

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 APRIL 2011

	Note	As at 30-Apr-11 RM'000	As at 31-Jul-10 RM'000
Assets			
Cash and short term funds		1,177,487	1,148,293
Deposits and placements with banks and other financial institutions		128,454	140,246
Securities held-for-trading	A8	313,778	503,808
Securities available-for-sale ("AFS")	A9	757,445	470,181
Securities held-to-maturity	A10	380,143	465,323
Loans, advances and financing	A11	657,458	611,509
Clients' and brokers' balances	A12	191,819	205,994
Derivative assets	B12	27,641	14,111
Other assets	A13	51,608	41,206
Statutory deposits with Central Banks		39,221	20,741
Tax recoverable		5,605	14,393
Deferred tax assets		12,574	7,461
Investment in an associate		3,461	3,284
Property, plant and equipment		54,799	55,267
Investment properties		52,899	53,081
Intangible assets		162,509	162,509
Total assets		<u>4,016,901</u>	<u>3,917,407</u>
Liabilities			
Deposits from customers	A14	536,408	589,461
Deposits and placements of banks and other financial institutions	A15	1,551,807	1,532,003
Clients' and brokers' balances		200,078	209,865
Derivative liabilities	B12	26,440	21,989
Other liabilities	A16	437,071	325,670
Taxation		12,743	4,485
Deferred tax liabilities		704	867
Borrowings	A17	386,900	407,500
Total liabilities		<u>3,152,151</u>	<u>3,091,840</u>
Equity			
Share capital		265,845	265,845
Reserves		597,646	560,064
Treasury shares, at cost		<u>(16,061)</u>	<u>(16,061)</u>
		847,430	809,848
Non-controlling interests		<u>17,320</u>	<u>15,719</u>
Total equity		<u>864,750</u>	<u>825,567</u>
Total liabilities and equity		<u>4,016,901</u>	<u>3,917,407</u>
Net assets per share attributable to equity holders of the Company (RM)			
		<u>3.32</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 30 APRIL 2011

	Note	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
		3 months ended 30-Apr-11 RM'000	3 months ended 30-Apr-10 RM'000	9 months ended 30-Apr-11 RM'000	9 months ended 30-Apr-10 RM'000
Operating revenue		97,779	84,897	303,753	258,263
Interest income	A18	46,932	42,368	142,528	120,588
Interest expense	A19	(22,018)	(17,215)	(68,172)	(49,479)
Net interest income		24,914	25,153	74,356	71,109
Other operating income	A20	54,207	41,531	179,777	138,608
		79,121	66,684	254,133	209,717
Other operating expenses	A21	(54,605)	(44,062)	(163,482)	(131,985)
		24,516	22,622	90,651	77,732
(Allowance)/Write back of allowance for losses on:					
- loans, advances and financing	A22	(397)	(340)	(4,293)	(7,001)
- clients' balances and receivables	A23	192	143	697	438
Impairment loss on securities AFS		-	-	-	(650)
		24,311	22,425	87,055	70,519
Share of results of an associate, net of tax		68	(267)	177	(736)
Profit before taxation		24,379	22,158	87,232	69,783
Taxation	B6	(5,978)	(6,449)	(21,698)	(19,122)
Profit for the financial period		18,401	15,709	65,534	50,661
Attributable to:					
Equity holders of the Company		17,500	14,971	62,170	48,112
Non-controlling interests		901	738	3,364	2,549
		18,401	15,709	65,534	50,661
Earnings per share attributable to equity holders of the Company (sen)					
- Basic	B15	6.86	5.87	24.37	18.86

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 30 APRIL 2011

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 30-Apr-11 RM'000	3 months ended 30-Apr-10 RM'000	9 months ended 30-Apr-11 RM'000	9 months ended 30-Apr-10 RM'000
Profit for the financial period	18,401	15,709	65,534	50,661
Other comprehensive income for the financial period, net of tax:				
Currency translation differences arising from foreign operations	(3,880)	(6,229)	(8,244)	(8,423)
Securities AFS:				
- net change in fair value	2,691	1,768	4,756	3,352
- net gain transferred to income statement on disposal	(587)	(786)	(2,236)	(2,036)
	<u>(1,776)</u>	<u>(5,247)</u>	<u>(5,724)</u>	<u>(7,107)</u>
Total comprehensive income for the financial period	<u>16,625</u>	<u>10,462</u>	<u>59,810</u>	<u>43,554</u>
Attributable to:				
Equity holders of the Company	15,724	9,724	56,446	41,005
Non-controlling interests	901	738	3,364	2,549
	<u>16,625</u>	<u>10,462</u>	<u>59,810</u>	<u>43,554</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 30 APRIL 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	Non-controlling 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	-	-	-	-	-	-	-	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	-	-	-	-	-	-	-	62,170	62,170	3,364	65,534
Other comprehensive income for the financial period	-	-	-	-	-	2,520	(8,244)	-	(5,724)	-	(5,724)
Total comprehensive income for the financial period	-	-	-	-	-	2,520	(8,244)	62,170	56,446	3,364	59,810
Final dividend for the financial year ended 31 July 2010	-	-	-	-	-	-	-	(9,568)	(9,568)	-	(9,568)
Interim dividend for the financial year ending 31 July 2011	-	-	-	-	-	-	-	(9,569)	(9,569)	-	(9,569)
Dividend paid by a subsidiary to non-controlling interests	-	-	-	-	-	-	-	-	-	(1,763)	(1,763)
At 30 April 2011	255,159	265,845	(16,061)	33,090	80,132	5,432	(17,770)	496,762	847,430	17,320	864,750
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	-	-	-	-	-	-	-	48,112	48,112	2,549	50,661
Other comprehensive income for the financial period	-	-	-	-	-	1,316	(8,423)	-	(7,107)	-	(7,107)
Total comprehensive income for the financial period	-	-	-	-	-	1,316	(8,423)	48,112	41,005	2,549	43,554
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)
Interim dividend for the financial year ended 31 July 2010	-	-	-	-	-	-	-	(4,784)	(4,784)	-	(4,784)
Dividend paid by a subsidiary to non-controlling interests	-	-	-	-	-	-	-	-	-	(1,762)	(1,762)
At 30 April 2010	255,163	265,845	(16,054)	33,090	61,321	2,890	(9,191)	459,505	797,406	14,708	812,114

