,000	4,249	970	1,835,000	985	212
- over 1 year to 5 years	253,000	2,069	1,909	2,713,000	15,661	5,992
	<u>4,104,010</u>	<u>54,911</u>	<u>19,843</u>	<u>5,784,602</u>	<u>75,253</u>	<u>28,917</u>
Total	<u>4,612,050</u>	<u>111,011</u>	<u>62,310</u>	<u>6,256,169</u>	<u>115,320</u>	<u>43,355</u>

* 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.

⁽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-Jul-12 RM'000	As at 31-Jul-11 RM'000
Capital expenditure commitments	19,942	20,566
Non-cancellable operating lease commitments	8,155	8,095
	28,097	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-Jul-12 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	217,792	213,905
Statutory reserve	133,839	108,377
Total Tier I capital	851,631	822,282
Less: Goodwill	(110,002)	(110,002)
Eligible Tier I capital	741,629	712,280
<u>Tier II capital</u>		
Collective impairment allowances	5,681	6,605
Total Tier II capital	5,681	6,605
Total capital	747,310	718,885
Less: Investment in subsidiaries	(3,081)	(3,081)
Other deductions	(248)	(418)
Capital base	743,981	715,386
Before deducting proposed dividend:		
Core capital ratio	33.9%	34.7%
Risk-weighted capital ratio	34.0%	34.9%
After deducting proposed dividend:		
Core capital ratio	32.9%	33.5%
Risk-weighted capital ratio	33.0%	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-Jul-12	As at 31-Jul-11
Solvency ratio	82.9%	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 and equity capital market services, corporate banking, corporate finance advisory and treasury and market activities
- (iii) Commercial banking - commercial banking activities
- (iv) Moneylending - moneylending activities
- (v) Investment management - management of unit trust funds and provision of fund management services
- (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	Money- lending RM'000	Investment manage- ment RM'000	Others RM'000	Inter- segment elimination RM'000	Group RM'000
12 months ended 31 July 2012								
Revenue								
External revenue *	109,428	115,093	8,322	45,353	112,126	7,636	-	397,958
Inter-segment revenue	-	1,789	-	-	(222)	45,683	(47,250)	-
Total revenue	109,428	116,882	8,322	45,353	111,904	53,319	(47,250)	397,958
Net interest income/(expense)	24,082	25,793	7,316	33,418	1,493	(9,910)	-	82,192
Other operating income	94,914	33,804	(256)	5,738	113,511	53,275	(52,424)	248,562
	118,996	59,597	7,060	39,156	115,004	43,365	(52,424)	330,754
Other operating expenses	(91,726)	(20,837)	(6,028)	(9,603)	(91,959)	(17,399)	8,532	(229,020)
	27,270	38,760	1,032	29,553	23,045	25,966	(43,892)	101,734
(Allowance)/Write back of allowance for losses on:								
- loans, advances and financing	781	126	(1,562)	(2,564)	-	-	(37)	(3,256)
- clients' balances and receivables	832	(333)	-	-	-	(6)	6	499
Segment profit/(loss)	28,883	38,553	(530)	26,989	23,045	25,960	(43,923)	98,977
Share of results of an associate, net of tax								84
Profit before taxation								99,061
12 months ended 31 July 2011								
Revenue								
External revenue *	140,109	114,615	4,513	57,597	71,408	11,091	-	399,333
Inter-segment revenue	-	1,793	-	-	44	35,568	(37,405)	-
Total revenue	140,109	116,408	4,513	57,597	71,452	46,659	(37,405)	399,333
Net interest income/(expense)	26,474	30,381	3,864	44,927	803	(9,340)	-	97,109
Other operating income	114,253	24,509	396	6,742	72,431	50,698	(35,730)	233,299
	140,727	54,890	4,260	51,669	73,234	41,358	(35,730)	330,408
Other operating expenses	(104,250)	(21,559)	(4,472)	(4,873)	(60,165)	(19,231)	8,084	(206,466)
	36,477	33,331	(212)	46,796	13,069	22,127	(27,646)	123,942
(Allowance)/Write back of allowance for losses on:								
- loans, advances and financing	85	4,176	(542)	(9,027)	-	-	(191)	(5,499)
- clients' balances and receivables	705	163	-	-	-	(8)	8	868
Segment profit/(loss)	37,267	37,670	(754)	37,769	13,069	22,119	(27,829)	119,311
Share of results of an associate, net of tax								340
Profit before taxation								119,651

* 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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A28 Subsequent Events

There are no material events subsequent to the end of the financial year ended 31 July 2012.

