

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 OCTOBER 2013

	Note	As at 31-Oct-13 RM'000	As at 31-Jul-13 RM'000
Assets			
Cash and short term funds		1,062,839	1,251,907
Deposits and placements with banks and other financial institutions		49,800	33,475
Securities held-for-trading	A8	122,230	55,319
Securities available-for-sale ("AFS")	A9	1,427,986	1,413,331
Securities held-to-maturity	A10	361,905	370,268
Loans, advances and financing	A11	880,521	889,092
Clients' and brokers' balances	A12	159,247	225,613
Derivative assets	B10	16,357	36,579
Other assets	A13	100,076	159,307
Statutory deposits with Central Banks		80,869	84,314
Tax recoverable		10,568	15,656
Deferred tax assets		9,355	5,585
Investment in an associate		5,012	4,544
Property, plant and equipment		50,385	51,314
Investment properties		4,829	51,452
Intangible assets		162,507	162,509
		<u>4,504,486</u>	<u>4,810,265</u>
Non-current assets held for sale	A14	47,616	839
Total assets		<u>4,552,102</u>	<u>4,811,104</u>
Liabilities			
Deposits from customers	A15	887,298	690,304
Deposits and placements of banks and other financial institutions	A16	1,751,101	2,096,449
Clients' and brokers' balances		159,603	223,964
Derivative liabilities	B10	27,314	45,883
Other liabilities	A17	256,370	302,790
Taxation		4,502	1,624
Deferred tax liabilities		13	12
Borrowings	A18	450,130	450,637
Total liabilities		<u>3,536,331</u>	<u>3,811,663</u>
Equity			
Share capital		265,845	265,845
Reserves		723,080	711,922
Treasury shares, at cost		(16,061)	(16,061)
		<u>972,864</u>	<u>961,706</u>
Non-controlling interests		42,907	37,735
Total equity		<u>1,015,771</u>	<u>999,441</u>
Total liabilities and equity		<u>4,552,102</u>	<u>4,811,104</u>
Net assets per share attributable to equity holders of the Company (RM)		<u>3.81</u>	<u>3.77</u>

The condensed financial statements should be read in conjunction with the most recent audited financial statements for the financial year ended 31 July 2013.

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED INCOME STATEMENT
FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2013

	Note	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
		3 months ended 31-Oct-13 RM'000	3 months ended 31-Oct-12 RM'000	3 months ended 31-Oct-13 RM'000	3 months ended 31-Oct-12 RM'000
Operating revenue		132,600	113,406	132,600	113,406
Interest income	A19	46,772	47,226	46,772	47,226
Interest expense	A20	(26,568)	(26,157)	(26,568)	(26,157)
Net interest income		20,204	21,069	20,204	21,069
Other operating income	A21	82,288	65,697	82,288	65,697
		102,492	86,766	102,492	86,766
Other operating expenses	A22	(76,451)	(68,311)	(76,451)	(68,311)
		26,041	18,455	26,041	18,455
(Allowance)/Write back of allowance for losses on:					
- loans, advances and financing	A23	(1,225)	(2,528)	(1,225)	(2,528)
- clients' balances and receivables	A24	541	(32)	541	(32)
		25,357	15,895	25,357	15,895
Share of results of an associate, net of tax		460	142	460	142
Profit before taxation		25,817	16,037	25,817	16,037
Taxation	B6	(7,120)	(4,557)	(7,120)	(4,557)
Profit for the financial period		18,697	11,480	18,697	11,480
Attributable to:					
Equity holders of the Company		13,514	9,221	13,514	9,221
Non-controlling interests		5,183	2,259	5,183	2,259
		18,697	11,480	18,697	11,480
Earnings per share attributable to equity holders of the Company (sen)					
- Basic	B13	5.30	3.61	5.30	3.61

The condensed financial statements should be read in conjunction with the most recent audited financial statements for the financial year ended 31 July 2013.

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2013

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Oct-13 RM'000	3 months ended 31-Oct-12 RM'000	3 months ended 31-Oct-13 RM'000	3 months ended 31-Oct-12 RM'000
Profit for the financial period	18,697	11,480	18,697	11,480
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	(3,644)	(2,561)	(3,644)	(2,561)
Securities AFS:				
- net change in fair value	1,877	3,874	1,877	3,874
- net gain transferred to income statement on disposal	(177)	(279)	(177)	(279)
Share of AFS reserve of an associate	8	-	8	-
Income tax relating to components of other comprehensive income	(431)	(899)	(431)	(899)
	<u>(2,367)</u>	<u>135</u>	<u>(2,367)</u>	<u>135</u>
Total comprehensive income for the financial period	16,330	11,615	16,330	11,615
Attributable to:				
Equity holders of the Company	11,158	9,356	11,158	9,356
Non-controlling interests	5,172	2,259	5,172	2,259
	<u>16,330</u>	<u>11,615</u>	<u>16,330</u>	<u>11,615</u>

The condensed financial statements should be read in conjunction with the most recent audited financial statements for the financial year ended 31 July 2013.

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 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 2013	255,159	265,845	(16,061)	33,090	148,861	3,557	(6,673)	533,087	961,706	37,735	999,441
Profit for the financial period	-	-	-	-	-	-	-	13,514	13,514	5,183	18,697
Other comprehensive income for the financial period, net of tax	-	-	-	-	-	1,288	(3,644)	-	(2,356)	(11)	(2,367)
Total comprehensive income for the financial period	-	-	-	-	-	1,288	(3,644)	13,514	11,158	5,172	16,330
At 31 October 2013	255,159	265,845	(16,061)	33,090	148,861	4,845	(10,317)	546,601	972,864	42,907	1,015,771
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	-	-	-	-	-	-	-	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	-	-	-	-	-	-	-	9,221	9,221	2,259	11,480
Other comprehensive income for the financial period, net of tax	-	-	-	-	-	2,696	(2,561)	-	135	-	135
Total comprehensive income for the financial period	-	-	-	-	-	2,696	(2,561)	9,221	9,356	2,259	11,615
Dividend paid by a subsidiary to non-controlling interests	-	-	-	-	-	-	-	-	-	(2,350)	(2,350)
At 31 October 2012	255,159	265,845	(16,061)	33,090	133,839	8,701	(14,457)	525,274	936,231	25,250	961,481

The condensed financial statements should be read in conjunction with the most recent audited financial statements for the financial year ended 31 July 2013.

