

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

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

	Note	As at 31-Jan-11 RM'000	As at 31-Jul-10 RM'000
Assets			
Cash and short term funds		1,105,047	1,148,293
Deposits and placements with banks and other financial institutions		159,039	140,246
Securities held-for-trading	A8	574,882	503,808
Securities available-for-sale ("AFS")	A9	713,772	470,181
Securities held-to-maturity	A10	457,056	465,323
Loans, advances and financing	A11	691,703	611,509
Clients' and brokers' balances	A12	312,611	205,994
Derivative assets		16,950	14,111
Other assets	A13	62,943	41,206
Statutory deposits with Central Banks		28,884	20,741
Tax recoverable		7,170	14,393
Deferred tax assets		10,731	7,461
Investment in an associate		3,392	3,284
Property, plant and equipment		56,038	55,267
Investment properties		52,960	53,081
Intangible assets		162,509	162,509
Total assets		<u>4,415,687</u>	<u>3,917,407</u>
Liabilities			
Deposits from customers	A14	610,901	589,461
Deposits and placements of banks and other financial institutions	A15	1,777,594	1,532,003
Clients' and brokers' balances		319,923	209,865
Derivative liabilities		20,260	21,989
Other liabilities	A16	419,168	325,670
Taxation		10,229	4,485
Deferred tax liabilities		718	867
Borrowings	A17	399,200	407,500
Total liabilities		<u>3,557,993</u>	<u>3,091,840</u>
Equity			
Share capital		265,845	265,845
Reserves		591,491	560,064
Treasury shares, at cost		<u>(16,061)</u>	<u>(16,061)</u>
		841,275	809,848
Minority interests		<u>16,419</u>	<u>15,719</u>
Total equity		<u>857,694</u>	<u>825,567</u>
Total liabilities and equity		<u>4,415,687</u>	<u>3,917,407</u>
Net assets per share attributable to equity holders of the Company (RM)			
		<u>3.30</u>	<u>3.17</u>

The condensed financial statements should be read in conjunction with the most recent audited financial statements for the financial year ended 31 July 2010.

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

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

	Note	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
		3 months ended 31-Jan-11 RM'000	3 months ended 31-Jan-10 RM'000	6 months ended 31-Jan-11 RM'000	6 months ended 31-Jan-10 RM'000
Operating revenue		109,608	86,377	205,974	173,366
Interest income	A18	47,616	39,855	95,596	78,220
Interest expense	A19	(23,383)	(17,013)	(46,154)	(32,264)
Net interest income		24,233	22,842	49,442	45,956
Other operating income	A20	70,396	47,058	125,570	97,077
		94,629	69,900	175,012	143,033
Other operating expenses	A21	(59,824)	(44,329)	(108,877)	(87,923)
		34,805	25,571	66,135	55,110
(Allowance)/Write back of allowance for losses on:					
- loans, advances and financing	A22	(2,391)	(1,032)	(3,896)	(6,661)
- clients' balances and receivables	A23	275	78	505	295
Impairment loss on securities AFS		-	-	-	(650)
		32,689	24,617	62,744	48,094
Share of results of an associate, net of tax		91	(121)	109	(469)
Profit before taxation		32,780	24,496	62,853	47,625
Taxation	B6	(8,212)	(6,820)	(15,720)	(12,673)
Profit for the financial period		24,568	17,676	47,133	34,952
Attributable to:					
Equity holders of the Company		23,176	16,840	44,670	33,141
Minority interests		1,392	836	2,463	1,811
		24,568	17,676	47,133	34,952
Earnings per share attributable to equity holders of the Company (sen)					
- Basic	B15	9.08	6.60	17.51	12.99

The condensed financial statements should be read in conjunction with the most recent audited financial statements for the financial year ended 31 July 2010.

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

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

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Jan-11 RM'000	3 months ended 31-Jan-10 RM'000	6 months ended 31-Jan-11 RM'000	6 months ended 31-Jan-10 RM'000
Profit for the financial period	24,568	17,676	47,133	34,952
Other comprehensive income for the financial period, net of tax:				
Currency translation differences arising from foreign operations	(1,804)	(56)	(4,364)	(2,194)
Securities AFS:				
- net change in fair value	495	412	2,065	1,584
- net gain transferred to income statement on disposal	(997)	(685)	(1,649)	(1,250)
	<u>(2,306)</u>	<u>(329)</u>	<u>(3,948)</u>	<u>(1,860)</u>
Total comprehensive income for the financial period	<u>22,262</u>	<u>17,347</u>	<u>43,185</u>	<u>33,092</u>
Attributable to:				
Equity holders of the Company	20,870	16,511	40,722	31,281
Minority interests	1,392	836	2,463	1,811
	<u>22,262</u>	<u>17,347</u>	<u>43,185</u>	<u>33,092</u>

The condensed financial statements should be read in conjunction with the most recent audited financial statements for the financial year ended 31 July 2010.

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

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

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	Minority interests RM'000	Total equity RM'000
At 1 August 2010											
As previously reported	255,159	265,845	(16,061)	33,090	80,132	2,912	(9,526)	453,456	809,848	15,719	825,567
Effects of adoption of FRS 139	A1(d) -	-	-	-	-	-	-	273	273	-	273
As restated	255,159	265,845	(16,061)	33,090	80,132	2,912	(9,526)	453,729	810,121	15,719	825,840
Profit for the financial period	-	-	-	-	-	-	-	44,670	44,670	2,463	47,133
Other comprehensive income for the financial period	-	-	-	-	-	416	(4,364)	-	(3,948)	-	(3,948)
Total comprehensive income for the financial period	-	-	-	-	-	416	(4,364)	44,670	40,722	2,463	43,185
Final dividend for the financial year ended 31 July 2010	-	-	-	-	-	-	-	(9,568)	(9,568)	-	(9,568)
Dividend paid by a subsidiary to minority interests	-	-	-	-	-	-	-	-	-	(1,763)	(1,763)
At 31 January 2011	255,159	265,845	(16,061)	33,090	80,132	3,328	(13,890)	488,831	841,275	16,419	857,694
At 1 August 2009	255,168	265,845	(16,046)	33,090	61,321	1,574	(768)	425,746	770,762	13,921	784,683
Profit for the financial period	-	-	-	-	-	-	-	33,141	33,141	1,811	34,952
Other comprehensive income for the financial period	-	-	-	-	-	334	(2,194)	-	(1,860)	-	(1,860)
Total comprehensive income for the financial period	-	-	-	-	-	334	(2,194)	33,141	31,281	1,811	33,092
Shares repurchased held as treasury shares at cost	(5)	-	(8)	-	-	-	-	-	(8)	-	(8)
Final dividend for the financial year ended 31 July 2009	-	-	-	-	-	-	-	(9,569)	(9,569)	-	(9,569)
Dividend paid by a subsidiary to minority interests	-	-	-	-	-	-	-	-	-	(1,763)	(1,763)
At 31 January 2010	255,163	265,845	(16,054)	33,090	61,321	1,908	(2,962)	449,318	792,466	13,969	806,435

The condensed financial statements should be read in conjunction with the most recent audited financial statements for the financial year ended 31 July 2010.

