

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 APRIL 2013

		(Restated)	(Restated)
	Note	As at 30-Apr-13 RM'000	As at 31-Jul-12 RM'000
			As at 1-Aug-11 RM'000
Assets			
Cash and short term funds		1,005,000	735,346
Deposits and placements with banks and other financial institutions		27,527	29,077
Securities held-for-trading	A8	98,538	170,592
Securities available-for-sale ("AFS")	A9	1,500,759	1,580,107
Securities held-to-maturity	A10	353,920	399,921
Loans, advances and financing	A11	868,750	685,237
Clients' and brokers' balances	A12	392,541	179,126
Derivative assets	B10	14,003	16,505
Other assets	A13	92,787	69,661
Statutory deposits with Central Banks		84,171	72,811
Tax recoverable		15,657	12,403
Deferred tax assets		4,707	6,111
Investment in an associate		4,221	3,708
Property, plant and equipment		52,325	52,859
Investment properties		52,351	52,596
Intangible assets		162,509	162,509
Total assets		4,729,766	4,228,569
Liabilities			
Deposits from customers	A14	774,618	748,431
Deposits and placements of banks and other financial institutions	A15	1,900,486	1,687,061
Clients' and brokers' balances		410,118	199,724
Derivative liabilities	B10	17,121	22,106
Other liabilities	A16	231,830	226,207
Taxation		2,036	1,962
Deferred tax liabilities		-	370
Borrowings	A17	416,172	390,492
Total liabilities		3,752,381	3,276,353
Equity			
Share capital		265,845	265,845
Reserves		693,994	677,091
Treasury shares, at cost		(16,061)	(16,061)
		943,778	926,875
Non-controlling interests		33,607	25,341
Total equity		977,385	952,216
Total liabilities and equity		4,729,766	4,228,569
Net assets per share attributable to equity holders of the Company (RM)		3.70	3.63
		3.42	

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

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2013

	Note	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
		3 months ended 30-Apr-13 RM'000	(Restated) 3 months ended 30-Apr-12 RM'000	9 months ended 30-Apr-13 RM'000	(Restated) 9 months ended 30-Apr-12 RM'000
Operating revenue		111,026	109,957	335,329	284,929
Interest income	A18	46,817	43,251	140,908	134,174
Interest expense	A19	(26,096)	(23,801)	(78,730)	(73,220)
Net interest income		20,721	19,450	62,178	60,954
Other operating income	A20	65,938	73,983	203,795	176,688
		86,659	93,433	265,973	237,642
Other operating expenses	A21	(66,876)	(65,460)	(202,508)	(165,080)
		19,783	27,973	63,465	72,562
(Allowance)/Write back of allowance for losses on:					
- loans, advances and financing	A22	(2,336)	(1,664)	(11,491)	(1,998)
- clients' balances and receivables	A23	82	423	139	775
		17,529	26,732	52,113	71,339
Share of results of an associate, net of tax		105	130	505	(77)
Profit before taxation		17,634	26,862	52,618	71,262
Taxation	B6	(3,442)	(6,100)	(11,967)	(17,698)
Profit for the financial period		14,192	20,762	40,651	53,564
Attributable to:					
Equity holders of the Company		11,351	18,318	30,035	47,951
Non-controlling interests		2,841	2,444	10,616	5,613
		14,192	20,762	40,651	53,564
Earnings per share attributable to equity holders of the Company (sen)					
- Basic	B13	4.45	7.18	11.77	18.79

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

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2013

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
		(Restated)		(Restated)
	3 months ended 30-Apr-13 RM'000	3 months ended 30-Apr-12 RM'000	9 months ended 30-Apr-13 RM'000	9 months ended 30-Apr-12 RM'000
Profit for the financial period	14,192	20,762	40,651	53,564
Other comprehensive income for the financial period:				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Currency translation differences arising from foreign operations	(2,474)	(681)	(2,770)	2,182
Securities AFS:				
- net change in fair value	7,112	2,202	13,198	6,121
- net gain transferred to income statement on disposal	(635)	(3,023)	(1,504)	(6,327)
Income tax relating to components of other comprehensive income	(1,615)	199	(2,919)	44
	2,388	(1,303)	6,005	2,020
Total comprehensive income for the financial period	16,580	19,459	46,656	55,584
Attributable to:				
Equity holders of the Company	13,739	17,015	36,040	49,971
Non-controlling interests	2,841	2,444	10,616	5,613
	16,580	19,459	46,656	55,584

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

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2013

Attributable to Equity Holders of the Company

	Issued and fully paid ordinary shares of RM1 each										
	Number of shares '000	Nominal value RM'000	Treasury shares RM'000	Share premium RM'000	Statutory reserve RM'000	AFS reserve RM'000	Foreign exchange reserve RM'000	Retained profits RM'000	Sub-total RM'000	Non- controlling interests RM'000	Total equity RM'000
At 1 August 2012											
- as previously reported	255,159	265,845	(16,061)	33,090	133,839	6,005	(11,896)	515,287	926,109	25,341	951,450
- effects of transition to MFRS framework	-	-	-	-	-	-	-	766	766	-	766
- as restated	255,159	265,845	(16,061)	33,090	133,839	6,005	(11,896)	516,053	926,875	25,341	952,216
Profit for the financial period	-	-	-	-	-	-	-	30,035	30,035	10,616	40,651
Other comprehensive income for the financial period, net of tax	-	-	-	-	-	8,775	(2,770)	-	6,005	-	6,005
Total comprehensive income for the financial period	-	-	-	-	-	8,775	(2,770)	30,035	36,040	10,616	46,656
Final dividend for the financial year ended 31 July 2012	-	-	-	-	-	-	-	(9,568)	(9,568)	-	(9,568)
Interim dividend for the financial year ending 31 July 2013	-	-	-	-	-	-	-	(9,569)	(9,569)	-	(9,569)
Dividend paid by a subsidiary to non-controlling interests	-	-	-	-	-	-	-	-	-	(2,350)	(2,350)
At 30 April 2013	255,159	265,845	(16,061)	33,090	133,839	14,780	(14,666)	526,951	943,778	33,607	977,385
At 1 August 2011											
- as previously reported	255,159	265,845	(16,061)	33,090	108,377	3,946	(17,484)	492,961	870,674	18,807	889,481
- effects of transition to MFRS framework	-	-	-	-	-	-	-	906	906	-	906
- as restated	255,159	265,845	(16,061)	33,090	108,377	3,946	(17,484)	493,867	871,580	18,807	890,387
Profit for the financial period	-	-	-	-	-	-	-	47,951	47,951	5,613	53,564
Other comprehensive income for the financial period, net of tax	-	-	-	-	-	(162)	2,182	-	2,020	-	2,020
Total comprehensive income for the financial period	-	-	-	-	-	(162)	2,182	47,951	49,971	5,613	55,584
Final dividend for the financial year ended 31 July 2011	-	-	-	-	-	-	-	(9,568)	(9,568)	-	(9,568)
Interim dividend for the financial year ended 31 July 2012	-	-	-	-	-	-	-	(9,569)	(9,569)	-	(9,569)
Dividend paid by a subsidiary to non-controlling interests	-	-	-	-	-	-	-	-	-	(2,172)	(2,172)
At 30 April 2012	255,159	265,845	(16,061)	33,090	108,377	3,784	(15,302)	522,681	902,414	22,248	924,662