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

CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2013

	3 months ended 31-Oct-13 RM'000	3 months ended 31-Oct-12 RM'000
Operating activities		
Profit for the financial period	18,697	11,480
Adjustments for:		
Non-cash items	34,503	38,714
Non-operating items - investing	(20,477)	(21,042)
Non-operating items - financing	5,230	4,523
	37,953	33,675
Changes in working capital:		
Net changes in operating assets	60,146	(90,172)
Net changes in operating liabilities	(254,015)	315,355
	(155,916)	258,858
Interest paid	(23,289)	(19,848)
Taxation paid	(3,373)	(7,880)
Net operating cash flow	(182,578)	231,130
Investing activities		
Net (purchase)/disposal of securities	(17,258)	12,910
Interest received from securities	21,002	22,288
Dividends and income distributions received	2,767	2,259
Rental received	12	-
Proceeds from disposal of other investments	3	-
Property, plant and equipment:		
- purchases	(463)	(2,086)
- proceeds from disposals	80	3
Net investing cash flow	6,143	35,374
Financing activities		
Interest paid	(5,037)	(5,167)
Net (repayment)/drawdown of borrowings	(700)	450
Net financing cash flow	(5,737)	(4,717)
Net change in cash and cash equivalents	(182,172)	261,787
Foreign exchange differences	(1,740)	(768)
Cash and cash equivalents at beginning of the financial period	1,168,433	627,245
Cash and cash equivalents at end of the financial period	984,521	888,264
Cash and cash equivalents at end of the financial period comprise:		
Cash and short term funds	984,521	888,264

The condensed financial statements should be read in conjunction with the most recent audited financial statements for the financial year ended 31 July 2013.

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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 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 Malaysian Financial Reporting Standard ("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 2013. 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 2013.

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 2013 except for the adoption of the following new/revised financial reporting standards under the MFRS framework ("MFRSs"), that are effective for the Group for the financial year ending 31 July 2014:

<u>MFRS</u>	<u>Description</u>
Amendments to MFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosures of Interests in Other Entities
MFRS 13	Fair Value Measurement
Amendments to MFRS 10, MFRS 11 and MFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
Amendment to MFRS 101	Presentation of Financial Statements
Amendment to MFRS 116	Property, Plant and Equipment
MFRS 127 (Revised)	Separate Financial Statements
MFRS 128 (Revised)	Investments in Associates and Joint Ventures
Amendment to MFRS 132	Financial Instruments: Presentation
Amendment to MFRS 134	Interim Financial Reporting

The adoption of the above MFRSs does not give rise to any material financial effects to the Group, other than the enhanced disclosure requirements under MFRS 13, Fair Value Measurement. Please refer to information in respect of the fair value of financial instruments as disclosed in explanatory note A29.

A2 Auditors' Report

The auditors' report of the most recent annual financial statements of the Group for the financial year ended 31 July 2013 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 October 2013.

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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 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 31 October 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 31 October 2013.

A7 Dividends

No dividend has been paid since the end of the previous financial year.

The Board of Directors has not declared or recommended the payment of dividend in respect of the current financial year ending 31 July 2014.

HWANG-DBS (MALAYSIA) BERHAD
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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2013

A8 Securities Held-For-Trading

	As at 31-Oct-13 RM'000	As at 31-Jul-13 RM'000
At fair value:		
Quoted in Malaysia		
Shares, warrants and REITs	24,711	23,747
Unit trusts	11,711	11,682
	36,422	35,429
Unquoted		
Private debt securities	85,808	19,890
	122,230	55,319
	158,652	90,748

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

	As at 31-Oct-13 RM'000	As at 31-Jul-13 RM'000
At fair value:		
Quoted in Malaysia		
REITs	32,568	33,574
Unit trusts	(a) 172,049	138,682
Quoted outside Malaysia		
REITs	33,898	34,574
	238,515	206,830
Unquoted		
Malaysian Government Securities	81,320	80,539
Malaysian Government Sukuk	6,680	6,851
Malaysian Government Islamic Investment Issues	252,075	250,894
Malaysian Government Treasury Bills	22,260	22,089
BNM Islamic Negotiable Notes	119,158	119,671
Private and Islamic debt securities	707,488	725,967
	1,188,981	1,206,011
	1,427,496	1,412,841
At cost:		
Unquoted		
Shares	(b) 1,140	1,140
Accumulated impairment loss	(650)	(650)
	490	490
	1,427,986	1,413,331
	1,427,986	1,413,331

(a) Included in investments in unit trusts are unit trust funds managed by a subsidiary, Hwang Investment Management Berhad and the associate at a carrying amount of RM140.4 million (At 31 July 2013: RM107.1 million) and RM5.1 million (At 31 July 2013: RM5.1 million) respectively as at the end of the reporting period.

(b) On 29 October 2013, a wholly-owned subsidiary of the Company, HDM Capital Sdn. Bhd. entered into an agreement with a third party in relation to the disposal of unquoted shares costing RM650,000, subject to the terms and conditions as stipulated in the said agreement, for a total cash consideration of RM2.4 million. A deposit of RM100,000 has been received from the purchaser.