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED CASH FLOW STATEMENT
FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2011

	6 months ended 31-Jan-11 RM'000	6 months ended 31-Jan-10 RM'000
Profit for the financial period	47,133	34,952
Adjustments for:		
Non-cash items	47,218	43,418
Non-operating items - investing	(29,495)	(21,217)
Non-operating items - financing	8,626	6,159
	73,482	63,312
Changes in working capital:		
Net changes in operating assets	(293,304)	(372,092)
Net changes in operating liabilities	406,105	674,747
	186,283	365,967
Interest paid	(36,894)	(23,366)
Tax paid	(5,924)	(7,660)
Net operating cash flow	143,465	334,941
Investing activities		
Net purchase of securities	(240,499)	(58,828)
Interest received from securities	22,393	17,078
Dividends and income distributions received	2,530	1,681
Rental received	640	-
Acquisition of other investments	(16)	-
Proceeds from disposal of other investments	7	12
Property, plant and equipment	(4,474)	(2,861)
Net investing cash flow	(219,419)	(42,918)
Financing activities		
Dividend paid	(9,568)	(9,569)
Dividend paid by a subsidiary to minority interests	(1,763)	(1,763)
Interest paid	(6,472)	(2,608)
Net (repayment)/drawdown of borrowings	(8,300)	17,000
Shares repurchased	-	(8)
Net financing cash flow	(26,103)	3,052
Net change in cash and cash equivalents	(102,057)	295,075
Foreign exchange differences	(3,383)	(706)
Cash and cash equivalents at beginning of the financial period	862,364	527,520
Cash and cash equivalents at end of the financial period	756,924	821,889
Cash and cash equivalents at end of the financial period comprise:		
Cash and short term funds	756,924	821,889

The condensed financial statements should be read in conjunction with the most recent audited financial statements for the financial year ended 31 July 2010.

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

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

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

A1 Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with the 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 2010.

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 2010 except for the changes in accounting policies arising from adoption of the BNM Guidelines on Classification and Impairment Provisions for Loans/Financing and the following new/revised Financial Reporting Standards and Interpretations ("FRSs") that are effective for the Group for the financial year ending 31 July 2011:

<u>FRS</u>	<u>Description</u>
FRS 3	Business Combinations
FRS 7	Financial Instruments: Disclosures
FRS 101	Presentation of Financial Statements
FRS 123	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurement
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 7	Financial Instruments: Disclosures
Amendment to FRS 8	Operating Segments
Amendment to FRS 107	Statement of Cash Flows
Amendment to FRS 110	Events after the Balance Sheet Date
Amendment to FRS 116	Property, Plant and Equipment
Amendment to FRS 117	Leases
Amendment to FRS 118	Revenue
Amendment to FRS 123	Borrowing Costs
Amendments to FRS 127	Consolidated and Separate Financial Statements
Amendment to FRS 128	Investments in Associates
Amendments to FRS 132	Financial Instruments: Presentation
Amendment to FRS 134	Interim Financial Reporting
Amendment to FRS 136	Impairment of Assets
Amendments to FRS 138	Intangible Assets
Amendments to FRS 139	Financial Instruments: Recognition and Measurement
Amendment to FRS 140	Investment Property
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	Group and Treasury Share Transactions
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distribution of Non-Cash Assets to Owners

The adoption of the above FRSs does not give rise to any material financial effects to the Group, other than the effects and changes in accounting policies as disclosed below and in explanatory note A27.

(a) FRS 7, Financial Instruments: Disclosures

FRS 7 requires disclosure of quantitative and qualitative information about exposure to risks arising from financial instruments, including minimum disclosures about credit risk, market risk and liquidity risk in the financial statements of the Group for the annual financial period commencing 1 August 2010.

The standard also requires disclosure of income, expenses, gains or losses by categories of financial assets and liabilities. Certain comparative disclosures of income, expenses, gains and losses of the Group have been restated to conform with the current financial period's presentation.

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

A1 Basis of Preparation (cont'd)

(b) FRS 101, Presentation of Financial Statements

The revised FRS 101 requires an entity to present, in the statement of changes in equity, all 'owner changes in equity'. All 'non-owner changes in equity' (i.e. comprehensive income) are to be presented in one statement of comprehensive income or in two statements (i.e. a separate income statement and a statement of comprehensive income). The Group has adopted the two statements approach. All 'non-owner changes in equity' which were previously presented in the consolidated statement of changes in equity are now included in the statement of comprehensive income as other comprehensive income. In addition, reclassification adjustments, which represent amounts previously recognised in other comprehensive income and subsequently reclassified to profit or loss, together with the related tax effects have to be disclosed. Comparative presentation of the financial statements of the Group have been restated to conform with the current financial period's presentation.

(c) FRS 139, Financial Instruments: Recognition and Measurement

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Prior to the adoption of FRS 139, the accounting policies of the Group had incorporated requirements of BNM/GP8, which include selected principles of FRS 139 in respect of recognition, derecognition and measurement of securities and derivative instruments. The adoption of FRS 139 has resulted in changes in accounting policies as follows:

(i) Impairment of loans, advances and financing and receivables

Prior to the adoption of FRS 139, the loan loss allowances of the investment banking subsidiary and commercial banking subsidiary were determined in accordance with the Guidelines on Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts issued by BNM ("Revised BNM/GP3") and the minimum requirements as prescribed by the National Bank of Cambodia respectively. The moneylending subsidiary followed the general guidelines as set out in the Revised BNM/GP3 in so far as it relates to the parameters for periods of default and provisioning rates. The policies on identification of non-performing accounts, specific allowance for bad and doubtful debts and suspension of interest in respect of clients' and brokers' balances of the investment banking subsidiary were in accordance with the Rules of Bursa Malaysia Securities Berhad ("Rules of Bursa Securities"). Other receivables were stated at anticipated realisable values.

FRS 139 requires an entity to assess at each balance sheet date either individually or collectively whether there is objective evidence that financial assets, which are stated at amortised cost or cost (including loans, advances and financing, clients' and brokers' balances and receivables), are impaired. Financial assets are impaired if, and only if, there is objective evidence of impairment as a result of one or more events ('loss event') that has occurred and that the loss event has an impact on future estimated cash flows of the financial assets that can be reliably estimated. Impairment loss is calculated as the difference between the carrying amount and the present value of future expected cash flows discounted at the original effective interest rate of the financial assets. The carrying amount of the impaired financial assets is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

Individual impairment assessment is performed on financial assets that are individually significant. Financial assets which are homogeneous or not individually significant are grouped as a portfolio according to their credit risk characteristics for the purposes of calculating an estimated collective loss based on collective impairment assessment, taking into account the historical loss experience of such assets.

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

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

A1 Basis of Preparation (cont'd)

(c) FRS 139, Financial Instruments: Recognition and Measurement (cont'd)

(i) Impairment of loans, advances and financing and receivables (cont'd)

In accordance with the transitional arrangements under the Amendments to FRS 139, BNM has prescribed an alternative basis for collective impairment assessment in respect of loans/financing for banking institutions during the transitional period (applicable till the financial year ending 31 July 2012), as set out in the BNM Guidelines on Classification and Impairment Provisions for Loans/Financing, whereby banking institutions are required to maintain collective impairment allowance of at least 1.5% of the total outstanding loans/financing, net of individual impairment allowance. Subject to prior written approval by BNM, banking institutions are allowed to maintain a lower collective impairment allowance. Collective impairment allowances of the banking subsidiaries of the Company are arrived at based on the transitional provisions as prescribed by BNM.

For loans/financing which are individually assessed for impairment, the BNM Guidelines on Classification and Impairment Provisions for Loans/Financing also stipulate that objective evidence of impairment is deemed to exist and a loan shall be classified as impaired when principal or interest or both are past due for 3 months or more or when a loan which is in arrears for less than 3 months exhibit indications of credit weaknesses. Impairment classification in respect of clients' and brokers' balances of the investment banking subsidiary is guided by the Rules of Bursa Securities.

(ii) Recognition of interest income

Prior to the adoption of FRS 139, interest on loans, advances and financing was recognised in the income statement at contractual interest rates. FRS 139 requires interest income to be recognised using effective interest rates ("EIR"), which are the rates that exactly discount the estimated future cash receipts through the expected life of a loan or, when appropriate, a shorter period to the net carrying amount of the loan.

