

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

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

		(Restated)	(Restated)
	Note	As at 31-Oct-12 RM'000	As at 31-Jul-12 RM'000
			As at 1-Aug-11 RM'000
Assets			
Cash and short term funds		890,663	630,867
Deposits and placements with banks and other financial institutions		28,224	29,077
Securities held-for-trading	A8	148,003	170,592
Securities available-for-sale ("AFS")	A9	1,574,433	1,580,107
Securities held-to-maturity	A10	387,277	399,921
Loans, advances and financing	A11	750,745	685,237
Clients' and brokers' balances	A12	183,597	179,126
Derivative assets	B10	18,750	16,505
Other assets	A13	105,599	69,661
Statutory deposits with Central Banks		77,851	72,811
Tax recoverable		13,615	12,403
Deferred tax assets		7,796	6,111
Investment in an associate		3,850	3,708
Property, plant and equipment		53,140	52,859
Investment properties		52,536	52,596
Intangible assets		162,509	162,509
Total assets		4,458,588	4,124,090
Liabilities			
Deposits from customers	A14	624,114	748,431
Deposits and placements of banks and other financial institutions	A15	2,066,608	1,687,061
Clients' and brokers' balances		148,850	133,738
Derivative liabilities	B10	27,747	22,106
Other liabilities	A16	236,676	187,714
Taxation		2,460	1,962
Deferred tax liabilities		354	370
Borrowings	A17	390,298	390,492
Total liabilities		3,497,107	3,171,874
Equity			
Share capital		265,845	265,845
Reserves		686,447	677,091
Treasury shares, at cost		(16,061)	(16,061)
		936,231	926,875
Non-controlling interests		25,250	25,341
Total equity		961,481	890,387
Total liabilities and equity		4,458,588	4,124,090
Net assets per share attributable to equity holders of the Company (RM)		3.67	3.63
		3.42	

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

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2012

	Note	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
		3 months ended 31-Oct-12 RM'000	(Restated) 3 months ended 31-Oct-11 RM'000	3 months ended 31-Oct-12 RM'000	(Restated) 3 months ended 31-Oct-11 RM'000
Operating revenue		113,406	83,432	113,406	83,432
Interest income	A18	47,226	45,416	47,226	45,416
Interest expense	A19	(26,157)	(24,345)	(26,157)	(24,345)
Net interest income		21,069	21,071	21,069	21,071
Other operating income	A20	65,697	50,461	65,697	50,461
		86,766	71,532	86,766	71,532
Other operating expenses	A21	(68,311)	(49,121)	(68,311)	(49,121)
		18,455	22,411	18,455	22,411
(Allowance)/Write back of allowance for losses on:					
- loans, advances and financing	A22	(2,528)	(1,123)	(2,528)	(1,123)
- clients' balances and receivables	A23	(32)	135	(32)	135
		15,895	21,423	15,895	21,423
Share of results of an associate, net of tax		142	(284)	142	(284)
Profit before taxation		16,037	21,139	16,037	21,139
Taxation	B6	(4,557)	(5,594)	(4,557)	(5,594)
Profit for the financial period		11,480	15,545	11,480	15,545
Attributable to:					
Equity holders of the Company		9,221	14,150	9,221	14,150
Non-controlling interests		2,259	1,395	2,259	1,395
		11,480	15,545	11,480	15,545
Earnings per share attributable to equity holders of the Company (sen)					
- Basic	B13	3.61	5.55	3.61	5.55

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

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2012

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
		(Restated)		(Restated)
	3 months ended 31-Oct-12 RM'000	3 months ended 31-Oct-11 RM'000	3 months ended 31-Oct-12 RM'000	3 months ended 31-Oct-11 RM'000
Profit for the financial period	11,480	15,545	11,480	15,545
Other comprehensive income for the financial period:				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Currency translation differences arising from foreign operations	(2,561)	3,706	(2,561)	3,706
Securities AFS:				
- net change in fair value	3,874	(3,034)	3,874	(3,034)
- net gain transferred to income statement on disposal	(279)	(23)	(279)	(23)
Income tax relating to components of other comprehensive income	(899)	780	(899)	780
	<u>135</u>	<u>1,429</u>	<u>135</u>	<u>1,429</u>
Total comprehensive income for the financial period	<u>11,615</u>	<u>16,974</u>	<u>11,615</u>	<u>16,974</u>
Attributable to:				
Equity holders of the Company	9,356	15,579	9,356	15,579
Non-controlling interests	2,259	1,395	2,259	1,395
	<u>11,615</u>	<u>16,974</u>	<u>11,615</u>	<u>16,974</u>

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

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2012

Attributable to Equity Holders of the Company

Note	Issued and fully paid ordinary shares of RM1 each										
	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	Non- controlling interests RM'000	Total equity RM'000
At 1 August 2012											
- as previously reported	255,159	265,845	(16,061)	33,090	133,839	6,005	(11,896)	515,287	926,109	25,341	951,450
- effects of transition to MFRS framework	-	-	-	-	-	-	-	766	766	-	766
- as restated	255,159	265,845	(16,061)	33,090	133,839	6,005	(11,896)	516,053	926,875	25,341	952,216
Profit for the financial period	-	-	-	-	-	-	-	9,221	9,221	2,259	11,480
Other comprehensive income for the financial period, net of tax	-	-	-	-	-	2,696	(2,561)	-	135	-	135
Total comprehensive income for the financial period	-	-	-	-	-	2,696	(2,561)	9,221	9,356	2,259	11,615
Dividend payable by a subsidiary to non-controlling interests	-	-	-	-	-	-	-	-	-	(2,350)	(2,350)
At 31 October 2012	255,159	265,845	(16,061)	33,090	133,839	8,701	(14,457)	525,274	936,231	25,250	961,481
At 1 August 2011											
- as previously reported	255,159	265,845	(16,061)	33,090	108,377	3,946	(17,484)	492,961	870,674	18,807	889,481
- effects of transition to MFRS framework	-	-	-	-	-	-	-	906	906	-	906
- as restated	255,159	265,845	(16,061)	33,090	108,377	3,946	(17,484)	493,867	871,580	18,807	890,387
Profit for the financial period	-	-	-	-	-	-	-	14,150	14,150	1,395	15,545
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	14,150	15,579	1,395	16,974
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)	508,017	887,159	18,030	905,189