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

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2013

		(Restated)
	9 months ended 30-Apr-13 RM'000	9 months ended 30-Apr-12 RM'000
Operating activities		
Profit for the financial period	40,651	53,564
Adjustments for:		
Non-cash items	95,976	68,715
Non-operating items - investing	(61,177)	(63,635)
Non-operating items - financing	13,724	12,373
	89,174	71,017
Changes in working capital:		
Net changes in operating assets	(371,021)	263,947
Net changes in operating liabilities	468,714	(102,675)
	186,867	232,289
Interest paid	(61,289)	(58,443)
Taxation paid	(17,003)	(25,527)
Net operating cash flow	108,575	148,319
Investing activities		
Net disposal/(purchase) of securities	122,974	(199,174)
Interest received from securities	59,777	56,092
Dividends and income distributions received	5,532	5,744
Rental received	66	961
Proceeds from disposal of an investment property	110	-
Other investments:		
- purchases	-	(61)
- proceeds from disposals	-	37
Property, plant and equipment:		
- purchases	(5,026)	(3,300)
- proceeds from disposals	247	98
Net investing cash flow	183,680	(139,603)
Financing activities		
Dividends paid	(9,568)	(9,568)
Dividend paid by a subsidiary to non-controlling interests	(2,350)	(2,172)
Interest paid	(14,293)	(9,421)
Net drawdown/(repayment) of borrowings	26,250	(26,000)
Net financing cash flow	39	(47,161)
Net change in cash and cash equivalents	292,294	(38,445)
Foreign exchange differences	(429)	(68)
Cash and cash equivalents at beginning of the financial period	627,245	580,880
Cash and cash equivalents at end of the financial period	919,110	542,367
Cash and cash equivalents at end of the financial period comprise:		
Cash and short term funds	919,110	542,367

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

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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2013

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

A1 Basis of Preparation

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

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

In accordance with MFRS 1, an opening MFRS statement of financial position of the Group as at the date of transition to MFRS framework, i.e. 1 August 2011 has been prepared and presented in this interim financial report. Effects of changes in accounting policies arising from transition to MFRS framework are recognised directly in retained profits at the date of transition to MFRS framework. Comparative information presented have been restated to conform with the presentation for the current financial period. In addition, reconciliations of comparative equity and total comprehensive income have been included in this interim financial report, to explain for the effects of transition to MFRS framework on the reported financial position and financial performance of the Group for the corresponding financial period ended 30 April 2012 (refer to explanatory note A1(d)). There are no material adjustments made to comparative statement of cash flows of the Group for the financial period ended 30 April 2012.

The accounting policies and methods of computation adopted for this interim financial report are consistent with those adopted in the annual financial statements for the financial year ended 31 July 2012 except for the adoption of the following new/revised financial reporting standards and interpretations under the MFRS framework ("MFRSs") and observance of the Financial Reporting Standards Implementation Committee ("FRSIC) Consensus 18, Monies Held in Trust by Participating Organisations of Bursa Malaysia Securities Berhad ("Bursa Securities") issued by the Malaysian Institute of Accountants ("MIA"), that are effective for the Group for the financial year ending 31 July 2013:

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

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

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

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

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

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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2013

A1 Basis of Preparation (cont'd)

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

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

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

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

The effects of the change in accounting policy for the corresponding financial period ended 30 April 2012, which have been accounted for retrospectively in accordance with MFRS 1, are disclosed in explanatory note A1(d).

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

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

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

The effects of the change in accounting policy for the corresponding financial period ended 30 April 2012, which have been accounted for retrospectively in accordance with MFRS 1, are disclosed in explanatory note A1(d).

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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2013

A1 Basis of Preparation (cont'd)

(d) Effects of Changes in Accounting Policies

	Effects of:			As restated
	As previously reported	Transition to MFRS framework	FRSIC Consensus 18	
	Dr./ (Cr.)	Dr./ (Cr.)	Dr./ (Cr.)	Dr./ (Cr.)
	RM'000	RM'000	RM'000	RM'000
(i) Reconciliation of equity				
As at 30 April 2012				
Retained profits	<u>(521,856)</u>	<u>(825)</u>	<u>-</u>	<u>(522,681)</u>
Cash and short term funds	870,207	-	(236,518)	633,689
Deposits and placements with banks and other financial institutions	27,404	-	(2,303)	25,101
Loans, advances and financing	668,064	1,090	-	669,154
Clients' and brokers' balances (Dr.)	189,556	31	421	190,008
Other assets	54,115	16	1,965	56,096
Deferred tax assets	10,924	(312)	-	10,612
Other liabilities	(416,612)	-	236,435	(180,177)
	<u>1,403,658</u>	<u>825</u>	<u>-</u>	<u>1,404,483</u>
(ii) Reconciliation of total comprehensive income				
9 months ended 30 April 2012				
Total comprehensive income	<u>(55,665)</u>	<u>81</u>	<u>-</u>	<u>(55,584)</u>
Allowance/(Write back of allowance) for losses on:				
- loans, advances and financing	1,899	99	-	1,998
- clients' balances and receivables	(787)	12	-	(775)
Taxation	17,728	(30)	-	17,698
	<u>18,840</u>	<u>81</u>	<u>-</u>	<u>18,921</u>
3 months ended 30 April 2012				
Total comprehensive income	<u>(19,362)</u>	<u>(97)</u>	<u>-</u>	<u>(19,459)</u>
Allowance/(Write back of allowance) for losses on:				
- loans, advances and financing	1,778	(114)	-	1,664
- clients' balances and receivables	(408)	(15)	-	(423)
Taxation	6,068	32	-	6,100
	<u>7,438</u>	<u>(97)</u>	<u>-</u>	<u>7,341</u>

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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2013

A2 Auditors' Report

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

A3 Seasonal or Cyclical Factors

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

A4 Exceptional Items

There are no exceptional items for the current quarter and financial period ended 30 April 2013.