Prior to the adoption of FRS 139, interest accrued and recognised as income prior to the date of a loan account or clients' balances arising from stockbroking business are classified as non-performing was reversed out of income by debiting the interest income in the income statement and crediting the accrued interest receivable account or interest-in-suspense in the statements of financial position. Subsequently, interest earned on non-performing accounts is recognised on a cash basis. Upon adoption of FRS 139, once a loan or a client's balance has been written down as a result of an impairment loss, interest income is thereafter recognised using the rate of interest used to discount the future cash flows for the purpose of measuring impairment loss.

(iii) Recognition of embedded derivatives

In accordance with FRS 139 and IC Interpretation 9, embedded derivatives are to be separated from the host contract and accounted for as a derivative if the economic characteristics and risks of the embedded derivative are not closely related to that of the host contract and the fair value of the embedded derivatives can be reliably measured at inception. Previously, embedded derivatives were not separately recognised and accounted for as derivatives.

As at the beginning of the financial period, the Group does not have any embedded derivatives, which are not closely related to the host contracts and which require bifurcation.

The changes in accounting policies arising from adoption of FRS 139 have been applied prospectively. In accordance with the transitional provisions of FRS 139, the effects of adoption of FRS 139 on the carrying values of financial instruments as at the beginning of the financial period are adjusted to retained profits as at 1 August 2010, as disclosed in explanatory note A1(d) below.

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

A1 Basis of Preparation (cont'd)

(d) Effects of Changes in Accounting Policies

	As at 1-Aug-10 RM'000 Dr./(Cr.)
<u>Retained profits</u>	
As previously reported	(453,456)
Effects of adoption of FRS 139:	
Impairment of loans, advances and financing and receivables	(2,777)
Recognition of interest income	2,504
	<u>(273)</u>
As restated	<u>(453,729)</u>

A2 Auditors' Report

The auditors' report of the most recent annual financial statements of the Group for the financial year ended 31 July 2010 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 January 2011.

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 January 2011 as compared with the prior financial year.

A6 Debts and Equity Securities

There are no issuance, cancellations, repurchase, resale and repayments of debt and equity securities for the financial period ended 31 January 2011 except as disclosed in explanatory note A30.

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

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

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 2010 was paid on 20 December 2010.

The Board of Directors has declared an interim dividend of 5.0 sen per ordinary share, less 25% income tax, amounting to RM9,568,459 based on the issued and paid-up share capital of the Company as at 31 January 2011, in respect of the current financial year ending 31 July 2011. (Previous financial year ended 31 July 2010: Interim dividend of 2.5 sen was declared).

NOTICE IS HEREBY GIVEN THAT an interim dividend of 5.0 sen per ordinary share, less 25% income tax will be payable to shareholders of the Company registered in the Record of Depositors at the close of business on 15 April 2011. The said dividend will be paid on 5 May 2011.

A depositor shall qualify for entitlement only in respect of:

- (a) shares transferred into the depositor's securities account before 4.00 pm on 15 April 2011 in respect of ordinary transfers; and
- (b) shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Securities.

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

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

A8 Securities Held-For-Trading

	As at 31-Jan-11 RM'000	As at 31-Jul-10 RM'000
At fair value		
Quoted in Malaysia:		
Shares, warrants and REITs	26,416	21,068
Unit trusts	15,380	15,465
	41,796	36,533
Unquoted:		
<i>In Malaysia</i>		
Negotiable instruments of deposits	-	50,000
Bankers' acceptances	134,535	45,461
Malaysian Government Treasury Bills	-	29,866
BNM Monetary Notes	-	99,532
BNM Islamic Monetary Notes	169,201	-
Private and Islamic debt securities	204,925	218,360
<i>Outside Malaysia</i>		
Private debt securities	24,425	24,056
	574,882	503,808

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

	As at 31-Jan-11 RM'000	As at 31-Jul-10 RM'000
At fair value		
Quoted in Malaysia:		
Shares, warrants and REITs	18,641	17,104
Unit trusts	111,666	55,874
	130,307	72,978
Unquoted:		
<i>In Malaysia</i>		
Malaysian Government Sukuk	6,398	6,632
Private and Islamic debt securities	489,609	390,081
<i>Outside Malaysia</i>		
Private debt securities	80,845	-
Investment fund	6,123	-
At cost		
Unquoted:		
Shares	1,140	1,140
	714,422	470,831
Accumulated impairment loss	(650)	(650)
	713,772	470,181

Included in the securities AFS are:

- (i) quoted shares amounting to RM18.0 million (At 31 July 2010: RM17.1 million) held under funds under management placed by the Company with a subsidiary, HwangDBS Investment Management Berhad ("HDBSIM"), which is given the discretionary powers within certain guidelines to invest the funds; and
- (ii) investments in unit trust funds managed by a subsidiary, HDBSIM, at a carrying amount of RM95.1 million (At 31 July 2010: RM54.4 million) as at the end of the reporting period.

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

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

A10 Securities Held-To-Maturity

	As at 31-Jan-11 RM'000	As at 31-Jul-10 RM'000
At amortised cost		
Unquoted		
<i>In Malaysia</i>		
Malaysian Government Securities	70,205	70,643
Private and Islamic debt securities	275,541	279,558
<i>Outside Malaysia</i>		
Private debt securities	111,310	115,122
	<u>457,056</u>	<u>465,323</u>

In a prior financial year, the Group has reclassified certain securities held-for-trading to held-to-maturity category with retrospective effect to 1 August 2008 following the guidance as set out in the BNM Circular, "Reclassification of Securities under Specific Circumstances" as a consequence of the illiquid market then, which resulted in the Group no longer holding these securities for purpose of selling or trading over the near term. The fair value of the reclassified securities, which remained in the held-to-maturity category as at the end of the reporting period, amounted to RM397.5 million (At 31 July 2010: RM397.5 million) as at the date of reclassification, at an effective interest rate of 6.69% (At 31 July 2010: 6.69%) per annum.

The carrying amount and fair value of securities held-to-maturity reclassified from held-for-trading category as at the end of the reporting period are as follows:

	As at 31-Jan-11 RM'000	As at 31-Jul-10 RM'000
Carrying amount	<u>386,851</u>	<u>394,680</u>
Fair value	<u>423,318</u>	<u>427,930</u>

There is no fair value gain or loss being recognised in the current financial period in respect of the reclassified securities. There is no significant change in the estimated amount of cash flows that the Group expects to recover from the reclassified securities.

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

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

A11 Loans, Advances and Financing

	As at 31-Jan-11 RM'000	As at 31-Jul-10 RM'000
(a) By Type		
At amortised cost		
Term loans		
- housing loans	4,770	2,338
- bridging loans	28,626	8,550
- syndicated term loans	92,335	85,834
- other term loans	459,839	460,555
Overdrafts	1,447	171
Share margin financing	301,664	259,300
Other financing	60	-
	<u>888,741</u>	<u>816,748</u>
Unearned interest	<u>(176,426)</u>	<u>(182,827)</u>
	712,315	633,921
Allowances for losses on loans, advances and financing:		
- collective impairment allowance	(10,283)	-
- individual impairment allowance	(10,329)	-
- general allowance	-	(9,251)
- specific allowance	-	(13,161)
	<u>-</u>	<u>(13,161)</u>
Net loans, advances and financing	<u>691,703</u>	<u>611,509</u>
(b) By Type of Customer		
Domestic business enterprises		
- others	220,757	159,021
Individuals	264,709	247,571
Other domestic entities	196,299	206,745
Foreign business enterprises	5,174	3,499
Foreign individuals	25,376	17,085
	<u>712,315</u>	<u>633,921</u>
(c) By Geographical Distribution		
Malaysia	682,319	613,979
Cambodia	22,416	12,274
Hong Kong	5,525	2,566
Singapore	214	3,779
Other countries	1,841	1,323
	<u>712,315</u>	<u>633,921</u>
(d) By Interest Rate Sensitivity		
Fixed rate		
- other fixed rate loans/financing	586,584	537,198
- housing loans	4,770	2,338
Variable rate		
- base-lending rate plus	27,839	10,054
- cost-plus	93,122	84,331
	<u>712,315</u>	<u>633,921</u>