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

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2012

	3 months ended 31-Oct-12 RM'000	(Restated) 3 months ended 31-Oct-11 RM'000
Operating activities		
Profit for the financial period	11,480	15,545
Adjustments for:		
Non-cash items	38,714	19,026
Non-operating items - investing	(21,042)	(19,212)
Non-operating items - financing	4,523	4,356
	33,675	19,715
Changes in working capital:		
Net changes in operating assets	(90,172)	149,773
Net changes in operating liabilities	315,355	30,860
	258,858	200,348
Interest paid	(19,848)	(20,869)
Taxation paid	(7,880)	(9,326)
Net operating cash flow	231,130	170,153
Investing activities		
Net disposal/(purchase) of securities	12,910	(182,612)
Interest received from securities	22,288	20,204
Dividends and income distributions received	2,259	2,802
Rental received	-	320
Other investments:		
- purchases	-	(61)
- proceeds from disposals	-	3
Property, plant and equipment:		
- purchases	(2,086)	(1,311)
- proceeds from disposals	3	48
Net investing cash flow	35,374	(160,607)
Financing activities		
Dividend paid by a subsidiary to non-controlling interests	-	(2,172)
Interest paid	(5,167)	(2,261)
Net drawdown of borrowings	450	12,700
Net financing cash flow	(4,717)	8,267
Net change in cash and cash equivalents	261,787	17,813
Foreign exchange differences	(768)	943
Cash and cash equivalents at beginning of the financial period	627,245	580,880
Cash and cash equivalents at end of the financial period	888,264	599,636
Cash and cash equivalents at end of the financial period comprise:		
Cash and short term funds	888,264	599,636

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

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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2012

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

A1 Basis of Preparation

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

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

In accordance with MFRS 1, an opening MFRS statement of financial position of the Group as at the date of transition to MFRS framework, i.e. 1 August 2011 has been prepared and presented in this interim financial report. Effects of changes in accounting policies arising from transition to MFRS framework are recognised directly in retained profits at the date of transition to MFRS framework. Comparative information presented have been restated to conform with the presentation for the current financial period. In addition, reconciliations of comparative equity and total comprehensive income have been included in this interim financial report, to explain for the effects of transition to MFRS framework on the reported financial position and financial performance of the Group (refer to explanatory note A1(d)). There are no material adjustments made to comparative statement of cash flows of the Group for the three months ended 31 October 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 2012 except for the adoption of the following new/revised financial reporting standards and interpretations under the MFRS framework ("MFRSs") and observance of the Financial Reporting Standards Implementation Committee ("FRSIC) Consensus 18, Monies Held in Trust by Participating Organisations of Bursa Malaysia Securities Berhad ("Bursa Securities") issued by the Malaysian Institute of Accountants ("MIA"), that are effective for the Group for the financial year ending 31 July 2013:

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

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

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

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

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

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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2012

A1 Basis of Preparation (cont'd)

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

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

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

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

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

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

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

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

The effects of the change in accounting policy, which have been accounted for retrospectively, are disclosed in explanatory note A1(d).

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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2012

A1 Basis of Preparation (cont'd)

(d) Effects of Changes in Accounting Policies

(i) Reconciliation of equity

	As previously reported Dr./ <i>(Cr.)</i> RM'000	Effects of:		As restated Dr./ <i>(Cr.)</i> RM'000
		Transition to MFRS framework Dr./ <i>(Cr.)</i> RM'000	FRSIC Consensus 18 Dr./ <i>(Cr.)</i> RM'000	
As at 31 July 2012				
Retained profits	<u>(515,287)</u>	<u>(766)</u>	<u>-</u>	<u>(516,053)</u>
Cash and short term funds	973,933	-	(343,066)	630,867
Deposits and placements with banks and other financial institutions	31,380	-	(2,303)	29,077
Loans, advances and financing	684,221	1,016	-	685,237
Clients' and brokers' balances (Dr.)	179,097	29	-	179,126
Other assets	69,648	13	-	69,661
Tax recoverable	12,695	(292)	-	12,403
Clients' and brokers' balances (Cr.)	(199,724)	-	65,986	(133,738)
Other liabilities	(467,097)	-	279,383	(187,714)
	<u>1,284,153</u>	<u>766</u>	<u>-</u>	<u>1,284,919</u>
As at 31 October 2011				
Retained profits	<u>(507,146)</u>	<u>(871)</u>	<u>-</u>	<u>(508,017)</u>
Cash and short term funds	932,793	-	(327,560)	605,233
Deposits and placements with banks and other financial institutions	110,157	-	(2,270)	107,887
Loans, advances and financing	705,516	1,176	-	706,692
Clients' and brokers' balances (Dr.)	183,060	3	450	183,513
Other assets	86,120	22	1,938	88,080
Deferred tax assets	9,878	(330)	-	9,548
Clients' and brokers' balances (Cr.)	(209,025)	-	52,636	(156,389)
Other liabilities	(424,338)	-	274,806	(149,532)
	<u>1,394,161</u>	<u>871</u>	<u>-</u>	<u>1,395,032</u>
As at 1 August 2011				
Retained profits	<u>(492,961)</u>	<u>(906)</u>	<u>-</u>	<u>(493,867)</u>
Cash and short term funds	885,629	-	(298,330)	587,299
Deposits and placements with banks and other financial institutions	179,812	-	(2,241)	177,571
Loans, advances and financing	679,780	1,189	-	680,969
Clients' and brokers' balances (Dr.)	168,102	28	-	168,130
Other assets	39,307	31	-	39,338
Deferred tax assets	10,497	(342)	-	10,155
Clients' and brokers' balances (Cr.)	(186,725)	-	52,321	(134,404)
Other liabilities	(369,463)	-	248,250	(121,213)
	<u>1,406,939</u>	<u>906</u>	<u>-</u>	<u>1,407,845</u>