A5 Changes in Estimates

There are no material changes in accounting estimates used in the preparation of the interim financial report for the current quarter and financial period ended 30 April 2013 as compared with the prior financial year.

A6 Debts and Equity Securities

There are no issuance, cancellations, repurchase, resale and repayments of debt and equity securities for the financial period ended 30 April 2013.

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 2012 was paid on 20 December 2012.

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 ended 31 July 2013 was paid on 8 May 2013. (Previous financial year ended 31 July 2012: Interim dividend of 5.0 sen per ordinary share, less 25% income tax).

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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2013

A8 Securities Held-For-Trading

	As at 30-Apr-13 RM'000	As at 31-Jul-12 RM'000
At fair value:		
Quoted in Malaysia		
Shares, warrants and REITs	18,329	25,527
Unit trusts	10,607	12,210
	28,936	37,737
Unquoted		
Malaysian Government Securities	-	20,262
Malaysian Government Islamic Investment Issues	-	50,736
BNM Islamic Negotiable Notes	49,889	-
Private debt securities	19,713	61,857
	98,538	170,592
	98,538	170,592

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

	As at 30-Apr-13 RM'000	As at 31-Jul-12 RM'000
At fair value:		
Quoted in Malaysia		
REITs	34,486	14,807
Unit trusts	173,241	167,241
Quoted outside Malaysia		
REITs	34,159	-
	241,886	182,048
Unquoted		
Malaysian Government Securities	31,095	61,652
Malaysian Government Sukuk	6,516	6,632
Malaysian Government Islamic Investment Issues	211,961	251,791
BNM Islamic Negotiable Notes	209,014	298,115
Private and Islamic debt securities	799,797	779,379
At cost:		
Unquoted		
Shares	1,140	1,140
	1,501,409	1,580,757
Accumulated impairment loss	(650)	(650)
	1,500,759	1,580,107
	1,500,759	1,580,107

Included in the securities AFS are investments in unit trust funds managed by a subsidiary, Hwang Investment Management Berhad at a carrying amount of RM122.0 million as at the end of the reporting period (At 31 July 2012: RM120.9 million).

A10 Securities Held-To-Maturity

	As at 30-Apr-13 RM'000	As at 31-Jul-12 RM'000
At amortised cost:		
Unquoted		
Private and Islamic debt securities	353,920	399,921
	353,920	399,921
	353,920	399,921

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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2013

A11 Loans, Advances and Financing

	As at 30-Apr-13 RM'000	(Restated) As at 31-Jul-12 RM'000
(a) By Type		
Term loans		
- housing loans	25,471	15,290
- bridging loans	-	3,550
- syndicated term loans	203,774	125,131
- other term loans	673,807	514,449
Overdrafts	4,975	2,655
Share margin financing	169,420	201,562
Staff loans	554	364
Other financing	3,450	575
	1,081,451	863,576
Unearned interest	(191,073)	(156,398)
	890,378	707,178
Allowance for losses:		
- collective impairment	(14,007)	(10,420)
- individual impairment	(7,621)	(11,521)
Net loans, advances and financing	868,750	685,237
(b) By Type of Customer		
Domestic business enterprises		
- others	347,095	235,119
Individuals	324,767	274,260
Other domestic entities	90,614	111,627
Foreign business enterprises	24,166	10,379
Foreign individuals	103,736	75,793
	890,378	707,178
(c) By Geographical Distribution		
Malaysia	762,531	621,458
Cambodia	118,706	76,665
Hong Kong	7,569	7,527
Singapore	596	1,017
Other countries	976	511
	890,378	707,178
(d) By Interest Rate Sensitivity		
Fixed rate		
- other fixed rate loans/financing	620,936	551,488
- housing loans	25,471	15,290
Variable rate		
- cost-plus	243,971	140,400
	890,378	707,178

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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2013

A11 Loans, Advances and Financing (cont'd)

	As at 30-Apr-13 RM'000	(Restated) As at 31-Jul-12 RM'000
(e) By Purpose		
Purchase of landed properties		
- residential	23,870	14,438
- non-residential	22,380	17,244
Construction	6,749	5,292
Real estate	4,107	2,873
Purchase of securities	265,833	277,707
Working capital	111,543	89,655
Personal use	247,160	204,044
Mergers and acquisitions	80,857	-
Others	127,879	95,925
	<u>890,378</u>	<u>707,178</u>
(f) By Residual Contractual Maturity		
Within 1 year	339,329	305,846
1 year to 3 years	38,719	28,774
3 years to 5 years	100,773	94,300
Over 5 years	411,557	278,258
	<u>890,378</u>	<u>707,178</u>
(g) Impaired Loans, Advances and Financing by Purpose		
Purchase of landed properties		
- residential	574	14
Real estate	595	587
Purchase of securities	-	1,636
Working capital	9,300	8,344
Personal use	6,887	8,510
Others	172	93
	<u>17,528</u>	<u>19,184</u>
(h) Impaired Loans, Advances and Financing by Geographical Distribution		
Malaysia	11,520	16,185
Cambodia	6,008	2,999
	<u>17,528</u>	<u>19,184</u>
(i) Movements in Impaired Loans, Advances and Financing		
At beginning of the financial period/year	19,184	18,401
Classified as impaired	15,265	29,892
Reclassified as non-impaired	(3,621)	(22,616)
Amount recovered	(725)	(2,115)
Amount written off	(12,506)	(4,428)
Exchange differences	(69)	50
At end of the financial period/year	<u>17,528</u>	<u>19,184</u>
Gross impaired loans, advances and financing as a % of gross loans, advances and financing	<u>2.0%</u>	<u>2.7%</u>

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A11 Loans, Advances and Financing (cont'd)

	As at 30-Apr-13 RM'000	(Restated) As at 31-Jul-12 RM'000
(j) Movements in Allowance for Losses		
<u>Collective Impairment</u>		
At beginning of the financial period/year		
- as previously reported	11,436	12,393
- effects of transition to MFRS framework	(1,016)	(1,189)
- as restated	10,420	11,204
Net allowance made	5,675	3,163
Amount written off	(2,056)	(3,980)
Exchange differences	(32)	33
At end of the financial period/year	14,007	10,420
As a % of gross loans, advances and financing less individual impairment allowance	1.6%	1.5%
<u>Individual Impairment</u>		
At beginning of the financial period/year	11,521	10,422
Allowance made	6,564	1,221
Amount written back	(240)	(137)
Amount written off	(10,186)	-
Exchange differences	(38)	15
At end of the financial period/year	7,621	11,521

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A12 Clients' and Brokers' Balances

	As at 30-Apr-13 RM'000	(Restated) As at 31-Jul-12 RM'000
Clients' and brokers' balances, net of allowances for impairment of RM551,000 (At 31 July 2012: RM553,000)	<u>392,541</u>	<u>179,126</u>