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

A11 Loans, Advances and Financing (cont'd)

	As at 31-Jan-11 RM'000	As at 31-Jul-10 RM'000
(e) By Purpose		
Purchase of landed properties		
- residential	4,770	2,338
- non-residential	1,914	544
Purchase of fixed assets other than land and building	367	-
Construction	4,373	2,579
Real estates	1,415	1,213
Purchase of securities	356,314	308,195
Working capital	48,583	42,104
Personal use	216,532	229,327
Others	78,047	47,621
	<u>712,315</u>	<u>633,921</u>
(f) By Residual Contractual Maturity		
Within 1 year	416,082	346,540
1 year to 3 years	39,283	25,487
3 years to 5 years	16,401	14,027
Over 5 years	240,549	247,867
	<u>712,315</u>	<u>633,921</u>
(g) Impaired/Non-Performing Loans, Advances and Financing by Purpose		
Purchase of securities	1,605	1,678
Working capital	8,897	8,550
Personal use	16,312	3,899
	<u>26,814</u>	<u>14,127</u>
(h) Impaired/Non-Performing Loans, Advances and Financing by Geographical Distribution		
Malaysia	26,467	14,127
Cambodia	347	-
	<u>26,814</u>	<u>14,127</u>
(i) Movements in Impaired/Non-Performing Loans, Advances and Financing		
At beginning of the financial period		
- as previously reported	14,127	13,143
- effects of adoption of FRS 139	1,004	-
- as restated	<u>15,131</u>	<u>13,143</u>
Classified as impaired/non-performing	14,696	7,429
Reclassified as non-impaired/performing	(364)	(154)
Amount recovered	(641)	(2,174)
Amount written off	<u>(2,008)</u>	<u>(4,117)</u>
At end of the financial period	<u>26,814</u>	<u>14,127</u>
Gross impaired/non-performing loans, advances and financing as a % of gross loans, advances and financing	<u>3.8%</u>	<u>2.2%</u>

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

A11 Loans, Advances and Financing (cont'd)

	As at 31-Jan-11 RM'000	As at 31-Jul-10 RM'000
(j) Movements in Allowances for Losses on Loans, Advances and Financing		
<u>Collective Impairment Allowance</u>		
At beginning of the financial period		
- as previously reported	-	-
- effects of adoption of FRS 139	9,217	-
- as restated	9,217	-
Net allowance made	2,375	-
Amount written off	(1,300)	-
Exchange differences	(9)	-
At end of the financial period	<u>10,283</u>	<u>-</u>
 As a % of gross loans, advances and financing less individual impairment allowance	 <u>1.5%</u>	 <u>0%</u>
<u>Individual Impairment Allowance</u>		
At beginning of the financial period		
- as previously reported	-	-
- effects of adoption of FRS 139	9,440	-
- as restated	9,440	-
Allowance made	913	-
Amount written back	(23)	-
Exchange differences	(1)	-
At end of the financial period	<u>10,329</u>	<u>-</u>
<u>General Allowance</u>		
At beginning of the financial period		
- as previously reported	9,251	6,914
- effects of adoption of FRS 139	(9,251)	-
- as restated	-	6,914
Net allowance made	-	2,343
Exchange differences	-	(6)
At end of the financial period	<u>-</u>	<u>9,251</u>
 As a % of gross loans, advances and financing less specific allowance	 <u>0%</u>	 <u>1.5%</u>
<u>Specific Allowance</u>		
At beginning of the financial period		
- as previously reported	13,161	8,787
- effects of adoption of FRS 139	(13,161)	-
- as restated	-	8,787
Allowance made	-	9,276
Amount written back	-	(785)
Amount written off	-	(4,117)
At end of the financial period	<u>-</u>	<u>13,161</u>

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

A12 Clients' and Brokers' Balances

	As at 31-Jan-11 RM'000	As at 31-Jul-10 RM'000
Clients' and brokers' balances, net of allowances for impairment/bad and doubtful debts of RM662,000 (At 31 July 2010: RM563,000)	<u>312,611</u>	<u>205,994</u>

A13 Other Assets

	As at 31-Jan-11 RM'000	As at 31-Jul-10 RM'000
Trade receivables, net of allowances for impairment/bad and doubtful debts of RM371,000 (At 31 July 2010: RM488,000)	17,442	6,084
Interest receivable	17,506	17,195
Statutory deposit	150	150
Clearing Guarantee Fund	1,977	1,956
Clearing Fund	1,000	1,000
Other receivables, deposits and prepayments	21,959	11,924
Other investments	2,909	2,897
	<u>62,943</u>	<u>41,206</u>

A14 Deposits from Customers

	As at 31-Jan-11 RM'000	As at 31-Jul-10 RM'000
(a) By Type of Deposit		
Demand deposits	7,486	6,061
Savings deposits	1,263	448
Fixed deposits	599,669	582,427
Negotiable instruments of deposits	1,500	525
Other deposits	983	-
	<u>610,901</u>	<u>589,461</u>
(b) By Type of Customer		
Government and statutory bodies	110,000	-
Business enterprises	452,247	549,652
Individuals	45,769	36,919
Others	2,885	2,890
	<u>610,901</u>	<u>589,461</u>
(c) Maturity structure of fixed deposits and negotiable instruments of deposits		
Within 6 months	596,877	579,591
6 months to 1 year	4,292	3,243
1 year to 3 years	-	118
	<u>601,169</u>	<u>582,952</u>

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

A15 Deposits and Placements of Banks and Other Financial Institutions

	As at 31-Jan-11 RM'000	As at 31-Jul-10 RM'000
Licensed banks	348,866	184,945
Licensed investment banks	70,473	183,391
Other financial institutions	1,358,255	1,163,667
	<u>1,777,594</u>	<u>1,532,003</u>
Included in the deposits and placements of banks and other financial institutions are:		
- fixed deposits and negotiable instruments of deposits	<u>1,647,411</u>	<u>1,531,534</u>
<u>Maturity structure of fixed deposits and negotiable instruments of deposits</u>		
Within 6 months	1,647,411	1,523,830
6 months to 1 year	-	7,704
	<u>1,647,411</u>	<u>1,531,534</u>

A16 Other Liabilities

	As at 31-Jan-11 RM'000	As at 31-Jul-10 RM'000
Trade payables	73,087	11,627
Interest payable	11,346	8,559
Other payables and accruals	334,735	305,484
	<u>419,168</u>	<u>325,670</u>

A17 Borrowings

(a) Total borrowings of the Group of RM399.2 million as at 31 January 2011 are unsecured of which RM157.7 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-Jan-11 RM'000	As at 31-Jul-10 RM'000
Short term borrowings		
Revolving credits	399,200	407,500
Long term borrowings	-	-
Total borrowings	<u>399,200</u>	<u>407,500</u>

(c) All borrowings are denominated in Ringgit Malaysia.

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

A18 Interest Income

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Jan-11 RM'000	3 months ended 31-Jan-10 RM'000	6 months ended 31-Jan-11 RM'000	6 months ended 31-Jan-10 RM'000
Loans, advances and financing *	19,531	15,383	41,128	31,010
Money at call and deposit placements with financial institutions	7,524	5,103	13,748	9,513
Securities held-for-trading	4,889	5,935	9,686	11,166
Securities AFS	5,591	1,291	10,862	2,157
Securities held-to-maturity	6,962	7,765	13,961	15,728
Others	3,119	4,378	6,211	8,646
	<u>47,616</u>	<u>39,855</u>	<u>95,596</u>	<u>78,220</u>

* Interest income earned on impaired loans, advances and financing of the Group of which impairment allowance has been made amounted to RM3,000 for the current quarter and financial period ended 31 January 2011.

