

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

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

	Note	As at 31-Jul-11 RM'000	As at 31-Jul-10 RM'000
<b>Assets</b>			
Cash and short term funds		885,629	1,148,293
Deposits and placements with banks and other financial institutions		179,812	140,246
Securities held-for-trading	A8	338,425	503,808
Securities available-for-sale ("AFS")	A9	1,193,899	470,181
Securities held-to-maturity	A10	388,335	465,323
Loans, advances and financing	A11	679,780	611,509
Clients' and brokers' balances	A12	168,102	205,994
Derivative assets	B12	26,734	14,111
Other assets	A13	39,307	41,206
Statutory deposits with Central Banks		68,204	20,741
Tax recoverable		6,543	14,393
Deferred tax assets		10,497	7,461
Investment in an associate		3,624	3,284
Property, plant and equipment		53,878	55,267
Investment properties		52,839	53,081
Intangible assets		162,509	162,509
<b>Total assets</b>		<b><u>4,258,117</u></b>	<b><u>3,917,407</u></b>
<b>Liabilities</b>			
Deposits from customers	A14	820,043	589,461
Deposits and placements of banks and other financial institutions	A15	1,581,036	1,532,003
Clients' and brokers' balances		186,725	209,865
Derivative liabilities	B12	28,233	21,989
Other liabilities	A16	369,463	325,670
Taxation		5,361	4,485
Deferred tax liabilities		426	867
Borrowings	A17	377,349	407,500
<b>Total liabilities</b>		<b><u>3,368,636</u></b>	<b><u>3,091,840</u></b>
<b>Equity</b>			
Share capital		265,845	265,845
Reserves		620,890	560,064
Treasury shares, at cost		<u>(16,061)</u>	<u>(16,061)</u>
		870,674	809,848
Non-controlling interests		<u>18,807</u>	<u>15,719</u>
<b>Total equity</b>		<b><u>889,481</u></b>	<b><u>825,567</u></b>
<b>Total liabilities and equity</b>		<b><u>4,258,117</u></b>	<b><u>3,917,407</u></b>
<b>Net assets per share attributable to equity holders of the Company (RM)</b>			
		<b><u>3.41</u></b>	<b><u>3.17</u></b>

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 YEAR ENDED 31 JULY 2011**

	Note	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
		3 months ended 31-Jul-11 RM'000	3 months ended 31-Jul-10 RM'000	12 months ended 31-Jul-11 RM'000	12 months ended 31-Jul-10 RM'000
<b>Operating revenue</b>		<u>95,580</u>	<u>88,679</u>	<u>399,333</u>	<u>346,942</u>
Interest income	A18	46,922	45,070	189,450	165,658
Interest expense	A19	<u>(24,169)</u>	<u>(19,808)</u>	<u>(92,341)</u>	<u>(69,287)</u>
<b>Net interest income</b>		<u><b>22,753</b></u>	<u><b>25,262</b></u>	<u><b>97,109</b></u>	<u><b>96,371</b></u>
Other operating income	A20	<u>53,522</u>	<u>40,879</u>	<u>233,299</u>	<u>179,487</u>
		76,275	66,141	330,408	275,858
Other operating expenses	A21	<u>(42,984)</u>	<u>(45,405)</u>	<u>(206,466)</u>	<u>(177,390)</u>
		33,291	20,736	123,942	98,468
(Allowance)/Write back of allowance for losses on:					
- loans, advances and financing	A22	(1,206)	(3,833)	(5,499)	(10,834)
- clients' balances and receivables	A23	171	(903)	868	(465)
- securities AFS		-	-	-	(650)
		<u>32,256</u>	<u>16,000</u>	<u>119,311</u>	<u>86,519</u>
Share of results of an associate, net of tax		163	(41)	340	(777)
<b>Profit before taxation</b>		<u><b>32,419</b></u>	<u><b>15,959</b></u>	<u><b>119,651</b></u>	<u><b>85,742</b></u>
Taxation	B6	<u>(6,489)</u>	<u>(2,186)</u>	<u>(28,187)</u>	<u>(21,308)</u>
<b>Profit for the financial year</b>		<u><b>25,930</b></u>	<u><b>13,773</b></u>	<u><b>91,464</b></u>	<u><b>64,434</b></u>
<b>Attributable to:</b>					
Equity holders of the Company		24,444	12,762	86,614	60,874
Non-controlling interests		<u>1,486</u>	<u>1,011</u>	<u>4,850</u>	<u>3,560</u>
		<u><b>25,930</b></u>	<u><b>13,773</b></u>	<u><b>91,464</b></u>	<u><b>64,434</b></u>
<b>Earnings per share attributable to equity holders of the Company (sen)</b>					
- Basic	B15	<u><b>9.58</b></u>	<u><b>5.00</b></u>	<u><b>33.95</b></u>	<u><b>23.86</b></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 COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED 31 JULY 2011**

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Jul-11 RM'000	3 months ended 31-Jul-10 RM'000	12 months ended 31-Jul-11 RM'000	12 months ended 31-Jul-10 RM'000
<b>Profit for the financial year</b>	<b>25,930</b>	<b>13,773</b>	<b>91,464</b>	<b>64,434</b>
Other comprehensive income for the financial year:				
Currency translation differences arising from foreign operations	286	(335)	(7,958)	(8,758)
Securities AFS:				
- net change in fair value	1,260	741	6,535	4,093
- net gain transferred to profit or loss on disposal	(2,460)	(412)	(4,696)	(2,448)
Income tax relating to components of other comprehensive income	(286)	(307)	(805)	(307)
	<u>(1,200)</u>	<u>(313)</u>	<u>(6,924)</u>	<u>(7,420)</u>
<b>Total comprehensive income for the financial year</b>	<b><u>24,730</u></b>	<b><u>13,460</u></b>	<b><u>84,540</u></b>	<b><u>57,014</u></b>
<b>Attributable to:</b>				
Equity holders of the Company	23,244	12,449	79,690	53,454
Non-controlling interests	1,486	1,011	4,850	3,560
	<b><u>24,730</u></b>	<b><u>13,460</u></b>	<b><u>84,540</u></b>	<b><u>57,014</u></b>