A29 Changes in the Composition of the Group

There are no changes in the composition of the Group for the current quarter and financial year ended 31 July 2012.

On 18 January 2012, a subsidiary of the Company, HwangDBS Investment Management Berhad changed its name to Hwang Investment Management Berhad ("HwangIM") to reflect the change in name of one of its shareholders from DBS Asset Management Ltd. to Nikko Asset Management Asia Ltd. There is no change in the Company's 53% equity interest in HwangIM, which remains a subsidiary of the Company.

A30 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 Analysis of the Performance of the Operating Segments of the Group

The Group recorded a slightly lower total operating revenue of RM398.0 million for the current financial year ended 31 July 2012 ("FY2012") as compared to RM399.3 million in the previous financial year ("FY2011"). The 0.3% decline in operating revenue is largely due to lower brokerage income from its stockbroking business and decrease in net interest income mainly from its moneylending and investment banking businesses. The reduction is, however, partially cushioned by increase in the initial service charge generated from the investment management activities, higher gains arising from securities trading as well as higher net interest income from its overseas commercial banking arm in the current financial year under review.

The investment banking subsidiary remains the key revenue contributor accounting for 57% (2011: 64%) of the Group's operating revenue, followed by the investment management and moneylending subsidiaries contributing 28% (2011: 18%) and 11% (2011: 14%) respectively. Revenue contributions from other subsidiaries accounted for the remaining 4% (2011: 4%).

Pretax profit of the Group for FY2012 is lower by 17.2% at RM99.1 million compared to RM119.7 million achieved in FY2011. The reduction in the Group's pretax profit is primarily attributable to decrease in stockbroking brokerage income and net interest income, partially offset by higher initial service charge and fund management fee income as well as increase in net realised gain from disposals of securities. This resulted in a corresponding reduction in profit attributable to equity holders from RM86.6 million in FY2011 to RM66.9 million in FY2012. The year saw the Group's earnings per share decreasing to 26.23 sen against 33.95 sen in FY2011 and a lower return on equity of 8.2% against 10.5% in FY2011.

On a quarter-to-quarter basis, the Group posted a pretax profit of RM27.7 million for the current quarter ended 31 July 2012, as compared to RM32.4 million recorded for the previous corresponding quarter. Reduction in the earnings for the current quarter is mainly attributable to net marked-to-market loss on securities held-for-trading, higher agent commission expenses coupled with increase in personnel costs for the current financial quarter, partially offset by increases in initial service charge and net gain arising from securities trading.

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

(a) Stockbroking

The volatile financial markets and decline in Bursa value traded in the financial year under review have affected the segment's performance. The stockbroking segment recorded a 22.5% reduction in pretax profit from RM37.3 million achieved in FY2011 to RM28.9 million in FY2012. The lower earnings is largely attributable to the decrease in brokerage fee income to RM59.9 million, or a 34.9% reduction in FY2012, compared to RM91.9 million in the last financial year. Bursa value traded recorded a decrease of 8.8% to RM419.25 billion against RM459.59 billion in the previous financial year. Brokerage fee income, which is highly dependent on the level of market activities in the local bourse, has been affected by both the reduction in Bursa value traded during the financial year as well as more competitive brokerage rates. However, the decrease in brokerage income is partially cushioned by receipt of an insurance claim of RM2.4 million, higher net gain on securities trading coupled with lower incentives and promotion and marketing related expenses in FY2012.

On a quarter-to-quarter basis, pretax profit of the segment for the current quarter reduced to RM3.7 million in comparison to a pretax profit of RM5.6 million recorded in the previous corresponding quarter mainly attributed to lower brokerage income, partially offset by net gain arising from securities trading and increased net marked-to-market gain on securities held-for-trading in the current quarter.