A19 Interest Expense

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Jan-11 RM'000	3 months ended 31-Jan-10 RM'000	6 months ended 31-Jan-11 RM'000	6 months ended 31-Jan-10 RM'000
Deposits and placements of banks and other financial institutions	(11,768)	(6,971)	(23,263)	(12,545)
Deposits from customers	(4,741)	(3,403)	(9,069)	(6,581)
Borrowings	(4,333)	(3,124)	(8,626)	(6,159)
Others	(2,541)	(3,515)	(5,196)	(6,979)
	<u>(23,383)</u>	<u>(17,013)</u>	<u>(46,154)</u>	<u>(32,264)</u>

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

A20 Other Operating Income

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Jan-11 RM'000	3 months ended 31-Jan-10 RM'000	6 months ended 31-Jan-11 RM'000	6 months ended 31-Jan-10 RM'000
Fee and commission income:				
Brokerage	31,090	22,782	55,124	45,405
Unit trust management and incentive fees	14,148	10,953	24,666	20,314
Advisory and arranger fees	2,214	1,751	3,432	2,472
Underwriting commission and placement income	1,708	635	1,907	657
Rollover fees	432	491	1,118	1,608
Service charges and fees	249	195	473	429
Other fees and commission	1,154	3,066	3,467	5,539
	<u>50,995</u>	<u>39,873</u>	<u>90,187</u>	<u>76,424</u>
Net gain/(loss) on securities held-for-trading:				
- gross dividends/income distributions	218	518	960	1,230
- net gain on disposal	5,830	3,674	7,362	7,464
- net unrealised gain/(loss)	1,758	(55)	6,497	1,127
	<u>7,806</u>	<u>4,137</u>	<u>14,819</u>	<u>9,821</u>
Net gain/(loss) on derivatives:				
- net loss on disposal	(1,916)	(1,093)	(3,956)	(1,953)
- net unrealised gain/(loss)	4,832	(1,019)	7,390	(326)
	<u>2,916</u>	<u>(2,112)</u>	<u>3,434</u>	<u>(2,279)</u>
Net gain/(loss) on securities AFS:				
- gross dividends	864	161	1,509	363
- net gain on disposal	984	707	1,854	2,100
	<u>1,848</u>	<u>868</u>	<u>3,363</u>	<u>2,463</u>
Net gain/(loss) on securities held-to-maturity:				
- net gain on disposal	-	-	-	116
Other income:				
Initial service charge	3,976	2,488	8,053	7,007
Net foreign exchange gain/(loss):				
- realised	3,602	105	7,594	3,788
- unrealised	(2,233)	748	(4,552)	(2,018)
Rental Income	530	143	1,051	285
Others	956	808	1,621	1,470
	<u>6,831</u>	<u>4,292</u>	<u>13,767</u>	<u>10,532</u>
Total	<u><u>70,396</u></u>	<u><u>47,058</u></u>	<u><u>125,570</u></u>	<u><u>97,077</u></u>

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

A21 Other Operating Expenses

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	<u>3 months ended</u> <u>31-Jan-11</u> <u>RM'000</u>	<u>3 months ended</u> <u>31-Jan-10</u> <u>RM'000</u>	<u>6 months ended</u> <u>31-Jan-11</u> <u>RM'000</u>	<u>6 months ended</u> <u>31-Jan-10</u> <u>RM'000</u>
Personnel costs:				
- Salaries, allowances and bonus	(24,453)	(16,855)	(41,708)	(32,805)
- Contributions to a defined contribution plan	(2,999)	(2,210)	(5,251)	(4,314)
- Others	(5,007)	(3,107)	(10,145)	(6,226)
	<u>(32,459)</u>	<u>(22,172)</u>	<u>(57,104)</u>	<u>(43,345)</u>
Establishment related costs:				
- Depreciation	(2,071)	(2,086)	(4,088)	(4,215)
- Rental of premises	(1,193)	(1,041)	(2,380)	(2,101)
- Rental of equipment	(691)	(670)	(1,385)	(1,359)
- Repairs and maintenance of premises and equipment	(413)	(324)	(770)	(648)
- Information technology expenses	(799)	(679)	(1,667)	(1,253)
- Others	(1,119)	(941)	(2,182)	(2,055)
	<u>(6,286)</u>	<u>(5,741)</u>	<u>(12,472)</u>	<u>(11,631)</u>
Promotion and marketing related expenses:				
- Promotion and business development	(6,158)	(3,795)	(10,587)	(7,413)
- Travelling and accommodation	(205)	(176)	(379)	(306)
- Others	(1,981)	(1,850)	(3,555)	(2,516)
	<u>(8,344)</u>	<u>(5,821)</u>	<u>(14,521)</u>	<u>(10,235)</u>
Administrative and general expenses:				
- Professional and consultancy fees	(723)	(839)	(1,432)	(1,670)
- Communication expenses	(1,373)	(1,261)	(2,670)	(2,588)
- Incentives and commission	(6,047)	(4,795)	(12,376)	(11,249)
- Regulatory charges	(2,399)	(1,577)	(4,251)	(3,064)
- Others	(2,193)	(2,123)	(4,051)	(4,141)
	<u>(12,735)</u>	<u>(10,595)</u>	<u>(24,780)</u>	<u>(22,712)</u>
Total	<u>(59,824)</u>	<u>(44,329)</u>	<u>(108,877)</u>	<u>(87,923)</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-Jan-11 RM'000	3 months ended 31-Jan-10 RM'000	6 months ended 31-Jan-11 RM'000	6 months ended 31-Jan-10 RM'000
Individual impairment allowance:				
- made during the financial period	(239)	-	(913)	-
- written back during the financial period	23	-	23	-
	(216)	-	(890)	-
Collective impairment allowance:				
- made during the financial period	(1,787)	-	(2,375)	-
Specific allowance:				
- made during the financial period	-	(1,134)	-	(6,429)
- written back during the financial period	-	284	-	519
	-	(850)	-	(5,910)
General allowance:				
- made during the financial period	-	(182)	-	(751)
Bad debts:				
- recovered	41	-	78	-
- written off	(429)	-	(709)	-
	<u>(2,391)</u>	<u>(1,032)</u>	<u>(3,896)</u>	<u>(6,661)</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-Jan-11 RM'000	3 months ended 31-Jan-10 RM'000	6 months ended 31-Jan-11 RM'000	6 months ended 31-Jan-10 RM'000
Individual impairment allowance:				
- made during the financial period	(81)	-	(198)	-
- written back during the financial period	217	-	311	-
	136	-	113	-
Collective impairment allowance:				
- made during the financial period	(27)	-	(47)	-
Specific allowance				
- made during the financial period	-	(97)	-	(114)
- written back during the financial period	-	88	-	154
	-	(9)	-	40
General allowance				
- written back during the financial period	-	-	-	60
Bad debts:				
- recovered	166	87	439	195
	<u>275</u>	<u>78</u>	<u>505</u>	<u>295</u>

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A24 Commitments and Contingencies