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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2012

A1 Basis of Preparation (cont'd)

(d) Effects of Changes in Accounting Policies (cont'd)

(ii) Reconciliation of total comprehensive income

	As previously reported Dr./ (Cr.) RM'000	Effects of:		As restated Dr./ (Cr.) RM'000
		Transition to MFRS framework Dr./ (Cr.) RM'000	FRSIC Consensus 18 Dr./ (Cr.) RM'000	
Financial year ended 31 July 2012				
Total comprehensive income	<u>(83,278)</u>	<u>140</u>	<u>-</u>	<u>(83,138)</u>
(Allowance)/Write back of allowance for losses on:				
- loans, advances and financing	3,256	173	-	3,429
- clients' balances and receivables	(499)	17	-	(482)
Taxation	<u>23,430</u>	<u>(50)</u>	<u>-</u>	<u>23,380</u>
	<u>26,187</u>	<u>140</u>	<u>-</u>	<u>26,327</u>
3 months ended 31 October 2011				
Total comprehensive income	<u>(17,009)</u>	<u>35</u>	<u>-</u>	<u>(16,974)</u>
(Allowance)/Write back of allowance for losses on:				
- loans, advances and financing	1,110	13	-	1,123
- clients' balances and receivables	(169)	34	-	(135)
Taxation	<u>5,606</u>	<u>(12)</u>	<u>-</u>	<u>5,594</u>
	<u>6,547</u>	<u>35</u>	<u>-</u>	<u>6,582</u>

A2 Auditors' Report

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

A3 Seasonal or Cyclical Factors

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

A4 Exceptional Items

There are no exceptional items for the current quarter and financial period ended 31 October 2012.

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 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 PERIOD ENDED 31 OCTOBER 2012

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 2012.

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 2013.

A final dividend of 5.0 sen gross per share, less income tax at 25% proposed for the previous financial year ended 31 July 2012 has been approved by the shareholders of the Company at the Twentieth Annual General Meeting held on 28 November 2012. The dividend will be paid on 20 December 2012 to depositors registered in the Record of Depositors at the close of business on 3 December 2012.

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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2012

A8 Securities Held-For-Trading

	As at 31-Oct-12 RM'000	As at 31-Jul-12 RM'000
At fair value:		
Quoted in Malaysia		
Shares, warrants and REITs	22,319	25,527
Unit trusts	12,045	12,210
	34,364	37,737
Unquoted		
Malaysian Government Securities	-	20,262
Malaysian Government Islamic Investment Issues	50,267	50,736
Private debt securities	63,372	61,857
	148,003	170,592

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

	As at 31-Oct-12 RM'000	As at 31-Jul-12 RM'000
At fair value:		
Quoted in Malaysia		
REITs	32,365	14,807
Unit trusts	137,555	167,241
	169,920	182,048
Unquoted		
Malaysian Government Securities	161,937	61,652
Malaysian Government Sukuk	6,593	6,632
Malaysian Government Islamic Investment Issues	322,210	251,791
BNM Islamic Negotiable Notes	99,708	298,115
Private and Islamic debt securities	813,575	779,379
At cost:		
Unquoted		
Shares	1,140	1,140
	1,575,083	1,580,757
Accumulated impairment loss	(650)	(650)
	1,574,433	1,580,107

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 RM91.2 million as at the end of the reporting period (At 31 July 2012: RM120.9 million).

A10 Securities Held-To-Maturity

	As at 31-Oct-12 RM'000	As at 31-Jul-12 RM'000
At amortised cost:		
Unquoted		
Private and Islamic debt securities	387,277	399,921
	387,277	399,921

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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2012

A11 Loans, Advances and Financing

	As at 31-Oct-12 RM'000	(Restated) As at 31-Jul-12 RM'000
(a) By Type		
Term loans		
- housing loans	17,869	15,290
- bridging loans	3,550	3,550
- syndicated term loans	136,730	125,131
- other term loans	592,630	514,449
Overdrafts	4,592	2,655
Share margin financing	192,444	201,562
Staff loans	418	364
Other financing	203	575
	<u>948,436</u>	<u>863,576</u>
Unearned interest	(173,475)	(156,398)
	<u>774,961</u>	<u>707,178</u>
Allowance for losses:		
- collective impairment	(11,499)	(10,420)
- individual impairment	(12,717)	(11,521)
Net loans, advances and financing	<u>750,745</u>	<u>685,237</u>
(b) By Type of Customer		
Domestic business enterprises		
- others	271,753	235,119
Individuals	306,553	274,260
Other domestic entities	103,481	111,627
Foreign business enterprises	10,942	10,379
Foreign individuals	82,232	75,793
	<u>774,961</u>	<u>707,178</u>
(c) By Geographical Distribution		
Malaysia	681,894	621,458
Cambodia	84,349	76,665
Hong Kong	7,392	7,527
Singapore	843	1,017
Other countries	483	511
	<u>774,961</u>	<u>707,178</u>
(d) By Interest Rate Sensitivity		
Fixed rate		
- other fixed rate loans/financing	605,091	551,488
- housing loans	17,869	15,290
Variable rate		
- cost-plus	152,001	140,400
	<u>774,961</u>	<u>707,178</u>