A13 Other Assets

	As at 30-Apr-13 RM'000	(Restated) As at 31-Jul-12 RM'000
Trade receivables, net of allowances for impairment of RM363,000 (At 31 July 2012: RM363,000)	59,862	44,113
Statutory deposit	-	150
Clearing Guarantee Fund	2,100	2,058
Clearing Fund	1,000	1,000
Other receivables, deposits and prepayments	26,844	19,357
Other investments	2,981	2,983
	<u>92,787</u>	<u>69,661</u>

A14 Deposits from Customers

	As at 30-Apr-13 RM'000	As at 31-Jul-12 RM'000
(a) By Type of Deposit		
Demand deposits	3,513	1,863
Savings deposits	4,619	2,954
Fixed deposits	758,528	735,474
Negotiable instruments of deposits	4,226	2,943
Other deposits	3,732	5,197
	<u>774,618</u>	<u>748,431</u>
(b) By Type of Customer		
Government and statutory bodies	280,322	37,103
Business enterprises	420,883	641,599
Individuals	55,745	56,028
Others	17,668	13,701
	<u>774,618</u>	<u>748,431</u>
(c) By Maturity Structure of Term Deposits		
Within 6 months	588,039	721,722
6 months to 1 year	178,447	21,892
	<u>766,486</u>	<u>743,614</u>

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A15 Deposits and Placements of Banks and Other Financial Institutions

	As at 30-Apr-13 RM'000	As at 31-Jul-12 RM'000
Licensed banks	216,873	255,183
Licensed investment banks	39,835	45,844
Central Banks	354,744	-
Other financial institutions	<u>1,289,034</u>	<u>1,386,034</u>
	<u>1,900,486</u>	<u>1,687,061</u>

A16 Other Liabilities

	As at 30-Apr-13 RM'000	(Restated) As at 31-Jul-12 RM'000
Trade payables	113,892	108,931
Amounts due to clients and dealer's representatives	45,162	48,103
Dividend payable	9,569	-
Other payables and accruals	<u>63,207</u>	<u>69,173</u>
	<u>231,830</u>	<u>226,207</u>

A17 Borrowings

(a) Total borrowings of the Group of RM416.2 million as at 30 April 2013 are unsecured of which RM187.2 million revolving credit lines are covered by corporate guarantees issued by the Company for a subsidiary.

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

	As at 30-Apr-13 RM'000	As at 31-Jul-12 RM'000
Short term borrowings		
Revolving credits	416,172	390,492
Long term borrowings	-	-
Total borrowings	<u>416,172</u>	<u>390,492</u>

(c) All borrowings are denominated in Ringgit Malaysia.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2013

A18 Interest Income

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 30-Apr-13 RM'000	3 months ended 30-Apr-12 RM'000	9 months ended 30-Apr-13 RM'000	9 months ended 30-Apr-12 RM'000
Loans, advances and financing	20,359	17,293	57,686	53,974
Money at call and deposit placements with financial institutions	6,606	4,380	17,970	14,051
Securities AFS	10,467	10,332	35,208	32,647
Securities held-to-maturity	6,003	6,460	18,865	19,574
Others	361	139	850	330
	<u>43,796</u>	<u>38,604</u>	<u>130,579</u>	<u>120,576</u>
Securities held-for-trading	1,444	2,455	4,823	6,551
Derivative financial instruments	1,577	2,192	5,506	7,047
	<u>46,817</u>	<u>43,251</u>	<u>140,908</u>	<u>134,174</u>

A19 Interest Expense

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 30-Apr-13 RM'000	3 months ended 30-Apr-12 RM'000	9 months ended 30-Apr-13 RM'000	9 months ended 30-Apr-12 RM'000
Deposits and placements of banks and other financial institutions	(14,021)	(12,653)	(43,092)	(36,619)
Deposits from customers	(5,757)	(5,441)	(16,443)	(18,869)
Borrowings	(4,613)	(3,964)	(13,724)	(12,373)
Others	(141)	(131)	(412)	(467)
	<u>(24,532)</u>	<u>(22,189)</u>	<u>(73,671)</u>	<u>(68,328)</u>
Derivative financial instruments	(1,564)	(1,612)	(5,059)	(4,892)
	<u>(26,096)</u>	<u>(23,801)</u>	<u>(78,730)</u>	<u>(73,220)</u>

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2013

A20 Other Operating Income

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 30-Apr-13 RM'000	3 months ended 30-Apr-12 RM'000	9 months ended 30-Apr-13 RM'000	9 months ended 30-Apr-12 RM'000
Fee and commission income:				
Brokerage	14,033	17,007	37,799	48,862
Fund management and incentive fees	23,555	13,857	76,535	42,279
Advisory and arranger fees	330	1,436	2,920	2,460
Underwriting commission and placement income	715	825	1,569	961
Rollover fees	482	589	1,784	1,945
Other fees and commission	2,346	1,926	6,806	4,832
	<u>41,461</u>	<u>35,640</u>	<u>127,413</u>	<u>101,339</u>
Net gain/(loss) on securities held-for-trading:				
- net gain on disposal	4,417	6,462	8,431	14,223
- net unrealised (loss)/gain	(2,950)	1,314	(3,216)	5,923
	<u>1,467</u>	<u>7,776</u>	<u>5,215</u>	<u>20,146</u>
Net gain/(loss) on derivatives:				
- net loss on disposal	(3,122)	(2,683)	(9,492)	(5,928)
- net unrealised gain	9,355	3,315	10,376	7,588
	<u>6,233</u>	<u>632</u>	<u>884</u>	<u>1,660</u>
Net gain on securities AFS:				
- net gain on disposal	637	2,868	1,497	5,613
Gross dividends/income distributions:				
- securities held-for-trading	757	722	953	1,621
- securities AFS	1,631	1,206	4,124	3,377
	<u>2,388</u>	<u>1,928</u>	<u>5,077</u>	<u>4,998</u>
Other income:				
Initial service charge	17,962	21,280	54,752	33,089
Net foreign exchange (loss)/gain	(5,318)	2,670	5,469	3,653
Rental Income	238	515	691	1,544
Insurance claim	-	-	-	2,395
Others	870	674	2,797	2,251
	<u>13,752</u>	<u>25,139</u>	<u>63,709</u>	<u>42,932</u>
Total	<u>65,938</u>	<u>73,983</u>	<u>203,795</u>	<u>176,688</u>