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

(b) Investment banking

The investment banking segment posted a 2.3% increase in pretax profit from RM37.7 million in FY2011 to RM38.6 million for the current financial year. The improvement in earnings of the segment is mainly attributed to higher net gain on disposal of securities held-for-trading and available-for-sale as well as net gain on foreign exchange, partially offset by lower net interest income, lower advisory fee income as well as net marked-to-market loss on securities held-for-trading. The reduction in net interest income from RM30.4 million in FY2011 to RM25.8 million recorded in FY2012 is in line with the tighter net interest margin arising from more competitive pricing rates for loans and deposits.

The marginal increase in pretax profit of the segment for the current quarter to RM12.5 million from RM12.0 million recorded in the previous corresponding quarter is mainly linked to the increase in net gain on disposal of securities and favourable effects arising from foreign exchange during the current quarter under review, partially negated by net loss on disposal of derivatives, net marked-to-market loss on securities held-for-trading and absence of reversal of individual impairment allowance on loans portfolio in the current quarter.

(c) Commercial banking

The commercial banking segment generated higher net interest income of RM7.3 million in FY2012 compared to RM3.9 million recorded in FY2011. This is in line with the increase in loans released due to higher demand for credit financing arising from favourable market conditions and economic growth in Cambodia during the financial year under review. As at 31 July 2012, the loan portfolio of the commercial banking segment is at RM76.7 million (2011: RM41.5 million). The effect of the increase in net interest income is, however, partially offset by loss incurred on disposal of an investment fund, higher personnel costs as well as higher loan loss provisioning for the current financial year under review, resulting in a lower pretax loss of RM0.5 million in FY2012 compared to a pretax loss of RM0.8 million in FY2011.

Pretax loss for the current quarter of RM1.1 million against a pretax profit of RM0.2 million in the previous corresponding quarter is mainly attributed to loss incurred on disposal of an investment fund and higher loan loss provisioning in the current quarter under review.

(d) Moneylending

The moneylending segment recorded a decrease in pretax profit to RM27.0 million for FY2012 from a pretax profit of RM37.8 million for FY2011, impacted by the competitive consumer financing interest rates offered by other industry players and more stringent regulatory retail financing conditions. The decrease in net interest income in FY2012 to RM33.4 million compared to RM44.9 million in FY2011 and higher personnel costs in FY2012 were partially cushioned by the absence of individual impairment allowance during the current financial year under review. As at 31 July 2012, the loan portfolio of the moneylending segment increased to RM288.6 million (2011: RM261.2 million).

On a quarter-to-quarter basis, pretax profit of the segment of RM8.4 million is below the pretax profit of RM11.1 million posted in the previous corresponding quarter mainly due to reduction in net interest income and higher personnel costs, partially offset by the absence of individual impairment allowance during the current quarter under review.

(e) Investment management

The investment management segment reported a pretax profit of RM23.0 million for FY2012, representing a 76.3% increase over the pretax profit of RM13.1 million for FY2011. The pretax profit for the current quarter ended 31 July 2012 is also higher at RM7.0 million compared to RM3.5 million for the corresponding quarter last year. The growth in the segment profit is mainly attributable to increases in initial service charge and fund management fee income, partially offset by higher agent commission expense and personnel costs. The consistent improvement in the financial performance of the segment is driven by the strong growth in the funds under management. As at 31 July 2012, the net assets value of the funds managed totalled RM16.1 billion (2011: RM11.7 billion).

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

Compared to the pretax profit of RM26.7 million posted in the preceding quarter ended 30 April 2012, the Group's pretax profit of RM27.7 million for the current quarter under review is marginally higher, mainly attributable to increases in net gain arising from securities trading, fund management fee income and net gain on foreign exchange for the current quarter under review. These were, however, partially offset by net marked-to-market loss on securities held-for-trading and lower initial service charge for the current quarter.