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 30 APRIL 2011

	9 months ended 30-Apr-11 RM'000	9 months ended 30-Apr-10 RM'000
Profit for the financial period	65,534	50,661
Adjustments for:		
Non-cash items	70,713	65,745
Non-operating items - investing	(44,181)	(32,694)
Non-operating items - financing	12,669	9,431
	<u>104,735</u>	<u>93,143</u>
Changes in working capital:		
Net changes in operating assets	151,879	57,620
Net changes in operating liabilities	22,364	455,357
	<u>278,978</u>	<u>606,120</u>
Interest paid	(56,096)	(38,738)
Tax paid	(10,448)	(7,799)
Net operating cash flow	<u>212,434</u>	<u>559,583</u>
Investing activities		
Net purchase of securities	(210,373)	(191,396)
Interest received from securities	38,625	30,835
Dividends and income distributions received	4,226	2,860
Rental received	961	-
Acquisition of other investments	(16)	-
Proceeds from disposal of other investments	7	14
Property, plant and equipment	(5,657)	(3,595)
Net investing cash flow	<u>(172,227)</u>	<u>(161,282)</u>
Financing activities		
Dividend paid	(9,568)	(9,569)
Dividend paid by a subsidiary to non-controlling interests	(1,763)	(1,762)
Interest paid	(9,297)	(5,182)
Net (repayment)/drawdown of borrowings	(20,600)	42,000
Shares repurchased	-	(8)
Net financing cash flow	<u>(41,228)</u>	<u>25,479</u>
Net change in cash and cash equivalents	(1,021)	423,780
Foreign exchange differences	(5,035)	(8,044)
Cash and cash equivalents at beginning of the financial period	<u>862,364</u>	<u>527,520</u>
Cash and cash equivalents at end of the financial period	<u>856,308</u>	<u>943,256</u>
Cash and cash equivalents at end of the financial period comprise:		
Cash and short term funds	<u>856,308</u>	<u>943,256</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)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 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 Bank Negara Malaysia ("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
(Company no. 238969-K)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 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 Revised Guidelines on Financial Reporting for Licensed Institutions ("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 30 APRIL 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 30 APRIL 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
	(273)
As restated	(453,729)

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 30 April 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 30 April 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 30 April 2011 except as disclosed in explanatory note A30.

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.

An interim dividend of 5.0 sen per ordinary share, less 25% income tax, amounting to RM9,568,459 in respect of the current financial year ending 31 July 2011 was paid on 5 May 2011. (Previous financial year ended 31 July 2010: Interim dividend of 2.5 sen per ordinary share, less 25% income tax).

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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2011

A8 Securities Held-For-Trading

	As at 30-Apr-11 RM'000	As at 31-Jul-10 RM'000
At fair value		
Quoted in Malaysia:		
Shares, warrants and REITs	20,600	21,068
Unit trusts	13,962	15,465
	<u>34,562</u>	<u>36,533</u>
Unquoted:		
<i>In Malaysia</i>		
Negotiable instruments of deposits	-	50,000
Bankers' acceptances	-	45,461
Malaysian Government Treasury Bills	23,931	29,866
BNM Monetary Notes	45,911	99,532
BNM Islamic Monetary Notes	3,994	-
Private and Islamic debt securities	205,380	218,360
<i>Outside Malaysia</i>		
Private debt securities	-	24,056
	<u>313,778</u>	<u>503,808</u>