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2013

A21 Other Operating Expenses

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 30-Apr-13 RM'000	3 months ended 30-Apr-12 RM'000	9 months ended 30-Apr-13 RM'000	9 months ended 30-Apr-12 RM'000
Personnel costs:				
- Salaries, allowances and bonus	(18,733)	(23,119)	(59,366)	(64,500)
- Contributions to defined contribution plans	(3,068)	(3,052)	(9,134)	(8,468)
- Others	(6,783)	(5,229)	(16,168)	(14,149)
	<u>(28,584)</u>	<u>(31,400)</u>	<u>(84,668)</u>	<u>(87,117)</u>
Establishment related costs:				
- Depreciation	(1,869)	(1,815)	(5,538)	(5,675)
- Rental of premises	(1,310)	(1,222)	(3,911)	(3,585)
- Rental of equipment	(633)	(689)	(1,959)	(2,019)
- Repairs and maintenance of premises and equipment	(355)	(382)	(1,386)	(1,258)
- Information technology expenses	(835)	(765)	(2,469)	(2,328)
- Others	(1,143)	(1,166)	(3,579)	(3,627)
	<u>(6,145)</u>	<u>(6,039)</u>	<u>(18,842)</u>	<u>(18,492)</u>
Promotion and marketing related expenses:				
- Promotion and business development	(2,689)	(1,760)	(7,210)	(3,008)
- Travelling and accommodation	(201)	(175)	(733)	(520)
- Others	(3,008)	(1,779)	(8,318)	(4,982)
	<u>(5,898)</u>	<u>(3,714)</u>	<u>(16,261)</u>	<u>(8,510)</u>
Administrative and general expenses:				
- Professional and consultancy fees	(1,012)	(514)	(2,686)	(2,156)
- Communication expenses	(2,124)	(1,773)	(6,757)	(4,987)
- Incentives and commission	(19,256)	(18,387)	(62,176)	(33,249)
- Regulatory charges	(1,635)	(1,602)	(4,452)	(4,529)
- Others	(2,222)	(2,031)	(6,666)	(6,040)
	<u>(26,249)</u>	<u>(24,307)</u>	<u>(82,737)</u>	<u>(50,961)</u>
Total	<u>(66,876)</u>	<u>(65,460)</u>	<u>(202,508)</u>	<u>(165,080)</u>

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

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
		(Restated)		(Restated)
	3 months ended	3 months ended	9 months ended	9 months ended
	30-Apr-13	30-Apr-12	30-Apr-13	30-Apr-12
	RM'000	RM'000	RM'000	RM'000
Individual impairment:				
- made	(404)	(271)	(6,564)	(703)
- written back	192	71	240	123
	(212)	(200)	(6,324)	(580)
Collective impairment:				
- made	(2,329)	(1,571)	(5,675)	(2,596)
Bad debts:				
- recovered	334	145	772	1,476
- written off	(129)	(38)	(264)	(298)
	<u>(2,336)</u>	<u>(1,664)</u>	<u>(11,491)</u>	<u>(1,998)</u>

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

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
		(Restated)		(Restated)
	3 months ended	3 months ended	9 months ended	9 months ended
	30-Apr-13	30-Apr-12	30-Apr-13	30-Apr-12
	RM'000	RM'000	RM'000	RM'000
Individual impairment:				
- made	(139)	(177)	(191)	(171)
- written back	143	113	193	280
	4	(64)	2	109
Bad debts:				
- recovered	78	487	137	666
	<u>82</u>	<u>423</u>	<u>139</u>	<u>775</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 30-Apr-13			As at 31-Jul-12		
	Principal amount RM'000	Credit equivalent amount* RM'000	Risk- weighted amount RM'000	Principal amount RM'000	Credit equivalent amount* RM'000	Risk- weighted amount RM'000
Contingencies						
Direct credit substitutes	-	-	-	5,000	5,000	1,000
Commitments						
Forward asset purchases	-	-	-	10,328	10,328	5,164
Obligations under underwriting agreement	-	-	-	10,000	5,000	5,000
Commitments to extend credits with maturity of ⁽¹⁾ :						
- up to 1 year	365,893	6,663	6,663	468,107	24,000	24,000
- over 1 year	14,974	9,974	7,487	14,605	11,772	7,303
	380,867	16,637	14,150	503,040	51,100	41,467
Derivative financial instruments						
Foreign exchange related contracts:						
- up to 1 year	2,327,685	30,734	14,848	1,220,649	32,444	13,734
- over 1 year to 5 years	536,355	61,528	17,758	170,361	16,149	3,230
Interest rate related contracts:						
- up to 1 year	663,000	642	363	2,460,000	4,249	970
- over 1 year to 5 years	100,000	4,341	2,170	253,000	2,069	1,909
	3,627,040	97,245	35,139	4,104,010	54,911	19,843
Total	4,007,907	113,882	49,289	4,612,050	111,011	62,310

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

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

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A25 Other Commitments

	As at 30-Apr-13 RM'000	As at 31-Jul-12 RM'000
Capital expenditure commitments	14,613	19,942
Non-cancellable operating lease commitments	6,182	8,155
	20,795	28,097

A26 Capital Adequacy

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

With effect from January 2013, the investment banking subsidiary, HDBSIB is required to comply with the revised Capital Adequacy Framework, as set out in the Capital Adequacy Framework (Basel II - Risk-Weighted Assets) and Capital Adequacy Framework (Capital Components) issued by Bank Negara Malaysia at both entity and consolidated levels. HDBSIB adopts the Standardised Approach for credit and market risks, and the Basic Indicator Approach for operational risk.

The capital components and capital adequacy ratios of HDBSIB and the investment banking group, which are computed in accordance with the revised Capital Adequacy Framework, are as follows:

	Investment Banking Group As at 30-Apr-13 RM'000	HDBSIB As at 30-Apr-13 RM'000
<u>Common Equity Tier I (CET 1) Capital</u>		
Issued and fully paid ordinary shares	500,000	500,000
Retained profits	202,415	199,016
AFS reserve	6,005	6,005
Statutory reserve	133,839	133,839
	842,259	838,860
Less: Regulatory adjustments	(168,650)	(168,650)
CET 1 Capital	673,609	670,210
<u>Additional Tier 1 Capital</u>		
Non-controlling interests	202	-
Tier 1 Capital	673,811	670,210
<u>Tier 2 Capital</u>		
Non-controlling interests	47	-
Collective impairment allowances	5,744	5,744
Less: Regulatory adjustments	-	(399)
Tier 2 Capital	5,791	5,345
Total Capital	679,602	675,555
CET1 Capital ratio	29.5%	29.5%
Tier 1 Capital ratio	29.5%	29.5%
Total Capital ratio	29.8%	29.7%

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A26 Capital Adequacy (cont'd)

(i) HwangDBS Investment Bank Berhad ("HDBSIB") (cont'd)

