

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

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

	Note	As at 31-Jan-12 RM'000	As at 31-Jul-11 RM'000
Assets			
Cash and short term funds		993,962	885,629
Deposits and placements with banks and other financial institutions		11,952	179,812
Securities held-for-trading	A8	262,143	338,425
Securities available-for-sale ("AFS")	A9	1,247,337	1,193,899
Securities held-to-maturity	A10	394,273	388,335
Loans, advances and financing	A11	627,318	679,780
Clients' and brokers' balances	A12	274,200	168,102
Derivative assets	B10	30,610	26,734
Other assets	A13	44,331	39,307
Statutory deposits with Central Banks		76,286	68,204
Tax recoverable		10,300	6,543
Deferred tax assets		8,780	10,497
Investment in an associate		3,418	3,624
Property, plant and equipment		52,378	53,878
Investment properties		52,717	52,839
Intangible assets		162,509	162,509
Total assets		<u>4,252,514</u>	<u>4,258,117</u>
Liabilities			
Deposits from customers	A14	813,706	820,043
Deposits and placements of banks and other financial institutions	A15	1,516,254	1,581,036
Clients' and brokers' balances		265,998	186,725
Derivative liabilities	B10	26,699	28,233
Other liabilities	A16	354,766	369,463
Taxation		1,998	5,361
Deferred tax liabilities		292	426
Borrowings	A17	358,757	377,349
Total liabilities		<u>3,338,470</u>	<u>3,368,636</u>
Equity			
Share capital		265,845	265,845
Reserves		644,456	620,890
Treasury shares, at cost		<u>(16,061)</u>	<u>(16,061)</u>
		894,240	870,674
Non-controlling interests		<u>19,804</u>	<u>18,807</u>
Total equity		<u>914,044</u>	<u>889,481</u>
Total liabilities and equity		<u>4,252,514</u>	<u>4,258,117</u>
Net assets per share attributable to equity holders of the Company (RM)			
		<u>3.50</u>	<u>3.41</u>

The condensed financial statements should be read in conjunction with the most recent audited financial statements for the financial year ended 31 July 2011.

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED INCOME STATEMENT
FOR THE FINANCIAL PERIOD ENDED 31 JANUARY 2012

	Note	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
		3 months ended 31-Jan-12 RM'000	3 months ended 31-Jan-11 RM'000	6 months ended 31-Jan-12 RM'000	6 months ended 31-Jan-11 RM'000
Operating revenue		<u>91,540</u>	<u>109,608</u>	<u>174,972</u>	<u>205,974</u>
Interest income	A18	45,507	47,616	90,923	95,596
Interest expense	A19	<u>(25,074)</u>	<u>(23,383)</u>	<u>(49,419)</u>	<u>(46,154)</u>
Net interest income		<u>20,433</u>	<u>24,233</u>	<u>41,504</u>	<u>49,442</u>
Other operating income	A20	<u>52,244</u>	<u>70,396</u>	<u>102,705</u>	<u>125,570</u>
		72,677	94,629	144,209	175,012
Other operating expenses	A21	<u>(50,499)</u>	<u>(59,824)</u>	<u>(99,620)</u>	<u>(108,877)</u>
		22,178	34,805	44,589	66,135
Write back of allowance/(allowance) for losses on:					
- loans, advances and financing	A22	989	(2,391)	(121)	(3,896)
- clients' balances and receivables	A23	210	275	379	505
		<u>23,377</u>	<u>32,689</u>	<u>44,847</u>	<u>62,744</u>
Share of results of an associate, net of tax		77	91	(207)	109
Profit before taxation		<u>23,454</u>	<u>32,780</u>	<u>44,640</u>	<u>62,853</u>
Taxation	B6	<u>(6,054)</u>	<u>(8,212)</u>	<u>(11,660)</u>	<u>(15,720)</u>
Profit for the financial period		<u>17,400</u>	<u>24,568</u>	<u>32,980</u>	<u>47,133</u>
Attributable to:					
Equity holders of the Company		15,626	23,176	29,811	44,670
Non-controlling interests		<u>1,774</u>	<u>1,392</u>	<u>3,169</u>	<u>2,463</u>
		<u>17,400</u>	<u>24,568</u>	<u>32,980</u>	<u>47,133</u>
Earnings per share attributable to equity holders of the Company (sen)					
- Basic	B13	<u>6.12</u>	<u>9.08</u>	<u>11.68</u>	<u>17.51</u>

The condensed financial statements should be read in conjunction with the most recent audited financial statements for the financial year ended 31 July 2011.

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

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

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Jan-12 RM'000	3 months ended 31-Jan-11 RM'000	6 months ended 31-Jan-12 RM'000	6 months ended 31-Jan-11 RM'000
Profit for the financial period	17,400	24,568	32,980	47,133
Other comprehensive income for the financial period:				
Currency translation differences arising from foreign operations	(843)	(1,804)	2,863	(4,364)
Securities AFS:				
- net change in fair value	6,953	218	3,919	1,796
- net gain transferred to income statement on disposal	(3,281)	(996)	(3,304)	(1,648)
Income tax relating to components of other comprehensive income	(935)	276	(155)	268
	<u>1,894</u>	<u>(2,306)</u>	<u>3,323</u>	<u>(3,948)</u>
Total comprehensive income for the financial period	<u>19,294</u>	<u>22,262</u>	<u>36,303</u>	<u>43,185</u>
Attributable to:				
Equity holders of the Company	17,520	20,870	33,134	40,722
Non-controlling interests	1,774	1,392	3,169	2,463
	<u>19,294</u>	<u>22,262</u>	<u>36,303</u>	<u>43,185</u>

The condensed financial statements should be read in conjunction with the most recent audited financial statements for the financial year ended 31 July 2011.