B3 Commentary

(a) Current Year's Prospects

The Malaysian economy is expected to remain resilient with the Government-led mega infrastructure projects and consumer spending driving the domestic growth. Inflation rate is expected to be stable and the Government's monetary policy remains accommodating to growth. These factors will play a key role in partially mitigating the external drag on the local economy due to the prolonged uncertainties stemming from the Eurozone financial crisis and slowdown in the major economies in US and China.

The uncertainties in the global financial markets will persist into the new financial year and investors' sentiments in the securities market will remain cautious. The stock market is expected to remain volatile and this will impact the performance of the Group's stockbroking business which operates in a highly competitive environment. The stockbroking division will continue to put in place strategies to enhance its infrastructure and distribution channels as well as enhancing its retail team.

The capital markets are expected to remain competitive and volatile in the year ahead. Against this backdrop, the investment banking segment will continue with its strategic priority to expand its business capabilities and market presence with a view to improving fee income. Towards this end, the division continues to seek business opportunities in equity and debt origination and underwriting, and higher value-added advisory and M&A mandates. In addition, it leverages on the Group's strong relationship with DBS Bank to deliver regional reach and expertise. The treasury and money markets business will continue to expand product offerings to tap customers' demand.

The expected lower global economic growth and slowdown in global trades are likely to affect the growth rate in Cambodia. In addition, the Group's commercial banking arm expects to see intensifying competition in the banking sector in Cambodia as a result of increasing number of banks operating in the country. The commercial bank is, however, well positioned to face the challenges ahead and will continue to strengthen its presence in Cambodia, focusing on loans and deposits growth by targeting the wide customer base and the SME market.

Operating conditions in the moneylending segment will continue to be exigent with increasing number of players offering highly competitive rates to customers. Whilst competition is anticipated to remain intense, the moneylending segment will progressively diversify its lending to other selected counterparties and will enhance its marketing team and execution capabilities. The performance of the moneylending segment is expected to be under pressure in the year ahead.

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B3 Commentary

(a) Current Year's Prospects (cont'd)

The Group's investment management segment is projected to grow steadily with the launching of new unit trust funds to fulfill market needs and will strive to deliver consistent performance and maintain its status as one of the leading market players in the industry. The focus will be on developing and applying best fit investment strategies to meet the various investment objectives and customers' expectations and to enhance its wide distribution network and marketing team. In addition, as the investment management subsidiary is one of the approved Private Retirement Scheme (PRS) Providers, it will be able to offer a range of retirement funds from which the wide segment of population can choose to invest in to suit their individual retirement needs and risk appetites.

The Group will maintain its prudent risk management approach and cautiously adopt business strategies to meet the challenges ahead as well as enhancing its system infrastructures and distribution capabilities, in addition to developing and retaining its human capital.

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

(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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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2012

B6 Taxation

The analysis of the tax expense for the current quarter and financial year ended 31 July 2012 are as follows:

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Jul-12 RM'000	3 months ended 31-Jul-11 RM'000	12 months ended 31-Jul-12 RM'000	12 months ended 31-Jul-11 RM'000
In respect of the current financial year:				
Malaysian income tax	(1,343)	(4,960)	(21,105)	(32,776)
Foreign income tax	(23)	(15)	(83)	(45)
Deferred tax	(4,336)	(1,550)	(2,205)	4,265
	<u>(5,702)</u>	<u>(6,525)</u>	<u>(23,393)</u>	<u>(28,556)</u>
In respect of prior financial years:				
Malaysian income tax	-	-	1,465	338
Foreign income tax	-	(1)	-	(1)
Deferred tax	-	37	(1,502)	32
	<u>-</u>	<u>36</u>	<u>(37)</u>	<u>369</u>
	<u><u>(5,702)</u></u>	<u><u>(6,489)</u></u>	<u><u>(23,430)</u></u>	<u><u>(28,187)</u></u>

The effective tax rate for the current quarter and financial year ended 31 July 2012 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.

B7 Status of Corporate Proposals

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

B8 Group Borrowings and Debt Securities

Please refer to explanatory note A17.