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2012

A11 Loans, Advances and Financing (cont'd)

	As at 31-Oct-12 RM'000	(Restated) As at 31-Jul-12 RM'000
(e) By Purpose		
Purchase of landed properties		
- residential	16,989	14,438
- non-residential	17,404	17,244
Construction	6,156	5,292
Real estate	3,407	2,873
Purchase of securities	259,621	277,707
Working capital	100,378	89,655
Personal use	223,408	204,044
Others	147,598	95,925
	<u>774,961</u>	<u>707,178</u>
(f) By Residual Contractual Maturity		
Within 1 year	309,977	305,846
1 year to 3 years	29,213	28,774
3 years to 5 years	105,367	94,300
Over 5 years	330,404	278,258
	<u>774,961</u>	<u>707,178</u>
(g) Impaired Loans, Advances and Financing by Purpose		
Purchase of landed properties		
- residential	13	14
Real estate	574	587
Purchase of securities	1,636	1,636
Working capital	11,061	8,344
Personal use	8,041	8,510
Others	142	93
	<u>21,467</u>	<u>19,184</u>
(h) Impaired Loans, Advances and Financing by Geographical Distribution		
Malaysia	17,129	16,185
Cambodia	4,338	2,999
	<u>21,467</u>	<u>19,184</u>
(i) Movements in Impaired Loans, Advances and Financing		
At beginning of the financial period/year	19,184	18,401
Classified as impaired	4,920	29,892
Reclassified as non-impaired	(1,835)	(22,616)
Amount recovered	(357)	(2,115)
Amount written off	(381)	(4,428)
Exchange differences	(64)	50
At end of the financial period/year	<u>21,467</u>	<u>19,184</u>
Gross impaired loans, advances and financing as a % of gross loans, advances and financing	<u>2.8%</u>	<u>2.7%</u>

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A11 Loans, Advances and Financing (cont'd)

	As at 31-Oct-12 RM'000	(Restated) As at 31-Jul-12 RM'000
(j) Movements in Allowance for Losses		
<u>Collective Impairment</u>		
At beginning of the financial period/year		12,393
- as previously reported	11,436	12,393
- effects of transition to MFRS framework	(1,016)	(1,189)
- as restated	10,420	11,204
Net allowance made	1,446	3,163
Amount written off	(341)	(3,980)
Exchange differences	(26)	33
At end of the financial period/year	11,499	10,420
As a % of gross loans, advances and financing less individual impairment allowance	1.5%	1.5%
<u>Individual Impairment</u>		
At beginning of the financial period/year	11,521	10,422
Allowance made	1,253	1,221
Amount written back	(25)	(137)
Exchange differences	(32)	15
At end of the financial period/year	12,717	11,521

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A12 Clients' and Brokers' Balances

	As at 31-Oct-12 RM'000	(Restated) As at 31-Jul-12 RM'000
Clients' and brokers' balances, net of allowances for impairment of RM594,000 (At 31 July 2012: RM553,000)	<u>183,597</u>	<u>179,126</u>

A13 Other Assets

	As at 31-Oct-12 RM'000	(Restated) As at 31-Jul-12 RM'000
Trade receivables, net of allowances for impairment of RM363,000 (At 31 July 2012: RM363,000)	46,991	44,113
Statutory deposit	150	150
Clearing Guarantee Fund	2,072	2,058
Clearing Fund	1,000	1,000
Other receivables, deposits and prepayments	52,405	19,357
Other investments	2,981	2,983
	<u>105,599</u>	<u>69,661</u>

A14 Deposits from Customers

	As at 31-Oct-12 RM'000	As at 31-Jul-12 RM'000
(a) By Type of Deposit		
Demand deposits	2,479	1,863
Savings deposits	4,087	2,954
Fixed deposits	609,463	735,474
Negotiable instruments of deposits	4,060	2,943
Other deposits	4,025	5,197
	<u>624,114</u>	<u>748,431</u>
(b) By Type of Customer		
Government and statutory bodies	119,516	37,103
Business enterprises	426,964	641,599
Individuals	61,823	56,028
Others	15,811	13,701
	<u>624,114</u>	<u>748,431</u>
(c) By Maturity Structure of Term Deposits		
Within 6 months	543,921	721,722
6 months to 1 year	73,627	21,892
	<u>617,548</u>	<u>743,614</u>

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A15 Deposits and Placements of Banks and Other Financial Institutions

	As at 31-Oct-12 RM'000	As at 31-Jul-12 RM'000
Licensed banks	195,446	255,183
Licensed investment banks	15,676	45,844
Central Banks	152,375	-
Other financial institutions	1,703,111	1,386,034
	<u>2,066,608</u>	<u>1,687,061</u>

A16 Other Liabilities

	As at 31-Oct-12 RM'000	(Restated) As at 31-Jul-12 RM'000
Trade payables	152,081	108,931
Amounts due to clients and dealer's representatives	9,079	9,610
Dividend payable by a subsidiary to non-controlling interests	2,350	-
Other payables and accruals	73,166	69,173
	<u>236,676</u>	<u>187,714</u>