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

	As at 30-Apr-11 RM'000	As at 31-Jul-10 RM'000
At fair value		
Quoted in Malaysia:		
Shares, warrants and REITs	21,259	17,104
Unit trusts	152,000	55,874
	<u>173,259</u>	<u>72,978</u>
Unquoted:		
<i>In Malaysia</i>		
Malaysian Government Sukuk	6,225	6,632
Malaysian Government Islamic Investment Issues	80,160	-
Private and Islamic debt securities	401,280	390,081
<i>Outside Malaysia</i>		
Private debt securities	90,109	-
Investment fund	5,922	-
At cost		
Unquoted:		
Shares	1,140	1,140
	<u>758,095</u>	<u>470,831</u>
Accumulated impairment loss	(650)	(650)
	<u>757,445</u>	<u>470,181</u>

Included in the securities AFS are:

- (i) quoted shares, warrants and REITs amounting to RM17.7 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 RM120.4 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 30 APRIL 2011

A10 Securities Held-To-Maturity

	As at 30-Apr-11 RM'000	As at 31-Jul-10 RM'000
At amortised cost		
Unquoted		
<i>In Malaysia</i>		
Malaysian Government Securities	-	70,643
Private and Islamic debt securities	272,208	279,558
<i>Outside Malaysia</i>		
Private debt securities	107,935	115,122
	<u>380,143</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 30-Apr-11 RM'000	As at 31-Jul-10 RM'000
Carrying amount	<u>380,143</u>	<u>394,680</u>
Fair value	<u>417,867</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.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2011

A11 Loans, Advances and Financing

	As at 30-Apr-11 RM'000	As at 31-Jul-10 RM'000
(a) By Type		
At amortised cost		
Term loans		
- housing loans	6,384	2,338
- bridging loans	8,550	8,550
- syndicated term loans	92,332	85,834
- other term loans	436,118	460,555
Overdrafts	1,705	171
Share margin financing	283,563	259,300
Other financing	56	-
	<u>828,708</u>	<u>816,748</u>
Unearned interest	<u>(150,833)</u>	<u>(182,827)</u>
	677,875	633,921
Allowances for losses on loans, advances and financing:		
- collective impairment allowance	(10,054)	-
- individual impairment allowance	(10,363)	-
- general allowance	-	(9,251)
- specific allowance	-	(13,161)
	<u>-</u>	<u>(13,161)</u>
Net loans, advances and financing	<u>657,458</u>	<u>611,509</u>
(b) By Type of Customer		
Domestic business enterprises		
- others	199,124	159,021
Individuals	264,648	247,571
Other domestic entities	173,208	206,745
Foreign business enterprises	7,018	3,499
Foreign individuals	33,877	17,085
	<u>677,875</u>	<u>633,921</u>
(c) By Geographical Distribution		
Malaysia	637,566	613,979
Cambodia	32,480	12,274
Hong Kong	5,591	2,566
Singapore	190	3,779
Other countries	2,048	1,323
	<u>677,875</u>	<u>633,921</u>
(d) By Interest Rate Sensitivity		
Fixed rate		
- other fixed rate loans/financing	570,609	537,198
- housing loans	6,384	2,338
Variable rate		
- base-lending rate plus	27,845	10,054
- cost-plus	73,037	84,331
	<u>677,875</u>	<u>633,921</u>

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2011

A11 Loans, Advances and Financing (cont'd)

	As at 30-Apr-11 RM'000	As at 31-Jul-10 RM'000
(e) By Purpose		
Purchase of landed properties		
- residential	5,894	2,338
- non-residential	2,086	544
Construction	6,061	2,579
Real estates	1,546	1,213
Purchase of securities	346,534	308,195
Working capital	59,745	42,104
Personal use	197,022	229,327
Others	58,987	47,621
	<u>677,875</u>	<u>633,921</u>
(f) By Residual Contractual Maturity		
Within 1 year	389,531	346,540
1 year to 3 years	44,608	25,487
3 years to 5 years	19,499	14,027
Over 5 years	224,237	247,867
	<u>677,875</u>	<u>633,921</u>
(g) Impaired/Non-Performing Loans, Advances and Financing by Purpose		
Purchase of securities	1,636	1,678
Working capital	8,886	8,550
Personal use	6,806	3,899
	<u>17,328</u>	<u>14,127</u>
(h) Impaired/Non-Performing Loans, Advances and Financing by Geographical Distribution		
Malaysia	16,992	14,127
Cambodia	336	-
	<u>17,328</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	16,363	7,429
Reclassified as non-impaired/performing	(9,954)	(154)
Amount recovered	(1,586)	(2,174)
Amount written off	<u>(2,626)</u>	<u>(4,117)</u>
At end of the financial period	<u>17,328</u>	<u>14,127</u>
Gross impaired/non-performing loans, advances and financing as a % of gross loans, advances and financing	<u>2.6%</u>	<u>2.2%</u>

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2011

A11 Loans, Advances and Financing (cont'd)