A10 Securities Held-To-Maturity

	As at 31-Oct-13 RM'000	As at 31-Jul-13 RM'000
At amortised cost:		
Unquoted		
Private and Islamic debt securities	361,905	370,268
	361,905	370,268
	361,905	370,268

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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2013

A11 Loans, Advances and Financing

	As at 31-Oct-13 RM'000	As at 31-Jul-13 RM'000
(a) By Type		
Term loans		
- housing loans	24,149	26,049
- syndicated term loans	180,715	190,979
- other term loans	746,990	735,902
Overdrafts	4,524	4,423
Share margin financing	166,819	168,036
Staff loans	910	619
Other financing	87	3,876
	<u>1,124,194</u>	<u>1,129,884</u>
Unearned interest	(221,951)	(216,211)
	<u>902,243</u>	<u>913,673</u>
Allowance for losses:		
- collective impairment	(15,901)	(15,273)
- individual impairment	(5,821)	(9,308)
Net loans, advances and financing	<u>880,521</u>	<u>889,092</u>
(b) By Type of Customer		
Domestic business enterprises		
- others	308,791	323,677
Individuals	381,351	366,778
Other domestic entities	81,635	85,437
Foreign business enterprises	31,373	33,500
Foreign individuals	99,093	104,281
	<u>902,243</u>	<u>913,673</u>
(c) By Geographical Distribution		
Malaysia	771,833	775,948
Cambodia	121,805	129,043
Hong Kong	7,521	7,564
Singapore	441	302
Other countries	643	816
	<u>902,243</u>	<u>913,673</u>
(d) By Interest Rate Sensitivity		
Fixed rate		
- other fixed rate loans/financing	652,953	653,048
- housing loans	24,977	26,049
Variable rate		
- cost-plus	224,313	234,576
	<u>902,243</u>	<u>913,673</u>

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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2013

A11 Loans, Advances and Financing (cont'd)

	As at 31-Oct-13 RM'000	As at 31-Jul-13 RM'000
(e) By Purpose		
Purchase of landed properties		
- residential	23,605	25,218
- non-residential	21,059	23,508
Construction	4,813	5,070
Real estate	3,750	4,259
Purchase of securities	240,430	255,607
Working capital	111,546	119,130
Personal use	290,306	279,013
Mergers and acquisitions	80,895	80,895
Others	125,839	120,973
	902,243	913,673
	902,243	913,673
(f) By Residual Contractual Maturity		
Within 1 year	336,322	349,694
1 year to 3 years	42,384	21,755
3 years to 5 years	75,446	95,343
Over 5 years	448,091	446,881
	902,243	913,673
	902,243	913,673
(g) Impaired Loans, Advances and Financing by Purpose		
Purchase of landed properties		
- residential	505	371
- non-residential	140	164
Real estate	678	648
Working capital	5,587	9,564
Personal use	8,365	7,727
Others	108	106
	15,383	18,580
	15,383	18,580
(h) Impaired Loans, Advances and Financing by Geographical Distribution		
Malaysia	9,191	12,592
Cambodia	6,192	5,988
	15,383	18,580
	15,383	18,580

HWANG-DBS (MALAYSIA) BERHAD
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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2013

A11 Loans, Advances and Financing (cont'd)

	As at 31-Oct-13 RM'000	As at 31-Jul-13 RM'000
(i) Movements in Impaired Loans, Advances and Financing		
At beginning of the financial period/year	18,580	19,184
Classified as impaired	2,366	18,389
Reclassified as non-impaired	(978)	(5,170)
Amount recovered	(238)	(1,055)
Amount written off	(4,171)	(12,900)
Exchange differences	(176)	132
At end of the financial period/year	<u>15,383</u>	<u>18,580</u>
Gross impaired loans, advances and financing as a % of gross loans, advances and financing	<u>1.7%</u>	<u>2.0%</u>
(j) Movements in Allowance for Losses		
<u>Collective Impairment</u>		
At beginning of the financial period/year		
- as previously reported	15,273	11,436
- effects of transition to MFRS	-	(1,016)
- as restated	15,273	10,420
Net allowance made	815	7,189
Amount written off	(130)	(2,426)
Exchange differences	(57)	90
At end of the financial period/year	<u>15,901</u>	<u>15,273</u>
As a % of gross loans, advances and financing less individual impairment allowance	<u>1.8%</u>	<u>1.7%</u>
<u>Individual Impairment</u>		
At beginning of the financial period/year	9,308	11,521
Allowance made	708	8,172
Amount written back	(31)	(398)
Amount written off	(4,013)	(10,186)
Exchange differences	(151)	199
At end of the financial period/year	<u>5,821</u>	<u>9,308</u>

HWANG-DBS (MALAYSIA) BERHAD
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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2013

A12 Clients' and Brokers' Balances

	As at 31-Oct-13 RM'000	As at 31-Jul-13 RM'000
Clients' and brokers' balances, net of allowance for impairment of RM484,000 (At 31 July 2013: RM539,000)	<u>159,247</u>	<u>225,613</u>

A13 Other Assets

	As at 31-Oct-13 RM'000	As at 31-Jul-13 RM'000
Trade receivables, net of allowance for impairment of RM Nil (At 31 July 2013: RM510,000)	51,905	126,490
Clearing Guarantee Fund	2,128	2,114
Clearing Fund	1,000	1,000
Other receivables, deposits and prepayments	43,197	27,771
Other investments	1,846	1,932
	<u>100,076</u>	<u>159,307</u>

A14 Non-Current Assets Held For Sale

		As at 31-Oct-13 RM'000	As at 31-Jul-13 RM'000
Investment properties:			
Freehold land	(a)	839	839
Freehold property	(c)	<u>46,586</u>	-
		47,425	839
Property, plant and equipment:			
Apartment	(b)	<u>191</u>	-
		<u>47,616</u>	839

- (a) On 29 July 2013, a wholly-owned subsidiary of the Company, HDM Properties Sdn. Bhd. ("HDMP") entered into a Sale and Purchase Agreement ("SPA") with a third party to dispose of a freehold land for a total cash consideration of RM1.55 million. A 10% deposit has been received from the purchaser. The disposal has been completed in November 2013.
- (b) On 6 September 2013, HDMP entered into a SPA with a third party to dispose of an apartment for a total cash consideration of RM330,000. A 10% deposit has been received from the purchaser. The disposal has been completed in November 2013.
- (c) On 18 October 2013, a wholly-owned subsidiary of the Company, HwangDBS Investment Bank Berhad entered into a SPA with a third party to dispose of a freehold property for a total cash consideration of RM82.5 million. A 10% deposit has been received from the purchaser. The disposal is expected to be completed in the first quarter of year 2014.