A17 Borrowings

(a) Total borrowings of the Group of RM390.3 million as at 31 October 2012 are unsecured of which RM175.7 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-Oct-12 RM'000	As at 31-Jul-12 RM'000
Short term borrowings		
Revolving credits	390,298	390,492
Long term borrowings	-	-
Total borrowings	<u>390,298</u>	<u>390,492</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-Oct-12 RM'000	3 months ended 31-Oct-11 RM'000	3 months ended 31-Oct-12 RM'000	3 months ended 31-Oct-11 RM'000
Loans, advances and financing	18,593	18,716	18,593	18,716
Money at call and deposit placements with financial institutions	5,186	5,083	5,186	5,083
Securities AFS	12,865	10,595	12,865	10,595
Securities held-to-maturity	6,501	6,523	6,501	6,523
Others	412	89	412	89
	<u>43,557</u>	<u>41,006</u>	<u>43,557</u>	<u>41,006</u>
Securities held-for-trading	1,834	1,983	1,834	1,983
Derivative financial instruments	1,835	2,427	1,835	2,427
	<u>47,226</u>	<u>45,416</u>	<u>47,226</u>	<u>45,416</u>

During the financial period, there is no Interest income earned on impaired loans and receivables of the Group of which impairment allowance has been made.

A19 Interest Expense

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Oct-12 RM'000	3 months ended 31-Oct-11 RM'000	3 months ended 31-Oct-12 RM'000	3 months ended 31-Oct-11 RM'000
Deposits and placements of banks and other financial institutions	(14,297)	(11,712)	(14,297)	(11,712)
Deposits from customers	(5,518)	(6,428)	(5,518)	(6,428)
Borrowings	(4,524)	(4,356)	(4,524)	(4,356)
Others	(130)	(182)	(130)	(182)
	<u>(24,469)</u>	<u>(22,678)</u>	<u>(24,469)</u>	<u>(22,678)</u>
Derivative financial instruments	(1,688)	(1,667)	(1,688)	(1,667)
	<u>(26,157)</u>	<u>(24,345)</u>	<u>(26,157)</u>	<u>(24,345)</u>

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A20 Other Operating Income

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Oct-12 RM'000	3 months ended 31-Oct-11 RM'000	3 months ended 31-Oct-12 RM'000	3 months ended 31-Oct-11 RM'000
Fee and commission income:				
Brokerage	12,413	17,432	12,413	17,432
Fund management and incentive fees	19,149	13,553	19,149	13,553
Advisory and arranger fees	1,319	420	1,319	420
Underwriting commission and placement income	825	90	825	90
Rollover fees	695	718	695	718
Other fees and commission	2,356	1,530	2,356	1,530
	<u>36,757</u>	<u>33,743</u>	<u>36,757</u>	<u>33,743</u>
Net gain on securities held-for-trading:				
- net gain on disposal	2,041	1,961	2,041	1,961
- net unrealised gain	266	1,718	266	1,718
	<u>2,307</u>	<u>3,679</u>	<u>2,307</u>	<u>3,679</u>
Net gain/(loss) on derivatives:				
- net loss on disposal	(3,166)	(1,630)	(3,166)	(1,630)
- net unrealised gain/(loss)	2,413	(222)	2,413	(222)
	<u>(753)</u>	<u>(1,852)</u>	<u>(753)</u>	<u>(1,852)</u>
Net gain on securities AFS:				
- net gain on disposal	275	34	275	34
	<u>275</u>	<u>34</u>	<u>275</u>	<u>34</u>
Gross dividends/income distributions:				
- securities held-for-trading	86	749	86	749
- securities AFS	1,238	1,293	1,238	1,293
	<u>1,324</u>	<u>2,042</u>	<u>1,324</u>	<u>2,042</u>
Other income:				
Initial service charge	21,473	5,936	21,473	5,936
Net foreign exchange gain	3,064	3,153	3,064	3,153
Rental Income	209	515	209	515
Others	1,041	3,211	1,041	3,211
	<u>25,787</u>	<u>12,815</u>	<u>25,787</u>	<u>12,815</u>
Total	<u><u>65,697</u></u>	<u><u>50,461</u></u>	<u><u>65,697</u></u>	<u><u>50,461</u></u>

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A21 Other Operating Expenses

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Oct-12 RM'000	3 months ended 31-Oct-11 RM'000	3 months ended 31-Oct-12 RM'000	3 months ended 31-Oct-11 RM'000
Personnel costs:				
- Salaries, allowances and bonus	(20,020)	(19,013)	(20,020)	(19,013)
- Contributions to a defined contribution plan	(2,777)	(2,495)	(2,777)	(2,495)
- Others	(5,010)	(5,240)	(5,010)	(5,240)
	<u>(27,807)</u>	<u>(26,748)</u>	<u>(27,807)</u>	<u>(26,748)</u>
Establishment related costs:				
- Depreciation	(1,789)	(1,967)	(1,789)	(1,967)
- Rental of premises	(1,305)	(1,191)	(1,305)	(1,191)
- Rental of equipment	(658)	(645)	(658)	(645)
- Repairs and maintenance of premises and equipment	(364)	(544)	(364)	(544)
- Information technology expenses	(825)	(817)	(825)	(817)
- Others	(1,188)	(1,213)	(1,188)	(1,213)
	<u>(6,129)</u>	<u>(6,377)</u>	<u>(6,129)</u>	<u>(6,377)</u>
Promotion and marketing related expenses:				
- Promotion and business development	(2,187)	(718)	(2,187)	(718)
- Travelling and accommodation	(239)	(189)	(239)	(189)
- Others	(2,598)	(1,750)	(2,598)	(1,750)
	<u>(5,024)</u>	<u>(2,657)</u>	<u>(5,024)</u>	<u>(2,657)</u>
Administrative and general expenses:				
- Professional and consultancy fees	(432)	(770)	(432)	(770)
- Communication expenses	(2,244)	(1,526)	(2,244)	(1,526)
- Incentives and commission	(22,994)	(7,525)	(22,994)	(7,525)
- Regulatory charges	(1,375)	(1,508)	(1,375)	(1,508)
- Others	(2,306)	(2,010)	(2,306)	(2,010)
	<u>(29,351)</u>	<u>(13,339)</u>	<u>(29,351)</u>	<u>(13,339)</u>
Total	<u>(68,311)</u>	<u>(49,121)</u>	<u>(68,311)</u>	<u>(49,121)</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>	
		(Restated)		(Restated)
	3 months ended	3 months ended	3 months ended	3 months ended
	31-Oct-12	31-Oct-11	31-Oct-12	31-Oct-11
	RM'000	RM'000	RM'000	RM'000
Individual impairment:				
- made	(1,253)	(285)	(1,253)	(285)
- written back	25	-	25	-
	(1,228)	(285)	(1,228)	(285)
Collective impairment:				
- made	(1,446)	(1,013)	(1,446)	(1,013)
Bad debts:				
- recovered	185	346	185	346
- written off	(39)	(171)	(39)	(171)
	<u>(2,528)</u>	<u>(1,123)</u>	<u>(2,528)</u>	<u>(1,123)</u>