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

	As at 31-Jan-11			As at 31-Jul-10		
	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
Commitments and contingent liabilities						
Direct credit substitutes	20,000	20,000	4,000	20,000	20,000	4,000
Obligations under underwriting agreement	55,877	27,938	27,938	-	-	-
Forward asset purchases	-	-	-	25,021	25,021	11,011
Commitments to extend credits with original maturity of ⁽¹⁾ :						
- up to 1 year	382,704	5,460	5,460	396,455	2,172	434
- over 1 year	26,273	15,537	5,136	18,962	10,696	2,868
	<u>484,854</u>	<u>68,935</u>	<u>42,534</u>	<u>460,438</u>	<u>57,889</u>	<u>18,313</u>
Derivative financial instruments						
Foreign exchange related contracts:						
- up to 1 year	511,798	8,053	4,643	215,642	1,747	1,148
- over 1 year to less than 5 years	359,491	38,683	12,517	280,697	21,858	9,404
Interest rate related contracts:						
- up to 1 year	1,570,000	523	105	1,715,000	1,169	538
- over 1 year to less than 5 years	3,888,000	26,101	8,697	4,548,000	34,832	12,301
Credit derivative contracts						
- up to 1 year	422	1	-	-	-	-
	<u>6,329,711</u>	<u>73,361</u>	<u>25,962</u>	<u>6,759,339</u>	<u>59,606</u>	<u>23,391</u>
Total	<u>6,814,565</u>	<u>142,296</u>	<u>68,496</u>	<u>7,219,777</u>	<u>117,495</u>	<u>41,704</u>

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

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

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A25 Other Commitments

	As at 31-Jan-11 RM'000	As at 31-Jul-10 RM'000
Capital expenditure commitments	9,676	13,351
Non-cancellable operating lease commitments	9,850	9,435
	19,526	22,786

A26 Capital Adequacy

(a) Capital adequacy ratios

(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 has adopted the Standardised Approach for credit risk and market risk, and the Basic Indicator Approach for operational risk.

	As at 31-Jan-11 RM'000	As at 31-Jul-10 RM'000
<u>Tier I capital</u>		
Issued and fully paid share capital	500,000	500,000
Retained profits	189,230	207,984
Statutory reserve	80,132	80,132
	769,362	788,116
Less: Goodwill	(110,002)	(110,002)
Total Tier I capital	659,360	678,114
<u>Tier II capital</u>		
Collective impairment allowances	6,893	-
General allowance for losses on loans, advances and financing	-	5,807
Total Tier II capital	6,893	5,807
Total capital	666,253	683,921
Less: Investment in subsidiaries	(3,081)	(3,081)
Other deductions	(932)	(794)
Capital base	662,240	680,046
Before deducting proposed dividend:		
Tier I capital ratio	26.4%	31.6%
Risk-weighted capital ratio	26.5%	31.7%
After deducting proposed dividend:		
Tier I capital ratio	26.4%	30.7%
Risk-weighted capital ratio	26.5%	30.8%

(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 off-balance sheet items. The solvency ratio of HDCB is as follows:

	As at 31-Jan-11	As at 31-Jul-10
Solvency ratio	108.0%	57.7%

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

A26 Capital Adequacy (cont'd)

(b) The risk-weighted assets and capital requirements of HDBSIB by class of exposure are as follows:

	Gross exposures RM'000	Net exposures RM'000	Risk-weighted assets RM'000	Capital requirements RM'000
At 31 January 2011				
(i) Credit Risk				
<i>On-balance sheet exposures</i>				
Sovereigns/Central Banks	240,192	240,192	1,287	103
Banks, Development Financial Institutions ("DFIs") & Multilateral Development Banks ("MDBs")	961,982	961,982	433,647	34,692
Insurance companies, securities firms & fund managers	56,201	56,201	31,981	2,558
Corporates	1,081,472	1,081,472	636,526	50,922
Regulatory retail	237,455	237,455	236,839	18,947
Other assets	483,405	483,405	443,138	35,451
Defaulted exposures	2,746	2,746	1,584	127
Sub-total	3,063,453	3,063,453	1,785,002	142,800
<i>Off-balance sheet exposures</i>				
Over-the-counter ("OTC") derivatives	73,361	73,361	25,962	2,077
Off-balance sheet exposures other than OTC or credit derivatives	64,134	64,134	40,134	3,211
Sub-total	137,495	137,495	66,096	5,288
Total credit risk exposures	3,200,948	3,200,948	1,851,098	148,088
(ii) Large exposures risk requirements				
	-	-	-	-
(iii) Market risk				
	Long position RM'000	Short position RM'000		
Interest rate risk	6,624,734	6,090,791	533,943	17,991
Foreign currency risk	712,175	687,325	24,850	1,988
Equity risk	23,118	-	23,118	4,993
Options	55,877	-	55,877	6,146
	7,415,904	6,778,116	637,788	31,118
(iv) Operational risk			261,562	20,925
(v) Total risk-weighted assets and capital requirements			2,501,636	200,131

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A26 Capital Adequacy (cont'd)

(b) The risk-weighted assets and capital requirements of HDBSIB by class of exposure are as follows (cont'd):

	Gross exposures RM'000	Net exposures RM'000	Risk-weighted assets RM'000	Capital requirements RM'000
At 31 July 2010				
(i) Credit Risk				
<i>On-balance sheet exposures</i>				
Sovereigns/Central Banks	324,221	324,221	1,334	107
Banks, Development Financial Institutions ("DFIs") & Multilateral Development Banks ("MDBs")	937,847	937,847	437,712	35,017
Insurance companies, securities firms & fund managers	53,774	53,774	32,693	2,615
Corporates	873,618	873,618	495,295	39,624
Regulatory retail	223,130	223,130	222,713	17,817
Other assets	322,745	322,745	272,671	21,814
Defaulted exposures	1,141	1,141	603	48
Sub-total	2,736,476	2,736,476	1,463,021	117,042
<i>Off-balance sheet exposures</i>				
Over-the-counter ("OTC") derivatives	59,606	59,606	23,391	1,871
Off-balance sheet exposures other than OTC or credit derivatives	55,459	55,459	17,098	1,368
Sub-total	115,065	115,065	40,489	3,239
Total credit risk exposures	2,851,541	2,851,541	1,503,510	120,281
(ii) Large exposures risk requirements				
	-	-	-	-
(iii) Market risk				
	Long position RM'000	Short position RM'000		
Interest rate risk	6,797,147	6,337,702	459,445	250,961
Foreign currency risk	328,516	256,908	71,608	71,608
Equity risk	21,047	-	21,047	57,345
	7,146,710	6,594,610	552,100	379,914
(iv) Operational risk			262,024	20,962
(v) Total risk-weighted assets and capital requirements			2,145,448	171,636

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

A26 Capital Adequacy (cont'd)

(c) The credit risk exposures of HDBSIB by risk weight are as follows:

Risk weights	Exposures after netting and credit risk mitigation							Total risk-weighted assets RM'000
	Sovereigns /Central Banks RM'000	Banks, DFIs and MDBs RM'000	Insurance companies, securities firms & fund managers RM'000	Corporates RM'000	Regulatory retail RM'000	Other assets RM'000	Total RM'000	
	At 31 January 2011							
0%	233,756	-	-	10	616	39,796	274,178	-
20%	6,436	203,738	-	491,330	-	2,041	703,545	140,709
50%	-	825,489	48,440	151,743	-	-	1,025,672	512,836
100%	-	-	7,761	502,547	237,317	449,928	1,197,553	1,197,553
Total	240,192	1,029,227	56,201	1,145,630	237,933	491,765	3,200,948	1,851,098
Deduction from capital base	-	-	-	-	-	3,081	3,081	-
Average risk weight								57.8%
At 31 July 2010								
0%	317,550	-	-	48	417	29,861	347,876	-
20%	6,671	149,838	3,499	411,392	-	25,907	597,307	119,461
50%	-	877,680	36,565	130,322	-	50	1,044,617	522,308
100%	-	-	13,710	351,856	222,713	273,462	861,741	861,741
Total	324,221	1,027,518	53,774	893,618	223,130	329,280	2,851,541	1,503,510
Deduction from capital base	-	-	-	-	-	3,081	3,081	-
Average risk weight								52.7%