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

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

	Attributable to Equity Holders of the Company										
	Issued and fully paid ordinary shares of RM1 each			Non-distributable				Distributable		Non- controlling interests	Total equity
	Number of shares '000	Nominal value RM'000	Treasury shares RM'000	Share premium RM'000	Statutory reserve RM'000	AFS reserve RM'000	Foreign exchange reserve RM'000	Retained profits RM'000	Sub-total RM'000		
At 1 August 2011	255,159	265,845	(16,061)	33,090	108,377	3,946	(17,484)	492,961	870,674	18,807	889,481
Profit for the financial period	-	-	-	-	-	-	-	29,811	29,811	3,169	32,980
Other comprehensive income for the financial period, net of tax	-	-	-	-	-	460	2,863	-	3,323	-	3,323
Total comprehensive income for the financial period	-	-	-	-	-	460	2,863	29,811	33,134	3,169	36,303
Final dividend for the financial year ended 31 July 2011	-	-	-	-	-	-	-	(9,568)	(9,568)	-	(9,568)
Dividend paid by a subsidiary to non-controlling interests	-	-	-	-	-	-	-	-	-	(2,172)	(2,172)
At 31 January 2012	255,159	265,845	(16,061)	33,090	108,377	4,406	(14,621)	513,204	894,240	19,804	914,044
At 1 August 2010	255,159	265,845	(16,061)	33,090	80,132	2,912	(9,526)	453,729	810,121	15,719	825,840
Profit for the financial period	-	-	-	-	-	-	-	44,670	44,670	2,463	47,133
Other comprehensive income for the financial period, net of tax	-	-	-	-	-	416	(4,364)	-	(3,948)	-	(3,948)
Total comprehensive income for the financial period	-	-	-	-	-	416	(4,364)	44,670	40,722	2,463	43,185
Final dividend for the financial year ended 31 July 2010	-	-	-	-	-	-	-	(9,568)	(9,568)	-	(9,568)
Dividend paid by a subsidiary to non-controlling interests	-	-	-	-	-	-	-	-	-	(1,763)	(1,763)
At 31 January 2011	255,159	265,845	(16,061)	33,090	80,132	3,328	(13,890)	488,831	841,275	16,419	857,694

The condensed financial statements should be read in conjunction with the most recent audited financial statements for the financial year ended 31 July 2011.

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

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

	6 months ended 31-Jan-12 RM'000	6 months ended 31-Jan-11 RM'000
Operating activities		
Profit for the financial period	32,980	47,133
Adjustments for:		
Non-cash items	38,748	47,218
Non-operating items - investing	(41,647)	(29,495)
Non-operating items - financing	8,409	8,626
	38,490	73,482
Changes in working capital:		
Net changes in operating assets	187,365	(293,304)
Net changes in operating liabilities	(13,135)	406,105
	212,720	186,283
Interest paid	(40,424)	(36,894)
Taxation paid	(17,331)	(5,924)
Net operating cash flow	154,965	143,465
Investing activities		
Net purchase of securities	(49,095)	(240,499)
Interest received from securities	32,946	22,393
Dividends and income distributions received	3,694	2,530
Rental received	640	640
Purchase of other investments	(61)	(16)
Proceeds from disposal of other investments	3	7
Property, plant and equipment		
- purchases	(2,162)	(4,818)
- proceeds from disposals	98	344
Net investing cash flow	(13,937)	(219,419)
Financing activities		
Dividend paid	(9,568)	(9,568)
Dividend paid by a subsidiary to non-controlling interests	(2,172)	(1,763)
Interest paid	(6,801)	(6,472)
Net repayment of borrowings	(20,200)	(8,300)
Net financing cash flow	(38,741)	(26,103)
Net change in cash and cash equivalents	102,287	(102,057)
Foreign exchange differences	366	(3,383)
Cash and cash equivalents at beginning of the financial period	580,880	862,364
Cash and cash equivalents at end of the financial period	683,533	756,924
Cash and cash equivalents at end of the financial period comprise:		
Cash and short term funds	683,533	756,924

The condensed financial statements should be read in conjunction with the most recent audited financial statements for the financial year ended 31 July 2011.

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

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

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

A1 Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with Financial Reporting Standard ("FRS") 134 on "Interim Financial Reporting" and Chapter 9, Part K of the Bursa Malaysia Securities Berhad Main Market Listing Requirements. The interim financial report should be read in conjunction with the most recent audited financial statements for the financial year ended 31 July 2011. The explanatory notes provide an explanation of events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 31 July 2011.

The accounting policies and methods of computation adopted for this interim financial report are consistent with those adopted in the annual financial statements for the financial year ended 31 July 2011 except for the adoption of the following new/revised Financial Reporting Standards and Interpretations ("FRSs") that are effective for the Group for the financial year ending 31 July 2012:

<u>FRS</u>	<u>Description</u>
Amendments to FRS 3	Business Combinations
Amendments to FRS 7	Financial Instruments: Disclosures
Amendments to FRS 101	Presentation of Financial Statements
Amendments to FRS 128	Investments in Associates
Amendments to FRS 132	Financial Instruments: Presentation
Amendments to FRS 134	Interim Financial Reporting
Amendments to FRS 139	Financial Instruments: Recognition and Measurement
IC Interpretation 4	Determining whether an Arrangement contains a Lease
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments

The adoption of the above FRSs does not give rise to any material financial effects to the Group.

A2 Auditors' Report

The auditors' report of the most recent annual financial statements of the Group for the financial year ended 31 July 2011 was not subject to any qualification.

A3 Seasonal or Cyclical Factors

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

A4 Exceptional Items

There are no exceptional items for the current quarter and financial period ended 31 January 2012 except for an insurance receipt of RM2.4 million in the first quarter of the financial year arising from claim for losses sustained by the investment banking subsidiary in a prior financial year over an incident of unauthorised sale of shares by a former remisier's assistant.

A5 Changes in Estimates

There are no material changes in accounting estimates used in the preparation of the interim financial report for the current quarter and financial period ended 31 January 2012 as compared with the prior financial year.

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

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

A6 Debts and Equity Securities

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

A7 Dividends

A final dividend of 5.0 sen per ordinary share, less 25% income tax, amounting to RM9,568,461 in respect of the previous financial year ended 31 July 2011 was paid on 20 December 2011.

The Board of Directors has declared an interim dividend of 5.0 sen per ordinary share, less 25% income tax, amounting to RM9,568,459 based on the issued and paid-up share capital of the Company as at 31 January 2012, in respect of the current financial year ending 31 July 2012. (Previous financial year ended 31 July 2011: Interim dividend of 5.0 sen was declared).

NOTICE IS HEREBY GIVEN THAT an interim dividend of 5.0 sen per ordinary share, less 25% income tax will be payable to shareholders of the Company registered in the Record of Depositors at the close of business on 16 April 2012. The said dividend will be paid on 8 May 2012.