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 YEAR ENDED 31 JULY 2011**

<b>Attributable to equity holders of the Company</b>											
<b>Note</b>	<b>Issued and fully paid ordinary shares of RM1 each</b>		<b>Non-distributable</b>					<b>Distributable</b>		<b>Non- controlling interests</b>	<b>Total equity</b>
	<b>Number of shares</b>	<b>Nominal value</b>	<b>Treasury shares</b>	<b>Share premium</b>	<b>Statutory reserve</b>	<b>AFS reserve</b>	<b>Foreign exchange reserve</b>	<b>Retained profits</b>	<b>Sub-total</b>		
	<b>'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>		
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 year	-	-	-	-	-	-	-	86,614	86,614	4,850	91,464
Other comprehensive income for the financial year, net of tax	-	-	-	-	-	1,034	(7,958)	-	(6,924)	-	(6,924)
Total comprehensive income for the financial year	-	-	-	-	-	1,034	(7,958)	86,614	79,690	4,850	84,540
Transfer to statutory reserve	-	-	-	-	28,245	-	-	(28,245)	-	-	-
Final dividend for the financial year ended 31 July 2010	-	-	-	-	-	-	-	(9,568)	(9,568)	-	(9,568)
Interim dividend for the financial year ending 31 July 2011	-	-	-	-	-	-	-	(9,569)	(9,569)	-	(9,569)
Dividend paid by a subsidiary to non-controlling interests	-	-	-	-	-	-	-	-	-	(1,762)	(1,762)
<b>At 31 July 2011</b>	<b>255,159</b>	<b>265,845</b>	<b>(16,061)</b>	<b>33,090</b>	<b>108,377</b>	<b>3,946</b>	<b>(17,484)</b>	<b>492,961</b>	<b>870,674</b>	<b>18,807</b>	<b>889,481</b>
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 year	-	-	-	-	-	-	-	60,874	60,874	3,560	64,434
Other comprehensive income for the financial year, net of tax	-	-	-	-	-	1,338	(8,758)	-	(7,420)	-	(7,420)
Total comprehensive income for the financial year	-	-	-	-	-	1,338	(8,758)	60,874	53,454	3,560	57,014
Transfer to statutory reserve	-	-	-	-	18,811	-	-	(18,811)	-	-	-
Shares repurchased held as treasury shares at cost	(9)	-	(15)	-	-	-	-	-	(15)	-	(15)
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)
<b>At 31 July 2010</b>	<b>255,159</b>	<b>265,845</b>	<b>(16,061)</b>	<b>33,090</b>	<b>80,132</b>	<b>2,912</b>	<b>(9,526)</b>	<b>453,456</b>	<b>809,848</b>	<b>15,719</b>	<b>825,567</b>

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 CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 JULY 2011**

	<b>12 months ended 31-Jul-11 RM'000</b>	<b>12 months ended 31-Jul-10 RM'000</b>
<b>Operating activities</b>		
Profit for the financial year	91,464	64,434
<b>Adjustments for:</b>		
Non-cash items	103,370	95,737
Non-operating items - investing	(65,594)	(43,892)
Non-operating items - financing	16,926	13,274
	146,166	129,553
<b>Changes in working capital:</b>		
Net changes in operating assets	48,580	(83,010)
Net changes in operating liabilities	285,151	672,807
	479,897	719,350
Interest paid	(74,650)	(53,266)
Taxation paid	(23,598)	(19,746)
<b>Net operating cash flow</b>	<b>381,649</b>	<b>646,338</b>
<b>Investing activities</b>		
Net purchase of securities	(635,809)	(337,543)
Interest received from securities	46,672	37,283
Dividends and income distributions received	6,772	3,304
Rental received	1,281	178
Purchase of an investment property	-	(47,065)
Purchase of other investments	(53)	-
Proceeds from disposal of other investments	11	15
Property, plant and equipment	(7,060)	(4,750)
<b>Net investing cash flow</b>	<b>(588,186)</b>	<b>(348,578)</b>
<b>Financing activities</b>		
Dividend paid	(19,137)	(14,353)
Dividend paid by a subsidiary to non-controlling interests	(1,762)	(1,762)
Interest paid	(17,619)	(11,590)
Net (repayment)/drawdown of borrowings	(31,700)	73,000
Shares repurchased	-	(15)
<b>Net financing cash flow</b>	<b>(70,218)</b>	<b>45,280</b>
<b>Net change in cash and cash equivalents</b>	(276,755)	343,040
Foreign exchange differences	(4,729)	(8,196)
<b>Cash and cash equivalents at beginning of the financial year</b>	862,364	527,520
<b>Cash and cash equivalents at end of the financial year</b>	<b>580,880</b>	<b>862,364</b>
<b>Cash and cash equivalents at end of the financial year comprise:</b>		
Cash and short term funds	<b>580,880</b>	<b>862,364</b>

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 YEAR ENDED 31 JULY 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 following new/revised Financial Reporting Standards and Interpretations ("FRSs") that are effective for the Group for the financial year ended 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 127	Consolidated and Separate Financial Statements
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 Reporting Period
Amendment to FRS 116	Property, Plant and Equipment
Amendment to FRS 117	Leases
Amendment to FRS 118	Revenue
Amendments to FRS 121	The Effects of Changes in Foreign Exchange Rates
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
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives

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

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2011**

**A1 Basis of Preparation (cont'd)**

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.

**(a) FRS 101, Presentation of Financial Statements**

The revised FRS 101 requires an entity to present in the statement of changes in equity only the '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, the revised standard requires an entity to disclose the entity's objectives, policies and processes for managing capital. In the event of a retrospective change in accounting policy, restatement or reclassification of comparatives in the financial statements, an entity is required to present the statement of financial position as at the beginning of the earliest comparative period.

Following the adoption of the revised FRS 101 by the Group on a retrospective basis, comparative presentation of the financial statements of the Group have been restated to conform with the presentation for the current financial year.

**(b) FRS 7, Financial Instruments: Disclosures**

FRS 7 requires disclosure of quantitative and qualitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, market risk and liquidity risk in the financial statements of an entity. The standard also requires disclosure of income, expenses, gains or losses by categories of financial assets and liabilities.

The Group has adopted the standard prospectively. However, certain comparative presentation of income, expenses, gains and losses of the Group have been restated to conform with the presentation for the current financial year.

**(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 and receivables**

Prior to the adoption of FRS 139, the allowances for loan losses 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.

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

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2011**

**A1 Basis of Preparation (cont'd)**

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

(i) Impairment of loans and receivables (continued)

FRS 139 requires an entity to assess at the end of each reporting period, 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 relevant 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 profit or loss.

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.

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 investment banking subsidiary 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.

The change in accounting policy, which has been accounted for in accordance with the transitional provisions of FRS 139, has resulted in an increase of RM2,777,000 in the opening retained profits of the Group as at 1 August 2010.