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A26 Capital Adequacy (cont'd)

(d) Disclosure of off-balance sheet exposures and counterparty credit risk in respect of HDBSIB are as follows:

	Principal amount RM'000	Positive fair value of derivative contracts RM'000	Credit equivalent amount* RM'000	Risk- weighted amount RM'000
At 31 January 2011				
Commitments and contingent liabilities				
Direct credit substitutes	20,000	-	20,000	4,000
Obligations under underwriting agreement	55,877	-	27,938	27,938
Commitments to extend credits with original maturity of:				
- up to 1 year	380,587	-	5,460	5,460
- over 1 year	21,472	-	10,736	2,736
	<u>477,936</u>	<u>-</u>	<u>64,134</u>	<u>40,134</u>
Derivative financial instruments				
Foreign exchange related contracts:				
- up to 1 year	511,798	1,447	8,053	4,643
- over 1 year to less than 5 years	359,491	7,995	38,683	12,517
Interest rate related contracts:				
- up to 1 year	1,570,000	268	523	105
- over 1 year to less than 5 years	3,888,000	7,290	26,101	8,697
Credit derivative contracts				
- up to 1 year	422	1	1	-
	<u>6,329,711</u>	<u>17,001</u>	<u>73,361</u>	<u>25,962</u>
	<u>6,807,647</u>	<u>17,001</u>	<u>137,495</u>	<u>66,096</u>
At 31 July 2010				
Commitments and contingent liabilities				
Direct credit substitutes	20,000	-	20,000	4,000
Forward asset purchases	25,021	-	25,021	11,011
Commitments to extend credits with original maturity of:				
- up to 1 year	393,794	-	2,172	434
- over 1 year	16,532	-	8,266	1,653
	<u>455,347</u>	<u>-</u>	<u>55,459</u>	<u>17,098</u>
Derivative financial instruments				
Foreign exchange related contracts:				
- up to 1 year	215,642	930	1,747	1,148
- over 1 year to less than 5 years	280,697	278	21,858	9,404
Interest rate related contracts:				
- up to 1 year	1,715,000	764	1,169	538
- over 1 year to less than 5 years	4,548,000	12,325	34,832	12,301
	<u>6,759,339</u>	<u>14,297</u>	<u>59,606</u>	<u>23,391</u>
	<u>7,214,686</u>	<u>14,297</u>	<u>115,065</u>	<u>40,489</u>

* The credit equivalent amount is arrived at using the credit conversion factors as specified by Bank Negara Malaysia.

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A27 Segmental Information

The Group is organised into the following operating segments:

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

Upon adoption of the Amendment to FRS 8, Operating Segments on 1 August 2010, segment assets no longer form part of the segmental information reported. The comparative segmental information has been restated to conform with the current financial period's presentation.

The segmental information are as follows:

	Stock- broking RM'000	Investment banking RM'000	Commercial banking RM'000	Investment manage- ment RM'000	Money- lending RM'000	Others RM'000	Inter- segment elimination RM'000	Group RM'000
6 months ended 31 January 2011								
Revenue								
External revenue *	76,755	59,550	1,804	33,257	29,365	5,243	-	205,974
Inter-segment revenue	-	913	-	23	-	31,684	(32,620)	-
Total revenue	76,755	60,463	1,804	33,280	29,365	36,927	(32,620)	205,974
Net interest income/(expense)	13,114	16,704	1,503	342	22,532	(4,753)	-	49,442
Other operating income	64,379	17,102	135	33,687	3,706	38,257	(31,696)	125,570
	77,493	33,806	1,638	34,029	26,238	33,504	(31,696)	175,012
Other operating expense	(56,507)	(11,382)	(2,125)	(26,838)	(6,591)	(9,483)	4,049	(108,877)
	20,986	22,424	(487)	7,191	19,647	24,021	(27,647)	66,135
(Allowance)/Write back of allowance for losses on:								
- loans, advances and financing	(636)	(369)	(279)	-	(2,528)	-	(84)	(3,896)
- clients' balances and receivables	372	133	-	-	-	(7)	7	505
Segment profit/(loss)	20,722	22,188	(766)	7,191	17,119	24,014	(27,724)	62,744
Share of results of an associate, net of tax								109
Profit before taxation								62,853
6 months ended 31 January 2010								
Revenue								
External revenue *	57,516	54,929	1,841	28,129	26,582	4,369	-	173,366
Inter-segment revenue	-	866	-	20	-	16,750	(17,636)	-
Total revenue	57,516	55,795	1,841	28,149	26,582	21,119	(17,636)	173,366
Net interest income/(expense)	8,252	19,192	719	188	20,926	(3,321)	-	45,956
Other operating income	51,372	8,383	129	28,571	3,500	21,547	(16,425)	97,077
	59,624	27,575	848	28,759	24,426	18,226	(16,425)	143,033
Other operating expense	(44,678)	(8,018)	(2,224)	(23,388)	(4,052)	(9,293)	3,730	(87,923)
	14,946	19,557	(1,376)	5,371	20,374	8,933	(12,695)	55,110
(Allowance)/Write back of allowance for losses on:								
- loans, advances and financing	(666)	(3,792)	(84)	-	(2,082)	-	(37)	(6,661)
- clients' balances and receivables	306	(11)	-	-	-	(5)	5	295
Impairment loss on securities AFS	-	-	-	-	(650)	-	-	(650)
Segment profit/(loss)	14,586	15,754	(1,460)	5,371	17,642	8,928	(12,727)	48,094
Share of results of an associate, net of tax								(469)
Profit before taxation								47,625

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

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A28 Valuation of Property, Plant and Equipment

Not applicable.

A29 Subsequent Events

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

A30 Changes in the Composition of the Group

There are no changes in the composition of the Group for the current quarter and financial period ended 31 January 2011 except that on 30 December 2010, the Ministry of Commerce, Cambodia has approved the application by a wholly-owned subsidiary of the Company, HwangDBS Securities (Cambodia) Plc to reduce its registered share capital from Riels 40 billion, equivalent to USD10 million to Riels 20 billion, equivalent to USD5 million comprising 5 million ordinary shares at par value of Riels 4,000, equivalent to USD1 per share.

A31 Changes in Contingent Liabilities or Contingent Assets

Please refer to explanatory note A24.

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

B1 Review of Performance of the Company and its Principal Subsidiaries

The Group registered a total operating revenue of RM206.0 million for the first half year of financial year 2011, representing a 19% increase against RM173.4 million recorded for the corresponding financial period last year. The year-on-year growth in operating revenue is largely contributed by the increase in interest income derived from treasury and stockbroking activities, coupled with higher stockbroking brokerage income in tandem with higher Bursa value traded of RM242.0 billion for the current financial period as compared to RM163.8 billion in the corresponding six months ended 31 January 2010 as well as the increase in management and incentive fees from fund management activities.

The pretax profit of the Group for the six months ended 31 January 2011 is RM62.9 million, up 32% in comparison to the pretax profit of RM47.6 million for the same period in the last financial year. The improvement in earnings achieved by the Group is primarily attributable to a higher marked-to-market gain on securities and derivatives, increase in stockbroking brokerage income, increase in management and incentive fees from fund management activities and also, reduction in loan loss impairment allowance for the current financial period under review. These were, however, partially offset by the increase in personnel costs as well as promotion and marketing expenses for the current financial period.

In the opinion of the Board of Directors, no item, transaction or event of a material and unusual nature has arisen which would affect substantially the results of the operations of the Group for the current financial period.