HWANG-DBS (MALAYSIA) BERHAD
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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2013

A15 Deposits from Customers

	As at 31-Oct-13 RM'000	As at 31-Jul-13 RM'000
(a) By Type of Deposit		
Demand deposits	4,686	2,332
Savings deposits	4,793	4,700
Fixed deposits	870,013	675,634
Negotiable instruments of deposits	4,183	3,481
Other deposits	3,623	4,157
	<u>887,298</u>	<u>690,304</u>
(b) By Type of Customer		
Government and statutory bodies	408,689	310,555
Business enterprises	371,965	284,000
Individuals	95,196	80,358
Others	11,448	15,391
	<u>887,298</u>	<u>690,304</u>
(c) By Maturity Structure of Term Deposits		
Within 6 months	722,113	545,797
6 months to 1 year	155,706	137,475
	<u>877,819</u>	<u>683,272</u>

A16 Deposits and Placements of Banks and Other Financial Institutions

	As at 31-Oct-13 RM'000	As at 31-Jul-13 RM'000
Licensed banks	379,864	484,047
Licensed investment banks	70,008	67,283
Central Banks	126,218	280,448
Other financial institutions	1,175,011	1,264,671
	<u>1,751,101</u>	<u>2,096,449</u>

A17 Other Liabilities

	As at 31-Oct-13 RM'000	As at 31-Jul-13 RM'000
Trade payables	119,832	182,613
Amounts due to clients and dealer's representatives	44,659	47,499
Other payables and accruals	91,879	72,678
	<u>256,370</u>	<u>302,790</u>

HWANG-DBS (MALAYSIA) BERHAD
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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 OCTOBER 2013

A18 Borrowings

- (a) Total borrowings of the Group of RM450.1 million as at 31 October 2013 are unsecured of which RM212.8 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-Oct-13 RM'000	As at 31-Jul-13 RM'000
Short term borrowings		
Revolving credits	450,130	450,637
Long term borrowings	-	-
Total borrowings	<u>450,130</u>	<u>450,637</u>

- (c) All borrowings are denominated in Ringgit Malaysia.

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A19 Interest Income

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Oct-13 RM'000	3 months ended 31-Oct-12 RM'000	3 months ended 31-Oct-13 RM'000	3 months ended 31-Oct-12 RM'000
Loans, advances and financing	19,815	18,593	19,815	18,593
Money at call and deposit placements with financial institutions	7,704	5,186	7,704	5,186
Securities AFS	11,194	12,865	11,194	12,865
Securities held-to-maturity	6,176	6,501	6,176	6,501
Others	77	412	77	412
	<u>44,966</u>	<u>43,557</u>	<u>44,966</u>	<u>43,557</u>
Securities held-for-trading	408	1,834	408	1,834
Derivative financial instruments	1,398	1,835	1,398	1,835
	<u>46,772</u>	<u>47,226</u>	<u>46,772</u>	<u>47,226</u>

During the current quarter and financial period, interest income earned on impaired loans and receivables of the Group of which impairment allowance has been made amounted to RM32,000 (Financial period ended 31 October 2012: RM Nil).

A20 Interest Expense

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Oct-13 RM'000	3 months ended 31-Oct-12 RM'000	3 months ended 31-Oct-13 RM'000	3 months ended 31-Oct-12 RM'000
Deposits and placements of banks and other financial institutions	(14,137)	(14,297)	(14,137)	(14,297)
Deposits from customers	(6,472)	(5,518)	(6,472)	(5,518)
Borrowings	(5,230)	(4,524)	(5,230)	(4,524)
Others	(141)	(130)	(141)	(130)
	<u>(25,980)</u>	<u>(24,469)</u>	<u>(25,980)</u>	<u>(24,469)</u>
Derivative financial instruments	(588)	(1,688)	(588)	(1,688)
	<u>(26,568)</u>	<u>(26,157)</u>	<u>(26,568)</u>	<u>(26,157)</u>

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A21 Other Operating Income

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Oct-13 RM'000	3 months ended 31-Oct-12 RM'000	3 months ended 31-Oct-13 RM'000	3 months ended 31-Oct-12 RM'000
Fee and commission income:				
Brokerage	14,687	12,413	14,687	12,413
Fund management and incentive fees	29,327	19,149	29,327	19,149
Advisory and arranger fees	516	1,319	516	1,319
Underwriting commission and placement income	667	825	667	825
Rollover fees	270	695	270	695
Other fees and commission	1,413	2,356	1,413	2,356
	46,880	36,757	46,880	36,757
Net gain/(loss) on securities held-for-trading:				
- net gain on disposal	7,210	2,041	7,210	2,041
- net unrealised (loss)/gain	(460)	266	(460)	266
	6,750	2,307	6,750	2,307
Net gain/(loss) on derivatives:				
- net gain/(loss) on disposal	328	(3,166)	328	(3,166)
- net unrealised gain	264	2,413	264	2,413
	592	(753)	592	(753)
Net gain on securities AFS:				
- net gain on disposal	184	275	184	275
Gross dividends/income distributions:				
- securities held-for-trading	764	86	764	86
- securities AFS	1,812	1,238	1,812	1,238
	2,576	1,324	2,576	1,324
Other income:				
Initial service charge	25,801	21,473	25,801	21,473
Net foreign exchange (loss)/gain	(1,786)	3,064	(1,786)	3,064
Rental Income	243	209	243	209
Others	1,048	1,041	1,048	1,041
	25,306	25,787	25,306	25,787
Total	82,288	65,697	82,288	65,697

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A22 Other Operating Expenses