A depositor shall qualify for entitlement only in respect of:

- (a) shares transferred into the depositor's securities account before 4.00 pm on 16 April 2012 in respect of ordinary transfers; and
- (b) shares bought on Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the Rules of Bursa Securities.

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

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

A8 Securities Held-For-Trading

	As at 31-Jan-12 RM'000	As at 31-Jul-11 RM'000
At fair value		
Quoted in Malaysia:		
Shares, warrants and REITs	21,802	25,898
Unit trusts	12,995	14,032
	34,797	39,930
Unquoted:		
Bankers' acceptances	-	144,445
Malaysian Government Securities	92,647	-
BNM Monetary Notes	-	51,869
Private debt securities	134,699	102,181
	262,143	338,425

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

	As at 31-Jan-12 RM'000	As at 31-Jul-11 RM'000
At fair value		
Quoted in Malaysia:		
Shares, warrants and REITs	8,354	5,089
Unit trusts	167,114	151,806
	175,468	156,895
Unquoted:		
Malaysian Government Sukuk	6,428	6,291
Malaysian Government Islamic Investment Issues	321,207	212,767
BNM Islamic Investment Issues	55,782	-
BNM Islamic Monetary Notes	-	98,894
Private and Islamic debt securities	683,092	713,769
Investment fund	4,870	4,793
At cost		
Unquoted:		
Shares	1,140	1,140
	1,247,987	1,194,549
Accumulated impairment loss	(650)	(650)
	1,247,337	1,193,899

Included in the securities AFS are investments in unit trust funds managed by a subsidiary, Hwang Investment Management Berhad (formerly known as HwangDBS Investment Management Berhad) at a carrying amount of RM120.6 million as at the end of the reporting period (At 31 July 2011: RM120.4 million).

A10 Securities Held-To-Maturity

	As at 31-Jan-12 RM'000	As at 31-Jul-11 RM'000
At amortised cost		
Unquoted		
Private and Islamic debt securities	394,273	388,335
	394,273	388,335

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

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

A11 Loans, Advances and Financing

	As at 31-Jan-12 RM'000	As at 31-Jul-11 RM'000
(a) By Type		
Term loans		
- housing loans	10,932	7,975
- bridging loans	3,550	3,550
- syndicated term loans	84,805	122,742
- other term loans	458,394	450,568
Overdrafts	3,763	1,999
Share margin financing	220,481	253,631
Staff loans	276	-
Other financing	70	52
	<u>782,271</u>	<u>840,517</u>
Unearned interest	<u>(133,440)</u>	<u>(137,922)</u>
	648,831	702,595
Allowance for losses:		
- collective impairment	(10,706)	(12,393)
- individual impairment	(10,807)	(10,422)
Net loans, advances and financing	<u>627,318</u>	<u>679,780</u>
(b) By Type of Customer		
Domestic business enterprises		
- others	199,542	252,550
Individuals	247,957	243,189
Other domestic entities	132,977	156,734
Foreign business enterprises	9,012	8,782
Foreign individuals	59,343	41,340
	<u>648,831</u>	<u>702,595</u>
(c) By Geographical Distribution		
Malaysia	580,790	652,844
Cambodia	58,692	41,477
Hong Kong	7,500	7,841
Singapore	794	237
Other countries	1,055	196
	<u>648,831</u>	<u>702,595</u>
(d) By Interest Rate Sensitivity		
Fixed rate		
- other fixed rate loans/financing	529,519	548,289
- housing loans	10,932	7,975
Variable rate		
- base-lending rate plus	-	30,170
- cost-plus	108,380	116,161
	<u>648,831</u>	<u>702,595</u>

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

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

A11 Loans, Advances and Financing (cont'd)

	As at 31-Jan-12 RM'000	As at 31-Jul-11 RM'000
(e) By Purpose		
Purchase of landed properties		
- residential	10,324	6,990
- non-residential	8,050	4,491
Construction	6,956	6,145
Real estates	2,462	1,515
Purchase of securities	290,780	346,506
Working capital	82,052	68,372
Personal use	185,831	189,178
Others	62,376	79,398
	<u>648,831</u>	<u>702,595</u>
(f) By Residual Contractual Maturity		
Within 1 year	311,384	376,166
1 year to 3 years	48,622	58,188
3 years to 5 years	46,865	23,631
Over 5 years	241,960	244,610
	<u>648,831</u>	<u>702,595</u>
(g) Impaired Loans, Advances and Financing by Purpose		
Purchase of landed properties		
- residential	171	18
Real estate	554	278
Purchase of securities	1,636	1,636
Working capital	7,709	7,280
Personal use	6,702	9,189
Others	7	-
	<u>16,779</u>	<u>18,401</u>
(h) Impaired Loans, Advances and Financing by Geographical Distribution		
Malaysia	14,713	17,375
Cambodia	2,066	1,026
	<u>16,779</u>	<u>18,401</u>
(i) Movements in Impaired Loans, Advances and Financing		
At beginning of the financial period	18,401	15,131
Classified as impaired	14,788	32,405
Reclassified as non-impaired	(12,549)	(18,871)
Amount recovered	(1,117)	(7,150)
Amount written off	(2,770)	(3,114)
Exchange differences	26	-
At end of the financial period	<u>16,779</u>	<u>18,401</u>
Gross impaired loans, advances and financing as a % of gross loans, advances and financing	<u>2.6%</u>	<u>2.6%</u>

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

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

A11 Loans, Advances and Financing (cont'd)

	As at 31-Jan-12 RM'000	As at 31-Jul-11 RM'000
(j) Movements in Allowance for Losses		
<u>Collective Impairment</u>		
At beginning of the financial period	12,393	9,217
Net allowance made	812	5,163
Amount written off	(2,510)	(1,963)
Exchange differences	11	(24)
At end of the financial period	10,706	12,393
As a % of gross loans, advances and financing less individual impairment allowance	1.7%	1.8%
 <u>Individual Impairment</u>		
At beginning of the financial period	10,422	9,440
Allowance made	432	6,013
Amount written back	(52)	(5,023)
Exchange differences	5	(8)
At end of the financial period	10,807	10,422

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

A12 Clients' and Brokers' Balances

	As at 31-Jan-12 RM'000	As at 31-Jul-11 RM'000
Clients' and brokers' balances, net of allowances for impairment of RM549,000 (At 31 July 2011: RM740,000)	<u>274,200</u>	<u>168,102</u>