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

Compared to the first quarter ended 31 October 2010, the pretax profit of the Group for the current financial period is 9% higher at RM32.8 million, driven by increase in stockbroking brokerage income, net gain on securities trading and increase in management and incentive fees from fund management activities. However, the Group's pretax profit for the current quarter was dragged down by increase in personnel costs as well as promotion and marketing expenses, higher collective impairment loss allowance and lower net interest income.

B3 Commentary

(a) Current Year's Prospects

The stock market is expected to attract sustainable trading interests supported by the Government's extensive transformation programme, strong liquidity, positive economic momentum and stronger Ringgit. The buoyant stock market augurs well for the core business activities of the Group but could be dampened by the escalating turmoil in the Middle East.

With the pick up of the local economy, capital market activities is expected to increase. Competition, however, in the investment banking industry is expected to remain stiff. The Group will strive to build on its investment banking business with emphasis on growth of its fee based income.

The Group will strive to tap into the growing economy in Cambodia and expand the loan portfolio and deposit base of its commercial banking business. The Group will also continue to grow its money lending activities as well as asset and fund management business by enhancing the net asset value of funds managed.

Barring unforeseen circumstances, the Board of Directors is hopeful that the Group will turn in satisfactory results in the second half of the financial year ending 31 July 2011.

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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.

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B6 Taxation

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

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	<u>3 months ended</u>	<u>3 months ended</u>	<u>6 months ended</u>	<u>6 months ended</u>
	<u>31-Jan-11</u>	<u>31-Jan-10</u>	<u>31-Jan-11</u>	<u>31-Jan-10</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
In respect of the current financial period:				
Malaysian income tax	(9,154)	(7,259)	(18,867)	(13,137)
Foreign income tax	(9)	(11)	(18)	(18)
Deferred tax	951	450	3,165	482
	<u>(8,212)</u>	<u>(6,820)</u>	<u>(15,720)</u>	<u>(12,673)</u>

The effective tax rate the current quarter and financial period ended 31 January 2011 approximates the statutory tax rate.

B7 Sale of Unquoted Investments and/or Properties

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

B8 Purchase and Sales of Quoted Securities

- (a) Total purchases and disposals of quoted securities by the Group other than the investment banking subsidiary, HDBSIB, and the profit arising therefrom are as follows:

	<u>Current quarter ended</u>	<u>Financial period ended</u>
	<u>31-Jan-11</u>	<u>31-Jan-11</u>
	<u>RM'000</u>	<u>RM'000</u>
(i) Total Purchase Consideration	<u>6,222</u>	<u>9,642</u>
(ii) Total Sales Proceeds	<u>5,119</u>	<u>8,900</u>
(iii) Total Profit on Disposal	<u>994</u>	<u>1,744</u>

- (b) Total investments in quoted securities held by the Group other than HDBSIB as at 31 January 2011 are as follows:

	<u>RM'000</u>
(i) At Cost	<u>18,457</u>
(ii) At Book Value	<u>21,271</u>
(iii) At Market Value	<u>21,271</u>

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B9 Status of Corporate Proposals

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

B10 Group Borrowings and Debt Securities

Please refer to explanatory note A17.

B11 Disclosure of Realised and Unrealised Profits or Losses

	As at 31-Jan-11 RM'000	As at 31-Oct-10 RM'000	As at 31-Jul-10 RM'000
Total retained profits of the Company and its subsidiaries:			
- realised	492,621	476,296	455,612
- unrealised	3,842	5,210	4,771
	<u>496,463</u>	<u>481,506</u>	<u>460,383</u>
Total share of accumulated losses of associate:			
- realised	<u>(1,548)</u>	<u>(1,638)</u>	<u>(1,657)</u>
	494,915	479,868	458,726
Consolidation adjustments	<u>(6,084)</u>	<u>(4,645)</u>	<u>(5,270)</u>
Total Group retained profits	<u>488,831</u>	<u>475,223</u>	<u>453,456</u>

The disclosure of realised and unrealised profits or losses is made in accordance with the disclosure requirements as set out in the directive dated 20 December 2010 issued by Bursa Malaysia Berhad.

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B12 Disclosure of Derivatives

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

	As at 31-Jan-11		As at 31-Jul-10	
	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	1,331	(661)	584	(733)
- currency swaps	116	(460)	346	(27)
- cross currency interest rate swap	7,995	(8,752)	278	(5,239)
Interest rate related contracts:				
- futures contracts	51	(18,318)	186	(23,237)
- interest rate swaps	7,507	(10,386)	12,903	(15,990)
Credit derivative contracts	1	(1)	-	-
	<u>17,001</u>	<u>(38,578)</u>	<u>14,297</u>	<u>(45,226)</u>
Less:				
Fair value of futures contracts included in other assets	(51)	18,318	(186)	23,237
	<u>16,950</u>	<u>(20,260)</u>	<u>14,111</u>	<u>(21,989)</u>

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

	Current quarter ended 31-Jan-11 RM'000	Financial period ended 31-Jan-11 RM'000
Net unrealised gain arising from fair value changes:		
Derivative liabilities	<u>(2,205)</u>	<u>(1,729)</u>

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

The net unrealised gain on derivative liabilities for the current quarter and financial period ended 31 January 2011 arose from changes in fair value of derivatives as a result of favourable movements in market interest rates and/or foreign exchange rates relative to the terms of the respective derivative contracts.

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

Type of Derivatives	Margin requirement RM'000	1 year or less RM'000	> 1 to 3 years RM'000	> 3 years RM'000	Total RM'000
(a) Principal amount					
Foreign exchange related contracts					
- currency forwards	-	387,049	-	-	387,049
- currency swaps	-	124,749	-	-	124,749
- cross currency interest rate swaps	-	-	279,854	79,637	359,491
Interest rate related contracts					
- futures contracts	3,827	1,390,000	2,770,000	-	4,160,000
- interest rate swaps	-	180,000	1,118,000	-	1,298,000
Credit derivative contracts					
	-	422	-	-	422
	<u>3,827</u>	<u>2,082,220</u>	<u>4,167,854</u>	<u>79,637</u>	<u>6,329,711</u>

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B12 Disclosure of Derivatives (cont'd)

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

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	669	-	-	669
- currency swaps	(344)	-	-	(344)
- cross currency interest rate swap	-	2,107	(2,865)	(758)
Interest rate related contracts				
- futures contracts	(7,102)	(11,165)	-	(18,267)
- interest rate swaps	(122)	(2,755)	-	(2,877)
Credit derivative contracts				
	-	-	-	-
	(6,899)	(11,813)	(2,865)	(21,577)

- (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 RM17.0 million (At 31 July 2010: RM14.3 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 RM637.8 million (At 31 July 2010: RM552.1 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.

- (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 except that during the current financial quarter ended 31 January 2011, the investment banking subsidiary entered into credit derivative contracts primarily to hedge against its interest rate and foreign exchange risk exposures arising from client-related treasury activities undertaken by the investment banking subsidiary in its ordinary course of business.
 - (ii) the risk management policies in place for mitigating and controlling the risks associated with these derivative contracts; and
 - (iii) related accounting policies

B13 Changes in Material Litigation

There are no changes to the status of material litigation since the end of the last annual reporting period.

B14 Dividends

Please refer to explanatory note A7.

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

B15 Earnings Per Share Attributable to Equity Holders of the Company

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Jan-11	3 months ended 31-Jan-10	6 months ended 31-Jan-11	6 months ended 31-Jan-10
Profit for the financial period attributable to equity holders of the Company (RM'000)	23,176	16,840	44,670	33,141
Weighted average number of ordinary shares in issue ('000)	255,159	255,165	255,159	255,166
Basic earnings per share (sen)	9.08	6.60	17.51	12.99

There were no dilutive potential ordinary shares outstanding as at 31 January 2011 and 31 January 2010.

By Order of the Board

Chen Mun Peng
Tan Lee Peng
Company Secretaries

Penang
28 March 2011