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Oct-13 RM'000	3 months ended 31-Oct-12 RM'000	3 months ended 31-Oct-13 RM'000	3 months ended 31-Oct-12 RM'000
Personnel costs:				
- Salaries, allowances and bonus	(23,490)	(20,020)	(23,490)	(20,020)
- Contributions to defined contribution plans	(3,600)	(2,777)	(3,600)	(2,777)
- Others	(7,413)	(5,010)	(7,413)	(5,010)
	<u>(34,503)</u>	<u>(27,807)</u>	<u>(34,503)</u>	<u>(27,807)</u>
Establishment related costs:				
- Depreciation	(1,080)	(1,789)	(1,080)	(1,789)
- Rental of premises	(1,366)	(1,305)	(1,366)	(1,305)
- Rental of equipment	(592)	(658)	(592)	(658)
- Repairs and maintenance of premises and equipment	(346)	(364)	(346)	(364)
- Information technology expenses	(705)	(825)	(705)	(825)
- Others	(1,213)	(1,188)	(1,213)	(1,188)
	<u>(5,302)</u>	<u>(6,129)</u>	<u>(5,302)</u>	<u>(6,129)</u>
Promotion and marketing related expenses:				
- Promotion and business development	(2,814)	(2,187)	(2,814)	(2,187)
- Travelling and accommodation	(248)	(239)	(248)	(239)
- Others	(2,405)	(2,598)	(2,405)	(2,598)
	<u>(5,467)</u>	<u>(5,024)</u>	<u>(5,467)</u>	<u>(5,024)</u>
Administrative and general expenses:				
- Professional and consultancy fees	(1,039)	(432)	(1,039)	(432)
- Communication expenses	(1,969)	(2,244)	(1,969)	(2,244)
- Incentives and commission	(24,137)	(22,994)	(24,137)	(22,994)
- Regulatory charges	(2,131)	(1,375)	(2,131)	(1,375)
- Others	(1,903)	(2,306)	(1,903)	(2,306)
	<u>(31,179)</u>	<u>(29,351)</u>	<u>(31,179)</u>	<u>(29,351)</u>
Total	<u>(76,451)</u>	<u>(68,311)</u>	<u>(76,451)</u>	<u>(68,311)</u>

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A23 (Allowance)/Write Back of Allowance for Losses on Loans, Advances and Financing

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Oct-13 RM'000	3 months ended 31-Oct-12 RM'000	3 months ended 31-Oct-13 RM'000	3 months ended 31-Oct-12 RM'000
Individual impairment:				
- made	(708)	(1,253)	(708)	(1,253)
- written back	31	25	31	25
	(677)	(1,228)	(677)	(1,228)
Collective impairment:				
- made	(815)	(1,446)	(815)	(1,446)
Bad debts:				
- recovered	294	185	294	185
- written off	(27)	(39)	(27)	(39)
	<u>(1,225)</u>	<u>(2,528)</u>	<u>(1,225)</u>	<u>(2,528)</u>

A24 (Allowance)/Write Back of Allowance for Losses on Clients' Balances and Receivables

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Oct-13 RM'000	3 months ended 31-Oct-12 RM'000	3 months ended 31-Oct-13 RM'000	3 months ended 31-Oct-12 RM'000
Individual impairment:				
- made	(96)	(213)	(96)	(213)
- written back	322	172	322	172
	226	(41)	226	(41)
Bad debts:				
- recovered	315	9	315	9
	<u>541</u>	<u>(32)</u>	<u>541</u>	<u>(32)</u>

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A25 Commitments and Contingencies

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

	As at 31-Oct-13			As at 31-Jul-13		
	Principal amount RM'000	Credit equivalent amount* RM'000	Risk- weighted amount RM'000	Principal amount RM'000	Credit equivalent amount* RM'000	Risk- weighted amount RM'000
Commitments						
Commitments to extend credits with maturity of ⁽¹⁾ :						
- up to 1 year	316,492	-	-	353,243	5,385	5,385
- over 1 year	105,328	58,003	52,665	101,522	53,033	50,760
	421,820	58,003	52,665	454,765	58,418	56,145
Derivative financial instruments						
Foreign exchange related contracts:						
- up to 1 year	1,620,985	34,351	19,390	1,573,044	49,452	34,946
- over 1 year to 5 years	837,268	80,847	27,889	792,008	94,027	31,881
Interest rate related contracts:						
- up to 1 year	200,000	500	175	253,000	180	180
- over 1 year to 5 years	100,000	4,057	2,029	100,000	5,892	2,946
	2,758,253	119,755	49,483	2,718,052	149,551	69,953
Total	3,180,073	177,758	102,148	3,172,817	207,969	126,098

* The credit equivalent amounts in respect of commitments and contingencies of the investment banking 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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A26 Other Commitments

	As at 31-Oct-13 RM'000	As at 31-Jul-13 RM'000
Capital expenditure commitments	14,981	15,340
Non-cancellable operating lease commitments	4,919	6,474
	19,900	21,814

A27 Capital Adequacy

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

The capital adequacy ratios of the investment banking subsidiary, HDBSIB are computed in accordance 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 at both entity and consolidated levels.

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		HDBSIB	
	31-Oct-13 RM'000	31-Jul-13 RM'000	31-Oct-13 RM'000	31-Jul-13 RM'000
Common Equity Tier I (CET 1) Capital				
Issued and fully paid ordinary shares	500,000	500,000	500,000	500,000
Retained profits	216,854	216,854	214,038	214,038
AFS reserve	3,564	3,564	3,564	3,564
Statutory reserve	148,861	148,861	148,861	148,861
	869,279	869,279	866,463	866,463
Less: Regulatory adjustments	(164,925)	(164,925)	(164,925)	(164,925)
CET 1 Capital	704,354	704,354	701,538	701,538
Additional Tier 1 Capital				
Non-controlling interests	226	208	-	-
Tier 1 Capital	704,580	704,562	701,538	701,538
Tier 2 Capital				
Non-controlling interests	53	49	-	-
Collective impairment allowances	5,376	5,476	5,376	5,476
Less: Regulatory adjustments	-	-	(399)	(399)
Tier 2 Capital	5,429	5,525	4,977	5,077
Total Capital	710,009	710,087	706,515	706,615
CET1 Capital ratio	30.718%	30.046%	30.702%	30.020%
Tier 1 Capital ratio	30.728%	30.055%	30.702%	30.020%
Total Capital ratio	30.965%	30.291%	30.920%	30.237%