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

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
		(Restated)		(Restated)
	3 months ended	3 months ended	3 months ended	3 months ended
	31-Oct-12	31-Oct-11	31-Oct-12	31-Oct-11
	RM'000	RM'000	RM'000	RM'000
Individual impairment:				
- made	(213)	(86)	(213)	(86)
- written back	172	121	172	121
	(41)	35	(41)	35
Bad debts:				
- recovered	9	100	9	100
	<u>(32)</u>	<u>135</u>	<u>(32)</u>	<u>135</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-Oct-12			As at 31-Jul-12		
	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	5,000	5,000	1,000
Commitments						
Forward asset purchases	6,304	6,304	3,152	10,328	10,328	5,164
Obligations under underwriting agreement	-	-	-	10,000	5,000	5,000
Commitments to extend credits with maturity of ⁽¹⁾ :						
- up to 1 year	416,049	6,259	6,259	468,107	24,000	24,000
- over 1 year	10,053	8,886	5,027	14,605	11,772	7,303
	432,406	21,449	14,438	503,040	51,100	41,467
Derivative financial instruments						
Foreign exchange related contracts:						
- up to 1 year	2,173,497	39,615	16,900	1,220,649	32,444	13,734
- over 1 year to 5 years	553,536	58,948	17,701	170,361	16,149	3,230
Interest rate related contracts:						
- up to 1 year	2,188,000	3,573	1,341	2,460,000	4,249	970
- over 1 year to 5 years	100,000	300	150	253,000	2,069	1,909
	5,015,033	102,436	36,092	4,104,010	54,911	19,843
Total	5,452,439	128,885	51,530	4,612,050	111,011	62,310

* 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-Oct-12 RM'000	As at 31-Jul-12 RM'000
Capital expenditure commitments	16,211	19,942
Non-cancellable operating lease commitments	6,784	8,155
	22,995	28,097

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-12 RM'000	(Restated) As at 31-Jul-12 RM'000
<u>Tier I capital</u>		
Issued and fully paid share capital	500,000	500,000
Retained profits	196,170	218,670
Statutory reserve	133,839	133,839
Total Tier I capital	830,009	852,509
Less: Goodwill	(110,002)	(110,002)
Eligible Tier I capital	720,007	742,507
<u>Tier II capital</u>		
Collective impairment allowances	4,887	4,511
Total Tier II capital	4,887	4,511
Total capital	724,894	747,018
Less: Investment in subsidiaries	(3,081)	(3,081)
Other deductions	(230)	(248)
Capital base	721,583	743,689
Before deducting proposed dividend:		
Core capital ratio	34.9%	36.1%
Risk-weighted capital ratio	35.0%	36.2%
After deducting proposed dividend:		
Core capital ratio	34.9%	35.0%
Risk-weighted capital ratio	35.0%	35.1%

(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-12	As at 31-Jul-12
Solvency ratio	75.9%	82.9%

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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
3 months ended 31 October 2012								
Revenue								
External revenue *	21,678	34,742	2,469	11,526	41,282	1,709	-	113,406
Inter-segment revenue	-	435	-	-	(45)	34,676	(35,066)	-
Total revenue	21,678	35,177	2,469	11,526	41,237	36,385	(35,066)	113,406
Net interest income/(expense)	5,924	7,018	1,982	8,045	584	(2,484)	-	21,069
Other operating income	14,412	6,502	170	1,695	41,359	36,345	(34,786)	65,697
	20,336	13,520	2,152	9,740	41,943	33,861	(34,786)	86,766
Other operating expenses	(21,483)	(5,413)	(1,768)	(2,892)	(34,875)	(4,034)	2,154	(68,311)
	(1,147)	8,107	384	6,848	7,068	29,827	(32,632)	18,455
(Allowance)/Write back of allowance for losses on:								
- loans, advances and financing	109	(485)	(732)	(1,420)	-	-	-	(2,528)
- clients' balances and receivables	(32)	-	-	-	-	(2)	2	(32)
Segment profit/(loss)	(1,070)	7,622	(348)	5,428	7,068	29,825	(32,630)	15,895
Share of results of an associate, net of tax								142
Profit before taxation								16,037
3 months ended 31 October 2011 (Restated)								
Revenue								
External revenue *	27,769	20,304	1,833	11,507	19,637	2,382	-	83,432
Inter-segment revenue	-	469	-	-	-	39,611	(40,080)	-
Total revenue	27,769	20,773	1,833	11,507	19,637	41,993	(40,080)	83,432
Net interest income/(expense)	6,368	6,687	1,637	8,536	311	(2,468)	-	21,071
Other operating income	23,600	3,535	137	1,088	19,871	41,954	(39,724)	50,461
	29,968	10,222	1,774	9,624	20,182	39,486	(39,724)	71,532
Other operating expenses	(22,068)	(4,552)	(1,233)	(2,893)	(16,077)	(4,393)	2,095	(49,121)
	7,900	5,670	541	6,731	4,105	35,093	(37,629)	22,411
(Allowance)/Write back of allowance for losses on:								
- loans, advances and financing	(6)	59	(390)	(729)	-	-	(57)	(1,123)
- clients' balances and receivables	126	9	-	-	-	(1)	1	135
Segment profit/(loss)	8,020	5,738	151	6,002	4,105	35,092	(37,685)	21,423
Share of results of an associate, net of tax								(284)
Profit before taxation								21,139

* 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 period ended 31 October 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 period ended 31 October 2012.