(ii) Recognition of interest income

Prior to the adoption of FRS 139, interest on loans and receivables was recognised in profit or loss 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 profit or loss 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.



**HWANG-DBS (MALAYSIA) BERHAD**  
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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2011**

**A1 Basis of Preparation (cont'd)**

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

(ii) Recognition of interest income (continued)

Upon adoption of FRS 139, interest receivable which was previously classified under other assets and interest payable which was previously classified under other liabilities respectively are now reclassified into the respective classes of financial assets and liabilities.

The change in accounting policy, which has been accounted for in accordance with the transitional provisions of FRS 139, has resulted in a decrease of RM2,504,000 in the opening retained profits of the Group as at 1 August 2010. Comparative disclosures of interest receivable and interest payable have not been reclassified.

(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 reporting period, the Group does not have any embedded derivatives, which are not closely related to the host contracts and which require bifurcation.

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 year are adjusted to retained profits of the Group as at 1 August 2010, as disclosed in explanatory note A1(e) below. Comparatives have not been restated.

**(d) Amendment to FRS 8, Operating Segments**

Upon adoption of the Amendment to FRS 8 by the Group, segment assets no longer form part of the segmental information reported. The comparative segmental information has been restated to conform with the presentation for current financial year.

**(e) Effects of Changes in Accounting Policies**

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

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

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2011**

**A4 Exceptional Items**

There are no exceptional items for the current quarter and financial year ended 31 July 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 year ended 31 July 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 year ended 31 July 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).

The directors now recommend the payment of a final dividend in respect of the financial year ended 31 July 2011 of 5.0 sen per ordinary share, less income tax at 25%, amounting to RM9,568,459 based on the issued and paid-up share capital (less treasury shares) of the Company as at 31 July 2011, which is subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company. This proposed dividend will be accounted for in the shareholders' equity as an appropriation of retained profits in the financial year ending 31 July 2012 when approved by the shareholders.

Total dividends for the financial year ended 31 July 2011 amounted to 10.0 sen per ordinary share, less income tax at 25%. (Previous financial year ended 31 July 2010: 7.5 sen per ordinary share, less income tax at 25%).

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2011**

**A8 Securities Held-For-Trading**

	<b>As at 31-Jul-11 RM'000</b>	<b>As at 31-Jul-10 RM'000</b>
<b>At fair value:</b>		
<b>Quoted in Malaysia</b>		
Shares, warrants and REITs	25,898	21,068
Unit trusts	14,032	15,465
	39,930	36,533
<b>Unquoted</b>		
Negotiable instruments of deposits	-	50,000
Bankers' acceptances	144,445	45,461
Malaysian Government Treasury Bills	-	29,866
BNM Monetary Notes	51,869	99,532
Private and Islamic debt securities	102,181	242,416
	<b>338,425</b>	<b>503,808</b>

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

	<b>As at 31-Jul-11 RM'000</b>	<b>As at 31-Jul-10 RM'000</b>
<b>At fair value:</b>		
<b>Quoted in Malaysia</b>		
Shares, warrants and REITs	5,089	17,104
Unit trusts	151,806	55,874
	156,895	72,978
<b>Unquoted</b>		
Malaysian Government Sukuk	6,291	6,632
Malaysian Government Islamic Investment Issues	212,767	-
BNM Islamic Monetary Notes	98,894	-
Private and Islamic debt securities	713,769	390,081
Investment fund	4,793	-
<b>At cost:</b>		
<b>Unquoted</b>		
Shares	1,140	1,140
	1,194,549	470,831
Accumulated impairment loss	(650)	(650)
	<b>1,193,899</b>	<b>470,181</b>

Included in the securities AFS are:

- (i) investments in unit trust funds managed by a subsidiary, HwangDBS Investment Management Berhad ("HDBSIM") as at the end of the reporting period at a carrying amount of RM120.4 million (At 31 July 2010: RM54.4 million); and
- (ii) quoted shares, warrants and REITs amounting to RM17.1 million as at the previous financial year end held under funds under management placed by the Company with a subsidiary, HDBSIM, which is given the discretionary powers within certain guidelines to invest the funds.

**A10 Securities Held-To-Maturity**

	<b>As at 31-Jul-11 RM'000</b>	<b>As at 31-Jul-10 RM'000</b>
<b>At amortised cost:</b>		
<b>Unquoted</b>		
Malaysian Government Securities	-	70,643
Private and Islamic debt securities	388,335	394,680
	<b>388,335</b>	<b>465,323</b>

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2011**

**A11 Loans, Advances and Financing**

	<b>As at 31-Jul-11 RM'000</b>	<b>As at 31-Jul-10 RM'000</b>
<b>(a) By Type</b>		
Term loans		
- housing loans	7,975	2,338
- bridging loans	3,550	8,550
- syndicated term loans	122,742	85,834
- other term loans	450,568	460,555
Overdrafts	1,999	171
Share margin financing	253,631	259,300
Other financing	52	-
	<u>840,517</u>	<u>816,748</u>
Unearned interest	(137,922)	(182,827)
	<u>702,595</u>	<u>633,921</u>
Allowance for losses:		
- collective impairment	(12,393)	-
- individual impairment	(10,422)	-
- general allowance	-	(9,251)
- specific allowance	-	(13,161)
Net loans, advances and financing	<u><u>679,780</u></u>	<u><u>611,509</u></u>
<b>(b) By Type of Customer</b>		
Domestic business enterprises		
- others	252,550	159,021
Individuals	243,189	247,571
Other domestic entities	156,734	206,745
Foreign business enterprises	8,782	3,499
Foreign individuals	41,340	17,085
	<u><u>702,595</u></u>	<u><u>633,921</u></u>
<b>(c) By Geographical Distribution</b>		
Malaysia	652,844	613,997
Cambodia	41,477	12,274
Hong Kong	7,841	3,475
Singapore	237	3,779
Other countries	196	396
	<u><u>702,595</u></u>	<u><u>633,921</u></u>
<b>(d) By Interest Rate Sensitivity</b>		
Fixed rate		
- other fixed rate loans/financing	548,289	537,198
- housing loans	7,975	2,338
Variable rate		
- base-lending rate plus	30,170	10,054
- cost-plus	116,161	84,331
	<u><u>702,595</u></u>	<u><u>633,921</u></u>