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

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

	As at 31-Oct-13	As at 31-Jul-13
Solvency ratio	65.553%	63.569%

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A28 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
3 months ended 31 October 2013								
Revenue								
External revenue *	30,697	31,309	55,827	9,668	3,445	1,654	-	132,600
Inter-segment revenue	-	400	(42)	-	-	1,947	(2,305)	-
Total revenue	30,697	31,709	55,785	9,668	3,445	3,601	(2,305)	132,600
Net interest income/(expense)	5,215	7,619	885	6,491	2,703	(2,709)	-	20,204
Other operating income	22,995	1,168	56,400	1,098	178	3,613	(3,164)	82,288
	28,210	8,787	57,285	7,589	2,881	904	(3,164)	102,492
Other operating expenses	(23,549)	(4,420)	(42,966)	(2,246)	(1,899)	(4,169)	2,798	(76,451)
	4,661	4,367	14,319	5,343	982	(3,265)	(366)	26,041
(Allowance)/Write back of allowance for losses on:								
- loans, advances and financing	13	87	-	(716)	(609)	-	-	(1,225)
- clients' balances and receivables	370	171	-	-	-	(126)	126	541
Segment profit/(loss)	5,044	4,625	14,319	4,627	373	(3,391)	(240)	25,357
Share of results of an associate, net of tax								460
Profit before taxation								25,817
3 months ended 31 October 2012								
Revenue								
External revenue *	21,678	34,742	41,282	11,526	2,469	1,709	-	113,406
Inter-segment revenue	-	435	(45)	-	-	34,676	(35,066)	-
Total revenue	21,678	35,177	41,237	11,526	2,469	36,385	(35,066)	113,406
Net interest income/(expense)	5,924	7,018	584	8,045	1,982	(2,484)	-	21,069
Other operating income	14,412	6,502	41,359	1,695	170	36,345	(34,786)	65,697
	20,336	13,520	41,943	9,740	2,152	33,861	(34,786)	86,766
Other operating expenses	(21,483)	(5,413)	(34,875)	(2,892)	(1,768)	(4,034)	2,154	(68,311)
	(1,147)	8,107	7,068	6,848	384	29,827	(32,632)	18,455
(Allowance)/Write back of allowance for losses on:								
- loans, advances and financing	109	(485)	-	(1,420)	(732)	-	-	(2,528)
- clients' balances and receivables	(32)	-	-	-	-	(2)	2	(32)
Segment profit/(loss)	(1,070)	7,622	7,068	5,428	(348)	29,825	(32,630)	15,895
Share of results of an associate, net of tax								142
Profit before taxation								16,037

* 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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A29 Fair value of financial instruments

The fair value of a financial instrument is the amount at which the instrument could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction.

There have been no significant changes to the methods and assumptions used in estimating the fair values of financial instruments since the end of the previous financial year.

Financial instruments measured at fair value

The Group classifies financial instruments measured at fair value based on the following fair value hierarchy, which reflects the significance of the inputs used in fair value measurement:

- Level 1 - Quoted price (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted price included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 - Inputs for the assets and liabilities that are not based on observable market data (unobservable inputs)

The table below presents the financial assets and liabilities of the Group, which are measured at fair value, classified by level of the fair value hierarchy.

	Carrying amount RM'000	Fair value hierarchy		
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
31-Oct-13				
<u>Financial assets</u>				
Securities held-for-trading				
- Quoted securities	36,422	36,422	-	-
- Unquoted debt securities	85,808	-	85,808	-
Securities AFS				
- Quoted securities	238,515	238,515	-	-
- Unquoted debt securities	1,188,981	-	1,188,981	-
Derivative assets	16,357	-	16,357	-
	<u>1,566,083</u>	<u>274,937</u>	<u>1,291,146</u>	<u>-</u>
<u>Financial liabilities</u>				
Derivative liabilities	27,314	-	27,314	-
31-Jul-13				
<u>Financial assets</u>				
Securities held-for-trading				
- Quoted securities	35,429	35,429	-	-
- Unquoted debt securities	19,890	-	19,890	-
Securities AFS				
- Quoted securities	206,830	206,830	-	-
- Unquoted debt securities	1,206,011	-	1,206,011	-
Derivative assets	36,579	-	36,579	-
	<u>1,504,739</u>	<u>242,259</u>	<u>1,262,480</u>	<u>-</u>
<u>Financial liabilities</u>				
Derivative liabilities	45,883	-	45,883	-

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A29 Fair value of financial instruments (cont'd)

Financial instruments not measured at fair value

As at the financial period ended 31 October 2013, the fair values of significant financial instruments of the Group, which are not measured at fair value, approximate their carrying amounts, except as disclosed below:

	As at 31-Oct-13		As at 31-Jul-13	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Securities held-to-maturity	361,905	389,191	370,268	399,827
Loans, advances and financing	880,521	889,840	889,092	897,595

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A30 Subsequent Events

There are no material events subsequent to the end of the financial period ended 31 October 2013 except as disclosed in explanatory note B7(a)(ii), B7(b) and B7(d).

A31 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 October 2013.

A32 Changes in Contingent Liabilities or Contingent Assets

Please refer to explanatory note A25.

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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

For the first three months of the financial year 2014, the Group reported a total operating revenue of RM132.6 million, which represents a 17% increase compared to RM113.4 million recorded in the first quarter of the preceding financial year 2013. The increase in operating revenue of the Group is mainly attributable to the higher fund management fee income generated by the investment management segment and increase in gains arising from securities trading activities.

Arising from the increase in operating revenue for the current quarter under review, the Group posted a pretax profit of RM25.8 million, surpassing the pretax profit of RM16.0 million recorded in the previous corresponding quarter ended 31 October 2012. The contributions from higher operating revenue is however, partly offset by increase in personnel costs for the current quarter under review.