	As at 30-Apr-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	2,574	-
Amount written off	(1,713)	-
Exchange differences	(24)	-
At end of the financial period	<u><u>10,054</u></u>	<u><u>-</u></u>
As a % of gross loans, advances and financing less individual impairment allowance	<u><u>1.5%</u></u>	<u><u>0%</u></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	953	-
Amount written back	(23)	-
Exchange differences	(7)	-
At end of the financial period	<u><u>10,363</u></u>	<u><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></u>	<u><u>9,251</u></u>
As a % of gross loans, advances and financing less specific allowance	<u><u>0%</u></u>	<u><u>1.5%</u></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></u>	<u><u>13,161</u></u>

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2011

A12 Clients' and Brokers' Balances

	As at 30-Apr-11 RM'000	As at 31-Jul-10 RM'000
Clients' and brokers' balances, net of allowances for impairment/bad and doubtful debts of RM711,000 (At 31 July 2010: RM563,000)	<u>191,819</u>	<u>205,994</u>

A13 Other Assets

	As at 30-Apr-11 RM'000	As at 31-Jul-10 RM'000
Trade receivables, net of allowances for impairment/bad and doubtful debts of RM328,000 (At 31 July 2010: RM488,000)	9,304	6,084
Interest receivable	14,026	17,195
Statutory deposit	150	150
Clearing Guarantee Fund	1,989	1,956
Clearing Fund	1,000	1,000
Other receivables, deposits and prepayments	22,230	11,924
Other investments	2,909	2,897
	<u>51,608</u>	<u>41,206</u>

A14 Deposits from Customers

	As at 30-Apr-11 RM'000	As at 31-Jul-10 RM'000
(a) By Type of Deposit		
Demand deposits	7,638	6,061
Savings deposits	1,807	448
Fixed deposits	523,190	582,427
Negotiable instruments of deposits	2,409	525
Other deposits	1,364	-
	<u>536,408</u>	<u>589,461</u>
(b) By Type of Customer		
Government and statutory bodies	50,000	-
Business enterprises	434,585	549,652
Individuals	48,916	36,919
Others	2,907	2,890
	<u>536,408</u>	<u>589,461</u>
(c) Maturity structure of fixed deposits and negotiable instruments of deposits		
Within 6 months	518,193	579,591
6 months to 1 year	7,406	3,243
1 year to 3 years	-	118
	<u>525,599</u>	<u>582,952</u>

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2011

A15 Deposits and Placements of Banks and Other Financial Institutions

	As at 30-Apr-11 RM'000	As at 31-Jul-10 RM'000
Licensed banks	164,253	184,945
Licensed investment banks	91,659	183,391
Other financial institutions	1,295,895	1,163,667
	<u>1,551,807</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>1,456,170</u>	<u>1,531,534</u>
<u>Maturity structure of fixed deposits and negotiable instruments of deposits</u>		
Within 6 months	1,456,170	1,523,830
6 months to 1 year	-	7,704
	<u>1,456,170</u>	<u>1,531,534</u>

A16 Other Liabilities

	As at 30-Apr-11 RM'000	As at 31-Jul-10 RM'000
Trade payables	82,917	11,627
Interest payable	11,339	8,559
Dividend payable	9,569	-
Other payables and accruals	333,246	305,484
	<u>437,071</u>	<u>325,670</u>

A17 Borrowings

(a) Total borrowings of the Group of RM386.9 million as at 30 April 2011 are unsecured of which RM145.4 million revolving credit lines are covered by corporate guarantees issued by the Company for a subsidiary.

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

	As at 30-Apr-11 RM'000	As at 31-Jul-10 RM'000
Short term borrowings		
Revolving credits	386,900	407,500
Long term borrowings	-	-
Total borrowings	<u>386,900</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 30 APRIL 2011

A18 Interest Income

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 30-Apr-11 RM'000	3 months ended 30-Apr-10 RM'000	9 months ended 30-Apr-11 RM'000	9 months ended 30-Apr-10 RM'000
Loans, advances and financing	21,974	18,234	63,102	49,244
Money at call and deposit placements				
with financial institutions	5,150	5,167	18,898	14,680
Securities held-for-trading	4,599	5,234	14,285	16,400
Securities AFS	5,424	2,000	16,286	4,157
Securities held-to-maturity	6,819	7,606	20,780	23,334
Others	2,966	4,127	9,177	12,773
	<u>46,932</u>	<u>42,368</u>	<u>142,528</u>	<u>120,588</u>

Interest income earned on impaired loans, advances and financing of the Group of which impairment allowance has been made amounted to RM Nil for the current quarter and financial period ended 30 April 2011.