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2011**

**A11 Loans, Advances and Financing (cont'd)**

	<b>As at 31-Jul-11 RM'000</b>	<b>As at 31-Jul-10 RM'000</b>
<b>(e) By Purpose</b>		
Purchase of landed properties		
- residential	6,990	2,338
- non-residential	4,491	544
Construction	6,145	2,579
Real estate	1,515	1,213
Purchase of securities	346,506	308,195
Working capital	68,372	42,104
Personal use	189,178	229,327
Others	79,398	47,621
	<b><u>702,595</u></b>	<b><u>633,921</u></b>
<b>(f) By Residual Contractual Maturity</b>		
Within 1 year	376,166	346,540
1 year to 3 years	58,188	25,487
3 years to 5 years	23,631	14,027
Over 5 years	244,610	247,867
	<b><u>702,595</u></b>	<b><u>633,921</u></b>
<b>(g) Impaired/Non-Performing Loans, Advances and Financing by Purpose</b>		
Purchase of landed properties		
- residential	18	-
Real estate	278	-
Purchase of securities	1,636	1,678
Working capital	7,280	8,550
Personal use	9,189	3,899
	<b><u>18,401</u></b>	<b><u>14,127</u></b>
<b>(h) Impaired/Non-Performing Loans, Advances and Financing by Geographical Distribution</b>		
Malaysia	17,375	14,127
Cambodia	1,026	-
	<b><u>18,401</u></b>	<b><u>14,127</u></b>
<b>(i) Movements in Impaired/Non-Performing Loans, Advances and Financing</b>		
At beginning of the financial year		
- as previously reported	14,127	13,143
- effects of adoption of FRS 139	1,004	-
- as restated	15,131	13,143
Classified as impaired/non-performing	32,405	7,429
Reclassified as non-impaired/performing	(18,871)	(154)
Amount recovered	(7,150)	(2,174)
Amount written off	(3,114)	(4,117)
At end of the financial year	<b><u>18,401</u></b>	<b><u>14,127</u></b>
Gross impaired/non-performing loans, advances and financing as a % of gross loans, advances and financing	<b><u>2.6%</u></b>	<b><u>2.2%</u></b>

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2011**

**A11 Loans, Advances and Financing (cont'd)**

	<b>As at 31-Jul-11 RM'000</b>	<b>As at 31-Jul-10 RM'000</b>
<b>(j) Movements in Allowance for Losses</b>		
<u>Collective Impairment</u>		
At beginning of the financial year		
- as previously reported	-	-
- effects of adoption of FRS 139	9,217	-
- as restated	9,217	-
Net allowance made	5,163	-
Amount written off	(1,963)	-
Exchange differences	(24)	-
At end of the financial year	<b>12,393</b>	<b>-</b>
	<hr/> <hr/>	<hr/> <hr/>
As a % of gross loans, advances and financing less individual impairment allowance	<b>1.8%</b>	<b>0%</b>
	<hr/> <hr/>	<hr/> <hr/>
<u>Individual Impairment</u>		
At beginning of the financial year		
- as previously reported	-	-
- effects of adoption of FRS 139	9,440	-
- as restated	9,440	-
Allowance made	6,013	-
Amount written back	(5,023)	-
Exchange differences	(8)	-
At end of the financial year	<b>10,422</b>	<b>-</b>
	<hr/> <hr/>	<hr/> <hr/>
<u>General Allowance</u>		
At beginning of the financial year		
- 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 year	<b>-</b>	<b>9,251</b>
	<hr/> <hr/>	<hr/> <hr/>
As a % of gross loans, advances and financing less specific allowance	<b>0%</b>	<b>1.5%</b>
	<hr/> <hr/>	<hr/> <hr/>
<u>Specific Allowance</u>		
At beginning of the financial year		
- 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 year	<b>-</b>	<b>13,161</b>
	<hr/> <hr/>	<hr/> <hr/>

**HWANG-DBS (MALAYSIA) BERHAD**  
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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2011**

**A12 Clients' and Brokers' Balances**

	<b>As at 31-Jul-11 RM'000</b>	<b>As at 31-Jul-10 RM'000</b>
Clients' and brokers' balances, net of allowances for impairment/bad and doubtful debts of RM740,000 (At 31 July 2010: RM563,000)	<u><b>168,102</b></u>	<u><b>205,994</b></u>

**A13 Other Assets**

	<b>As at 31-Jul-11 RM'000</b>	<b>As at 31-Jul-10 RM'000</b>
Trade receivables, net of allowances for impairment/doubtful debts of RM341,000 (At 31 July 2010: RM488,000)	8,620	6,084
Interest receivable	-	17,195
Statutory deposit	150	150
Clearing Guarantee Fund	2,002	1,956
Clearing Fund	1,000	1,000
Other receivables, deposits and prepayments	24,590	11,924
Other investments	2,945	2,897
	<u><b>39,307</b></u>	<u><b>41,206</b></u>

**A14 Deposits from Customers**

	<b>As at 31-Jul-11 RM'000</b>	<b>As at 31-Jul-10 RM'000</b>
<b>(a) By Type of Deposit</b>		
Demand deposits	6,913	6,061
Savings deposits	2,120	448
Fixed deposits	805,521	582,427
Negotiable instruments of deposits	3,873	525
Other deposits	1,616	-
	<u><b>820,043</b></u>	<u><b>589,461</b></u>
<b>(b) By Type of Customer</b>		
Government and statutory bodies	140,389	-
Business enterprises	628,402	549,652
Individuals	47,296	36,919
Others	3,956	2,890
	<u><b>820,043</b></u>	<u><b>589,461</b></u>
<b>(c) Maturity structure of term deposits</b>		
Within 6 months	804,721	579,591
6 months to 1 year	6,289	3,243
1 year to 3 years	-	118
	<u><b>811,010</b></u>	<u><b>582,952</b></u>

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2011**

**A15 Deposits and Placements of Banks and Other Financial Institutions**

	<b>As at 31-Jul-11 RM'000</b>	<b>As at 31-Jul-10 RM'000</b>
Licensed banks	88,604	184,945
Licensed investment banks	16,276	183,391
Other financial institutions	1,476,156	1,163,667
	<b><u>1,581,036</u></b>	<b><u>1,532,003</u></b>

**A16 Other Liabilities**

	<b>As at 31-Jul-11 RM'000</b>	<b>As at 31-Jul-10 RM'000</b>
Trade payables	45,175	11,627
Interest payable	-	8,559
Other payables and accruals	324,288	305,484
	<b><u>369,463</u></b>	<b><u>325,670</u></b>

**A17 Borrowings**

(a) Total borrowings of the Group of RM377.3 million as at 31 July 2011 are unsecured of which RM144.7 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:

	<b>As at 31-Jul-11 RM'000</b>	<b>As at 31-Jul-10 RM'000</b>
<b>Short term borrowings</b>		
Revolving credits	377,349	407,500
<b>Long term borrowings</b>	-	-
<b>Total borrowings</b>	<b><u>377,349</u></b>	<b><u>407,500</u></b>

(c) All borrowings are denominated in Ringgit Malaysia.