The capital adequacy ratios of HDBSIB as at the previous financial year end, which were computed in accordance with Risk-Weighted Capital Adequacy Framework (Basel II - Risk-Weighted Assets Computation) issued by BNM, are as follows:

	(Restated) As at 31-Jul-12 RM'000
<u>Tier I capital</u>	
Issued and fully paid share capital	500,000
Retained profits	218,670
Statutory reserve	133,839
Total Tier I capital	<u>852,509</u>
Less: Goodwill	<u>(110,002)</u>
Eligible Tier I capital	<u>742,507</u>
<u>Tier II capital</u>	
Collective impairment allowances	<u>4,511</u>
Total Tier II capital	<u>4,511</u>
Total capital	747,018
Less: Investment in subsidiaries	(3,081)
Other deductions	(248)
Capital base	<u><u>743,689</u></u>
Before deducting proposed dividend:	
Core capital ratio	36.0%
Risk-weighted capital ratio	<u><u>36.0%</u></u>
After deducting proposed dividend:	
Core capital ratio	34.9%
Risk-weighted capital ratio	<u><u>35.0%</u></u>

There is no comparative figures in respect of the capital adequacy ratios of the investment banking group as at the previous financial year end.

(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 30-Apr-13	As at 31-Jul-12
Solvency ratio	<u><u>64.1%</u></u>	<u><u>82.9%</u></u>

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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) Investment management - management of unit trust funds and provision of fund management services
- (iv) Moneylending - moneylending activities
- (v) Commercial banking - commercial banking 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	Investment manage- ment RM'000	Money- lending RM'000	Commercial banking RM'000	Others RM'000	Inter- segment elimination RM'000	Group RM'000
9 months ended 30 April 2013								
Revenue								
External revenue *	63,995	91,341	132,784	33,710	8,458	5,041	-	335,329
Inter-segment revenue	-	1,244	(176)	-	-	38,885	(39,953)	-
Total revenue	<u>63,995</u>	<u>92,585</u>	<u>132,608</u>	<u>33,710</u>	<u>8,458</u>	<u>43,926</u>	<u>(39,953)</u>	<u>335,329</u>
Net interest income/(expense)	16,464	21,152	1,595	23,657	6,728	(7,418)	-	62,178
Other operating income	43,757	17,364	132,825	4,648	711	43,849	(39,359)	203,795
	<u>60,221</u>	<u>38,516</u>	<u>134,420</u>	<u>28,305</u>	<u>7,439</u>	<u>36,431</u>	<u>(39,359)</u>	<u>265,973</u>
Other operating expenses	(62,600)	(16,099)	(105,435)	(6,798)	(5,725)	(12,138)	6,287	(202,508)
	<u>(2,379)</u>	<u>22,417</u>	<u>28,985</u>	<u>21,507</u>	<u>1,714</u>	<u>24,293</u>	<u>(33,072)</u>	<u>63,465</u>
(Allowance)/Write back of allowance for losses on:								
- loans, advances and financing	386	(1,619)	-	(7,900)	(2,322)	-	(36)	(11,491)
- clients' balances and receivables	139	-	-	-	-	(4)	4	139
Write back of impairment allowance on investment in a subsidiary	318	-	-	-	-	-	(318)	-
Segment profit/(loss)	<u>(1,536)</u>	<u>20,798</u>	<u>28,985</u>	<u>13,607</u>	<u>(608)</u>	<u>24,289</u>	<u>(33,422)</u>	<u>52,113</u>
Share of results of an associate, net of tax								505
Profit before taxation								<u>52,618</u>

9 months ended 30 April 2012 (Restated)

Revenue								
External revenue *	83,954	80,055	76,100	32,809	5,993	6,018	-	284,929
Inter-segment revenue	-	1,354	43	-	-	43,380	(44,777)	-
Total revenue	<u>83,954</u>	<u>81,409</u>	<u>76,143</u>	<u>32,809</u>	<u>5,993</u>	<u>49,398</u>	<u>(44,777)</u>	<u>284,929</u>
Net interest income/(expense)	18,221	19,282	1,051	24,384	5,341	(7,325)	-	60,954
Other operating income	74,408	21,957	77,036	3,547	396	49,326	(49,982)	176,688
	<u>92,629</u>	<u>41,239</u>	<u>78,087</u>	<u>27,931</u>	<u>5,737</u>	<u>42,001</u>	<u>(49,982)</u>	<u>237,642</u>
Other operating expenses	(68,835)	(15,166)	(62,065)	(7,887)	(4,268)	(12,987)	6,128	(165,080)
	<u>23,794</u>	<u>26,073</u>	<u>16,022</u>	<u>20,044</u>	<u>1,469</u>	<u>29,014</u>	<u>(43,854)</u>	<u>72,562</u>
(Allowance)/Write back of allowance for losses on:								
- loans, advances and financing	472	(43)	-	(1,462)	(936)	-	(29)	(1,998)
- clients' balances and receivables	763	12	-	-	-	(4)	4	775
Segment profit/(loss)	<u>25,029</u>	<u>26,042</u>	<u>16,022</u>	<u>18,582</u>	<u>533</u>	<u>29,010</u>	<u>(43,879)</u>	<u>71,339</u>
Share of results of an associate, net of tax								(77)
Profit before taxation								<u>71,262</u>

* 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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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2013

A28 Subsequent Events

There are no material events subsequent to the end of the financial period ended 30 April 2013.

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 30 April 2013.

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

Operating revenue of the Group of RM335.3 million for the nine months ended 30 April 2013 is 18% higher compared to the RM284.9 million recorded in the corresponding financial period last year. Increase in income generated from investment management activities and net gain arising from foreign exchange transactions coupled with higher interest income from treasury and lending activities have collectively contributed to the growth in operating revenue for the current financial period. The increase in operating revenue is however, partly offset by the reduction in brokerage income and lower gains arising from securities and derivatives trading activities for the same period. There is no significant change in operating revenue of the Group for the current quarter under review at RM111.0 million compared to RM110.0 million recorded in the previous corresponding quarter.

Pretax profit of the Group for the financial period ended 30 April 2013 slid 26% to RM52.6 million from RM71.3 million posted in the previous corresponding financial period. On a quarterly basis, pretax profit of the Group for the current quarter under review of RM17.6 million is 34% lower relative to RM26.9 million recorded in the corresponding quarter last year.

The Group attributed the reduction in profitability for the current financial period to higher loan loss provisioning, corresponding increase in commission expense in line with increase in investment management activities, lower net gain for its securities and derivatives portfolio coupled with increased promotion and marketing related expenses, which eroded the effects of revenue growth for the current financial period. Pretax profit is lower for the current quarter under review following unfavourable effects of foreign exchange, lower brokerage income and reduction in net gain on securities held-for-trading, partly cushioned by increase in income from investment management activities and increase in net unrealised gain on derivatives portfolio.