B9 Disclosure of Realised and Unrealised Profits or Losses

	As at 31-Jul-12 RM'000	As at 31-Jul-11 RM'000
Total retained profits of the Company and its subsidiaries:		
- realised	523,718	491,858
- unrealised	8,070	10,961
	<u>531,788</u>	<u>502,819</u>
Total share of accumulated losses of associate:		
- realised	(1,230)	(1,314)
	<u>530,558</u>	<u>501,505</u>
Consolidation adjustments	(15,271)	(8,544)
Total Group retained profits	<u><u>515,287</u></u>	<u><u>492,961</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 YEAR ENDED 31 JULY 2012

B10 Disclosure of Derivatives

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

	As at 31-Jul-12		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	2,186	(2,150)	940	(4,598)
- currency swaps	6,435	(3,458)	4,981	(742)
- currency options	10	(10)	1	(1)
- cross currency interest rate swaps	4,188	(10,364)	14,912	(13,817)
Interest rate related contracts:				
- futures contracts	640	(10,322)	219	(15,487)
- interest rate swaps	3,686	(6,124)	5,900	(9,075)
	<u>17,145</u>	<u>(32,428)</u>	<u>26,953</u>	<u>(43,720)</u>
Less:				
Fair value of futures contracts included in other assets	(640)	10,322	(219)	15,487
	<u>16,505</u>	<u>(22,106)</u>	<u>26,734</u>	<u>(28,233)</u>

(b) Disclosure of marked-to-market gain/loss arising from fair value changes of financial liabilities

	Current quarter ended 31-Jul-12 RM'000	Financial year ended 31-Jul-12 RM'000
Net marked-to-market loss arising from fair value changes:		
Derivative liabilities	<u>(3,012)</u>	<u>(3,703)</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 marked-to-market loss on derivative liabilities for the current quarter and financial year ended 31 July 2012 arose from changes in fair value of derivatives as a result of movements in market interest rates and/or foreign exchange rates affecting the fair value of derivative liabilities compared to the previous financial period ended 30 April 2012 and financial year ended 31 July 2011 respectively.

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B10 Disclosure of Derivatives (cont'd)

- (c) The principal amount and fair value of derivatives held by the Group at 31 July 2012 classified by the remaining periods to maturity are as follows:

Type of Derivatives	Cash 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	-	379,915	-	-	379,915
- currency swaps	-	685,089	-	-	685,089
- currency options	-	1,775	-	-	1,775
- cross currency interest rate swaps	3,830	153,870	76,651	93,710	324,231
Interest rate related contracts					
- futures contracts	1,427	1,655,000	105,000	-	1,760,000
- interest rate swaps	-	805,000	148,000	-	953,000
	5,257	3,680,649	329,651	93,710	4,104,010

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	36	-	-	36
- currency swaps	2,977	-	-	2,977
- currency options	-	-	-	-
- cross currency interest rate swaps	532	(593)	(6,115)	(6,176)
Interest rate related contracts				
- futures contracts	(10,040)	358	-	(9,682)
- interest rate swaps	(1,193)	(1,245)	-	(2,438)
	(7,688)	(1,480)	(6,115)	(15,283)

- (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 RM17.1 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 RM216.9 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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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2012

B10 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.

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 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. HDBSIB's claim against the said client and the client's claim against HDBSIB were consolidated. The High Court dismissed the client's claim against HDBSIB and allowed HDBSIB's claim against the client on 23 March 2010. The client 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. The client's appeal was struck out by the Court of Appeal on 4 May 2012. The client had been adjudicated a bankrupt on 31 October 2011 pursuant to a petition filed by HDBSIB.

B12 Dividends

Please refer to explanatory note A7.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2012

B13 Earnings Per Share Attributable to Equity Holders of the Company

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Jul-12	3 months ended 31-Jul-11	12 months ended 31-Jul-12	12 months ended 31-Jul-11
Profit for the financial year attributable to equity holders of the Company (RM'000)	18,893	24,444	66,925	86,614
Weighted average number of ordinary shares in issue ('000)	255,159	255,159	255,159	255,159
Basic earnings per share (sen)	7.40	9.58	26.23	33.95

There were no dilutive potential ordinary shares in issue as at 31 July 2012 and 31 July 2011.

By Order of the Board

Chen Mun Peng
Tan Lee Peng
Company Secretaries

Penang
26 September 2012