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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2011**

**A18 Interest Income**

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Jul-11 RM'000	3 months ended 31-Jul-10 RM'000	12 months ended 31-Jul-11 RM'000	12 months ended 31-Jul-10 RM'000
Loans, advances and financing	19,883	18,295	82,985	67,539
Money at call and deposit placements with financial institutions	6,782	7,077	25,680	21,757
Securities AFS	8,142	2,995	24,428	7,152
Securities held-to-maturity	6,389	7,335	27,169	30,669
Others	99	120	570	513
	<u>41,295</u>	<u>35,822</u>	<u>160,832</u>	<u>127,630</u>
Securities held-for-trading	3,059	5,898	17,344	22,298
Derivative financial instruments	2,568	3,350	11,274	15,730
	<u><b>46,922</b></u>	<u><b>45,070</b></u>	<u><b>189,450</b></u>	<u><b>165,658</b></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 year ended 31 July 2011.

**A19 Interest Expense**

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Jul-11 RM'000	3 months ended 31-Jul-10 RM'000	12 months ended 31-Jul-11 RM'000	12 months ended 31-Jul-10 RM'000
Deposits and placements of banks and other financial institutions	(12,497)	(9,542)	(47,307)	(30,005)
Deposits from customers	(5,319)	(3,502)	(18,595)	(12,850)
Borrowings	(4,258)	(3,843)	(16,927)	(13,274)
Others	(205)	(109)	(861)	(327)
	<u>(22,279)</u>	<u>(16,996)</u>	<u>(83,690)</u>	<u>(56,456)</u>
Derivative financial instruments	(1,890)	(2,812)	(8,651)	(12,831)
	<u><b>(24,169)</b></u>	<u><b>(19,808)</b></u>	<u><b>(92,341)</b></u>	<u><b>(69,287)</b></u>

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2011**

**A20 Other Operating Income**

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Jul-11 RM'000	3 months ended 31-Jul-10 RM'000	12 months ended 31-Jul-11 RM'000	12 months ended 31-Jul-10 RM'000
<b>Fee and commission income:</b>				
Brokerage	17,185	19,338	97,845	86,924
Unit trust management and incentive fees	12,996	10,891	49,246	39,980
Advisory and arranger fees	2,296	1,243	6,621	4,548
Underwriting commission and placement income	1,358	20	3,696	712
Rollover fees	454	733	2,239	2,822
Service charges and fees	258	183	936	850
Other fees and commission	1,782	1,818	6,495	8,841
	<u>36,329</u>	<u>34,226</u>	<u>167,078</u>	<u>144,677</u>
<b>Net gain/(loss) on securities held-for-trading:</b>				
- net gain on disposal	2,199	687	15,996	8,429
- net unrealised gain/(loss)	181	(569)	4,309	3,601
	<u>2,380</u>	<u>118</u>	<u>20,305</u>	<u>12,030</u>
<b>Net gain/(loss) on derivatives:</b>				
- net loss on disposal	(1,769)	(1,536)	(8,021)	(4,887)
- net unrealised gain/(loss)	1,651	842	10,680	(651)
	<u>(118)</u>	<u>(694)</u>	<u>2,659</u>	<u>(5,538)</u>
<b>Net gain on securities AFS:</b>				
- net gain on disposal	2,443	230	4,955	3,154
<b>Net gain on securities held-to-maturity:</b>				
- net gain on disposal	-	360	-	475
<b>Gross dividends/income distributions</b>				
- securities held-for-trading	1,204	192	2,891	2,497
- securities AFS	2,063	610	4,494	1,157
	<u>3,267</u>	<u>802</u>	<u>7,385</u>	<u>3,654</u>
<b>Other income:</b>				
Initial service charge	6,916	4,054	20,323	15,801
Net foreign exchange gain	900	601	5,110	1,466
Rental Income	515	330	2,095	758
Others	890	852	3,389	3,010
	<u>9,221</u>	<u>5,837</u>	<u>30,917</u>	<u>21,035</u>
<b>Total</b>	<u><u>53,522</u></u>	<u><u>40,879</u></u>	<u><u>233,299</u></u>	<u><u>179,487</u></u>

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2011**

**A21 Other Operating Expenses**

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	<b>3 months ended 31-Jul-11 RM'000</b>	<b>3 months ended 31-Jul-10 RM'000</b>	<b>12 months ended 31-Jul-11 RM'000</b>	<b>12 months ended 31-Jul-10 RM'000</b>
<b>Personnel costs:</b>				
- Salaries, allowances and bonus	(10,407)	(15,113)	(71,882)	(63,618)
- Contributions to a defined contribution plan	(1,346)	(2,102)	(9,117)	(8,540)
- Others	(5,878)	(4,589)	(21,735)	(14,573)
	<u>(17,631)</u>	<u>(21,804)</u>	<u>(102,734)</u>	<u>(86,731)</u>
<b>Establishment related costs:</b>				
- Depreciation	(2,143)	(1,989)	(8,335)	(8,197)
- Rental of premises	(1,199)	(1,096)	(4,806)	(4,276)
- Rental of equipment	(669)	(645)	(2,726)	(2,672)
- Repairs and maintenance of premises and equipment	(425)	(614)	(1,520)	(1,642)
- Information technology expenses	(641)	(825)	(3,205)	(2,913)
- Others	(1,173)	(1,108)	(4,430)	(4,225)
	<u>(6,250)</u>	<u>(6,277)</u>	<u>(25,022)</u>	<u>(23,925)</u>
<b>Promotion and marketing related expenses:</b>				
- Promotion and business development	(1,268)	(3,362)	(16,119)	(14,645)
- Travelling and accommodation	(217)	(215)	(743)	(654)
- Others	(2,417)	(1,845)	(7,483)	(5,275)
	<u>(3,902)</u>	<u>(5,422)</u>	<u>(24,345)</u>	<u>(20,574)</u>
<b>Administrative and general expenses:</b>				
- Professional and consultancy fees	(1,036)	(1,165)	(3,462)	(3,705)
- Communication expenses	(1,365)	(976)	(5,450)	(4,729)
- Incentives and commission	(9,024)	(6,043)	(29,203)	(23,049)
- Regulatory charges	(1,617)	(1,480)	(7,859)	(6,361)
- Others	(2,159)	(2,238)	(8,391)	(8,316)
	<u>(15,201)</u>	<u>(11,902)</u>	<u>(54,365)</u>	<u>(46,160)</u>
<b>Total</b>	<b><u>(42,984)</u></b>	<b><u>(45,405)</u></b>	<b><u>(206,466)</u></b>	<b><u>(177,390)</u></b>