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

(a) Stockbroking

Against the backdrop of a 28% increase in Bursa value traded to RM122.71 billion from RM95.69 billion recorded in the previous corresponding quarter, the stockbroking segment, which is highly dependent on the level of market activities in the local bourse, registered an encouraging pretax profit of RM5.0 million in contrast to a pretax loss of RM1.1 million in the previous corresponding quarter. The improved financial performance is primarily contributed by a marked increase in profits on stocks trading generated by its proprietary team, higher brokerage income and dividend income from its nominees subsidiary, partially offset by relatively higher personnel costs for the current quarter.

(b) Investment banking

The investment banking segment recorded a lower pretax profit of RM4.6 million for the current quarter under review, representing a 39% decrease from the pretax profit of RM7.6 million posted in the previous corresponding quarter, mainly attributed to net loss from foreign exchange and lower fee based income, partially cushioned by increase in net gain on derivatives portfolio.

(c) Investment management

The investment management segment reported a two fold increase in pretax profit to RM14.3 million for the first quarter of the financial year 2014, mainly boosted by higher fund management fee income and initial service fees, in line with the increase in net assets value of funds managed, offset by higher agents' commission expense and higher personnel costs for the current quarter. As at 31 October 2013, the assets under management ("AUM") amounted to RM22.36 billion (As at 31 October 2012: RM18.09 billion).

(d) Moneylending

Prerax profit of the moneylending segment declined by 15% to RM4.6 million in the current quarter under review as a consequence of reduction in net interest income and fee based income, partly mitigated by lower loan loss provisioning and personnel costs during the current quarter.

(e) Commercial banking

The commercial banking segment returned to profitability during the current quarter under review by posting a pretax profit of RM0.37 million for the three months ended 31 October 2013, compared to the pretax loss of RM0.35 million for the previous corresponding period ended 31 October 2012. This is largely due to increase in net interest income in tandem with its growth in the loan portfolio. The loan portfolio of the commercial banking segment increased to RM121.8 million as at 31 October 2013 (As at 31 October 2012: RM84.3 million).

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

Compared to the preceding fourth quarter of the financial year 2013, the Group recorded a 24% decrease in pretax profit to RM25.8 million for the current quarter against the pretax profit of RM33.9 million in the preceding quarter. The lower earnings for the current quarter were linked to net loss on foreign exchange, reduction in brokerage income, partly offset by net marked-to-market gain on derivatives portfolio, lower personnel costs, absence of impairment allowance on other assets and decrease in loan loss provisioning related to the moneylending and commercial banking segments.

B3 Commentary

(a) Current Year's Prospects

The Malaysian economy is expected to remain resilient amid a moderate growth outlook. While consumer spending is expected to soften following the cut in fuel and removal of sugar subsidies, coupled with uncertainties ahead of the implementation of Goods & Services Tax (GST) in 2015, the domestic economic activities will continue to be supported by the Government's Economic Transformation Programs (ETP) and the Central Bank's accommodative monetary policy.

The volatility in the Malaysian stock market is expected to linger on given the uncertainties in the global financial markets which will continue to affect investors' sentiments. The Group's stockbroking business will consequently be impacted by the gyrations of trading activities in the local bourse. Meanwhile, the investment banking division will strive to seize business opportunities in the capital market arising from fund-raising activities and will continue to promote its treasury and fee based activities. Against a highly competitive industry backdrop, the Group's stockbroking and investment banking activities will continue to operate in a challenging environment in the current financial year.

The investment management segment is expected to continue to grow its business steadily in current financial year and is well positioned to capitalise on its regional growth opportunities to further expand its asset and client base. The segment will continue to remain focused on increasing its AUM and revenue, launching of new and innovative funds, consolidating and re-packaging the existing funds and mandates as well as focusing on growing the Private Retirement Funds. The segment will also embark on investing in and strengthening its system infrastructure and distribution channels to meet the various business requirements.

The growth momentum of the Group's moneylending segment is expected to be curbed by lending restrictions imposed by the regulators based on the Central Bank's latest lending guidelines. Nevertheless, the segment will continue to develop its marketing strategies and execution capabilities to enhance its clients' service level.

Despite the stiffer competition in the banking sector in Cambodia with increasing number of banks and Micro Finance Institutions, the commercial banking segment will endeavour to grow its loans and deposits portfolio by continuing to target the retail and housing sector as well as the SMEs.

The Group will continue to maintain its prudent risk management approach and take measures to preserve its strong asset base.

The proposed disposals of the Company's equity interests in certain subsidiaries and associate, as disclosed in explanatory note B7, are subject to approval from the relevant regulatory authorities. Following the completion of the proposed disposals, the Group will be left with the remaining businesses of moneylending and property letting.

The Board of Directors is of the view that the Group will perform satisfactorily in the remaining quarters of the financial year ending 31 July 2014.

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B3 Commentary (cont'd)

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

Not applicable.

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

Not applicable.

B5 Profit Forecast and Profit Guarantee

Not applicable.

B6 Taxation

The analysis of the tax expense for the current quarter and financial period ended 31 October 2013 are as follows:

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended 31-Oct-13 RM'000	3 months ended 31-Oct-12 RM'000	3 months ended 31-Oct-13 RM'000	3 months ended 31-Oct-12 RM'000
In respect of the current financial year:				
Malaysian income tax	(11,296)	(7,146)	(11,296)	(7,146)
Foreign income tax	(44)	(25)	(44)	(25)
Deferred tax	4,220	2,614	4,220	2,614
	<u>(7,120)</u>	<u>(4,557)</u>	<u>(7,120)</u>	<u>(4,557)</u>

The effective tax rate for the current quarter and financial period ended 31 October 2013 is higher than the statutory tax rate mainly due to certain expenses which are not deductible for tax purposes, partially offset by certain income, which are not subject to tax.