A13 Other Assets

	As at 31-Jan-12 RM'000	As at 31-Jul-11 RM'000
Trade receivables, net of allowances for impairment of RM253,000 (At 31 July 2011: RM341,000)	20,251	8,620
Statutory deposit	150	150
Clearing Guarantee Fund	2,030	2,002
Clearing Fund	1,000	1,000
Other receivables, deposits and prepayments	17,895	24,590
Other investments	3,005	2,945
	<u>44,331</u>	<u>39,307</u>

A14 Deposits from Customers

	As at 31-Jan-12 RM'000	As at 31-Jul-11 RM'000
(a) By Type of Deposit		
Demand deposits	3,189	6,913
Savings deposits	4,157	2,120
Fixed deposits	796,304	805,521
Negotiable instruments of deposits	5,588	3,873
Other deposits	4,468	1,616
	<u>813,706</u>	<u>820,043</u>
(b) By Type of Customer		
Government and statutory bodies	140,187	140,389
Business enterprises	607,412	628,402
Individuals	62,064	47,296
Others	4,043	3,956
	<u>813,706</u>	<u>820,043</u>
(c) By Maturity Structure of Term Deposits		
Within 6 months	795,757	804,721
6 months to 1 year	10,603	6,289
	<u>806,360</u>	<u>811,010</u>

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

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

A15 Deposits and Placements of Banks and Other Financial Institutions

	As at 31-Jan-12 RM'000	As at 31-Jul-11 RM'000
Licensed banks	123,152	88,604
Licensed investment banks	16,713	16,276
Other financial institutions	1,376,389	1,476,156
	<u>1,516,254</u>	<u>1,581,036</u>

A16 Other Liabilities

	As at 31-Jan-12 RM'000	As at 31-Jul-11 RM'000
Trade payables	34,208	45,175
Amounts due to clients and dealer's representatives	270,149	259,432
Other payables and accruals	50,409	64,856
	<u>354,766</u>	<u>369,463</u>

A17 Borrowings

(a) Total borrowings of the Group of RM358.8 million as at 31 January 2012 are unsecured of which RM138.3 million revolving credit lines are covered by corporate guarantees issued by the Company for a subsidiary.

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

	As at 31-Jan-12 RM'000	As at 31-Jul-11 RM'000
Short term borrowings		
Revolving credits	358,757	377,349
Long term borrowings	-	-
Total borrowings	<u>358,757</u>	<u>377,349</u>

(c) All borrowings are denominated in Ringgit Malaysia.

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A18 Interest Income

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Jan-12 RM'000	3 months ended 31-Jan-11 RM'000	6 months ended 31-Jan-12 RM'000	6 months ended 31-Jan-11 RM'000
Loans, advances and financing	17,965	19,531	36,681	41,128
Money at call and deposit placements with financial institutions	4,588	7,524	9,671	13,748
Securities AFS	11,720	5,591	22,315	10,862
Securities held-to-maturity	6,591	6,962	13,114	13,961
Others	102	165	191	292
	<u>40,966</u>	<u>39,773</u>	<u>81,972</u>	<u>79,991</u>
Securities held-for-trading	2,113	4,889	4,096	9,686
Derivative financial instruments	2,428	2,954	4,855	5,919
	<u>45,507</u>	<u>47,616</u>	<u>90,923</u>	<u>95,596</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 31 January 2012.

A19 Interest Expense

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Jan-12 RM'000	3 months ended 31-Jan-11 RM'000	6 months ended 31-Jan-12 RM'000	6 months ended 31-Jan-11 RM'000
Deposits and placements of banks and other financial institutions	(12,254)	(11,768)	(23,966)	(23,263)
Deposits from customers	(7,000)	(4,741)	(13,428)	(9,069)
Borrowings	(4,053)	(4,333)	(8,409)	(8,626)
Others	(154)	(241)	(336)	(452)
	<u>(23,461)</u>	<u>(21,083)</u>	<u>(46,139)</u>	<u>(41,410)</u>
Derivative financial instruments	(1,613)	(2,300)	(3,280)	(4,744)
	<u>(25,074)</u>	<u>(23,383)</u>	<u>(49,419)</u>	<u>(46,154)</u>

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A20 Other Operating Income

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Jan-12 RM'000	3 months ended 31-Jan-11 RM'000	6 months ended 31-Jan-12 RM'000	6 months ended 31-Jan-11 RM'000
Fee and commission income:				
Brokerage	14,423	31,090	31,855	55,124
Unit trust management and incentive fees	14,869	14,148	28,422	24,666
Advisory and arranger fees	604	2,214	1,024	3,432
Underwriting commission and placement income	46	1,708	136	1,907
Rollover fees	638	432	1,356	1,118
Service charges and fees	244	249	485	473
Other fees and commission	1,132	1,154	2,421	3,467
	<u>31,956</u>	<u>50,995</u>	<u>65,699</u>	<u>90,187</u>
Net gain on securities held-for-trading:				
- net gain on disposal	5,800	5,830	7,761	7,362
- net unrealised gain	2,891	1,758	4,609	6,497
	<u>8,691</u>	<u>7,588</u>	<u>12,370</u>	<u>13,859</u>
Net gain/(loss) on derivatives:				
- net loss on disposal	(1,615)	(1,916)	(3,245)	(3,956)
- net unrealised gain	4,495	4,832	4,273	7,390
	<u>2,880</u>	<u>2,916</u>	<u>1,028</u>	<u>3,434</u>
Net gain on securities AFS:				
- net gain on disposal	2,711	984	2,745	1,854
Gross dividends/income distributions				
- securities held-for-trading	150	218	899	960
- securities AFS	878	864	2,171	1,509
	<u>1,028</u>	<u>1,082</u>	<u>3,070</u>	<u>2,469</u>
Other income:				
Initial service charge	5,873	3,976	11,809	8,053
Net foreign exchange gain/(loss)	(2,170)	1,369	983	3,042
Rental Income	514	530	1,029	1,051
Others	761	956	3,972	1,621
	<u>4,978</u>	<u>6,831</u>	<u>17,793</u>	<u>13,767</u>
Total	<u><u>52,244</u></u>	<u><u>70,396</u></u>	<u><u>102,705</u></u>	<u><u>125,570</u></u>