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

(a) Stockbroking

The stockbroking segment reported a pretax profit of RM0.6 million for the current quarter, as compared to the pretax profit of RM6.4 million posted in the previous corresponding quarter. Period-to-date, the stockbroking segment incurred a pretax loss of RM1.5 million, in contrast to a pretax profit of RM25.0 million for the nine months ended 30 April 2012.

The financial performance of the segment is negatively affected by the reduction in brokerage income on the back of lower value traded. Bursa value traded for the nine months ended 30 April 2013 is down to RM296.5 billion from RM314.5 billion in the previous corresponding financial period. In addition, lower net gain on securities held-for-trading, higher marketing related expenses as well as absence of dividend income of RM6.2 million from the nominees subsidiaries and absence of insurance claim of RM2.4 million in the current financial period, partly mitigated by reduction in personnel costs, have also further impacted the performance of the segment. Similarly, the lower pretax profit for the current quarter is mainly attributed to the decline in both brokerage income and net gain arising from securities trading activities, coupled with higher marketing related expenses, partially offset by 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)

(b) Investment banking

For the nine months ended 30 April 2013, the investment banking segment registered a pretax profit of RM20.8 million, which is 20% lower compared to the pretax profit of RM26.0 million for the previous corresponding financial period. Pretax profit of the segment for the third quarter of financial year 2013 contracted by 44% to RM6.3 million from RM11.4 million recorded in the previous corresponding financial quarter.

The lower profitability of the investment banking segment for the current financial period under review is primarily linked to marked-to-market loss on securities portfolio, higher net loss incurred on disposal of derivative contracts and lower net gain arising from disposal of securities, partially offset by increase in net gain arising from foreign exchange and higher unrealised gain on derivatives portfolio. On a quarter-to-quarter basis, the lower pretax profit is mainly attributable to net loss incurred on foreign exchange and unrealised loss on securities portfolio, partly cushioned by increased unrealised gain on derivatives portfolio and higher net gain arising from disposal of securities.

(c) Investment management

For the current quarter ended 30 April 2013, the investment management segment posted a marginally higher pretax profit of RM7.3 million compared to the pretax profit of RM6.8 million recorded in the previous corresponding quarter. The cumulative pretax profit of the segment for the current financial period under review increased significantly from RM16.0 million recorded in the previous corresponding financial period to RM29.0 million.

Increase in fund management fee, incentive fee and initial service charge, net of agents' commission expense are the key drivers of the increased earnings of the segment, supported by enlarged net assets value of funds managed of RM20.3 billion as at 30 April 2013 (As at 30 April 2012: RM13.2 billion). These were, however, partially negated by higher level of personnel costs and marketing related expenses for the current financial period under review. Higher pretax profit for the current quarter ended 30 April 2013 is largely contributed by increase in fund management fee, net of agents' commission expense, partly offset by lower initial service charge as well as higher personnel costs and marketing related expenses for the current quarter under review.

(d) Moneylending

The moneylending segment posted a pretax profit of RM6.4 million in the third quarter of financial year 2013, which surpassed the pretax profit of RM5.6 million in the previous corresponding quarter by 13%. Notwithstanding this, the pretax profit of the segment for the nine months ended 30 April 2013 is lower at RM13.6 million compared to RM18.6 million posted in the previous corresponding financial period.

The moneylending segment attributed the lower pretax profit to higher loan loss provisioning and reduction in net interest income, partly offset by lower personnel costs for the current financial period. For the current quarter under review, the higher pretax profit is mainly due to reduction in personnel costs, increase in net interest income and fee income, partly offset by higher loan loss provisioning.

(e) Commercial banking

The commercial banking segment recorded a pretax loss of RM0.6 million for the current financial period ended 30 April 2013 against the pretax profit of RM0.5 million for the previous corresponding financial period. The segment posted a pretax profit of RM0.2 million in the current quarter under review while achieved a breakeven results in the previous corresponding quarter last year. The segment recorded increase in net interest income in the current quarter and financial period ended 30 April 2013. However, the positive contributions from higher income generated is adversely impacted by increased loan loss provisioning and higher personnel costs for the same period.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2013

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

The pretax profit of the Group of RM17.6 million for the current quarter under review has declined by 7% compared to the pretax profit of RM18.9 million recorded in the preceding second quarter ended 31 January 2013. Reduction in incentive fee from investment management activities and net loss on foreign exchange have led to a lower earnings for the current quarter, partly cushioned by the increase in unrealised gain on derivatives portfolio, lower loan loss provisioning, higher brokerage income and increased initial service charge for the same period.

B3 Commentary

(a) Current Year's Prospects

The Malaysian economic fundamentals are expected to remain resilient on the back of sound fiscal policy, strong domestic activities and spinoff effects from the Government's Economic Transformation Programmes. However, there are still signs of uncertainties in the external front and threats of continued recession in the euro zone could weigh down on the growth momentum in the country.

The stockbroking and investment banking businesses will continue to remain competitive. The outlook for the stockbroking activities is more promising with trading interest in the financial markets expected to return post-election. The investment banking division will continue to focus on its target markets to seek business opportunities and increase its fee-based and money market activities.

The investment management segment is expected to continue its growth momentum and will focus on increasing its funds under management portfolio, launch new funds, explore new markets abroad and will continue to strengthen its system infrastructure and distribution channels.

The growth in the Group's commercial banking business will be driven by expansion of its loans and deposits portfolios through its extended distribution network targeting the wide customer base and the SME market, whilst the consumer financing activities will strive to grow its loan portfolio amidst an increasingly competitive and challenging operating landscape.

Barring any adverse developments, the Board of Directors is of the view that the Group will turn in satisfactory performance in the remaining quarter of the financial year ending 31 July 2013.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2013

B3 Commentary (cont'd)

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

Not applicable.

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

Not applicable.

B5 Profit Forecast and Profit Guarantee

Not applicable.