A30 Changes in Contingent Liabilities or Contingent Assets

Please refer to explanatory note A24.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2012

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

For the first quarter ended 31 October 2012, the operating revenue of the Group increased by 36% to RM113.4 million. The pretax profit of the Group for the same period of RM16.0 million was, however, lower by 24% as compared to RM21.1 million in the corresponding quarter of the last financial year.

Increase in operating revenue of the Group for the three months ended 31 October 2012 in comparison to the previous corresponding period last year, is primarily driven by higher fund management fee and initial service charge generated from the investment management activities as well as favourable effects of foreign exchange transactions during the current financial period under review, partially negated by reduction in stockbroking brokerage income for the current financial period.

The contraction in the pretax profit of the Group despite achieving a higher operating revenue for the first quarter ended 31 October 2012 against the three-month period in the financial year 2012 is mainly attributed to the higher level of operating expenses incurred by the Group, mainly agents' commission expenses linked to investment management activities and marketing related expenses as well as an increase in loan loss provisioning and absence of exceptional income during the current financial period under review.

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

(a) Stockbroking

The stockbroking segment, which is highly dependent on the level of market activities in the local bourse, incurred a pretax loss of RM1.1 million in the first three months of the financial year 2013, in contrast to a pretax profit of RM8.0 million in the previous corresponding financial period. This is mainly following a reduction in brokerage income on the back of a 14% decrease in Bursa value traded to RM95.69 billion during the current financial period, coupled with a lower net gain arising from securities trading activities, increase in marketing related expenses and absence of exceptional income during the current financial period. In the same period last year, the segment benefited from an exceptional income of RM2.4 million arising from an insurance claim.

(b) Investment banking

Pretax profit of the investment banking segment of RM7.6 million represents a 33% increase from RM5.7 million recorded in the previous corresponding financial period. The higher profitability of the segment is mainly attributed to a lower net loss incurred on derivatives portfolio, higher fee based income and net foreign exchange gain, partially offset by increase in personnel costs and loan loss provisioning on an increased loan portfolio.

(c) Commercial banking

The commercial banking segment incurred a pretax loss of RM0.3 million for the three months ended 31 October 2012 as compared to a pretax profit of RM0.2 million in the previous corresponding financial period. On a positive note, net interest income of the segment for the current financial period under review has increased by 21%, supported by an enlarged loan portfolio of RM84.3 million as at 31 October 2012 (As at 31 October 2011: RM53.9 million). However, a 43% increase in operating expenses, mainly personnel costs and higher loan loss provisioning, during the same period have eroded the income generated.

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

(d) Moneylending

The moneylending segment posted a lower pretax profit of RM5.4 million, down from RM6.0 million recorded for the corresponding three-month period a year ago. The financial performance of the moneylending segment for the current financial period is negatively impacted by reduction in net interest income and increased loan loss provisioning, partially mitigated by higher fee income and lower marked-to-market loss on securities portfolio.

(e) Investment management

The investment management segment posted a 72% increase in pretax profit for the first quarter ended 31 October 2012 to RM7.1 million relative to a pretax profit of RM4.1 million in the previous corresponding financial period, mainly driven by the significant growth in the funds under management. As at 31 October 2012, the net assets value of the funds managed stand at RM18.1 billion (As at 31 October 2011: RM10.7 billion). Increase in fund management fee and initial service charge, net of agents' commission expenses have contributed to the improved profitability for the current financial period under review, partially offset by higher personnel costs and marketing related expenses.

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

Pretax profit of the Group of RM16.0 million for the first quarter of the financial year 2013 is 42% lower than the pretax profit of RM27.6 million recorded in the preceding fourth quarter of the financial year 2012. The decline in earnings for the current financial period is largely attributed to decrease in net gain on securities held-for-trading and net foreign exchange gain, coupled with lower stockbroking brokerage income and higher loan loss provisioning.

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B3 Commentary

(a) Current Year's Prospects

The Malaysian economic fundamentals are expected to remain resilient supported by the various Government stimulus measures and accommodative monetary stance. However, we take cognizance of the external threats arising from the weak global macroeconomic conditions which are expected to persist into the new financial year.

The prevailing uncertainties in the global financial markets and the competitive landscape may not augur well for the stockbroking and investment banking segments. Against this backdrop, the investment banking subsidiary will remain nimble, seek business opportunities and control its operating expenses. The investment banking subsidiary will continue to enhance its system infrastructure, expand its distribution channels and business capabilities to meet the challenges ahead.

The Group's commercial banking segment will continue to grow its loan and deposit base targeting the SMEs to boost its interest income, and is on track to increase its distribution network and customers reach in Cambodia with plans to establish a fourth branch in Phnom Penh by the end of year 2012.

The moneylending segment will continue to explore new lending activities and enhance its marketing and distribution channels to boost its interest based income. With increasing competition, the performance of the segment is expected to be under pressure in the current financial year.