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

A21 Other Operating Expenses

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	<u>3 months ended</u> <u>31-Jan-12</u> <u>RM'000</u>	<u>3 months ended</u> <u>31-Jan-11</u> <u>RM'000</u>	<u>6 months ended</u> <u>31-Jan-12</u> <u>RM'000</u>	<u>6 months ended</u> <u>31-Jan-11</u> <u>RM'000</u>
Personnel costs:				
- Salaries, allowances and bonus	(22,368)	(24,453)	(41,381)	(41,708)
- Contributions to a defined contribution plan	(2,921)	(2,999)	(5,416)	(5,251)
- Others	(3,680)	(5,007)	(8,920)	(10,145)
	<u>(28,969)</u>	<u>(32,459)</u>	<u>(55,717)</u>	<u>(57,104)</u>
Establishment related costs:				
- Depreciation	(1,893)	(2,071)	(3,860)	(4,088)
- Rental of premises	(1,172)	(1,193)	(2,363)	(2,380)
- Rental of equipment	(685)	(691)	(1,330)	(1,385)
- Repairs and maintenance of premises and equipment	(332)	(413)	(876)	(770)
- Information technology expenses	(746)	(799)	(1,563)	(1,667)
- Others	(1,248)	(1,119)	(2,461)	(2,182)
	<u>(6,076)</u>	<u>(6,286)</u>	<u>(12,453)</u>	<u>(12,472)</u>
Promotion and marketing related expenses:				
- Promotion and business development	(530)	(6,158)	(1,248)	(10,587)
- Travelling and accommodation	(156)	(205)	(345)	(379)
- Others	(1,453)	(1,981)	(3,203)	(3,555)
	<u>(2,139)</u>	<u>(8,344)</u>	<u>(4,796)</u>	<u>(14,521)</u>
Administrative and general expenses:				
- Professional and consultancy fees	(872)	(723)	(1,642)	(1,432)
- Communication expenses	(1,688)	(1,373)	(3,214)	(2,670)
- Incentives and commission	(7,337)	(6,047)	(14,862)	(12,376)
- Regulatory charges	(1,419)	(2,399)	(2,927)	(4,251)
- Others	(1,999)	(2,193)	(4,009)	(4,051)
	<u>(13,315)</u>	<u>(12,735)</u>	<u>(26,654)</u>	<u>(24,780)</u>
Total	<u>(50,499)</u>	<u>(59,824)</u>	<u>(99,620)</u>	<u>(108,877)</u>

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

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Jan-12 RM'000	3 months ended 31-Jan-11 RM'000	6 months ended 31-Jan-12 RM'000	6 months ended 31-Jan-11 RM'000
Individual impairment:				
- made	(147)	(239)	(432)	(913)
- written back	52	23	52	23
	(95)	(216)	(380)	(890)
Collective impairment:				
- written back/(made)	188	(1,787)	(812)	(2,375)
Bad debts:				
- recovered	985	41	1,331	78
- written off	(89)	(429)	(260)	(709)
	989	(2,391)	(121)	(3,896)

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

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Jan-12 RM'000	3 months ended 31-Jan-11 RM'000	6 months ended 31-Jan-12 RM'000	6 months ended 31-Jan-11 RM'000
Individual impairment:				
- made	(20)	(81)	(41)	(198)
- written back	158	217	214	311
	138	136	173	113
Collective impairment:				
- (made)/written back	(7)	(27)	27	(47)
Bad debts:				
- recovered	79	166	179	439
	210	275	379	505

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A24 Commitments and Contingencies

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

	As at 31-Jan-12			As at 31-Jul-11		
	Principal amount RM'000	Credit equivalent amount* RM'000	Risk- weighted amount RM'000	Principal amount RM'000	Credit equivalent amount* RM'000	Risk- weighted amount RM'000
Contingencies						
Direct credit substitutes	12,500	12,500	2,500	12,500	12,500	2,500
Commitments						
Forward asset purchases	-	-	-	5,246	5,246	1,049
Commitments to extend credits with maturity of ⁽¹⁾ :						
- up to 1 year	432,450	2,000	2,000	426,042	5,000	5,000
- over 1 year	26,481	16,481	5,241	27,779	17,321	5,889
	<u>458,931</u>	<u>18,481</u>	<u>7,241</u>	<u>459,067</u>	<u>27,567</u>	<u>11,938</u>
Derivative financial instruments						
Foreign exchange related contracts:						
- up to 1 year	999,361	29,061	13,231	956,356	28,375	15,533
- over 1 year to 5 years	273,730	28,848	6,768	280,246	30,232	7,180
Interest rate related contracts:						
- up to 1 year	2,445,000	2,181	535	1,835,000	985	212
- over 1 year to 5 years	1,443,000	12,452	4,492	2,713,000	15,661	5,992
	<u>5,161,091</u>	<u>72,542</u>	<u>25,026</u>	<u>5,784,602</u>	<u>75,253</u>	<u>28,917</u>
Total	<u>5,632,522</u>	<u>103,523</u>	<u>34,767</u>	<u>6,256,169</u>	<u>115,320</u>	<u>43,355</u>

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

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

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A25 Other Commitments

	As at 31-Jan-12 RM'000	As at 31-Jul-11 RM'000
Capital expenditure commitments	18,918	20,566
Non-cancellable operating lease commitments	5,877	8,095
	24,795	28,661

A26 Capital Adequacy

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

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

	As at 31-Jan-12 RM'000	As at 31-Jul-11 RM'000
<u>Tier I capital</u>		
Issued and fully paid share capital	500,000	500,000
Retained profits	187,655	213,905
Statutory reserve	108,377	108,377
Total Tier I capital	796,032	822,282
Less: Goodwill	(110,002)	(110,002)
Eligible Tier I capital	686,030	712,280
<u>Tier II capital</u>		
Collective impairment allowances	5,476	6,605
Total Tier II capital	5,476	6,605
Total capital	691,506	718,885
Less: Investment in subsidiaries	(3,081)	(3,081)
Other deductions	(430)	(418)
Capital base	687,995	715,386
Before deducting proposed dividend:		
Core capital ratio	33.1%	34.7%
Risk-weighted capital ratio	33.2%	34.9%
After deducting proposed dividend:		
Core capital ratio	33.1%	33.5%
Risk-weighted capital ratio	33.2%	33.6%

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

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

	As at 31-Jan-12	As at 31-Jul-11
Solvency ratio	89.4%	94.1%

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A27 Segmental Information

The Group is organised into the following operating segments:

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

The segmental information are as follows:

	Stock- broking RM'000	Investment banking RM'000	Commercial banking RM'000	Money- lending RM'000	Investment manage- ment RM'000	Others RM'000	Inter- segment elimination RM'000	Group RM'000
6 months ended 31 January 2012								
Revenue								
External revenue *	54,782	49,051	3,869	22,337	40,455	4,478	-	174,972
Inter-segment revenue	-	927	-	-	43	41,576	(42,546)	-
Total revenue	54,782	49,978	3,869	22,337	40,498	46,054	(42,546)	174,972
Net interest income/(expense)	12,464	13,320	3,492	16,455	586	(4,813)	-	41,504
Other operating income	50,422	10,524	226	2,502	41,108	45,990	(48,067)	102,705
	62,886	23,844	3,718	18,957	41,694	41,177	(48,067)	144,209
Other operating expense	(44,945)	(9,654)	(2,597)	(5,450)	(32,445)	(8,740)	4,211	(99,620)
	17,941	14,190	1,121	13,507	9,249	32,437	(43,856)	44,589
Write back of allowance/(allowance) for losses on:								
- loans, advances and financing	497	607	(621)	(566)	-	-	(38)	(121)
- clients' balances and receivables	352	27	-	-	-	(3)	3	379
Segment profit/(loss)	18,790	14,824	500	12,941	9,249	32,434	(43,891)	44,847
Share of results of an associate, net of tax								(207)
Profit before taxation								44,640
6 months ended 31 January 2011								
Revenue								
External revenue *	76,755	59,550	1,804	29,365	33,257	5,243	-	205,974
Inter-segment revenue	-	913	-	-	23	31,684	(32,620)	-
Total revenue	76,755	60,463	1,804	29,365	33,280	36,927	(32,620)	205,974
Net interest income/(expense)	13,114	16,704	1,503	22,532	342	(4,753)	-	49,442
Other operating income	64,379	17,102	135	3,706	33,687	38,257	(31,696)	125,570
	77,493	33,806	1,638	26,238	34,029	33,504	(31,696)	175,012
Other operating expense	(56,507)	(11,382)	(2,125)	(6,591)	(26,838)	(9,483)	4,049	(108,877)
	20,986	22,424	(487)	19,647	7,191	24,021	(27,647)	66,135
Write back of allowance/(allowance) for losses on:								
- loans, advances and financing	(636)	(369)	(279)	(2,528)	-	-	(84)	(3,896)
- clients' balances and receivables	372	133	-	-	-	(7)	7	505
Segment profit/(loss)	20,722	22,188	(766)	17,119	7,191	24,014	(27,724)	62,744
Share of results of an associate, net of tax								109
Profit before taxation								62,853

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

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A28 Subsequent Events

There are no material events subsequent to the end of the financial period ended 31 January 2012.

A29 Changes in the Composition of the Group

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

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

A30 Changes in Contingent Liabilities or Contingent Assets

Please refer to explanatory note A24.

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

B1 Analysis of the Performance of the Operating Segments of the Group

The uncertain global financial conditions have affected the equity and capital markets in which the Group operates. On the year-on-year basis, the operating revenue of the Group for the six months ended 31 January 2012 of RM175.0 million is 15% lower compared to RM206.0 million reported in the corresponding financial period last year primarily due to reduction in brokerage income, net foreign exchange gain and interest income, partially offset by increase in fund management fees and gains from securities trading. On a similar note, compared to the previous corresponding second quarter ended 31 January 2011, the Group's operating revenue is 16% lower at RM91.5 million for the current quarter mainly due to reduction in brokerage income and interest income.

For the first half year ended 31 January 2012 ("1H-FY2012"), the Group posted a pretax profit of RM44.6 million, representing a decrease of 29% compared to RM62.9 million for the previous corresponding first half year ended 31 January 2011 ("1H-FY2011"). The lower profitability of the Group for 1H-FY2012 is mainly attributable to reduction in brokerage income, net interest income, advisory fee income and marked-to-market gain on derivatives. These are however, partially offset by decrease in the Group's operating expenses in 1H-FY2012 as well as an exceptional income of RM2.4 million arising from an insurance claim received by its stockbroking segment and lower collective impairment allowance for the current financial period.

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

(a) Stockbroking

The main operating income of the stockbroking segment are brokerage income, margin financing interest income and gains from securities trading. During the current financial period, Bursa value traded declined to RM202.84 billion against RM241.98 billion in 1H-FY2011. This has negatively impacted the financial performance of the segment, which is highly dependent on the stock market performance.

Pretax profit of the segment for the current financial period is lower by 9% at RM18.8 million compared to RM20.7 million in 1H-FY2011. This is mainly attributable to a 44% reduction in brokerage income to RM29.5 million as compared to RM52.3 million in 1H-FY2011. The decline in earnings of the segment is however, partially cushioned by an exceptional income of RM2.4 million arising from an insurance claim and lower operating expenses of RM44.9 million for the current financial period as compared to RM56.5 million for the same financial period last year, mainly attributable to lower bonus and incentive costs in line with reduction in profitability of the segment for the current financial period.

Pretax profit of the segment for the current quarter is marginally lower at RM10.7 million compared to RM11.4 million in the previous corresponding quarter mainly attributed to reduction in brokerage income, offset by lower personnel cost and write back of collective impairment allowance in line with lower utilisation of margin financing.

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

(b) Investment banking

The Investment banking segment posted a 33% decrease in pretax profit to RM14.8 million in 1H-FY2012 as compared to RM22.2 million in 1H-FY2011. The financial market sentiments have been significantly affected by external global factors, such as the Euro debt crisis, anemic and patchy growth in the US as well as slow down in the Chinese economy affecting the level of earnings of the investment banking activities.

The lower earnings of the segment is mainly attributed to the decreased marked-to-market gains on securities and derivatives of RM7.1 million as compared to RM12.1 million for the same period last year. In addition, the pre-tax profit is further eroded by lower net interest income of RM13.3 million (1H-FY2011: RM16.7 million) due to squeeze in interest rate margin arising from competitive pricing on deposit rates. Fee and commission income for 1H-FY2012 contracted to RM1.1 million against RM5.3 million in 1H-FY2011 mainly due to uncertain market conditions, which have affected equity fund raising and corporate exercises in Malaysia. These were partially mitigated by the higher net gain on sales of securities achieved by the segment during the current financial period.