B6 Taxation

The analysis of the tax expense for the current quarter and financial period ended 30 April 2013 are as follows:

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 30-Apr-13 RM'000	(Restated) 3 months ended 30-Apr-12 RM'000	9 months ended 30-Apr-13 RM'000	(Restated) 9 months ended 30-Apr-12 RM'000
In respect of the current financial period:				
Malaysian income tax	(4,109)	(9,821)	(12,910)	(19,762)
Foreign income tax	(32)	(21)	(85)	(60)
Deferred tax	221	3,526	550	2,161
	<u>(3,920)</u>	<u>(6,316)</u>	<u>(12,445)</u>	<u>(17,661)</u>
In respect of prior financial years:				
Malaysian income tax	(870)	1,718	(870)	1,465
Deferred tax	1,348	(1,502)	1,348	(1,502)
	<u>478</u>	<u>216</u>	<u>478</u>	<u>(37)</u>
	<u><u>(3,442)</u></u>	<u><u>(6,100)</u></u>	<u><u>(11,967)</u></u>	<u><u>(17,698)</u></u>

The effective tax rate for the current quarter and financial period ended 30 April 2013 is lower than the statutory tax rate mainly due to certain income which are not subject to tax, partially offset by certain expenses which are not deductible for tax purposes.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2013

B7 Status of Corporate Proposals

There are no corporate proposals announced but not completed as at date of this announcement except for the following:

- (a) On 31 January 2013, the Company announced that the following wholly-owned dormant subsidiaries of the Company have commenced member's voluntary winding-up pursuant to Section 254(1)(b) of the Companies Act, 1965:
- (i) HwangDBS Custodian Services Sdn. Bhd. ("HCS")
 - (ii) HDM Management Services Sdn. Bhd. ("HMS")
 - (iii) HDM Research & Publication Sdn. Bhd. ("R&P")

The member's voluntary winding-up of HCS, HMS and R&P will not have any material effect on the net assets, gearing ratios and earnings per share of the Group for the financial year ending 31 July 2013.

- (b) On 15 April 2013, the Company obtained permission from Bank Negara Malaysia via its letter dated 12 April 2013 for the Company to commence preliminary negotiations with AMMB Holdings Berhad and Affin Holdings Berhad for the potential disposal of its equity interest in its wholly-owned investment banking subsidiary, HwangDBS Investment Bank Berhad. BNM's approval to commence negotiations is valid for a period of 6 months.

During the current quarter ended 30 April 2013, the Company also commenced preliminary negotiations with AMMB Holdings Berhad and Affin Holdings Berhad for the potential disposal of its equity interests in other financial services businesses of the Group.

B8 Group Borrowings and Debt Securities

Please refer to explanatory note A17.

B9 Disclosure of Realised and Unrealised Profits or Losses

	As at 30-Apr-13 RM'000	(Restated) As at 31-Jul-12 RM'000
Total retained profits of the Company and its subsidiaries:		
- realised	542,602	524,596
- unrealised	9,215	8,070
	551,817	532,666
Total share of accumulated losses of associate:		
- realised	(725)	(1,230)
	551,092	531,436
Consolidation adjustments	(24,141)	(15,383)
Total Group retained profits	526,951	516,053

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

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2013

B10 Disclosure of Derivatives

(a) The derivative financial instruments held by the Group as at the end of the reporting period are as follows:

	As at 30-Apr-13		As at 31-Jul-12	
	Fair value		Fair value	
	Derivative assets RM'000	Derivative liabilities RM'000	Derivative assets RM'000	Derivative liabilities RM'000
Foreign exchange related contracts:				
- currency forwards	1,394	(4,315)	2,186	(2,150)
- currency swaps	6,043	(1,621)	6,435	(3,458)
- currency options	1	(1)	10	(10)
- cross currency interest rate swaps	5,731	(9,733)	4,188	(10,364)
Interest rate related contracts:				
- futures contracts	517	(118)	640	(10,322)
- interest rate swaps	834	(1,451)	3,686	(6,124)
	14,520	(17,239)	17,145	(32,428)
Less:				
Fair value of futures contracts included in other assets	(517)	118	(640)	10,322
	14,003	(17,121)	16,505	(22,106)

(b) The principal amount and fair value of derivatives held by the Group at 30 April 2013 classified by the remaining periods to maturity are as follows:

Type of Derivatives	Cash requirement RM'000	1 year or less RM'000	> 1 to 3 years RM'000	> 3 years RM'000	Total RM'000
(i) Principal amount					
Foreign exchange related contracts					
- currency forwards	-	795,273	18,204	-	813,477
- currency swaps	-	1,407,177	18,198	-	1,425,375
- currency options	-	454	-	-	454
- cross currency interest rate swaps	5,901	124,781	129,865	370,088	624,734
Interest rate related contracts					
- futures contracts	205	205,000	-	-	205,000
- interest rate swaps	-	458,000	-	100,000	558,000
	6,106	2,990,685	166,267	470,088	3,627,040

Type of Derivatives	1 year or less RM'000	> 1 to 3 years RM'000	> 3 years RM'000	Total RM'000
(ii) Fair value				
Foreign exchange related contracts				
- currency forwards	(2,688)	(233)	-	(2,921)
- currency swaps	4,194	228	-	4,422
- currency options	-	-	-	-
- cross currency interest rate swaps	3,993	(6,498)	(1,497)	(4,002)
Interest rate related contracts				
- futures contracts	399	-	-	399
- interest rate swaps	(955)	-	338	(617)
	4,943	(6,503)	(1,159)	(2,719)

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2013

B10 Disclosure of Derivatives (cont'd)

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

Credit risk

Derivative contracts are subject to credit risk, which refers to the potential risk of financial loss arising from defaults by counterparties in meeting their obligations. As at the end of the reporting , the amount of credit risk of the Group, measured in terms of the cost to replace profitable contracts is RM14.5 million (At 31 July 2012: RM17.1 million). The amount will increase or decrease over the contracted periods, mainly as a function of movements in market rates and time.

Market risk

Market risk is the risk of loss arising from changes in market interest rates, foreign exchange rates and equity prices underlying derivative contracts. The contractual amounts of derivatives only provide a measure of the Group's involvement in the respective type of derivatives and do not represent the amount subject to risk. As at the end of the reporting period, the net exposure of the Group to market risk, which were not hedged amounted to RM132.3 million (At 31 July 2012: RM216.9 million).

Liquidity risk

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

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

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

B11 Changes in Material Litigation

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

B12 Dividends

Please refer to explanatory note A7.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2013

B13 Earnings Per Share Attributable to Equity Holders of the Company

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 30-Apr-13	(Restated) 3 months ended 30-Apr-12	9 months ended 30-Apr-13	(Restated) 9 months ended 30-Apr-12
Profit for the financial year attributable to equity holders of the Company (RM'000)	<u>11,351</u>	18,318	<u>30,035</u>	47,951
Weighted average number of ordinary shares in issue ('000)	<u>255,159</u>	255,159	<u>255,159</u>	255,159
Basic earnings per share (sen)	<u><u>4.45</u></u>	<u>7.18</u>	<u><u>11.77</u></u>	<u>18.79</u>

There were no dilutive potential ordinary shares in issue as at 30 April 2013 and 30 April 2012.

By Order of the Board

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

**Penang
12 June 2013**