A19 Interest Expense

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 30-Apr-11 RM'000	3 months ended 30-Apr-10 RM'000	9 months ended 30-Apr-11 RM'000	9 months ended 30-Apr-10 RM'000
Deposits and placements of banks and other				
financial institutions	(11,547)	(7,918)	(34,810)	(20,463)
Deposits from customers	(4,207)	(2,767)	(13,276)	(9,348)
Borrowings	(4,043)	(3,272)	(12,669)	(9,431)
Others	(2,221)	(3,258)	(7,417)	(10,237)
	<u>(22,018)</u>	<u>(17,215)</u>	<u>(68,172)</u>	<u>(49,479)</u>

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2011

A20 Other Operating Income

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	<u>3 months ended</u> <u>30-Apr-11</u> <u>RM'000</u>	<u>3 months ended</u> <u>30-Apr-10</u> <u>RM'000</u>	<u>9 months ended</u> <u>30-Apr-11</u> <u>RM'000</u>	<u>9 months ended</u> <u>30-Apr-10</u> <u>RM'000</u>
Fee and commission income:				
Brokerage	25,536	22,181	80,660	67,586
Unit trust management and incentive fees	11,584	8,775	36,250	29,089
Advisory and arranger fees	893	833	4,325	3,305
Underwriting commission and placement income	431	35	2,338	692
Rollover fees	667	481	1,785	2,089
Service charges and fees	205	238	678	667
Other fees and commission	1,246	1,484	4,713	7,023
	<u>40,562</u>	<u>34,027</u>	<u>130,749</u>	<u>110,451</u>
Net gain/(loss) on securities held-for-trading:				
- gross dividends/income distributions	727	1,075	1,687	2,305
- net gain on disposal	6,435	278	13,797	7,742
- net unrealised gain/(loss)	(2,369)	3,043	4,128	4,170
	<u>4,793</u>	<u>4,396</u>	<u>19,612</u>	<u>14,217</u>
Net gain/(loss) on derivatives:				
- net loss on disposal	(2,296)	(1,398)	(6,252)	(3,351)
- net unrealised gain/(loss)	1,639	(1,167)	9,029	(1,493)
	<u>(657)</u>	<u>(2,565)</u>	<u>2,777</u>	<u>(4,844)</u>
Net gain/(loss) on securities AFS:				
- gross dividends/income distributions	922	184	2,431	547
- net gain on disposal	658	824	2,512	2,924
	<u>1,580</u>	<u>1,008</u>	<u>4,943</u>	<u>3,471</u>
Net gain/(loss) on securities held-to-maturity:				
- net gain/(loss) on disposal	-	(1)	-	115
Other income:				
Initial service charge	5,354	4,740	13,407	11,747
Net foreign exchange gain/(loss):				
- realised	2,146	1,200	9,740	4,988
- unrealised	(978)	(2,105)	(5,530)	(4,123)
Rental Income	529	143	1,580	428
Others	878	688	2,499	2,158
	<u>7,929</u>	<u>4,666</u>	<u>21,696</u>	<u>15,198</u>
Total	<u><u>54,207</u></u>	<u><u>41,531</u></u>	<u><u>179,777</u></u>	<u><u>138,608</u></u>

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2011

A21 Other Operating Expenses

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	<u>3 months ended</u> <u>30-Apr-11</u> <u>RM'000</u>	<u>3 months ended</u> <u>30-Apr-10</u> <u>RM'000</u>	<u>9 months ended</u> <u>30-Apr-11</u> <u>RM'000</u>	<u>9 months ended</u> <u>30-Apr-10</u> <u>RM'000</u>
Personnel costs:				
- Salaries, allowances and bonus	(19,767)	(15,700)	(61,475)	(48,505)
- Contributions to a defined contribution plan	(2,520)	(2,124)	(7,771)	(6,438)
- Others	(5,712)	(3,758)	(15,857)	(9,984)
	<u>(27,999)</u>	<u>(21,582)</u>	<u>(85,103)</u>	<u>(64,927)</u>
Establishment related costs:				
- Depreciation	(2,104)	(1,993)	(6,192)	(6,208)
- Rental of premises	(1,227)	(1,079)	(3,607)	(3,180)
- Rental of equipment	(672)	(668)	(2,057)	(2,027)
- Repairs and maintenance of premises and equipment	(325)	(380)	(1,095)	(1,028)
- Information technology expenses	(897)	(835)	(2,564)	(2,088)
- Others	(1,075)	(1,062)	(3,257)	(3,117)
	<u>(6,300)</u>	<u>(6,017)</u>	<u>(18,772)</u>	<u>(17,648)</u>
Promotion and marketing related expenses:				
- Promotion and business development	(4,264)	(3,870)	(14,851)	(11,283)
- Travelling and accommodation	(147)	(133)	(526)	(439)
- Others	(1,511)	(914)	(5,066)	(3,430)
	<u>(5,922)</u>	<u>(4,917)</u>	<u>(20,443)</u>	<u>(15,152)</u>
Administrative and general expenses:				
- Professional and consultancy fees	(994)	(870)	(2,426)	(2,540)
- Communication expenses	(1,415)	(1,165)	(4,085)	(3,753)
- Incentives and commission	(7,803)	(5,757)	(20,179)	(17,006)
- Regulatory charges	(1,991)	(1,817)	(6,242)	(4,881)
- Others	(2,181)	(1,937)	(6,232)	(6,078)
	<u>(14,384)</u>	<u>(11,546)</u>	<u>(39,164)</u>	<u>(34,258)</u>
Total	<u>(54,605)</u>	<u>(44,062)</u>	<u>(163,482)</u>	<u>(131,985)</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 30-Apr-11 RM'000	3 months ended 30-Apr-10 RM'000	9 months ended 30-Apr-11 RM'000	9 months ended 30-Apr-10 RM'000
Individual impairment allowance:				
- made during the financial period	(40)	-	(953)	-
- written back during the financial period	-	-	23	-
	(40)	-	(930)	-
Collective impairment allowance:				
- made during the financial period	(199)	-	(2,574)	-
Specific allowance:				
- made during the financial period	-	(1,165)	-	(7,594)
- written back during the financial period	-	114	-	633
	-	(1,051)	-	(6,961)
General allowance:				
- written back/(made) during the financial period	-	711	-	(40)
Bad debts:				
- recovered	46	-	124	-
- written off	(204)	-	(913)	-
	<u>(397)</u>	<u>(340)</u>	<u>(4,293)</u>	<u>(7,001)</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 30-Apr-11 RM'000	3 months ended 30-Apr-10 RM'000	9 months ended 30-Apr-11 RM'000	9 months ended 30-Apr-10 RM'000
Individual impairment allowance:				
- made during the financial period	(122)	-	(190)	-
- written back during the financial period	95	-	276	-
	(27)	-	86	-
Collective impairment allowance:				
- written back/(made) during the financial period	21	-	(26)	-
Specific allowance				
- made during the financial period	-	(64)	-	(165)
- written back during the financial period	-	93	-	234
	-	29	-	69
General allowance				
- written back during the financial period	-	-	-	60
Bad debts:				
- recovered	198	114	637	309
	<u>192</u>	<u>143</u>	<u>697</u>	<u>438</u>