Pretax profit of the segment for the current quarter of RM9.1 million is 27% lower compared to RM12.4 million recorded in the previous corresponding quarter mainly attributed to tightening of interest rate margin, net foreign exchange loss incurred coupled with lower advisory fee income, partially cushioned by net gain on sales of securities and increase in marked-to-market gain on securities for the current quarter.

(c) Commercial banking

Capitalising on the favourable market condition and economic growth in Cambodia in 2011, especially in the garment manufacturing, tourism and agriculture sectors, which resulted in higher demand for credit financing, the Group's commercial banking subsidiary in Cambodia registered an encouraging pretax profit of RM0.5 mil in 1H-FY2012 as compared to a pretax loss of RM0.8 million in 1H-FY2011. Pretax profit for the current quarter is RM0.3 million against a pretax loss of RM0.5 million in the previous corresponding quarter. Key driver of the profitability achieved is increase in interest income from its lending activities. The loan portfolio of the commercial banking segment has grown significantly to RM58.7 million as at 31 January 2012 (As at 31 January 2011: RM22.4 million). The increased income is partially offset by higher personnel costs and operating costs of two new branch offices which were opened in December 2010 as well as higher impairment allowances on enlarged loan portfolio.

(d) Moneylending

Moneylending segment reported a decrease of 24% in pretax profit for 1H-FY2012 at RM12.9 million as compared to RM17.1 million in 1H-FY2011. Net interest income reduced by 27% to RM16.5 million compared to 1H-FY2011 primarily linked to curtailment of consumer loans disbursements and more stringent retail financing conditions imposed by the regulatory authorities as well as competitive interest rates quoted by other industry players. The effects of lower earnings contribution from consumer financing activities are partially offset by increase in interest income on other lending activities, absence of individual impairment allowance and increase in bad debts recovered during the current financial period. The loan portfolio of the moneylending segment is maintained at RM261.3 million (As at 31 January 2011: RM267.3 million).

Pretax profit of the segment for current quarter of RM6.9 million is slightly below the pretax profit of RM7.1 million for the previous corresponding quarter last year, mainly as a result of the decrease in net interest income, partially mitigated by the increase in fee income and bad debts recovered and lower personnel costs for the current quarter.

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

(e) Investment management

The investment management segment achieved a pretax profit of RM9.2 million or a 29% increase in 1H-FY2012 compared to 1H-FY2011. The net assets value of funds managed by the segment have grown from RM8.42 billion as at 31 January 2011 to RM12.58 billion as at 31 January 2012. The increase in fund size managed has lifted management fee income whilst favourable investors' response to two new unit trust funds launched in 1H-FY2012 has boosted the initial service charge during the current financial period. The increase in income of the segment is however, partially offset by higher agent commission expense and personnel costs.

Pretax profit of the segment for the current quarter is RM5.1 million, representing a 27% increase compared to the previous corresponding quarter, mainly driven by higher management fee income and initial service charge on the back of an enlarged funds managed and launching of a new unit trust fund during the current quarter, partially offset by an increase in agent commission expense.

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

On the quarter-to-quarter basis, the Group posted an increase of 11% in pretax profit to RM23.5 million against RM21.2 million in the first quarter of the financial year 2012. The increased profitability is mainly attributed to higher net gain arising from sales of securities, marked-to-market gain on derivatives as well as write back of collective impairment allowance on loans and margin financing portfolio, partially offset by loss incurred on unfavourable foreign exchange movements and lower brokerage income for the current quarter coupled with absence of exceptional income during the current quarter under review.

B3 Commentary

(a) Current Year's Prospects

The continuing uncertainties in Europe and the jittery prospects for the global economy coupled with slow down in the Chinese economy have a dampening effect on investors' confidence and sentiments in the financial markets. Consequently, the global economic conditions are expected to remain challenging in the months ahead. On the local front, the Malaysian economy is expected to remain defensive, driven by resilient domestic demand. However, the overall local economic growth prospects are, to a certain extent, weighed down by the uncertain external environment.

The Group's stockbroking segment is not spared and expects to face a challenging period ahead with volatile trading activities in the local bourse, higher operating costs, fine brokerage rates and anticipated intensifying competition in the stockbroking industry with various merger proposals among the industry players. Faced with these challenges, the stockbroking segment is enhancing its infrastructure and products to meet the clients' needs and expectations.

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B3 Commentary (cont'd)

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

Capital market and equity fund-raising activities are expected to remain slow due to the soft market conditions. Given the strong competition in the investment banking industry, the investment banking segment will continue to work closely with its core clients and target market segments to capitalise on business opportunities as well as leveraging on the Group's affiliation with DBS Group to deliver regional reach and expertise. In enhancing its human capital, personnel costs in the segment will increase in line with the expansion of the various business teams in 2012.

On the commercial banking segment, the Group expects a slower economic growth in Cambodia in 2012 amidst the global uncertainties. Competition in the commercial banking sector is also expected to intensify with the opening of more commercial banks in 2012. The commercial banking segment is ready to face the challenges ahead and will target small and medium enterprises for loans and deposits.

Operating conditions of the moneylending segment are increasingly challenging due to competition and changes in the regulatory requirements. To mitigate this, the moneylending segment is progressively diversifying its lendings to other selected counterparties.

With increasing customers' demands for better returns on various investment products offered, the investment management segment will continue to develop its fee-based revenue by launching new unit trusts funds as well as striving to increase its assets under management portfolios and mandates in 2012.

Barring any further adverse developments in the financial markets, the Board expects the Group to record satisfactory performance for the remaining two quarters of the financial year ending 31 July 2012.

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

Not applicable.

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

Not applicable.

B5 Profit Forecast and Profit Guarantee

Not applicable.

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B6 Taxation

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

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Jan-12 RM'000	3 months ended 31-Jan-11 RM'000	6 months ended 31-Jan-12 RM'000	6 months ended 31-Jan-11 RM'000
In respect of the current financial period:				
Malaysian income tax	(5,852)	(9,154)	(9,941)	(18,867)
Foreign income tax	(21)	(9)	(39)	(18)
Deferred tax	(181)	951	(1,427)	3,165
	<u>(6,054)</u>	<u>(8,212)</u>	<u>(11,407)</u>	<u>(15,720)</u>
In respect of prior financial years:				
Malaysian income tax	-	-	(253)	-
	<u>(6,054)</u>	<u>(8,212)</u>	<u>(11,660)</u>	<u>(15,720)</u>

The effective tax rate for the current quarter and financial period ended 31 January 2012 is higher than the statutory tax rate mainly due to certain expenses which are not deductible for tax purposes and the under provision for taxation in respect of prior financial years, partially offset by certain income, which are not subject to tax.