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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) (i) 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:

- HwangDBS Custodian Services Sdn. Bhd. (In Liquidation) ("HCS")
- HDM Management Services Sdn. Bhd. (In Liquidation) ("HMS")
- HDM Research & Publication Sdn. Bhd. (In Liquidation) ("R&P")

(ii) On 22 November 2013, HCS, HMS & R&P had held the final shareholder's meeting and the Return by Liquidator Relating to Final Meeting ("Returns") have been lodged with the Companies Commission of Malaysia and the Official Receiver on the said date. HCS, HMS & R&P will be dissolved at the expiry of 3 months from date of lodgement of the Returns with CCM and the Official Receiver pursuant to Section 272(5) of the Companies Act, 1965.

The member's voluntary winding-up of HCS, HMS and R&P does not have any material effect on the net assets, gearing ratio and earnings per share of the Group for the financial year ending 31 July 2014.

(b) On 27 November 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:

- HDM Private Equity Sdn. Bhd. ("HPE")
- HDM Capital Management Sdn. Bhd. ("HCM")

The member's voluntary winding-up of HPE and HCM does not have any material effect on the net assets, gearing ratio and earnings per share of the Group for the financial year ending 31 July 2014.

(c) On 4 September 2013, the Company entered into an exclusivity agreement with Affin Holdings Berhad ("AHB") in relation to the proposed disposals of its equity interests in the following entities:

- 100% direct equity interest in a subsidiary, HwangDBS Investment Bank Berhad ("HDBSIB");
- 100% indirect equity interest held by HDBSIB in a subsidiary, HDM Nominees (Asing) Sdn. Bhd.;
- 100% indirect equity interest held by HDBSIB in a subsidiary, HDM Nominees (Tempatan) Sdn. Bhd.;
- 100% direct equity interest in a subsidiary, HDM Futures Sdn. Bhd.;
- 53% direct equity interest in a subsidiary, Hwang Investment Management Berhad; and
- 49% direct equity interest in an associate, Asian Islamic Investment Management Sdn. Bhd.

The proposed disposals, which are subject to approval from the relevant regulatory authorities, are expected to be completed in the first half of year 2014.

(d) On 8 November 2013, the Company entered into a Share Sale and Purchase Agreement with a third party, Phillip MFIs Pte Ltd, a member of the PhillipCapital Group, in relation to the proposed disposal of 40 million ordinary shares of USD1 each in a wholly-owned subsidiary, HwangDBS Commercial Bank Plc ("HCB") for a total cash consideration of USD40 million. The proposal will involve the disposal of the 100% equity interest in HCB and its subsidiary, HwangDBS Securities (Cambodia) Plc.

The proposed disposal, which is subject to approval from the relevant regulatory authorities, is expected to be completed by the first quarter of year 2014.

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B8 Group Borrowings and Debt Securities

Please refer to explanatory note A18.

B9 Disclosure of Realised and Unrealised Profits or Losses

	As at 31-Oct-13 RM'000	As at 31-Jul-13 RM'000
Total retained profits of the Company and its subsidiaries:		
- realised	568,753	555,512
- unrealised	10,524	6,328
	<u>579,277</u>	<u>561,840</u>
Total share of accumulated losses of associate:		
- realised	51	(409)
	<u>579,328</u>	<u>561,431</u>
Consolidation adjustments	(32,727)	(28,344)
Total Group retained profits	<u>546,601</u>	<u>533,087</u>

The disclosure of realised and unrealised profits or losses is made in accordance with the directive 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 financial instruments held by the Group as at the end of the reporting period are as follows:

	As at 31-Oct-13		As at 31-Jul-13	
	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	3,884	(6,476)	22,932	(1,618)
- currency swaps	8,120	(7,560)	3,442	(28,817)
- currency options	9	(9)	1	(1)
- cross currency interest rate swaps	3,313	(13,160)	8,117	(14,878)
Interest rate related contracts:				
- futures contracts	-	-	298	-
- interest rate swaps	1,031	(109)	2,087	(569)
	<u>16,357</u>	<u>(27,314)</u>	<u>36,877</u>	<u>(45,883)</u>
Less:				
Fair value of futures contracts included in other assets	-	-	(298)	-
	<u>16,357</u>	<u>(27,314)</u>	<u>36,579</u>	<u>(45,883)</u>

(b) The principal amount and fair value of derivatives held by the Group at 31 October 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	-	633,140	105,514	-	738,654
- currency swaps	11,500	921,111	105,594	-	1,026,705
- currency options	-	1,440	-	-	1,440
- cross currency interest rate swaps	9,529	65,294	183,527	442,633	691,454
Interest rate related contracts					
- interest rate swaps	-	200,000	-	100,000	300,000
	<u>21,029</u>	<u>1,820,985</u>	<u>394,635</u>	<u>542,633</u>	<u>2,758,253</u>

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	(3,838)	1,246	-	(2,592)
- currency swaps	1,733	(1,173)	-	560
- currency options	-	-	-	-
- cross currency interest rate swaps	(559)	(6,492)	(2,796)	(9,847)
Interest rate related contracts				
- interest rate swaps	(109)	-	1,031	922
	<u>(2,773)</u>	<u>(6,419)</u>	<u>(1,765)</u>	<u>(10,957)</u>

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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 period, the amount of credit risk of the Group, measured in terms of the cost to replace profitable contracts is RM16.4 million (At 31 July 2013: RM36.9 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 RM143.6 million (At 31 July 2013: RM68.3 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

The Group does not have any material litigation as at 31 October 2013 which would materially affect the financial position or business of the Group.

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-Oct-13	3 months ended 31-Oct-12	3 months ended 31-Oct-13	3 months ended 31-Oct-12
Profit for the financial period attributable to equity holders of the Company (RM'000)	<u>13,514</u>	<u>9,221</u>	<u>13,514</u>	<u>9,221</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><u>5.30</u></u>	<u><u>3.61</u></u>	<u><u>5.30</u></u>	<u><u>3.61</u></u>

There were no dilutive potential ordinary shares in issue as at 31 October 2013 and 31 October 2012.

By Order of the Board

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

**Penang
27 December 2013**