The Group's investment management segment is projected to grow steadily with the continuous launching of new unit trust funds to fulfil 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, the investment management subsidiary, being one of the eight approved Private Retirement Scheme (PRS) Providers, was the first to successfully launch the PRS products on 31 October 2012.

The Board of Directors is of the view that performance of the Group for the remaining three quarters of the financial year ending 31 July 2013 will continue to be affected by the volatile and challenging economic environment.

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B3 Commentary (cont'd)

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

Not applicable.

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

Not applicable.

B5 Profit Forecast and Profit Guarantee

Not applicable.

B6 Taxation

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

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Oct-12 RM'000	(Restated) 3 months ended 31-Oct-11 RM'000	3 months ended 31-Oct-12 RM'000	(Restated) 3 months ended 31-Oct-11 RM'000
In respect of the current financial year:				
Malaysian income tax	(7,146)	(4,089)	(7,146)	(4,089)
Foreign income tax	(25)	(18)	(25)	(18)
Deferred tax	2,614	(1,234)	2,614	(1,234)
	<u>(4,557)</u>	<u>(5,341)</u>	<u>(4,557)</u>	<u>(5,341)</u>
In respect of prior financial years:				
Malaysian income tax	-	(253)	-	(253)
	<u>(4,557)</u>	<u>(5,594)</u>	<u>(4,557)</u>	<u>(5,594)</u>

The effective tax rate for the current quarter and financial period ended 31 October 2012 is higher than the statutory tax rate mainly due to certain expenses which are not deductible for tax purposes, partially offset by certain income, which are not subject to tax.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2012

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	(Restated)
	31-Oct-12	31-Jul-12
	RM'000	RM'000
Total retained profits of the Company and its subsidiaries:		
- realised	531,428	524,596
- unrealised	10,248	8,070
	<u>541,676</u>	<u>532,666</u>
Total share of accumulated losses of associate:		
- realised	(1,088)	(1,230)
	<u>540,588</u>	<u>531,436</u>
Consolidation adjustments	(15,314)	(15,383)
Total Group retained profits	<u><u>525,274</u></u>	<u><u>516,053</u></u>

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

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 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-Oct-12		As at 31-Jul-12	
	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	1,610	(3,814)	2,186	(2,150)
- currency swaps	7,358	(4,268)	6,435	(3,458)
- currency options	2	(2)	10	(10)
- cross currency interest rate swaps	7,070	(15,621)	4,188	(10,364)
Interest rate related contracts:				
- futures contracts	563	(6,608)	640	(10,322)
- interest rate swaps	2,710	(4,042)	3,686	(6,124)
	19,313	(34,355)	17,145	(32,428)
Less:				
Fair value of futures contracts included in other assets	(563)	6,608	(640)	10,322
	18,750	(27,747)	16,505	(22,106)

(b) The principal amount and fair value of derivatives held by the Group at 31 October 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
(i) Principal amount					
Foreign exchange related contracts					
- currency forwards	-	838,743	44,865	-	883,608
- currency swaps	-	1,180,458	44,887	-	1,225,345
- currency options	-	914	-	-	914
- cross currency interest rate swaps	8,715	153,382	142,781	321,003	617,166
Interest rate related contracts					
- futures contracts	902	1,235,000	-	-	1,235,000
- interest rate swaps	-	953,000	-	100,000	1,053,000
	9,617	4,361,497	232,533	421,003	5,015,033

Type of Derivatives	1 year or less RM'000	> 1 to 3 years RM'000	> 3 years RM'000	Total RM'000
(ii) Fair value				
Foreign exchange related contracts				
- currency forwards	(2,202)	(2)	-	(2,204)
- currency swaps	3,107	(17)	-	3,090
- currency options	-	-	-	-
- cross currency interest rate swaps	1,256	(8,666)	(1,141)	(8,551)
Interest rate related contracts				
- futures contracts	(6,045)	-	-	(6,045)
- interest rate swaps	(1,630)	-	298	(1,332)
	(5,514)	(8,685)	(843)	(15,042)

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2012

B10 Disclosure of Derivatives (cont'd)

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

Credit risk

Derivative contracts are subject to credit risk, which refers to the potential risk of financial loss arising from defaults by counterparties in meeting their obligations. As at the end of the reporting , the amount of credit risk of the Group, measured in terms of the cost to replace profitable contracts is RM19.3 million (At 31 July 2012: RM17.1 million). The amount will increase or decrease over the contracted periods, mainly as a function of movements in market rates and time.

Market risk

Market risk is the risk of loss arising from changes in market interest rates, foreign exchange rates and equity prices underlying derivative contracts. The contractual amounts of derivatives only provide a measure of the Group's involvement in the respective type of derivatives and do not represent the amount subject to risk. As at the end of the reporting period, the net exposure of the Group to market risk, which were not hedged amounted to RM160.1 million (At 31 July 2012: RM216.9 million).

Liquidity risk

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

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

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

B11 Changes in Material Litigation

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

B12 Dividends

Please refer to explanatory note A7.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2012

B13 Earnings Per Share Attributable to Equity Holders of the Company

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Oct-12	(Restated) 3 months ended 31-Oct-11	3 months ended 31-Oct-12	(Restated) 3 months ended 31-Oct-11
Profit for the financial year attributable to equity holders of the Company (RM'000)	<u>9,221</u>	14,150	<u>9,221</u>	14,150
Weighted average number of ordinary shares in issue ('000)	<u>255,159</u>	255,159	<u>255,159</u>	255,159
Basic earnings per share (sen)	<u><u>3.61</u></u>	<u>5.55</u>	<u><u>3.61</u></u>	<u>5.55</u>

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

By Order of the Board

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

**Penang
13 December 2012**