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2011**

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

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Jul-11 RM'000	3 months ended 31-Jul-10 RM'000	12 months ended 31-Jul-11 RM'000	12 months ended 31-Jul-10 RM'000
Individual impairment:				
- made	(5,060)	-	(6,013)	-
- written back	5,000	-	5,023	-
	(60)	-	(990)	-
Specific allowance:				
- made	-	(1,682)	-	(9,276)
- written back	-	152	-	785
	-	(1,530)	-	(8,491)
Collective impairment:				
- made	(2,589)	-	(5,163)	-
General allowance:				
- made	-	(2,303)	-	(2,343)
Bad debts:				
- recovered	1,681	-	1,805	-
- written off	(238)	-	(1,151)	-
	<u>(1,206)</u>	<u>(3,833)</u>	<u>(5,499)</u>	<u>(10,834)</u>

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

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Jul-11 RM'000	3 months ended 31-Jul-10 RM'000	12 months ended 31-Jul-11 RM'000	12 months ended 31-Jul-10 RM'000
Individual impairment:				
- made	(76)	-	(269)	-
- written back	32	-	311	-
	(44)	-	42	-
Specific allowance				
- made	-	(1,024)	-	(1,154)
- written back	-	51	-	250
	-	(973)	-	(904)
Collective impairment:				
- written back/(made)	2	-	(24)	-
General allowance				
- written back	-	-	-	60
Bad debts:				
- recovered	213	89	850	398
- written off	-	(19)	-	(19)
	<u>171</u>	<u>(903)</u>	<u>868</u>	<u>(465)</u>

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**A24 Commitments and Contingencies**

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

	As at 31-Jul-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
<b>Contingent liabilities</b>						
Direct credit substitutes	12,500	12,500	2,500	20,000	20,000	4,000
<b>Commitments</b>						
Forward asset purchases	5,246	5,246	1,049	25,021	25,021	11,011
Commitments to extend credits with maturity of <sup>(1)</sup> :						
- up to 1 year	426,042	5,000	5,000	396,455	2,172	434
- over 1 year	27,779	17,321	5,889	18,962	10,696	2,868
	<u>459,067</u>	<u>27,567</u>	<u>11,938</u>	<u>440,438</u>	<u>37,889</u>	<u>14,313</u>
<b>Derivative financial instruments</b>						
Foreign exchange related contracts:						
- up to 1 year	956,356	28,375	15,533	215,642	1,747	1,148
- over 1 year to 5 years	280,246	30,232	7,180	280,697	21,858	9,404
Interest rate related contracts:						
- up to 1 year	1,835,000	985	212	1,715,000	1,169	538
- over 1 year to 5 years	2,713,000	15,661	5,992	4,548,000	34,832	12,301
	<u>5,784,602</u>	<u>75,253</u>	<u>28,917</u>	<u>6,759,339</u>	<u>59,606</u>	<u>23,391</u>
<b>Total</b>	<u><b>6,256,169</b></u>	<u><b>115,320</b></u>	<u><b>43,355</b></u>	<u><b>7,219,777</b></u>	<u><b>117,495</b></u>	<u><b>41,704</b></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.

<sup>(1)</sup> 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**

	<b>As at 31-Jul-11 RM'000</b>	<b>As at 31-Jul-10 RM'000</b>
Capital expenditure commitments	20,566	13,351
Non-cancellable operating lease commitments	8,095	9,435
	<b>28,661</b>	<b>22,786</b>

**A26 Capital Adequacy**

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

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

	<b>As at 31-Jul-11 RM'000</b>	<b>As at 31-Jul-10 RM'000</b>
<b><u>Tier I capital</u></b>		
Issued and fully paid share capital	500,000	500,000
Retained profits	213,905	207,984
Statutory reserve	108,377	80,132
Total Tier I capital	822,282	788,116
Less: Goodwill	(110,002)	(110,002)
Eligible Tier I capital	712,280	678,114
<b><u>Tier II capital</u></b>		
Collective impairment allowances	6,605	-
General allowance for losses on loans, advances and financing	-	5,807
Total Tier II capital	6,605	5,807
Total capital	718,885	683,921
Less: Investment in subsidiaries	(3,081)	(3,081)
Other deductions	(418)	(794)
<b>Capital base</b>	<b>715,386</b>	<b>680,046</b>
<b>Before deducting proposed dividend:</b>		
Core capital ratio	34.7%	31.6%
Risk-weighted capital ratio	34.9%	31.7%
<b>After deducting proposed dividend:</b>		
Core capital ratio	33.5%	30.7%
Risk-weighted capital ratio	33.6%	30.8%

(ii) HwangDBS Commercial Bank Plc ("HDCB")

The solvency ratio of HDCB, which is the regulatory capital adequacy ratio prescribed by the National Bank of Cambodia, is computed based on the net worth of HDCB divided by its risk-weighted assets and items not recognised in the statement of financial position. The solvency ratio of HDCB is as follows:

	<b>As at 31-Jul-11</b>	<b>As at 31-Jul-10</b>
Solvency ratio	94.1%	57.7%

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**A27 Segmental Information**

The Group is organised into the following operating segments:

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

The segmental information are as follows:

	Stock- broking RM'000	Investment banking RM'000	Commercial banking RM'000	Investment manage- ment RM'000	Money- lending RM'000	Others RM'000	Inter- segment elimination RM'000	Group RM'000
<b>12 months ended 31 July 2011</b>								
<b>Revenue</b>								
External revenue *	140,109	114,615	4,513	71,408	57,597	11,091	-	399,333
Inter-segment revenue	-	1,793	-	44	-	35,568	(37,405)	-
<b>Total revenue</b>	<b>140,109</b>	<b>116,408</b>	<b>4,513</b>	<b>71,452</b>	<b>57,597</b>	<b>46,659</b>	<b>(37,405)</b>	<b>399,333</b>
Net interest income/(expense)	26,474	30,381	3,864	803	44,927	(9,340)	-	97,109
Other operating income	114,253	24,509	396	72,431	6,742	50,698	(35,730)	233,299
	140,727	54,890	4,260	73,234	51,669	41,358	(35,730)	330,408
Other operating expenses	(104,250)	(21,559)	(4,472)	(60,165)	(4,873)	(19,231)	8,084	(206,466)
	36,477	33,331	(212)	13,069	46,796	22,127	(27,646)	123,942
(Allowance)/Write back of allowance for losses on:								
- loans, advances and financing	85	4,176	(542)	-	(9,027)	-	(191)	(5,499)
- clients' balances and receivables	705	163	-	-	-	(8)	8	868
<b>Segment profit/(loss)</b>	<b>37,267</b>	<b>37,670</b>	<b>(754)</b>	<b>13,069</b>	<b>37,769</b>	<b>22,119</b>	<b>(27,829)</b>	<b>119,311</b>
Share of results of an associate, net of tax								340
<b>Profit before taxation</b>								<b>119,651</b>
<b>12 months ended 31 July 2010</b>								
<b>Revenue</b>								
External revenue *	113,386	106,119	3,492	56,783	58,021	9,141	-	346,942
Inter-segment revenue	-	1,701	-	41	-	33,139	(34,881)	-
<b>Total revenue</b>	<b>113,386</b>	<b>107,820</b>	<b>3,492</b>	<b>56,824</b>	<b>58,021</b>	<b>42,280</b>	<b>(34,881)</b>	<b>346,942</b>
Net interest income/(expense)	17,953	37,600	1,568	461	45,933	(7,144)	-	96,371
Other operating income	96,511	7,883	185	57,740	6,703	43,001	(32,536)	179,487
	114,464	45,483	1,753	58,201	52,636	35,857	(32,536)	275,858
Other operating expenses	(90,158)	(15,835)	(4,092)	(47,404)	(9,074)	(18,340)	7,513	(177,390)
	24,306	29,648	(2,339)	10,797	43,562	17,517	(25,023)	98,468
Allowance for losses on:								
- loans, advances and financing	(2,638)	(3,098)	(129)	-	(4,931)	-	(38)	(10,834)
- clients' balances and receivables	(339)	(126)	-	-	-	(23)	23	(465)
- securities AFS	-	-	-	-	(650)	-	-	(650)
<b>Segment profit/(loss)</b>	<b>21,329</b>	<b>26,424</b>	<b>(2,468)</b>	<b>10,797</b>	<b>37,981</b>	<b>17,494</b>	<b>(25,038)</b>	<b>86,519</b>
Share of results of an associate, net of tax								(777)
<b>Profit before taxation</b>								<b>85,742</b>

\* 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 year ended 31 July 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 year 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) On 19 October 2010, HwangDBS Commercial Bank Plc ("HDCB"), a wholly-owned subsidiary of the Company, increased its issued and paid-up capital from USD30 million to USD37.5 million, by way of issue of 7.5 million ordinary shares of USD 1 each, for purpose of meeting the minimum capital requirement as prescribed by the National Bank of Cambodia ("NBC") following approval from the NBC and the Ministry of Commerce, Cambodia ("MOC"). Subsequently, the NBC and the MOC have approved a further increase of USD2,500,000 in the registered capital of 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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**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's operating revenue increased by 15% to RM399.3 million for the financial year ended 31 July 2011 compared to RM346.9 million in the previous corresponding year. The higher operating revenue is mainly attributed to increase in other operating income by 30% to RM233.3 million (2010: RM179.5 million). The improvement in other operating income of the Group is mainly driven by higher brokerage from its stockbroking activities coupled with higher fee and net interest income, net realised gain from sales of securities and net unrealised gain from the securities and derivatives portfolio of the investment banking division. The Group also recorded increase in management and incentive fees and higher initial service charge from increase in sales of unit trusts by the Group's fund and asset management subsidiary.

The investment bank subsidiary remains the key revenue contributor accounting for 64% (2010: 64%) of the Group's revenue followed by the fund and asset management and moneylending subsidiaries contributing 18% (2010: 16%) and 14% (2010: 17%) respectively. Revenue contributions from other subsidiaries accounted for the remaining 4% (2010: 3%).

The Group's pretax profit for the financial year under review recorded a commendable increase of 40% to RM119.7 million compared to RM85.7 million in the previous financial year with a corresponding increase in profit after taxation to RM91.5 million compared to RM64.4 million in the previous financial year, giving rise to higher earnings per share of 33.95 sen (2010: 23.86 sen) and return on equity of 10.5% (2010: 8.0%).

As at the end of the financial year, total assets of the Group grew to RM4.26 billion with shareholders' funds of RM870.7 million. Net assets per share of the Group increased from RM3.17 per share to RM3.41 per share. The Group's impaired loans remain stable at 2.6%.

On a quarter-to-quarter basis, the Group's operating revenue increased by 8% from RM88.7 million to RM95.6 million, mainly due to higher contributions from the investment banking, fund and asset management businesses. The higher pre-tax profit achieved in quarter 4 of the current financial year of RM32.4 million compared to RM15.9 million in the previous corresponding quarter is mainly attributable to net realised gain on securities held-for-trading by the investment banking division, higher gross dividends and income distributions coupled with higher fee income in the current quarter.

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 financial year from 31 July 2011 to the date of issue of this announcement.

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

The Group registered a pre-tax profit of RM32.4 million in the current quarter under review compared with a pretax profit from RM24.4 million in the third quarter. The higher quarterly pretax profit is mainly attributable to net unrealised gain arising from marked-to-market valuation of the investment banking division's securities portfolio, net gain on disposal of securities available-for-sale coupled with higher fee income in the current quarter compared to the preceding quarter.

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**B3 Commentary**

**(a) Current Year's Prospects**

The Group takes cognizance of the softening of the global economy arising from the contagion effects of the US credit ratings downgrade that could derail the already fragile recovery of the US economy. This coupled with Eurozone debts crisis, geopolitical tensions as well as escalating inflationary pressure, could bring uncertainties to the domestic economic outlook with adverse effect on export orientated activities.

However, the Malaysian economy is expected to remain resilient with the Government's implementation of upcoming mega infrastructure projects under the Government's Economic Transformation Program (ETP) and the 10th Malaysian Plan (10MP). These are expected to spur the local domestic activities whilst the current inflation level and interest rate policy are expected to remain supportive of business expansions and consumer spending, albeit at a more cautious pace.

Local stock market activities are expected to be volatile with higher risk aversion and cautious investors' sentiments. Operating in a highly competitive and liberalised industry environment, the Group's stockbroking division's performance is also vulnerable to external developments and its profitability is highly dependent on market sentiments and volume in the local bourse.