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2011

A24 Commitments and Contingencies

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

	As at 30-Apr-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	24,360	12,180	12,180	-	-	-
Forward asset purchases	16,398	16,398	3,280	25,021	25,021	11,011
Commitments to extend credits with original maturity of ⁽¹⁾ :						
- up to 1 year	396,883	5,460	5,460	396,455	2,172	434
- over 1 year	26,305	15,569	5,152	18,962	10,696	2,868
	<u>483,946</u>	<u>69,607</u>	<u>30,072</u>	<u>460,438</u>	<u>57,889</u>	<u>18,313</u>
Derivative financial instruments						
Foreign exchange related contracts:						
- up to 1 year	838,963	27,127	14,572	215,642	1,747	1,148
- over 1 year to less than 5 years	208,013	26,646	6,489	280,697	21,858	9,404
Interest rate related contracts:						
- up to 1 year	1,705,000	1,002	200	1,715,000	1,169	538
- over 1 year to less than 5 years	3,318,000	20,165	7,253	4,548,000	34,832	12,301
	<u>6,069,976</u>	<u>74,940</u>	<u>28,514</u>	<u>6,759,339</u>	<u>59,606</u>	<u>23,391</u>
Total	<u>6,553,922</u>	<u>144,547</u>	<u>58,586</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 30-Apr-11 RM'000	As at 31-Jul-10 RM'000
Capital expenditure commitments	9,233	13,351
Non-cancellable operating lease commitments	8,975	9,435
	18,208	22,786

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

	As at 30-Apr-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	6,299	-
General allowance for losses on loans, advances and financing	-	5,807
Total Tier II capital	6,299	5,807
Total capital	665,659	683,921
Less: Investment in subsidiaries	(3,081)	(3,081)
Other deductions	(840)	(794)
Capital base	661,738	680,046
Before deducting proposed dividend:		
Tier I capital ratio	31.1%	31.6%
Risk-weighted capital ratio	31.2%	31.7%
After deducting proposed dividend:		
Tier I capital ratio	31.1%	30.7%
Risk-weighted capital ratio	31.2%	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 30-Apr-11	As at 31-Jul-10
Solvency ratio	101.1%	57.7%