B7 Status of Corporate Proposals

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

B8 Group Borrowings and Debt Securities

Please refer to explanatory note A17.

B9 Disclosure of Realised and Unrealised Profits or Losses

	As at 31-Jan-12 RM'000	As at 31-Jul-11 RM'000
Total retained profits of the Company and its subsidiaries:		
- realised	513,748	491,858
- unrealised	9,911	10,961
	<u>523,659</u>	<u>502,819</u>
Total share of accumulated losses of associate:		
- realised	(1,521)	(1,314)
	<u>522,138</u>	<u>501,505</u>
Consolidation adjustments	(8,934)	(8,544)
Total Group retained profits	<u><u>513,204</u></u>	<u><u>492,961</u></u>

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

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B10 Disclosure of Derivatives

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

	As at 31-Jan-12		As at 31-Jul-11	
	Fair value		Fair value	
	Derivative assets RM'000	Derivative liabilities RM'000	Derivative assets RM'000	Derivative liabilities RM'000
Foreign exchange related contracts:				
- currency forwards	202	(6,579)	940	(4,598)
- currency swaps	11,130	(229)	4,981	(742)
- currency options	1	(1)	1	(1)
- cross currency interest rate swaps	12,304	(10,586)	14,912	(13,817)
Interest rate related contracts:				
- futures contracts	579	(16,222)	219	(15,487)
- interest rate swaps	6,973	(9,304)	5,900	(9,075)
	<u>31,189</u>	<u>(42,921)</u>	<u>26,953</u>	<u>(43,720)</u>
Less:				
Fair value of futures contracts included in other assets	(579)	16,222	(219)	15,487
	<u>30,610</u>	<u>(26,699)</u>	<u>26,734</u>	<u>(28,233)</u>

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

	Current quarter ended 31-Jan-12 RM'000	Financial period ended 31-Jan-12 RM'000
Net unrealised gain arising from fair value changes: Derivative liabilities	<u>33</u>	<u>799</u>

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

The net unrealised gain on derivative liabilities for the current quarter and financial period ended 31 January 2012 arose from changes in fair value of derivatives as a result of favourable movements in market interest rates and/or foreign exchange rates affecting the fair value of derivative liabilities compared to the previous financial period ended 31 October 2011 and financial year ended 31 July 2011 respectively.

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B10 Disclosure of Derivatives (cont'd)

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

Type of Derivatives	Cash requirement RM'000	1 year or less RM'000	> 1 to 3 years RM'000	> 3 years RM'000	Total RM'000
(a) Principal amount					
Foreign exchange related contracts					
- currency forwards	-	346,236	-	-	346,236
- currency swaps	-	490,884	-	-	490,884
- currency options	-	601	-	-	601
- cross currency interest rate swaps	3,226	161,640	182,133	91,597	435,370
Interest rate related contracts					
- futures contracts	2,437	2,095,000	675,000	-	2,770,000
- interest rate swaps	-	350,000	768,000	-	1,118,000
	5,663	3,444,361	1,625,133	91,597	5,161,091

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	(6,377)	-	-	(6,377)
- currency swaps	10,901	-	-	10,901
- currency options	-	-	-	-
- cross currency interest rate swaps	1,782	5,896	(5,960)	1,718
Interest rate related contracts				
- futures contracts	(12,798)	(2,845)	-	(15,643)
- interest rate swaps	1,281	(3,612)	-	(2,331)
	(5,211)	(561)	(5,960)	(11,732)

- (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 RM31.2 million (At 31 July 2011: RM27.0 million). The amount will increase or decrease over the contracted periods, mainly as a function of movements in market rates and time.

Market risk

Market risk is the risk of loss arising from changes in market interest rates, foreign exchange rates and equity prices underlying derivative contracts. The contractual amounts of derivatives only provide a measure of the Group's involvement in the respective type of derivatives and do not represent the amount subject to risk. As at the end of the reporting period, the net exposure of the Group to market risk, which were not hedged amounted to RM345.4 million (At 31 July 2011: RM442.4 million).

Liquidity risk

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

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

B10 Disclosure of Derivatives (cont'd)

- (e) There have been no changes since the end of the previous financial year in respect of the following:
- (i) the types of derivative contracts entered into, the rationale for entering into such contracts and the expected benefits accruing from these contracts;
 - (ii) the risk management policies in place for mitigating and controlling the risks associated with these derivative contracts; and
 - (iii) related accounting policies.

B11 Changes in Material Litigation

There are no changes to the status of material litigation since the date of the last annual statement of financial position except for a claim filed by a client in May 2000 against HDBSIB for damages of RM130 million wherein the client alleged collusion to defraud him and mental suffering after HDBSIB commenced legal action against him in May 1998 to recover an outstanding sum of RM8.46 million. The client's claim against HDBSIB had been consolidated with HDBSIB's claim against the client. The High Court has dismissed the client's claim against HDBSIB and allowed HDBSIB's claim against the client on 23 March 2010. The client has filed an appeal against the High Court's decision in dismissing the client's claim against HDBSIB and in allowing HDBSIB's claim against the client. No hearing date has yet been fixed for the client's appeal. Meanwhile, the client had been adjudicated bankrupt on 31 October 2011 pursuant to a petition filed by HDBSIB.

B12 Dividends

Please refer to explanatory note A7.

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B13 Earnings Per Share Attributable to Equity Holders of the Company

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Jan-12	3 months ended 31-Jan-11	6 months ended 31-Jan-12	6 months ended 31-Jan-11
Profit for the financial period attributable to equity holders of the Company (RM'000)	<u>15,626</u>	<u>23,176</u>	<u>29,811</u>	<u>44,670</u>
Weighted average number of ordinary shares in issue ('000)	<u>255,159</u>	<u>255,159</u>	<u>255,159</u>	<u>255,159</u>
Basic earnings per share (sen)	<u>6.12</u>	<u>9.08</u>	<u>11.68</u>	<u>17.51</u>

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

By Order of the Board

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

**Penang
28 March 2012**