The investment banking division is systematically identifying and pitching corporate finance, fund raising and M & A ideas to companies in Malaysia in a range of industry sectors. Such efforts have yielded tangible results to-date, and to develop further opportunities, the investment banking division will continue to enhance its capital markets distribution capabilities as well as its human capital. It will focus on increasing its fee-based and money market activities and prudently grow its loans and deposits portfolio to support its investment banking business. The Group will tap opportunities in the financial markets to strengthen its market position and develop its investment banking business.

The growth in the Group's commercial banking business will be driven by expansion of its loans and deposits portfolios whilst the consumer financing activities will continue to contribute to the Group's profitability amidst a challenging operating environment.

The fund and asset management subsidiary will progressively build on its assets under management fund size with expected launching of more unit trust funds while striving to further add on its various awards achievements as a major player in the industry.

The Board of Directors is confident that the Group is well-positioned to face the challenges ahead, and barring unforeseen circumstances, expects the Group's performance for the financial year ending 31 July 2012 to be satisfactory.

**(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 year ended 31 July 2011 are as follows:

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Jul-11 RM'000	3 months ended 31-Jul-10 RM'000	12 months ended 31-Jul-11 RM'000	12 months ended 31-Jul-10 RM'000
In respect of the current financial year:				
Malaysian income tax	(4,960)	(5,418)	(32,776)	(31,332)
Foreign income tax	(15)	(8)	(45)	(35)
Deferred tax	(1,550)	1,323	4,265	7,998
	<u>(6,525)</u>	<u>(4,103)</u>	<u>(28,556)</u>	<u>(23,369)</u>
In respect of prior financial years:				
Malaysian income tax	-	(1)	338	4,765
Foreign income tax	(1)	-	(1)	-
Tax credit	-	1,911	-	1,911
Deferred tax	37	7	32	(4,615)
	<u>36</u>	<u>1,917</u>	<u>369</u>	<u>2,061</u>
	<u><b>(6,489)</b></u>	<u><b>(2,186)</b></u>	<u><b>(28,187)</b></u>	<u><b>(21,308)</b></u>

The effective tax rate for the current quarter and financial year ended 31 July 2011 is lower than the statutory tax rate mainly due to capital gains and certain income, which are not subject to tax, partially offset by certain expenses which are not deductible for tax purposes.

**B7 Sale of Unquoted Investments and/or Properties**

There are no disposal of unquoted investments and properties for the current quarter and financial year ended 31 July 2011 other than in the ordinary course of business.

**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 31-Jul-11 RM'000	Financial year ended 31-Jul-11 RM'000
(i) Total Purchase Consideration	<u>1,371</u>	<u>13,358</u>
(ii) Total Sales Proceeds	<u>19,234</u>	<u>34,108</u>
(iii) Total Profit on Disposal	<u>2,529</u>	<u>5,563</u>

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

	RM'000
(i) At Cost	<u>784</u>
(ii) At Book Value	<u>766</u>
(iii) At Market Value	<u>766</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**

	<b>As at 31-Jul-11 RM'000</b>
Total retained profits of the Company and its subsidiaries:	
- realised	491,858
- unrealised	10,961
	<u>502,819</u>
Total share of accumulated losses of associate:	
- realised	<u>(1,314)</u>
	501,505
Consolidation adjustments	(8,544)
Total Group retained profits	<u><u><b>492,961</b></u></u>

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

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**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-Jul-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	940	(4,598)	584	(733)
- currency swaps	4,981	(742)	346	(27)
- currency options	1	(1)	-	-
- cross currency interest rate swaps	14,912	(13,817)	278	(5,239)
Interest rate related contracts:				
- futures contracts	219	(15,487)	186	(23,237)
- interest rate swaps	5,900	(9,075)	12,903	(15,990)
	26,953	(43,720)	14,297	(45,226)
Less:				
Fair value of futures contracts included in other assets	(219)	15,487	(186)	23,237
	<b>26,734</b>	<b>(28,233)</b>	<b>14,111</b>	<b>(21,989)</b>

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

	Current quarter ended 31-Jul-11 RM'000	Financial year ended 31-Jul-11 RM'000
Net unrealised gain/(loss) arising from fair value changes:		
Derivative liabilities	(814)	1,506

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 financial year ended 31 July 2011 represents reversal of unrealised loss upon maturity of futures contracts, offset by 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. In contrast, the unrealised loss for the current quarter is mainly due to the relatively unfavourable movements in market interest rates and/or foreign exchange rates affecting the fair value of derivative liabilities compared to the previous financial quarter ended 30 April 2011.

- (c) The principal amount and fair value of derivatives held by the Group at 31 July 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
<b>(a) Principal amount</b>					
<b>Foreign exchange related contracts</b>					
- currency forwards	-	366,915	-	-	366,915
- currency swaps	-	460,319	-	-	460,319
- currency options	-	1,682	-	-	1,682
- cross currency interest rate swaps	-	127,440	214,230	66,016	407,686
<b>Interest rate related contracts</b>					
- futures contracts	2,445	1,620,000	1,760,000	-	3,380,000
- interest rate swaps	-	215,000	953,000	-	1,168,000
	<b>2,445</b>	<b>2,791,356</b>	<b>2,927,230</b>	<b>66,016</b>	<b>5,784,602</b>

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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 July 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>(b) Fair value</b>				
<b>Foreign exchange related contracts</b>				
- currency forwards	(3,658)	-	-	(3,658)
- currency swaps	4,239	-	-	4,239
- currency options	-	-	-	-
- cross currency interest rate swaps	8,199	(234)	(6,870)	1,095
<b>Interest rate related contracts</b>				
- futures contracts	(7,769)	(7,499)	-	(15,268)
- interest rate swaps	287	(3,462)	-	(3,175)
	<b>1,298</b>	<b>(11,195)</b>	<b>(6,870)</b>	<b>(16,767)</b>

- (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 RM27.0 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 RM442.4 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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(Company no. 238969-K)

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JULY 2011**

**B15 Earnings Per Share Attributable to Equity Holders of the Company**

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	<b>3 months ended</b>	<b>3 months ended</b>	<b>12 months ended</b>	<b>12 months ended</b>
	<b>31-Jul-11</b>	<b>31-Jul-10</b>	<b>31-Jul-11</b>	<b>31-Jul-10</b>
Profit for the financial year attributable to equity holders of the Company (RM'000)	24,444	12,762	86,614	60,874
Weighted average number of ordinary shares in issue ('000)	255,159	255,161	255,159	255,164
<b>Basic earnings per share (sen)</b>	<b>9.58</b>	<b>5.00</b>	<b>33.95</b>	<b>23.86</b>

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

**By Order of the Board**

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

**Penang**  
**27 September 2011**