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2011

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
9 months ended 30 April 2011								
Revenue								
External revenue *	113,486	83,800	2,963	50,596	44,767	8,141	-	303,753
Inter-segment revenue	-	1,337	-	37	-	33,676	(35,050)	-
Total revenue	113,486	85,137	2,963	50,633	44,767	41,817	(35,050)	303,753
Net interest income/(expense)	19,620	23,796	2,481	475	34,918	(6,934)	-	74,356
Other operating income	94,938	17,704	268	51,419	5,726	43,453	(33,731)	179,777
	114,558	41,500	2,749	51,894	40,644	36,519	(33,731)	254,133
Other operating expense	(83,091)	(15,939)	(3,309)	(42,307)	(10,688)	(14,233)	6,085	(163,482)
	31,467	25,561	(560)	9,587	29,956	22,286	(27,646)	90,651
(Allowance)/Write back of allowance for losses on:								
- loans, advances and financing	(364)	(67)	(395)	-	(3,324)	-	(143)	(4,293)
- clients' balances and receivables	521	176	-	-	-	(8)	8	697
Segment profit/(loss)	31,624	25,670	(955)	9,587	26,632	22,278	(27,781)	87,055
Share of results of an associate, net of tax								177
Profit before taxation								87,232
9 months ended 30 April 2010								
Revenue								
External revenue *	84,498	80,192	2,725	41,758	42,519	6,571	-	258,263
Inter-segment revenue	-	1,270	-	31	-	31,106	(32,407)	-
Total revenue	84,498	81,462	2,725	41,789	42,519	37,677	(32,407)	258,263
Net interest income/(expense)	12,703	28,000	1,205	319	33,935	(5,053)	-	71,109
Other operating income	75,037	8,445	153	42,313	4,859	38,432	(30,631)	138,608
	87,740	36,445	1,358	42,632	38,794	33,379	(30,631)	209,717
Other operating expense	(67,375)	(11,827)	(3,168)	(35,206)	(6,253)	(13,763)	5,607	(131,985)
	20,365	24,618	(1,810)	7,426	32,541	19,616	(25,024)	77,732
(Allowance)/Write back of allowance for losses on:								
- loans, advances and financing	(647)	(2,981)	(109)	-	(3,226)	-	(38)	(7,001)
- clients' balances and receivables	469	(31)	-	-	-	(5)	5	438
Impairment loss on securities AFS	-	-	-	-	(650)	-	-	(650)
Segment profit/(loss)	20,187	21,606	(1,919)	7,426	28,665	19,611	(25,057)	70,519
Share of results of an associate, net of tax								(736)
Profit before taxation								69,783

* 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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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2011

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 30 April 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 July 2011 except for the following:

- (a) On 30 December 2010, the Ministry of Commerce, Cambodia has approved the application by an indirect 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.
- (b) The National Bank of Cambodia ("NBC") and the Ministry of Commerce, Cambodia have approved the increase of USD2,500,000 in the registered capital of a wholly-owned subsidiary, HwangDBS Commercial Bank Plc ("HDCB"). The issued and fully paid ordinary share capital of HDCB was increased on 27 April 2011 from USD37.5 million to USD40.0 million by way of an issue of 2.5 million ordinary shares of USD1 each. The newly issued ordinary shares, which rank pari passu in all respects with the existing issued ordinary shares of HDCB, were fully subscribed by the Company.

A31 Changes in Contingent Liabilities or Contingent Assets

Please refer to explanatory note A24.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2011

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 continued to record an encouraging 18% growth in operating revenue which increased to RM303.8 million for the nine months ended 30 April 2011 as compared to RM258.3 million recorded in the previous corresponding financial period in year 2010. The higher operating revenue is mainly driven by the increase in interest income generated by the treasury and stockbroking activities, coupled with stockbroking brokerage income, which rose in tandem with the higher period-to-date Bursa value traded of RM356.8 billion for the current financial period under review against RM251.7 billion in the previous corresponding period as well as a higher fee income from fund management activities.

For the nine months ended 30 April 2011, the Group achieved a pretax profit of RM87.2 million, representing a 25% increase from RM69.8 million posted for the same period last year. The improved performance is mainly supported by a higher level of stockbroking brokerage income, marked-to-market gain on derivatives, increase in net gain from securities trading activities, higher fee income derived from fund management activities and net interest income. These were, however, partially offset by a higher personnel and incentive costs for the current financial period under review. On a similar note, the Group turned in a higher pretax profit of RM24.4 million for the third quarter ended 30 April 2011 relative to RM22.2 million recorded in the corresponding financial quarter in year 2010, largely attributed to higher stockbroking brokerage income, marked-to-market gain on derivatives and increase in net gain from securities trading activities, the effects of which are reduced by marked-to-market loss on securities held-for-trading coupled with higher personnel and incentive costs for the current financial period under review.

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

The pretax profit of the Group of RM24.4 million for the third quarter of the financial year 2011 is 26% lower in comparison to RM32.8 million recorded in the preceding financial quarter. The contraction in the Group's pretax profit is mainly as a consequence of the reduction in stockbroking brokerage income in tandem with a lower Bursa value traded for the current quarter under review, marked-to-market loss incurred on securities held-for-trading and lower marked-to-market gain on derivatives, mitigated by a decrease in personnel costs for the current financial quarter.

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B3 Commentary

(a) Current Year's Prospects

The Government's ongoing Economic Transformation Programme ("ETP"), strong liquidity and strengthening Ringgit are the key factors that will fuel positive capital and stock market momentum. This will augur well for the Group's stockbroking activities which are highly dependent on market sentiments. The Group will also capitalise on the improving local environment to build on its investment banking business.

The Group's other financial services segments covering unit trust, asset management, moneylending and commercial banking activities are expanding as planned and the key initiatives include the introduction of new products and expansion of its distribution networks.

Barring unforeseen circumstances, the Board of Directors expects the Group to record satisfactory results in the last quarter of the financial year ending 31 July 2011.

(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 30 April 2011 are as follows:

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 30-Apr-11 RM'000	3 months ended 30-Apr-10 RM'000	9 months ended 30-Apr-11 RM'000	9 months ended 30-Apr-10 RM'000
In respect of the current financial period:				
Malaysian income tax	(8,949)	(12,777)	(27,816)	(25,914)
Foreign income tax	(12)	(9)	(30)	(27)
Deferred tax	2,650	6,193	5,815	6,675
	<u>(6,311)</u>	<u>(6,593)</u>	<u>(22,031)</u>	<u>(19,266)</u>
In respect of prior financial years:				
Malaysian income tax	338	4,766	338	4,766
Deferred tax	(5)	(4,622)	(5)	(4,622)
	<u>333</u>	<u>144</u>	<u>333</u>	<u>144</u>
	<u>(5,978)</u>	<u>(6,449)</u>	<u>(21,698)</u>	<u>(19,122)</u>

The effective tax rate for the current quarter and financial period ended 30 April 2011 is lower than the statutory tax rate mainly due to capital gains and certain income, which are not subject to tax as well as overprovision for taxation in respect of a prior financial year.

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 30 April 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:

	Current quarter ended 30-Apr-11 RM'000	Financial period ended 30-Apr-11 RM'000
(i) Total Purchase Consideration	<u>2,345</u>	<u>11,987</u>
(ii) Total Sales Proceeds	<u>5,974</u>	<u>14,874</u>
(iii) Total Profit on Disposal	<u>1,290</u>	<u>3,034</u>

- (b) Total investments in quoted securities held by the Group other than HDBSIB as at 30 April 2011 are as follows:

	RM'000
(i) At Cost	<u>16,118</u>
(ii) At Book Value	<u>18,472</u>
(iii) At Market Value	<u>18,472</u>

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2011

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 30-Apr-11 RM'000
Total retained profits of the Company and its subsidiaries:	
- realised	499,821
- unrealised	5,450
	<u>505,271</u>
Total share of accumulated losses of associate:	
- realised	<u>(1,478)</u>
	503,793
Consolidation adjustments	<u>(7,031)</u>
Total Group retained profits	<u>496,762</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 30-Apr-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	2,663	(6,052)	584	(733)
- currency swaps	4,019	(310)	346	(27)
- cross currency interest rate swaps	14,896	(10,995)	278	(5,239)
Interest rate related contracts:				
- futures contracts	152	(16,466)	186	(23,237)
- interest rate swaps	6,063	(9,083)	12,903	(15,990)
	<u>27,793</u>	<u>(42,906)</u>	<u>14,297</u>	<u>(45,226)</u>
Less:				
Fair value of futures contracts included in other assets	<u>(152)</u>	<u>16,466</u>	<u>(186)</u>	<u>23,237</u>
	<u>27,641</u>	<u>(26,440)</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 30-Apr-11 RM'000	Financial period ended 30-Apr-11 RM'000
Net unrealised loss arising from fair value changes: Derivative liabilities	<u>6,180</u>	<u>4,451</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 loss on derivative liabilities for the current quarter and financial period ended 30 April 2011 arose from changes in fair value of derivatives as a result of unfavourable 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 30 April 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	-	418,659	-	-	418,659
- currency swaps	-	292,640	-	-	292,640
- currency options	-	224	-	-	224
- cross currency interest rate swaps	-	127,440	142,164	65,849	335,453
Interest rate related contracts					
- futures contracts	2,721	1,420,000	2,305,000	-	3,725,000
- interest rate swaps	-	285,000	1,013,000	-	1,298,000
	<u>2,721</u>	<u>2,543,963</u>	<u>3,460,164</u>	<u>65,849</u>	<u>6,069,976</u>

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2011

B12 Disclosure of Derivatives (cont'd)

- (c) The principal amount and fair value of derivatives held by the Group at 30 April 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	(3,389)	-	-	(3,389)
- currency swaps	3,709	-	-	3,709
- currency options	-	-	-	-
- cross currency interest rate swaps	8,068	1,508	(5,675)	3,901
Interest rate related contracts				
- futures contracts	(6,952)	(9,362)	-	(16,314)
- interest rate swaps	428	(3,448)	-	(3,020)
	1,864	(11,302)	(5,675)	(15,113)

- (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 RM27.8 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 RM361.3 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;
 - (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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B15 Earnings Per Share Attributable to Equity Holders of the Company

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 30-Apr-11	3 months ended 30-Apr-10	9 months ended 30-Apr-11	9 months ended 30-Apr-10
Profit for the financial period attributable to equity holders of the Company (RM'000)	<u>17,500</u>	<u>14,971</u>	<u>62,170</u>	<u>48,112</u>
Weighted average number of ordinary shares in issue ('000)	<u>255,159</u>	<u>255,163</u>	<u>255,159</u>	<u>255,165</u>
Basic earnings per share (sen)	<u>6.86</u>	<u>5.87</u>	<u>24.37</u>	<u>18.86</u>

There were no dilutive potential ordinary shares outstanding as at 30 April 2011 and 30 April 2010.

By Order of the Board

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

**Penang
8 June 2011**